Annual Report 2002

APN
NEWS & MEDIA

APN NEWS & MEDIA LIMITED ABN 95 008 637 643

APN
NEWS & MEDIA

TEN YEARS ON

APN has come a long way from its first day of listing on the Australian Stock Exchange on 21 May 1992. At that time, APN's core business was Queensland-based regional newspapers. Today, **APN is a truly international media company** with operations in metropolitan and regional newspapers, radio, outdoor advertising and magazines, across Australia, New Zealand and Asia.

In 2002, **APN's newspaper assets performed significantly ahead of expectations**, confirming newspaper publishing as the most exciting growth market within the media industry today. In 2002, the company delivered a record result – **net profit of $90.2 million, up 87% on the previous year**.

On this tenth anniversary of APN being listed on the ASX, **we look forward to 2003 with confidence**, as our brands and our markets continue to provide our shareholders with even greater returns.

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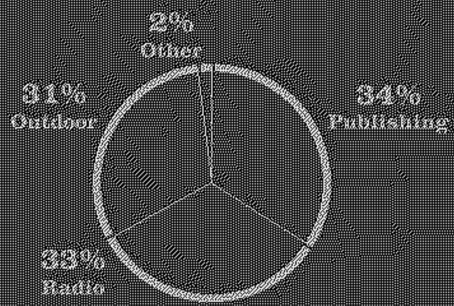
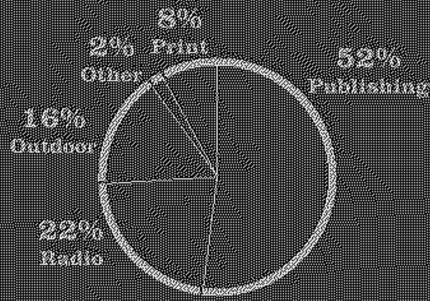
2002 RESULTS

The acquisition of Wilson & Horton has changed APN's mix of assets. Publishing now represents more than half of the Group's revenue, and 64% of its profitability.

TURNOVER BY DIVISION 2001



TURNOVER BY DIVISION 2002



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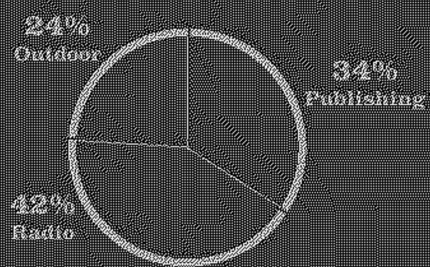
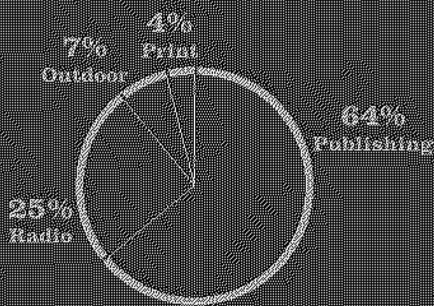


EBIT BY DIVISION 2002



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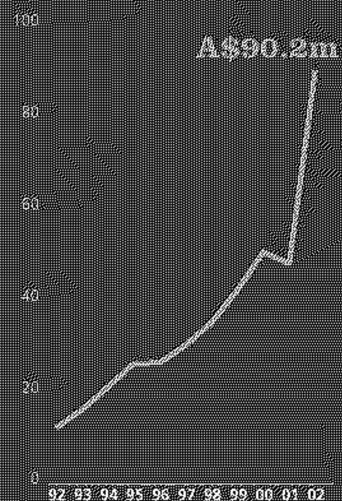
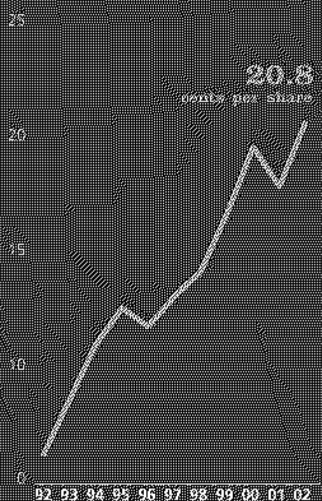
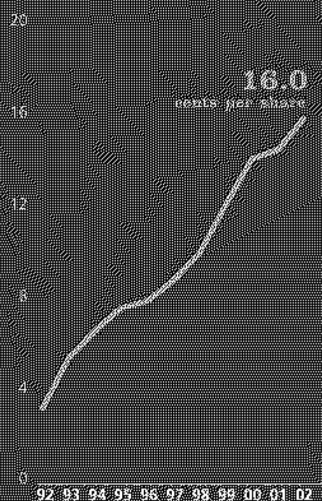


EARNINGS PER SHARE*



* EPS restated from prior years for the bonus element of the pro-rata entitlement offer in 2001.

DIVIDENDS PER SHARE*



* DPS restated from prior years for the bonus element of the pro-rata entitlement offer in 2001.

FINANCIAL HIGHLIGHTS

APN News & Media reported a record net profit for 2002 of $90.2 million, up 87 per cent on the previous year. The result includes the full-year benefit of the December 2001 acquisition of New Zealand's largest media group, Wilson & Horton Limited. The Directors have declared a full-year dividend of 16.0 cents per share – the tenth consecutive year of dividend growth for shareholders.

Financial Summary

PROFIT

AUD million	2002	2001	%
Total Revenue	**1,071.7**	598.7	79%
EBITDA (earnings before interest, tax, depreciation and amortisation)	**255.9**	135.7	89%
EBIT (earnings before interest and tax)	**204.9**	115.6	77%
Pre-tax profit	**135.7**	101.0	34%
Net profit after tax and outside equity interest	**90.2**	48.2	87%
Earnings per share	**20.8c**	18.0c	16%
Dividends per share	**16.0c**	14.6c	10%

BALANCE SHEET

AUD million	2002	2001
Total assets	**2,753.8**	2,485.4
Total liabilities	**1,276.4**	1,270.7
Net assets	**1,477.4**	1,214.7

Financial Calendar

2002 Annual result announced	4 March 2003
Dividend Reinvestment Plan election date	14 April 2003
Record date for final dividend	22 April 2003
Annual General Meeting	23 April 2003
Final dividend paid	1 May 2003
2003 Half-year end	30 June 2003
2003 Half-year result announced	12 August 2003
Dividend Reinvestment Plan election date	22 September 2003
Record date for dividend	30 September 2003
Interim dividend paid	7 October 2003
2003 Full-year end	31 December 2003

The above dates are indicative and are subject to change

APN IN PROFILE

After 10 years of trading as a public company, APN News & Media has grown from being a publisher of regional newspapers in Queensland and northern New South Wales to one of the most broadly-based and successful media companies in Australia. APN's market capitalisation in 1992 was $243 million. Ten years later, it has grown sixfold to $1.4 billion.

The Company's assets have never been stronger:

- **the largest regional newspaper publisher in Australia and New Zealand**
- **the largest newspaper group in New Zealand**
- **the second largest radio group in Australia**
- **the largest radio group in New Zealand**
- **the largest outdoor advertising operator in Australia and New Zealand**

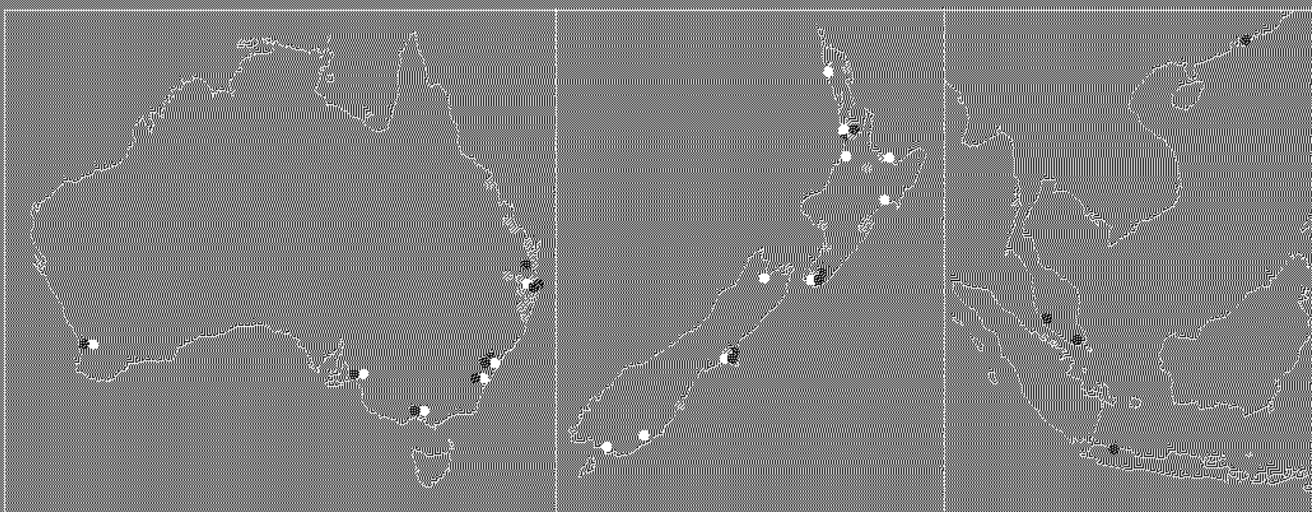
APN is a company of scale and has a capital base that makes it an attractive investment proposition for investors, both locally and internationally.

In December 2001, the company effectively doubled its size with the acquisition of New Zealand's largest newspaper company, Wilson & Horton Limited. This transaction added a number of premium media assets to APN's portfolio, most prominent of which was The New Zealand Herald, the country's largest metropolitan newspaper. The acquisition also made APN New Zealand's largest regional newspaper operator, with such leading titles as Hawke's Bay Today and the Bay of Plenty Times.

In order to better manage the expanded company, an internal restructure occurred in 2002 to reflect the new corporate composition of the business. A seven-member executive committee was formed, comprising the Chief Executive, the Chief Financial Officer and each of the five divisional Chief Executives. The senior team meets regularly to oversee the day-to-day operations and strategic direction of the company and drive the agenda for profitable future growth.

One year after the acquisition, the 2002 result clearly shows that the New Zealand assets have provided an essential boost to APN's overall results. The addition of the Wilson & Horton assets to APN's portfolio broadens further the company's operational and geographic base, now having leading market positions in both Australia and New Zealand in addition to its presence in Asian markets through outdoor advertising.

APN OPERATIONS



- THE NEW ZEALAND HERALD
- REGIONAL NEWSPAPERS
- RADIO
- OUTDOOR ADVERTISING
- PRINT & SPECIALIST PUBLISHING

CHAIRMAN'S REVIEW

James J Parkinson

In a year of significant challenge to the media sector in Australia and around the world, APN News & Media returned a record net profit of $90.2 million, an increase of 87% over the previous year.

The result for 2002 includes, for the first time, a contribution from the Wilson & Horton operations, New Zealand's leading media company, acquired in December 2001. Strong performances from The New Zealand Herald and APN's regional newspaper division were central to the overall group result. The Wilson & Horton acquisition has proven to be a most successful and strategically important one for the company. The addition of quality assets – such as The New Zealand Herald together with a portfolio of popular regional newspapers –to APN's already successful mix of publishing, broadcasting and outdoor advertising businesses helped secure the record 2002 result.

Publishing in particular, with growth in both circulation and advertising revenue, produced excellent profits. While it has become fashionable in some investor circles to write off publishing as a growth industry, we do not share that view and are confident that our newspaper assets will continue to generate above average returns for our shareholders for the foreseeable future.

APN expanded its newspaper portfolio through the acquisition of two strategically important newspaper titles in New Zealand – The Wairarapa Times-Age and the Te Puke Times – as the group continually seeks to expand its portfolio of media assets.

APN now operates media businesses across six countries: Australia, New Zealand, Singapore, Hong Kong, Indonesia and Malaysia. This broad base of operations across such a diverse range of local economies gives APN the ability to continue to deliver overall growth in times of economic uncertainty.

During the year, Vincent Crowley resigned his position as APN's Chief Executive to accept a new role with Independent News & Media.

While sorry to see Vincent depart, it was an opportunity he was keen to pursue and the Board wishes him well in his new position.

It had been planned that John Sanders would move up to Chief Executive from his role as Chief Operations Officer upon Vincent's departure. Unfortunately, John was unable to take up his new role for medical reasons and subsequently resigned from the Board.

APN was fortunate to address this situation very quickly with the appointment of Brendan Hopkins as Chief Executive. Brendan brings a wealth of media experience to the group, having served as Chief Executive of Independent News & Media's United Kingdom operations, as well as previously holding senior management positions in media businesses in a number of countries.

Finally, I would like to pay a very special tribute to my predecessor Liam Healy, who retired as Chairman of APN in May after serving with great distinction in that position for seven years. APN has been very fortunate to retain his services as a non-executive Director and I thank him for his continued advice and his valuable contribution.

Your Directors have recommended a final fully-franked dividend of 10.0 cents, bringing the total payment for the year to 16.0 cents per share. The dividend is payable on 1 May 2003 and books will close on 22 April 2003.

I would like to personally thank the senior management team and all APN employees for their ongoing commitment to the company and their contribution to the record result. The 2003 year has begun promisingly and APN is well positioned for further profitable growth.

James J Parkinson
CHAIRMAN

CHIEF EXECUTIVE'S REVIEW

Brendan MA Hopkins

APN News & Media has entered 2003 in the strongest commercial position in its 10 years as a listed company.

The overall growth in group revenue and profit in 2002 was underpinned by a strong second half result from the publishing businesses in Australia and New Zealand. Radio also recorded a strong fourth quarter performance in both markets.

Total group revenue was $1072 million, up 79% from $599 million in 2001, and group EBIT was $205 million, up 77% from $116 million. On a like-for-like basis, group revenue improved 8% and EBIT grew 2%.

The result includes the full-year benefit of the Wilson & Horton acquisition and also a $4.6 million EBIT contribution from a series of non-operating transactions, the principal one of which was the equalisation of shareholdings in the New Zealand Radio Network (NZRN) between APN and Clear Channel Communications – a transaction foreshadowed at the time of the Wilson & Horton acquisition.

A record net profit in 2002, good revenue growth, positive circulation increases from our newspapers, improving trends in radio ratings and market share gains for outdoor advertising places APN on solid ground for future growth.

The first half of 2002 was difficult for all media companies, with a significant downturn in national advertising in the Australian market. APN was affected by this slowdown and at the half year we were behind our expectations. However, the second half performance was outstanding, driven by the publishing divisions.

Newspapers have once again become the most exciting growth market in media, energised through better technologies, better delivery systems, enhanced product offerings and, most important of all, better and more relevant content and audience targeting.

APN's newspaper titles, led by The New Zealand Herald and 23 other daily titles throughout Australia and New Zealand, had a record year and we are in excellent shape to produce even better earnings in 2003.

Circulation was up and revenues continued to grow. During 2002, we acquired new regional titles in New Zealand to enhance our position in that market and we will continue to assess other acquisition opportunities as they arise.

APN's ongoing ability to withstand fluctuations in the business cycle compares more than favourably with most of our media peers.

As APN has continued to grow, the management structure has had to change to best oversee our assets and resources. In September, the senior management team of your company was restructured into five divisions to reflect the company's larger asset base:

- The New Zealand Herald
- APN Regional Newspapers
- Radio
- Outdoor Advertising
- Print, Specialist Publishing and Group Services

Streamlining the reporting structure has encouraged each division to focus on its core business and respond to commercial opportunities. APN will continue to strengthen its management team where appropriate.

Considerable work took place during the year to achieve savings across the group by better utilising shared services, particularly in accounting, telecommunications and information technology. The groundwork laid in this process will reap further rewards as the company continues to grow.

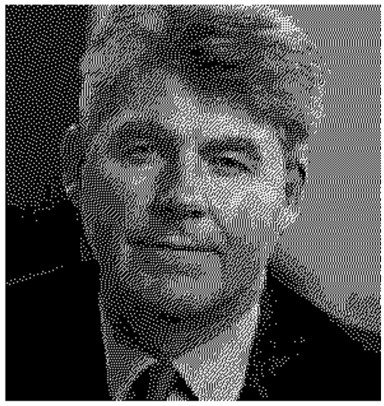
As mentioned earlier, in Australia the first part of 2002 proved difficult for national advertising. The New Zealand economy, on the other hand, performed well throughout the year. This underlines APN's geographic strength and our ability to produce earnings growth even when one of our markets is performing below expectations.

All our divisions have started the new year well, and given a continuation of current trading conditions, we are confident of an improved result in 2003.

At the time of writing we are hopeful once again of changes to the media laws in Australia. These changes should, we hope, lead to greater diversity and plurality in the Australian media market. In particular, the changes should lead to a greater international presence in the market – we welcome the changes and encourage their adoption.

Having taken up the position of Chief Executive in August 2002, I would like to thank all the managers and employees of APN who have helped deliver this positive result and I look forward to working with them to achieve even better results in the future.

Brendan MA Hopkins
CHIEF EXECUTIVE



APN'S MANAGEMENT STRUCTURE

APN's executive committee oversees the day-to-day operations of the group, and sets the strategic agenda for future growth. They are:

Brendan Hopkins, APN Chief Executive Officer, has extensive experience in the media industry, having served as Chief Executive of Independent News & Media (UK), as well as Executive Chairman of The Belfast Telegraph. He has a degree in Business Studies and a postgraduate qualification in Marketing.

Greg Dyer, APN Chief Financial Officer, worked, prior to joining APN in May 2000, for Publishing and Broadcasting Limited and Murdoch Magazines Pty Limited. Previously, he was with KPMG for 12 years. A Chartered Accountant, he holds degrees in Economics and Law.

Ken Steinke, The New Zealand Herald Chief Executive, has worked in the media industry for 28 years as a journalist, editor and manager. He served as Chief Executive of APN Newspapers from October 1998 and was appointed to his current post in January 2002. He holds a degree in Marketing and an MBA.

Martin Simons, APN Regional Newspapers Chief Executive, has more than 30 years' experience as a reporter, editor and manager with APN News & Media and Wilson & Horton. In 1998, he was appointed Chief Executive Officer of Wilson & Horton Regional Newspapers and started in his current position in January 2002.

Bob Longwell, APN Radio Chief Executive, has more than 30 years' international experience in the radio industry. He has held senior positions in most of the major US radio markets. He took up his current position with ARN in November 2000.

Pierce Cody, APN Outdoor Chief Executive, has 23 years' experience in the advertising industry, and founded the highly successful Cody Outdoor businesses in Australia and Hong Kong. He was appointed to his current position in late 2001.

Phil Eustace, Print, Specialist Publishing & Group Services Chief Executive, was formerly Chief Financial Officer with Wilson & Horton Limited. He has extensive financial experience in a number of industries. He was appointed to his current position in late 2002.

Clockwise from centre: Brendan Hopkins, Phil Eustace, Greg Dyer, Ken Steinke, Martin Simons, Bob Longwell and Pierce Cody.

The New Zealand Herald

PROFILE
- Largest circulating daily metropolitan newspaper in New Zealand
- The Herald was first published in 1863 and has an average daily circulation of 211,000
- The country's major newspaper in terms of daily sales, advertising volumes and revenues
- One million individual readers each week

HIGHLIGHTS
- The Weekend Herald named New Zealand Newspaper of the Year
- Daily readership of 593,000 aged 15+
- Weekend readership of 711,000 aged 15+
- More than 47% market share of total metropolitan newspaper circulation
- No.1 news website – nzherald.co.nz

OPERATIONS
Auckland City – housing the commercial, editorial and management teams that produce The Herald each day
Ellerslie – The Herald's high speed and modern colour printing facility that publishes The Herald, and also the Auckland community titles and The Northern Advocate

Regional Newspapers

PROFILE
- 14 regional daily newspapers in Australia
- Nine regional daily newspapers in New Zealand
- Three chains of New Zealand community newspapers
- More than 90 non-daily publications
- Long-established local franchises

HIGHLIGHTS
- 17% EBIT growth on like-for-like basis in 2002
- Highest circulation gains of any Australian newspaper publisher, June - Dec 2002
- Strategic bolt-on acquisitions strengthen NZ operations
- Good growth in all major classified categories
- Real synergy benefits in skill sharing across countries

OPERATIONS
Operations are situated in the following principal locations:
Australia: Bundaberg, Coffs Harbour, Gladstone, Grafton, Gympie, Ipswich, Lismore, Mackay, Maryborough, Rockhampton, Sunshine Coast, Toowoomba, Tweed Heads, Warwick. New Zealand: Auckland, Christchurch, Dannevirke, Hawke's Bay, Levin, Masterton, Oamaru, Rotorua, Tauranga, Wanganui, Wellington, Whangarei

Radio

PROFILE
- APN owns 50% of the Australian Radio Network (ARN) and 50% of The Radio Network (TRN) (66% during 2002)
- 12 Australian stations in key metropolitan markets; two streams – Mix and Classic Hits
- 88 New Zealand stations; leading operators in Auckland, Wellington and Christchurch
- Joint venture with Clear Channel Communications of the United States, the largest radio broadcaster in the US
- ARN owns 30% of Pan TV, which operates the popular World Movies pay television channel

HIGHLIGHTS
- Strong ratings result for Classic Hits stream in Australia, making it the fastest growing music format in the country
- Ongoing success in targeting the commercially important 25-54 demographic
- Joint venture with DMG Radio in Brisbane and Perth producing good early results. New97.3 in Brisbane performing above expectations
- In New Zealand, TRN continues profit growth ahead of expectations
- Strong local sales result helps offset weakness in national advertising

OPERATIONS
Operations are situated in the following principal locations:
Australia: Adelaide, Brisbane, Canberra, Melbourne, Perth, Sydney
New Zealand: Auckland, Christchurch, Dunedin, Hamilton, Wellington

Outdoor Advertising

PROFILE
Market leadership in each of the main segments of the industry:
- Adshel: Street furniture (50% owned)
- Australian Posters and Look Outdoor: Posters and taxis
- Buspak: Transit
- Cody Outdoor: Supersites
- Asia Posters: Posters and Taxis in Hong Kong, Singapore, Indonesia and Malaysia

HIGHLIGHTS
- New advertising formats well received by the market
- Important contract wins expand the quality and leadership of the network
- In-bus television at trial stage
- Good revenue growth in Indonesia and Malaysia

OPERATIONS
Operations are situated in the following principal locations:
Australia: Adelaide, Brisbane, Canberra, Melbourne, Perth, Sydney
New Zealand: Auckland, Christchurch, Wellington
Asia: Hong Kong, Jakarta, Kuala Lumpur, Singapore

Print & Specialist Publishing

PROFILE
- Nine print businesses, including commercial and security printing
- New Zealand Magazines, which publishes two of New Zealand's most popular mass market publications
- UBD Directories and Wises Maps
- APN Educational Media
- Specialist financial, information technology and procurement services offered across the group

HIGHLIGHTS
- Strong circulation and readership growth for The New Zealand Woman's Weekly
- Shared services at core of identified integration savings
- Good growth prospects for Security Plastics and Bankprint

OPERATIONS
Operations are situated in the following principal locations:
Australia: Brisbane, Sunshine Coast, Sydney
New Zealand: Auckland, Christchurch

Every week The New Zealand Herald is read by 1 million people across the country.

THE NEW ZEALAND HERALD

The country's largest daily newspaper

In its first year of operations as part of the APN News & Media group, The New Zealand Herald has lived up to its reputation as one of the world's great newspaper businesses. Major commercial milestones were achieved and its journalism was again recognised as the best in the country. The even greater confluence of readers and advertisers resulted in The Weekend Herald being named New Zealand Newspaper of the Year.

The New Zealand Herald confirmed its market leadership position in 2002, continuing its strong commercial performance in recent years with growth in circulation, readership and advertising volumes. The publication continues to play a central role in New Zealand life, providing a commercial platform for advertisers and an important forum for issues of the day for its readers.

While Auckland has been the traditional home of The Herald, increasingly the newspaper has penetrated new markets as more readers turn to its pages as a source of reliable and relevant news and information. A number of new readership and distribution initiatives ensured that The Herald's readership continued to grow during the year.

While New Zealand was not immune to the global downturn in brand-based advertising, The Herald was able to withstand reduced national marketing budgets thanks to the underlying strength of its Auckland and North Island franchise.

Advertising volumes increased over the previous year, driven by good growth in the major classified category of real estate and local retail advertising. In particular, the Auckland market experienced good economic growth throughout 2002, with high levels of new housing approvals flowing on from continued low interest rates, strong net immigration and low inflation. The robust revenue performance by The Herald translated into good operational results.

The newspaper had a particularly good second half to the year, growing revenue in the six months of June to December significantly ahead of the same period in 2001.

During the year, The Herald recorded its strongest second-half circulation figure since the September 1999 circulation survey, with audited average net sales of 211,246 in the six months to September. The Herald was the only New Zealand daily metropolitan newspaper to increase circulation during the year, and had more than twice the circulation of any other daily newspaper in the country.

The circulation result was coupled with strong readership numbers, where an independently audited survey showed that The Herald was the first newspaper in New Zealand to reach more than one million individual readers a week.

The survey found that on a typical weekday in the period from January to December 2002, 593,000 people aged 15 and over read The New Zealand Herald. That means one in five New Zealanders aged over 15 are regular readers of The Herald.

The readership survey also found that The Weekend Herald remains the most read weekend newspaper in the country, attracting 711,000 readers aged 15 and over. In Auckland, The Weekend Herald is read by one in two people aged 15 and over. The newspaper gained an additional 72,000 readers since the previous survey in 2001.

These good circulation and readership results were the result of a number of new initiatives. In August, a Super Sports tabloid was launched in the Friday edition of The Herald to satisfy the weekend sports market. Advertising improvements included a redesigned Real Estate tabloid together with a Midweek Motoring section, both easier for readers to navigate and delivering more powerful vehicles for advertisers.

New distribution arrangements into Wellington were also well received, as The Herald extended its coverage further south. In November, The Weekend Herald published a record 270-page edition, the largest single edition of the newspaper since it was established in 1863.

'OUR REPEATED READERSHIP GROWTH, TOGETHER WITH THE EDITORIAL AND BUSINESS ACCOLADES THE HERALD TEAM RECEIVED IN 2002, ENDORSES THE FACT THAT WE ARE PRODUCING A WORLD-CLASS NEWSPAPER.'

THE NEW ZEALAND HERALD CHIEF EXECUTIVE, KEN STEINKE

The ongoing quality of The Weekend Herald was recognised in the annual Qantas Media Awards, where it was named New Zealand Newspaper of the Year.

Herald journalists and photographers also dominated the winners' list. In May, the quality of The Herald's marketing department was also recognised when it was awarded five first places at the International Newspaper Marketing Awards – the best performance by any media company in the history of this prestigious event.

Early indications for 2003 point towards continued steady economic growth in New Zealand. As the country's largest circulating daily newspaper, The New Zealand Herald is well placed to build on its leading position in the market. New supporting products and supplements are being considered as the company continuously seeks to meet its readers' and advertisers' needs.

APN's regional newspaper division publishes 23 daily newspapers in some of the fastest growing regions of Australia and New Zealand.

REGIONAL NEWSPAPERS

The largest regional newspaper publisher in Australia and New Zealand

APN News & Media publishes 23 regional daily newspapers and more than 90 community titles in the fastest-growing areas of Australia and New Zealand. In 2002, the relevance of newspapers to those local economies produced a significant growth in revenue across the Division, confirming newspaper publishing as a fast-developing, growing and vibrant industry.

The strong result from APN's Regional Newspaper Division again confirmed the importance to the overall group of the Wilson & Horton Limited acquisition in December 2001 through the combination of the fourteen Australian and nine New Zealand regional daily newspapers into one divisional structure.

Gains will continue to accrue as further advances are made in unifying operating practices across the regional group. Through the ownership of well-established newspapers distributed across a diverse range of local economies in Australia and New Zealand, the Division is less exposed to market disruptions in any one industry or sector.

In **Australia**, the 2002 result was underpinned by strong advertising revenue growth, good circulation gains and tight control of costs.

Underlying advertising revenues were significantly ahead of the previous year, with good volume gains in employment, property and motoring. Real estate advertising in The Sunshine Coast Daily showed particularly good growth as the region north of Brisbane continued to attract more homebuyers and investors.

APN's Australian regional newspapers, which cover the coastline from the Whitsundays in north Queensland to Coffs Harbour in northern New South Wales, were mostly unaffected by the prolonged drought in the eastern States.

Over the past 10 years, the growth of industries such as tourism, construction and mining in our franchise areas has reduced the exposure of most APN newspapers to downturns in the primary industries. Good early rains at the time of writing across southern Queensland and northern New South Wales have further reduced the potential of any negative drought impact in 2003.

APN's regional newspapers have also benefited from major state government and private enterprise infrastructure projects that have injected significant funds into local economies. These projects include:

• The $1.5 billion first stage of the Comalco Alumina refinery is underway near Gladstone. Employment on the project is expected to peak at 2000 workers in late 2003. Planning is well advanced for stages two and three, worth an estimated $5.6 billion,

• The $3.8 billion Aldoga Aluminium Smelter is due to begin preliminary earthworks in early 2003; and

• A $1.3 billion light metals smelter in Gladstone to supply material for the manufacture of car engines is forecast to employ 1,500 people.

In **New Zealand**, advertising revenue grew strongly above 2001 levels, driven by the three main pillars of motoring, real estate and employment.

A number of initiatives were undertaken to build advertising volumes and yields, with good success achieved.

The Bay of Plenty Times and The Northern Advocate in Whangarei in particular returned very strong performances. The 2002 result was also enhanced by the acquisition of The Wairarapa Times-Age in Masterton, which performed ahead of expectations.

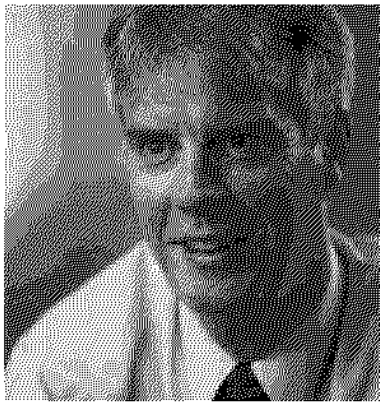
In **Australia**, APN's newspapers returned the best circulation gains in the six months to December 2002 of any Australian regional newspaper publisher. The increases were led by titles in Queensland, with growth in The Fraser Coast Chronicle covering Maryborough and Hervey Bay (up 5.5%), The Sunshine Coast Daily (up 5.1%), The Daily Mercury in Mackay (up 4.3%) and The Observer in Gladstone (up 2.8%).

In **New Zealand**, circulation grew for the second successive year, and was achieved despite the impact of cover price increases. Good gains were recorded with The Wanganui Chronicle (up 2.1%), The Northern Advocate in Whangarei (up 1.8%) and The Bay of Plenty Times (up 1.2%). The Bay of Plenty Times was also honoured in the Qantas Media Awards as Newspaper of the Year (circulation under 25,000).

As well as the acquisition of The Wairarapa Times-Age, the Division acquired The Te Puke Times, an 11,200 circulation weekly in the Bay of Plenty region.

'THE COMBINED STRENGTH OF OUR 23 DAILY TITLES IN SOME OF THE HIGHEST GROWTH AREAS IN AUSTRALIA AND NEW ZEALAND HAS PRODUCED AN OUTSTANDING RESULT FOR 2002.'

APN REGIONAL NEWSPAPERS CHIEF EXECUTIVE, MARTIN SIMONS



This was an important in-fill purchase for APN in the fastest-growing region in New Zealand outside of Auckland. It gives APN total coverage of the Bay of Plenty area, with one paid daily newspaper and four community titles.

Trading for 2003 has begun positively and again emphasises the fundamental economic health of the regional markets in which APN operates. A number of large public works projects are underway in our Australian markets and the New Zealand regions continue to exhibit good trading. The Auckland community newspapers and The Northern Advocate of Whangarei continue to benefit from enhanced colour capabilities following the transfer of their printing to the Ellerslie facility in Auckland.

The Division has also embarked on a trans-Tasman skill sharing program to introduce best operating practices at all sites. The benefits from this program, made possible by the combined Australia-New Zealand structure within the Division, are expected to provide benefits for several years to come.

Almost 6 million listeners tune into APN's **100 radio stations** across Australia and New Zealand everyday.

RADIO

The largest radio broadcaster in Australasia

As the power of radio to deliver an audience continues to grow, so too does APN News & Media's presence as the leading broadcaster in Australia and New Zealand. With the launch of a new FM music station in Perth in late 2002, APN is extending its ability to reach even more consumers.

APN's broadcasting assets performed strongly in a competitive 2002, despite a slowdown in national advertising in the Australian marketplace. The strength of the company's local direct sales teams, and their good relationships with local businesses, helped offset shortfalls in national marketing budgets.

Consistent ratings performances throughout the year consolidated audiences at a time when listeners were faced with more radio stations from which to choose.

APN's radio assets in Australia and New Zealand have never been better placed to produce even stronger results for 2003.

AUSTRALIAN RADIO NETWORK

APN's Radio Division is jointly owned with Clear Channel Communications of the United States. In Australia, the joint venture has 12 radio stations in Brisbane, Sydney, Canberra, Melbourne, Adelaide and Perth, broadcasting to more than four million listeners each week.

The Australian radio operations experienced a strong second-half performance in 2002, producing good revenue and profit growth, particularly in the fourth quarter. The ARN stations grew EBIT in the second half of the year well above the first half performance.

Over recent years, ARN stations have worked hard to build local direct revenue streams, which represent more than half of total revenue. This strategy of targeting sustainable local revenue helped offset shortfalls from national advertising.

At the same time, ARN's share of national agency business is growing, following the successes achieved in radio ratings surveys throughout the year.

The network's programming strategy has been to focus on two music streams: Mix and Classic Hits. Together, they target the 25-54 year-old demographic, which in 2002 was increasingly recognised by marketers and advertising planners as the nation's most influential consumer group. In the commercially important Sydney and Melbourne markets, the Classic Hits stream performed strongly, and was the fastest-growing music format in Australia, adding 180,000 new listeners in 2002.

In Sydney, WSFM grew its audience share by 29% between surveys one and eight, the largest growth of any commercial FM music station.

In Melbourne, Gold FM also performed strongly, gaining good audience share from its rivals. In Brisbane, New 97.3FM – owned in a joint venture with DMG Radio – ended the year in second position after being on air for just 15 months. In Adelaide, Mix 102.3 also won second spot by survey eight, having lifted its audience share by 24% over the year.

December saw the latest addition to ARN's radio assets, with the launch of Nova 93.7 in Perth, also owned in joint venture with DMG Radio.

The ratings success achieved in 2002 flowed over into the first survey of 2003, where Mix 106.5FM in Sydney and Gold FM in Melbourne were the only commercial FM stations to increase audience share in those markets. The survey showed that the ARN network had a weekly cumulative audience of almost 2.5 million 25-54 year-olds across Australia.

THE RADIO NETWORK – NEW ZEALAND

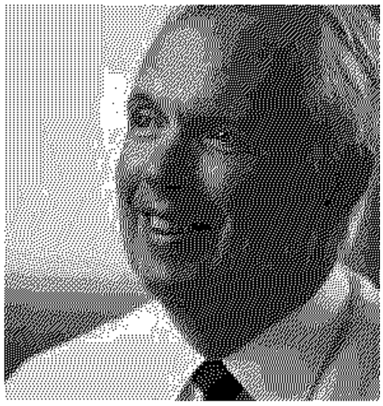
In New Zealand, The Radio Network (TRN) is jointly owned by APN and Clear Channel Communications. In late 2002, APN equalised its shareholding in New Zealand radio with Clear Channel, as had been foreshadowed at the time of the Wilson & Horton acquisition, bringing the equity structure into line with the shareholding in ARN.

TRN continued to gain commercial strength in 2002 with growth in total broadcasting income and EBIT. The Auckland market in particular showed good growth in radio revenues.

TRN has the top three branded radio networks in the country. The network with the most listeners is Newstalk ZB, followed

'OUR PROGRAMMING STRATEGY IS DELIVERING REAL RESULTS, WITH GREAT AUDIENCE SHARE GAINS FOR BOTH THE CLASSIC HITS AND MIX MUSIC STREAMS.'

APN RADIO CHIEF EXECUTIVE, BOB LONGWELL



by the Classic Hits network and the ZM network.

In total, 55% of New Zealanders – equivalent to two million people – listen to one of the company's stations each week, making the network one of the most effective advertising platforms in the country. TRN stations have the number one audience share in the three main markets of Auckland, Wellington and Christchurch.

The network's news operation was restructured in 2002, producing increased efficiencies, strengthening Newstalk ZB's position as the country's leading radio news/talk group.

There has been a promising start to the 2003 financial year in Australia and New Zealand. With a newly streamlined approach to agency sales and the introduction of a new broadcast platform to maximise quality and improve efficiency, the Australian operations are well placed to build on the ratings performances of 2002.

In New Zealand, the broadcasting opportunities associated with the America's Cup, the Cricket World Cup and the Rugby World Cup augur well for further good growth.

APN's outdoor division is the **leading provider** of the highest quality billboard, transit, poster and street furniture advertising in Australia and New Zealand.

OUTDOOR ADVERTISING

The largest outdoor advertising group in Australasia

New advertising formats continue to enhance the offering of APN's outdoor advertising companies. APN is driving the consolidation and development of the outdoor industry in South East Asia and its Australian and New Zealand businesses continue to lead the local industry. During a challenging year for brand promotion, APN secured important market share gains and consolidated its inventory of sites. This positions the business well for the expected recovery in national advertising.

The outdoor advertising industry in Australia was not immune to the downturn in national advertising in 2002. After the highs of the Olympic year of 2000, when brand advertising hit its peak, the past two years have been challenging for the entire outdoor industry.

APN remains the leading operator in each of the main outdoor categories.

Significant progress was made during the year to improve overall market share, albeit in a tougher environment, across all business segments. The outcome has reinforced the benefit of APN's strategy of maintaining separate operations in support of each sign format.

The business has expanded in Asia. While local economies in the region can be variable, there have been positive growth developments in Indonesia and Malaysia in particular.

Overall, the Division achieved good EBIT growth in the second half of the year and is well placed to return to contribution levels achieved in prior years.

BUSPAK

In **Australia**, there was strong competition for transport tenders, with Buspak securing the strategically important Brisbane contract, following the 2001 success in Sydney. Whilst there were increased costs associated with these gains, the new contract retained the essential national bus network for Buspak. There were also significant operational improvements to the business throughout the year.

These included the launch of new advertising formats that greatly extended the versatility of bus advertising. New printed-film technology has also given designers more flexibility in creating advertising specifically for use on buses.

Significant work was also completed in preparation for a trial of an in-bus television advertising system in Sydney. There was strong advertiser interest in the scheme, where customised programming can be provided to in-bus televisions. Should the trial prove successful, we intend to roll out the system as soon as practical. The establishment of a 100% owned in-house printing facility in Sydney went smoothly, providing high quality printing services for Buspak and other APN Outdoor operations.

In **New Zealand**, the Buspak business produced strong growth over the year, with good advertiser support for the transit medium.

CODY OUTDOOR

The supersite business performed well, especially given the difficult trading environment. The business achieved a major contract win at the end of 2002 in the Melbourne marketplace through the securing of the Victrack tender, that will greatly strengthen its already strong profile in that market. The contract provides Cody with more than 80 additional quality sites throughout Victoria. The company also launched its Cody Max brand, aimed at supplying custom made advertising opportunities. The format launched with a major campaign near the runway at Sydney's Mascot airport.

Cody acquired the mobile outdoor business, Captive Media, during the year. This specialises in the supply of mobile large format signage to the major metropolitan markets.

AUSTRALIAN POSTERS

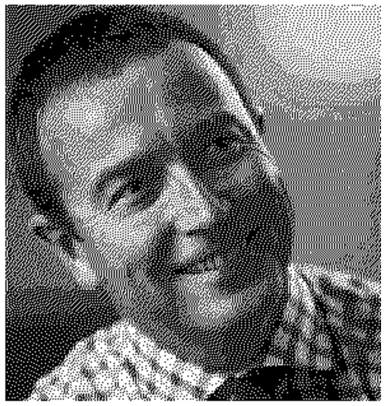
Australian Posters played a key role in 2002 in reinforcing the position of the traditional poster format in the market. Significant work was undertaken to improve signage presentation. Taxi Media also experienced good growth with the introduction of an innovative illuminated rooftop module, which has been well received by advertisers.

ADSHEL

Adshel, owned 50-50 with Clear Channel Communications, is the leading operator in street furniture in Australia and New Zealand, and continued to benefit from the growth in this category. The business also secured a new major Sydney contract with Mosman Council, adding to the company's network of coverage in the city. The New Zealand market performed particularly well with Adshel launching new signage in a number of new locations.

'APN'S OUTDOOR COMPANIES ARE THE MARKET LEADERS AND CONTINUE TO SECURE MARKET SHARE GROWTH. NEW FORMATS AND QUALITY INVENTORY PROVIDE IDEAL SOLUTIONS TO ADVERTISERS' NEEDS.'

APN OUTDOOR CHIEF EXECUTIVE, PIERCE CODY



Overall, the market remains competitive; however, Adshel performed well and enjoyed a particularly strong finish to the year.

ASIA POSTERS

The Asian markets continue to experience volatility in their returns. In particular, Singapore and Hong Kong were highly competitive and experienced difficult conditions. Conversely, good growth was achieved in Indonesia and Malaysia. A number of major contract opportunities are pending for Rainbow in Indonesia in 2003. Kurnia in Malaysia also produced good contract wins throughout the year in a number of high traffic districts.

The performance of the entire outdoor industry was disappointing in 2002. Increased contract costs in the year were the major issue; however, every effort continues to be made to lessen their future impact. In addition, marketing decisions made by branded goods companies also impacted negatively on the local markets.

Early indications for 2003 show an improvement on the previous year, with forward order bookings looking more promising. With increased market share and a number of quality contracts secured, the Division is well poised to take full advantage of any recovery in national advertising.

APN's **high quality** printing facilities publish many of New Zealand's best magazines.

PRINT, SPECIALIST PUBLISHING AND GROUP SERVICES

The Print, Specialist Publishing and Group Services Division was created in September 2002 by bringing together operations in Australia and New Zealand under a single management structure. By applying uniform operating practices across similar service groups and business units, significant ongoing savings have been achieved.

The Division comprises nine print and five specialist publishing businesses spanning a number of activities, including commercial and security printing, magazines, business directories and education publishing. Group services represents two major centres providing financial, information technology, internet and procurement specialist services to internal customers in Australia and New Zealand.

In each of the operating business activities, the company holds leading market positions. The newly-created divisional structure provides further opportunities to integrate additional business operations should the right opportunities arise.

The commercial print division benefited from a strong New Zealand domestic economy, with growth in catalogues and advertising brochures, producing record tonnages through one of the plants in October.

The industry recognised the quality of the work produced in APN's Webprint plant by awarding four gold medals at the Pride of Print Awards during the year.

The security printing division maintained its New Zealand market leadership position in cheque and plastic card manufacturing and remains a strong secondary supplier in Australia. During the year, the cheque manufacturing business upgraded print technology with the introduction of new Xerox equipment, delivering higher quality products to a range of leading bank customers.

The plastic card business continued to export 50% of its New Zealand production to offshore markets, including South East Asia, India and the Ukraine. It is a leading manufacturer of smartcard products and is benefiting from the growing adoption of this technology.

The magazine market in New Zealand has also benefited from a strong domestic economy with both of our titles achieving gains in circulation and readership.

'THE COMMERCIAL PRINT DIVISION BENEFITED FROM A STRONG NEW ZEALAND DOMESTIC ECONOMY, WITH GROWTH IN CATALOGUES AND ADVERTISING BROCHURES, PRODUCING RECORD TONNAGES THROUGH ONE OF THE PLANTS IN OCTOBER.'

PRINT, SPECIALIST PUBLISHING & GROUP SERVICES CHIEF EXECUTIVE, PHIL EUSTACE

The New Zealand Woman's Weekly, the country's most read weekly women's magazine, increased circulation by 8.7% and lifted its readership to 919,000 readers – almost a third of the New Zealand population. The New Zealand Woman's Weekly celebrated its 70th anniversary in December, marking the occasion with a range of promotional and marketing initiatives.

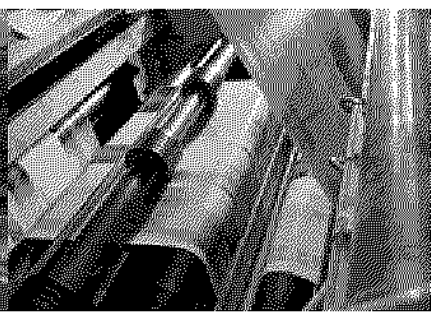
The New Zealand Listener magazine also had an excellent year, recording readership growth of 6%, increasing overall readership to 368,000 readers.

The directory business delivered revenue growth of 5.4% over last year, as it continued to gain market share from the sale of directory products and business information.

The education business reported publishing revenue growth of 4.2% on a like for like basis over the previous year. During 2002, the business rationalised its product range across the Australian and New Zealand markets, delivering further cost savings. The business successfully launched a new monthly magazine titled JET, which targets the youth market. It was well supported by advertisers and sponsors.

Following the Wilson & Horton acquisition in December 2001, significant work has been undertaken to secure savings across shared services, particularly in the areas of finance and information technology. A range of individual projects are ongoing to benchmark best business practices across the APN group.

The division has started the 2003 year in line with expectations. A number of initiatives have been developed which will be introduced over the year, and look likely to contribute to further growth in earnings in 2003.



CORPORATE GOVERNANCE

The Directors are committed to the principles underpinning best practice in corporate governance, applied in a manner that is most suited to the Company.

This is supported by an overriding 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 shareholders and ensures the Company is properly managed.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire financial year.

BOARD OF DIRECTORS

The Constitution of the Company specifies that there shall be no fewer than three Directors and no more than 20.

One new Director was appointed to the Board on 1 August 2002 and one Director resigned from the Board on 7 August 2002.

The Board currently consists of nine members: eight non-executive Directors and one executive Director.

Names, details and qualifications of Directors appear on pages 32 and 39 of this annual report.

The Chairman of the Board is a non-executive Director. The predominance of non-executive Directors and a non-executive Chairman ensures the independence of the Board from executive management.

The Constitution of the Company specifies that at every annual general meeting one-third of the Directors (other than any Managing Director and Directors appointed since the most recent annual general meeting), or if their number is not a multiple of three, then the number nearest to one-third, shall retire from office and be eligible for re-election.

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 re-election.

The Directors to retire in every year shall be the Directors longest in office since last being elected or re-elected.

Directors who reach the age of 72 years must retire each year and are eligible to be re-appointed for further one year terms.

The Board meets formally on at least six occasions during the financial year. Meeting agendas are settled by the Chairman of the Board or the Chief Executive to ensure adequate coverage of financial, strategic and major risk areas throughout the financial year.

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.

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 the Nomination Committee, Remuneration Committee and Audit Committee, which all consist entirely of non-executive Directors.

Each of the committees has its own written charter setting out the authority delegated to it by the Board and the manner in which the committee is to operate.

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

NOMINATION COMMITTEE

The Nomination Committee consists of the following non-executive Directors:

LP Healy (Chairman)
(appointed 20 August 2002)

S Atkinson

AC O'Reilly
(appointed 20 August 2002)

JJ Parkinson
(resigned 20 August 2002).

The main role of the Nomination Committee is:

• To review the performance of executive Directors on an annual basis.

• 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.

• To 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.

• To consider the appointment of additional Directors to provide the expertise to achieve the strategic and economic goals of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee consists of the following non-executive Directors:

AE Harris (Chairman)

LP Healy

JJ Parkinson
(appointed 20 August 2002).

The main role of the Remuneration Committee is:

• To ensure that remuneration policies and practices are consistent with any shareholder approvals and achievement of the strategic goals of the APN Group.

• To review on an annual basis the remuneration of the executive Directors, including establishing overall benefits and incentives.

• To review non-executive Directors' remuneration and benefits.

• To review in consultation with the Chief Executive, remuneration packages of executives reporting directly to the Chief Executive.

• To set remuneration packages and establish and implement a system of benefits and incentives commensurate with the objectives of the Board to ensure that the APN Group is able to attract and retain executives capable of managing the APN Group's diverse operations and ensure that the executives perform to achieve the goals set by the Board to the ultimate benefit of the shareholders.

• To obtain independent advice, as necessary, on the appropriateness of remuneration in accordance with market practice. Such independent advice would provide the Remuneration Committee with various barometers generally which the Remuneration Committee may take into account in consultation with the Chief Executive in the determination of the appropriateness of remuneration levels within the APN Group.

• To be responsible for reviewing general incentive schemes, including the Executive and Director Option Plan, Employee Share Ownership Plan, performance-related bonus plans and superannuation plans.

• To manage succession planning, including the implementation of appropriate executive development programs to ensure adequate arrangements are in place so that appropriate candidates are recruited for later promotion to senior positions.

AUDIT COMMITTEE

The Audit Committee consists of the following non-executive Directors:

WJ Whineray (Chairman)
(appointed 20 August 2002)

AE Harris

KJ Luscombe

JJ Parkinson
(appointed 20 August 2002)

LP Healy
(resigned 20 August 2002).

The main role of the Audit Committee is:

• To review interim and annual financial reports.

• To review and monitor internal financial controls to ensure they are adequate and effective to minimise financial and other major operating risks.

• To review the integrity and prudence of procedures for management control.

• To review and assess the adequacy of compliance with all regulatory requirements and generally accepted accounting principles.

- To review the scope and effectiveness of the internal and external audit functions.
- To review and investigate any reports or findings arising from any audit function either internally or externally.
- To review the appointment, independence, performance and remuneration of external auditors.
- To monitor the management of identified risks, highlight new risks and determine the actions to be taken for their control.
- To oversee the processes governing related party transactions.
- To provide the Board with reports on risk management review.
- To ensure that there are adequate disclosures and that the financial reports are consistent with previous reports and disclosures.
- To assess the consistency of disclosures in the financial reports with other disclosures made by the Company to the financial markets and other public bodies.

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 a 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, Chief Financial Officer, other senior management and the external auditors, by invitation.

RISK MANAGEMENT

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

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

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

ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY

The APN Group recognises the importance of environmental and occupational health and safety issues. The APN Group is committed to compliance with all relevant laws and regulations and continually assesses its operations to ensure the protection of the environment, the community and the health and safety of its employees. The APN Group is not subject to any particular and/or significant environmental regulation.

ETHICAL STANDARDS

The APN Group has developed codes of conduct that apply to all employees, setting the standards within which employees are expected to act.

In summary, all executives and other employees are required to abide by laws and regulations, to respect confidentiality and the proper handling of information and to act with the highest standards of honesty, integrity, objectivity and ethics in all dealings with each other, the APN Group, customers, suppliers and the community.

The codes of conduct are regularly reviewed and updated as necessary to ensure they reflect the highest standards of behaviour and professionalism.

BOARD OF DIRECTORS

James J Parkinson
MA, FCA
CHAIRMAN
NON-EXECUTIVE DIRECTOR

Mr Parkinson, 52, was appointed as Chairman of APN News & Media Limited in May 2002, having been first appointed to the APN Board in March 1999. He has been a Director of Independent News & Media PLC since 1988, having joined the company in 1981 from an international accounting firm. He served as Financial Controller of Independent News & Media PLC's Irish operations from 1981 to 1985, Group Financial Controller from 1985 to 1988, with overall financial responsibility for the Independent News & Media Group, and as Group Finance Director from 1988 to 2002. He is also on the Board of iTouch PLC (UK), News & Media NZ Limited and Independent Newspapers Holdings Limited (South Africa).

Albert E Harris AC
FID, FAIM, FAICD
JOINT DEPUTY CHAIRMAN
NON-EXECUTIVE DIRECTOR

Mr Harris, 75, has been a Board member since March 1992 and Deputy Chairman since December 1994. He served as Managing Director and Chief Executive Officer of the Ampol Group from 1977 to 1987. He was Chairman of Australian Airlines from 1987 to 1992. Currently, Mr Harris is Chairman of Arena Management (Sydney Entertainment Centre), Gazal Corporation, Thakral Holdings, the Australian Radio Network, Pacific Century Hotels and St. Vincent's Clinic Foundation. He is Deputy Chairman of Metcash Trading, a Director of the Capitol Theatre, 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. 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.

Sir Wilson J Whineray KNZM, OBE
BCOM, MBA
JOINT DEPUTY CHAIRMAN
NON-EXECUTIVE DIRECTOR

Sir Wilson, 67, was appointed to the Board in March 2002. He joined Alex Harvey Industries Limited in 1969, which in 1985 became Carter Holt Harvey Limited. During this time he held several management positions and was Deputy Managing Director from 1987 until retirement in June 1993. He is Chairman of Carter Holt Harvey Limited and The National Bank of New Zealand Limited, Director of News & Media NZ Limited, Auckland International Airport Limited and Nestlé New Zealand Limited and Trustee of Eden Park Board of Control and The Dilworth Trust.

Brendan MA Hopkins
BA
CHIEF EXECUTIVE
EXECUTIVE DIRECTOR

Mr Hopkins, 49, was appointed to the Board in August 2002. Prior to assuming the role of Chief Executive of APN in September 2002 he was Chief Executive of Independent News & Media (UK). He served as Executive Chairman of the Belfast Telegraph after overseeing its acquisition. Mr Hopkins is also a non-executive Director of iTouch PLC (UK) and was until recently on the Board of Lusomundo Media SGPS, Portugal's largest newspaper group. He also has media experience in France, Germany, Mexico and Australia. He is a Freeman of the City of London, Honorary Vice President of the British Vascular Foundation and a Council Member of The Ireland Funds.

Liam P Healy
FCA
NON-EXECUTIVE DIRECTOR

Mr Healy, 74, has been a Board member since May 1988, was Deputy Chairman from March 1992 to 1994 and Chairman from 1995 to May 2002. He was Group Chief Executive of Independent News & Media PLC, Dublin, from 1991 to 2000 and is now Deputy Chairman. A Chartered Accountant, he joined Independent News & Media PLC in 1963 and was appointed Finance Director in 1971. Two years as Managing Director of Independent News & Media PLC's

Dublin newspaper operations from 1979 were followed by his appointment as Managing Director International in 1981. Mr Healy is also a Director of News & Media NZ Limited and was acting Chief Executive of APN from 1988 to 1989.

Vincent C Crowley
BA, FCA
NON-EXECUTIVE DIRECTOR

Mr Crowley, 48, is Chief Executive - Ireland, managing the Irish operation of Independent News & Media PLC. Prior to that, he served as Chief Executive of APN from July 2000 to July 2002. He first joined APN in 1996 as Group Finance Director. Prior to this, he was Group Financial Controller of Independent News & Media PLC for six years in Dublin, after working with Arthur Andersen & Co in their Dublin office. He has been an APN Board member since December 1994. Is a Director of Independent News & Media PLC.

Kevin J Luscombe AM
FAICD, FAIM, CPM
NON-EXECUTIVE DIRECTOR

Mr Luscombe, 70, was appointed to the Board in October 1997. He is one of Australia's most respected advertising and marketing professionals, with more than 30 years of involvement in the advertising and media industries. Following a successful corporate career in Australian and US markets, 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 has strong links in Asia following Board positions with separate companies in Thailand, Hong Kong, Indonesia and the Philippines. He is Executive Chairman of the management consultancy Growth Solutions Group and a Director of The Australian Foresight Institute and Leadership Victoria. 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.

Cameron O'Reilly
BA (HONS) OXON
NON-EXECUTIVE DIRECTOR

Mr O'Reilly, 38, joined the Board in 1988. From May 1996 to July 2000, he served as Chief Executive of APN, having previously held the position of Deputy Chief Executive. Mr O'Reilly is a Director of Independent News & Media PLC, Gazal Corporation and Iress Market Technology Limited. He is also a member of the Central Advisory Board of the Salvation Army and on the Board of The Australian Ireland Fund.

Sallyanne Atkinson AO
BA, FAICD, FAIM, FAMI
NON-EXECUTIVE DIRECTOR

Ms Atkinson, 60, was appointed to the Board in August 1999. She is Special Representative for Queensland in South East Asia, Chairman of the French-Australian Industrial Research Committee, Chairman of ABC Learning Centres Ltd, Chairman of The Brisbane Writers' Festival and on the Boards of Abigroup Contractors Pty Ltd, The Australian Ballet, Binna Burra Pty Ltd, The Australian Ireland Fund and the Waltzing Matilda Centre at Winton. From 1994 to 1997, she was Australia's Senior Trade Commissioner to France, with responsibility for Belgium, Luxembourg, Morocco, Algeria and Tunisia. From 1985 to 1991 she was Lord Mayor of Brisbane. During her term of office, Brisbane hosted Expo 88 and bid for the Olympic Games of 1992. Her past involvements have included being a founding member of the Board of the United Nations' International Council for Local Environment Initiatives, the inaugural Chairman of Sustainable Development Australia and Deputy Mayor of the Athletes' Village at the Sydney Olympic Games.

FINANCIAL HISTORY

	2002 $'000	2001 $'000	2000 $'000	1999 $'000	1998 $'000	1997 $'000	1996 $'000	1995 $'000	1994 $'000	1993 $'000	1992 $'000
PROFIT STATEMENT											
Operating revenue	**1,071,735**	598,688	615,232	520,840	385,128	351,885	304,387	256,581	197,538	143,287	134,282
Operating profit before interest, abnormals, tax, depreciation and amortisation (EBITDA)	**255,641**	135,730	148,051	127,166	82,724	77,998	65,494	62,030	44,132	36,758	33,848
Depreciation and amortisation	**53,602**	20,090	21,175	17,908	12,499	11,563	8,229	6,209	3,753	2,720	2,643
Operating profit before interest, abnormals and tax (EBIT)	**202,039**	115,640	126,876	109,258	70,225	66,435	57,265	55,821	40,379	34,038	31,205
Net interest	**66,334**	14,608	15,003	12,641	12,524	13,774	16,074	15,943	6,365	5,821	11,013
Operating profit before abnormals, tax and outside equity interests	**135,705**	101,032	111,873	95,824	57,701	52,661	41,191	39,878	34,014	28,217	20,192
Abnormal items	**–**	–	–	–	–	(902)	190	241	–	–	–
Operating profit before tax and outside equity interests	**135,705**	101,032	111,873	95,825	57,701	51,759	41,381	40,119	34,014	28,217	20,192
Income tax and outside equity interests	**45,527**	52,863	61,172	53,458	22,425	19,741	14,838	13,730	12,689	11,909	7,760
Net profit	**90,178**	48,169	50,701	42,366	35,276	32,018	26,543	26,389	21,325	16,308	12,432
Net profit excluding after tax impact of abnormals	**90,178**	48,169	50,701	42,366	35,276	30,375	25,215	24,748	21,325	16,308	12,432
BALANCE SHEET											
Equity excluding outside equity interests	**1,205,191**	957,348	387,619	369,023	351,016	333,227	293,205	239,540	196,499	134,815	123,435
Total assets	**2,753,804**	2,485,436	1,063,473	1,018,490	713,385	684,794	586,728	519,984	475,050	259,760	230,766
Total liabilities	**1,276,426**	1,270,707	422,310	401,101	331,623	320,967	269,188	256,545	255,098	106,802	89,638
Net assets	**1,477,378**	1,214,729	641,164	617,389	381,762	363,827	317,540	263,439	219,952	152,958	141,128
Total bank borrowings	**806,863**	776,294	282,000	274,650	265,300	260,250	217,000	201,700	104,739	65,052	66,000
Current assets	**357,059**	326,237	231,987	194,423	119,856	102,826	77,141	72,658	60,722	42,674	31,838
Current liabilities	**283,926**	278,943	130,532	116,559	57,527	52,811	45,556	50,467	157,688	41,866	26,979
Current assets/current liabilities	**1.26**	1.17**	1.78	1.67	2.08	1.95	1.69	1.44	0.39*	1.02	1.18
STATISTICAL ANALYSIS											
EBITDA/Operating revenue	**23.9%**	22.7%	24.1%	24.5%	21.5%	22.2%	21.5%	24.2%	22.3%	25.7%	25.2%
Earnings per share – basic (cents)***	**20.8**	18.0	19.7	16.8	14.3	13.2	11.9	12.7	11.1	8.7	6.3
– diluted (cents)***	**20.7**	17.8	19.3	16.4	13.8	13.0	11.8	12.5	10.9	8.5	6.3
Dividend per share (cents)***	**16.00**	14.60	14.20	12.20	10.10	8.90	8.00	7.70	6.70	5.50	3.30
Gearing %****	**66.9%**	81.1%	72.8%	74.4%	75.6%	78.1%	74.0%	84.2%	53.3%	48.2%	51.8%
Interest cover based on EBITDA	**3.85**	9.29	9.86	9.47	6.61	5.66	4.07	3.89	6.93	6.31	3.07
Return on shareholders funds %	**7.5%**	5.0%	13.1%	11.5%	10.0%	9.6%	9.1%	11.0%	10.9%	12.1%	9.9%
No. of shares on issue (000)	**438,406**	429,963	252,011	245,975	240,672	236,341	229,750	207,861	185,525	183,668	180,368
No. of shareholders	**13,839**	12,934	10,296	9,651	9,180	8,568	6,857	6,735	6,331	6,038	6,932
Market capitalisation ($000)	**1,337,138**	1,479,073	1,118,930	824,016	577,612	543,586	512,343	440,660	291,274	334,276	243,497
Market price per share	**$3.05**	$3.44	$4.44	$3.35	$2.40	$2.30	$2.23	$2.12	$1.57	$1.82	$1.35
Net tangible assets per share	**$2.31**	$1.77	$1.21	$1.19	$1.36	$1.32	$1.23	$0.91	$1.05	$0.73	$0.68

* The distortion of the 1994 fraction is due to the unpaid portion ($88,406,264) of the acquisition cost of the Wesgo Limited Group being included in current liabilities and not reflected in secured borrowings due to the timing of acceptance of the offer. The adjusted ratio would be 0.88 if these costs were reflected in borrowings. This was reflected in the 1995 year.

** The 2001 fraction is distorted due to the first time inclusion of the liability relating to the masthead financing arising from the acquisition of Wilson & Horton Limited.

*** Earnings per share and dividends per share have been restated for prior years for the bonus element of the pro-rata entitlement offer in 2001.

**** Gearing is defined as interest bearing debt excluding convertible notes divided by equity excluding outside equity interests.

Financial Statements & Statutory Requirements 2002

DIRECTORS' REPORT

APN News & Media Limited

Your Directors present their report on the consolidated entity consisting of APN News & Media Limited and the entities it controlled at the end of, or during, the year ended 31 December 2002.

1. DIRECTORS

James Joseph Parkinson (Chairman)
Albert Edward Harris (Joint Deputy Chairman)
Wilson James Whineray (appointed 5 March 2002) (Joint Deputy Chairman)
Brendan Michael Anthony Hopkins (appointed 1 August 2002)
Liam Padraig Healy
Vincent Conor Crowley
John Charles Sanders (appointed 5 March 2002, resigned 7 August 2002)
Kevin John Luscombe
Anthony Cameron O'Reilly
Sallyanne Atkinson

Details of their qualifications and experience, special responsibilities, meetings attended and shareholdings are set out in sections 20 and 21 of this report and in a separate section following the financial statements titled "Information on Shareholders", which is to be regarded as contained in this report.

2. PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were printing and publishing newspapers, magazines, directories, commercial and security printing, radio broadcasting, specialist transit and static outdoor advertising. The nature of the consolidated entity's activities did not change significantly during the financial year under review.

3. TRADING RESULTS

The consolidated net profit for the consolidated entity for the financial year was $90,178,000 (2001: $48,169,000) after deducting income tax expense of $20,682,000 (2001: $26,087,000) and profit attributable to outside equity interest in controlled entities of $24,845,000 (2001: $26,776,000).

4. DIVIDENDS

The Directors of the company have declared that a final dividend of 10.0 cents per ordinary share be paid for the financial year ended 31 December 2002. An interim dividend of 6.0 cents per ordinary share was declared and paid during the financial year. A final dividend of 8.8 cents per ordinary share as declared by Directors was paid for the year ended 31 December 2001.

The total dividends for the financial year are:	$'000
Ordinary shares	
Interim dividend paid on 2 October 2002	26,146
Final dividend (recommended and declared since year end)	43,841

5. REVIEW OF OPERATIONS

A review of the operations of the consolidated entity during the financial year and of the results of those operations is detailed in the front section of the Annual Report.

6. EARNINGS PER SHARE

	2002 Cents	2001 Cents
Basic earnings per share	**20.8**	18.0
Diluted earnings per share	**20.7**	17.9

7. 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 report.

8. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or consolidated accounts that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

9. LIKELY DEVELOPMENTS

The consolidated entity will continue to invest in people, product and technology. This will further strengthen its position and enable it to expand into other areas within the Australasian and Asia Pacific print media, outdoor advertising and communications industries. Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the consolidated entity.

10. OPTIONS

Particulars of options held by Directors are set out in a separate section following the financial statements titled "Information on Shareholders" and details of options issued and exercised are disclosed in Note 25 of the financial statements, both of which are to be regarded as contained in this report.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

11. DIRECTORS' SHAREHOLDINGS

Particulars of shares held in APN News & Media Limited by Directors are set out in a separate section following the financial report titled "Information on Shareholders", which is to be regarded as contained in this report.

12. DIRECTORS' BENEFITS

No Director of the company has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown in the consolidated financial report) by reason of a contract made by the company, a controlled entity or a related entity with the Director, or with a firm of which the Director is a member, or with an entity in which the Director has a substantial financial interest, with the exception of benefits that may be deemed to have arisen in relation to the transactions entered into in the ordinary course of business referred to in Note 26 of the financial statements.

13. INDEMNIFICATION OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Parent entity's constitution provides for an indemnity of Directors, secretaries and executive officers, where liability is incurred in the performance of their duties in those roles unless the liability arises out of conduct involving a lack of good faith.

14. INSURANCE OF DIRECTORS AND OFFICERS

The Parent entity has paid a premium of $72,884 for an insurance policy for the benefit of all persons who are or have been officers of the Parent entity or the consolidated entity against liabilities for the financial year. The insured officers include all of the current executive and non-executive Directors of the Parent entity who are named in this report and management of the Parent entity and other companies within the consolidated entity. The insurance policy specifically prohibits the disclosure of the nature of the liability covered.

15. 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 its 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.

16. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and 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.

17. AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

18. CLASS ORDERS

The company has utilised the following Class Orders in the financial report:

- Class Order 98/1418 relieving wholly owned entities from preparing financial and Directors' reports
- Class Order 98/2395 transfer of information from the Directors' report to other parts of the Annual Report.

19. DIRECTORS' AND EXECUTIVES' EMOLUMENTS

The Remuneration Committee, consisting of three non-executive Directors, advises the Board on remuneration policies and practices generally, and makes recommendations on remuneration packages and other terms of employment.

Executive remuneration and other terms of employment are reviewed annually, having regard to performance against goals set at the start of the year and relevant comparative information. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Executives are also eligible to participate in the Executive and Director Option Plan at the discretion of the Board of Directors.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations.

Remuneration of non-executive Directors is determined by the Board within the maximum amount approved by the shareholders. Non-executive Directors are also entitled to retirement benefits in accordance with a shareholder approved scheme.

19. DIRECTORS' AND EXECUTIVES' EMOLUMENTS CONTINUED

Details of the nature and amount of each element of the emoluments of each Director of APN News & Media Limited and each of the five officers of the company and the consolidated entity receiving the highest emoluments are set out in the following tables:

Non-Executive Directors of APN News & Media Limited

Name	Directors' fee $	Superannuation $	Total $
JJ Parkinson	–	–	–
AE Harris	93,200	–	93,200
WJ Whineray	50,000	–	50,000
LP Healy	–	–	–
VC Crowley *(from 5 July 2002)*	–	–	–
KJ Luscombe	47,500	4,050	51,550
AC O'Reilly	47,500	4,050	51,550
S Atkinson	47,500	4,050	51,550

As the Wilson & Horton acquisition in 2001 was a related party transaction, Messrs Harris, Luscombe and Ms Atkinson received additional payments of $100,000, $70,000 and $30,000 respectively for work undertaken in their roles as members of the Committee of independent Directors, and the Due Diligence Group formed for the purpose of assessing and determining whether the acquisition of Wilson & Horton was in the best interests of APN News & Media Limited. More than 16 meetings of the Committee of Directors and the Due Diligence Group were held.

Executive Directors of APN News & Media Limited

Name	Base salary $	Bonus $	Superannuation $	Other[2] $	Total $
BMA Hopkins *Chief Executive Officer – APN* *(appointed a Director 1 August 2002)*	300,000	–	77,400	83,591	460,991
VC Crowley *Chief Executive Officer – APN (resigned as CEO 5 July 2002)*	482,000	312,000	53,626	70,177	917,803
JC Sanders* *Chief Operating Officer – APN* *(appointed 5 March 2002, resigned 7 August 2002)*	315,640	–	–	95,451	411,091

* Prior to JC Sanders appointment as a Director on 5 March 2002, he was the Chief Operating Officer of APN News & Media Limited. Amounts shown above include Mr Sanders' emoluments during the period he was a Director. Amounts received in his position as Chief Operating Officer, totalling $176,054, are excluded. The excluded amounts are made up of base salary $112,278, superannuation of $16,726 and other benefits of $47,050. Refer to Note 26 for additional amount paid to this Director.

Other Executives of the Consolidated Entity[1]

Name	Base salary $	Bonus $	Superannuation $	Other[2] $	Total $
K Steinke	427,541	–	83,454	183,429	694,424
B Longwell	465,000	–	–	97,000	562,000
P Cody	453,107	–	38,655	–	491,762
J Smallwood	308,135	–	–	170,090[3]	478,225
G Dyer	370,088	–	39,021	61,430	470,539

1 The table discloses those officers involved in setting the strategic direction of the company and its controlled entities.

2 Other includes: payment of allowances, accrued leave entitlements, other benefits and fringe benefits tax.

3 This amount includes expatriate expenses related to J Smallwood's residency in Singapore.

Share Options Granted to Directors and Highly Remunerated Officers

Options over unissued shares of the company which were granted during or since the end of the financial year to any of the Directors or the five most highly remunerated officers of the company and consolidated entity as part of their remuneration were as follows:

Directors	Options Granted
JC Sanders	500,000
Other Executives of the Consolidated Entity	
K Steinke	100,000
B Longwell	187,800
P Cody	250,000
G Dyer	50,000

The above options were granted under the APN News & Media Limited Executive & Director Option Plan.

20. INFORMATION ON DIRECTORS

Director	Qualifications	Responsibility
JJ PARKINSON	MA, FCA. Appointed Chairman in May 2002, having been first appointed to the APN Board in March 1999. He joined Independent News & Media PLC in 1981 after working with an international accounting firm, initially as Financial Controller of its Irish operations and was made Group Financial Controller in 1985. In 1988, he was appointed to the Board of Independent News & Media PLC as Group Finance Director. He is also a Director of iTouch PLC (UK), News & Media NZ Limited and Independent Newspapers Holdings Limited (South Africa).	Non-Executive Chairman of the Board of Directors, Chairman of Allotment Committee, Chairman of Options Committee, Member of Remuneration Committee and Audit Committee.
AE HARRIS AC	FID, FAIM, FAICD. Board Member since March 1992 and Deputy Chairman since December 1994. Managing Director and Chief Executive Officer of the Ampol Group from 1977 to 1987. He was Chairman of Australian Airlines from 1987 to 1992. Currently, Mr Harris is Chairman of Arena Management (Sydney Entertainment Centre), Gazal Corporation, Thakral Holdings, the Australian Radio Network, Pacific Century Hotels and St Vincent's Clinic Foundation. He is Deputy Chairman of Metcash Trading, a Director of the Capitol Theatre, 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. 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 and Joint Deputy Chairman, Chairman of Remuneration Committee and Member of Audit Committee.
SIR WJ WHINERAY KNZM, OBE	BCOM, MBA. Board Member since March 2002. Joined Alex Harvey Industries Limited in 1969 which in 1985 became Carter Holt Harvey Limited. During this time, he held several management positions and was Deputy Managing Director from 1987 until retirement in June 1993. He is Chairman of Carter Holt Harvey Limited and the National Bank of New Zealand Limited, a Director of News & Media NZ Limited, Auckland International Airport Limited and Nestlé New Zealand Limited and Trustee of Eden Park Board of Control and The Dilworth Trust.	Non-Executive Director and Joint Deputy Chairman, and Chairman of Audit Committee.
BMA HOPKINS	BA. Board Member since August 2002 and assumed the role of Chief Executive of APN since September 2002. Prior to assuming the role of Chief Executive of APN in September 2002 he was Chief Executive of Independent News & Media (UK). He served as Executive Chairman of the Belfast Telegraph after overseeing its acquisition. Mr Hopkins is also a non-executive Director of iTouch PLC (UK) and was until recently on the Board of Lusomundo Media SGPS, Portugal's largest newspaper group. He also has media experience in France, Germany, Mexico and Australia. He is a Freeman of the City of London, Honorary Vice President of the British Vascular Foundation and a Council Member of The Ireland Funds.	Chief Executive and Member of Allotment and Options Committees.

20. INFORMATION ON DIRECTORS CONTINUED

Director	Qualifications	Responsibility
LP HEALY	FCA. Board Member since May 1988, Deputy Chairman from March 1992 to 1994 and Chairman from 1995 to 2002, Group Chief Executive of Independent News & Media PLC, from 1991 to 2000 and is now Deputy Chairman. A Chartered Accountant, he joined Independent News & Media PLC in 1963 and was appointed Finance Director in 1971. Two years as Managing Director of Independent News & Media PLC's Dublin newspaper operations from 1979 were followed by his appointment as Managing Director International in 1981. Mr Healy is also a Director of News & Media NZ Limited and was acting Chief Executive of APN from 1988 to 1989.	Non-Executive Director, Chairman of Nomination Committee, Member of Remuneration Committee.
VC CROWLEY	BA, FCA. Board Member since December 1994. He is currently Chief Executive – Ireland, managing the Irish operation of Independent News & Media PLC. Prior to that, he served as Chief Executive of APN from July 2000 to June 2002. He first joined APN in 1996 as Group Finance Director. Prior to this, he was Group Financial Controller of Independent News & Media PLC for six years in Dublin, after working with Arthur Andersen & Co in their Dublin office. In May 1997, he was appointed to the Board of Independent News & Media PLC.	Non-Executive Director.
KJ LUSCOMBE AM	FAICD, FAIM, CPM. Board Member since October 1997. Following a successful corporate career in Australian and US markets, 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 Executive Chairman of the management consultancy Growth Solutions Group and a Director of The Australian Foresight Institute and Leadership Victoria. 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 and Member of Audit Committee.
AC O'REILLY	BA (HONS) OXON. Chief Executive of APN from May 1996 to July 2000 having previously held the position of Deputy Chief Executive. He has been a Board Member since 1988. Mr O'Reilly is a Director of Independent News & Media PLC, Gazal Corporation and Iress Market Technology Limited. He is also a Member of the Central Advisory Board of the Salvation Army and on the Board of The Australian Ireland Fund.	Non-Executive Director and Member of Nomination Committee.
S ATKINSON AO	BA, FAICD, FAIM, FAMI. Board Member since August 1999. She is Special Representative for Queensland in South East Asia, Chairman of the French-Australian Industrial Research Committee, Chairman of ABC Learning Centres Ltd, Chairman of The Brisbane Writers' Festival and on the Boards of Abigroup Contractors Pty Ltd, The Australian Ballet, Binna Burra Pty Ltd, The Australian Ireland Fund and the Waltzing Matilda Centre at Winton. From 1994 to 1997, she was Australia's Senior Trade Commissioner to France, with responsibility for Belgium, Luxembourg, Morocco, Algeria and Tunisia. From 1985 to 1991, she was Lord Mayor of Brisbane. During her term of office, Brisbane hosted Expo 88 and bid for the Olympic Games of 1992. Her past involvements have included being a founding member of the Board of the United Nations' International Council for Local Environment Initiatives, the inaugural Chairman of Sustainable Development Australia and Deputy Mayor of the Athletes' Village at the Sydney Olympic Games.	Non-Executive Director and Member of Nomination Committee.

21. 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:

	Board of Directors'		Audit Committee		Remuneration Committee		Nomination Committee	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
JJ Parkinson	7	7	1	1	1	1	1	1
AE Harris	7	7	2	2	4	4		
WJ Whineray	7	6	1	1				
BMA Hopkins	3	3						
LP Healy	7	7	1	1	4	4		
VC Crowley	7	7						
KJ Luscombe	7	6	2	2				
AC O'Reilly	7	6						
S Atkinson	7	7					1	1
JC Sanders	4	2						

Numerous other meetings of the Board attended by a quorum of two or more Directors are held to deal with the day-to-day business of the company. In addition, 22 meetings of the Allotment Committee were held and were attended by LP Healy (20), VC Crowley (18), JJ Parkinson (4) and BMA Hopkins (2) and 2 meetings of the Options Committee were held and were attended by LP Healy (2), VC Crowley (1) and JJ Parkinson (1).

22. 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 the Court under section 237 of the Corporations Act 2001.

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

JJ Parkinson
DIRECTOR

BMA Hopkins
DIRECTOR

SYDNEY
12 MARCH 2003

STATEMENTS OF FINANCIAL PERFORMANCE

APN News & Media Limited and Controlled Entities

FOR THE YEAR ENDED 31 DECEMBER 2002	Notes	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
Revenue from ordinary activities	2	**1,004,391**	571,989	**–**	–
Other revenues from ordinary activities	2	**67,344**	26,699	**32,764**	111,511
Expenses from ordinary activities	3	**(857,351)**	(477,848)	**(1,134)**	(1,087)
Borrowing costs	3	**(76,690)**	(20,330)	**(18,581)**	(2,500)
Shares of net profits/(losses) of associates accounted for using the equity method		**(1,989)**	522	**–**	–
Profit from ordinary activities before income tax expense		**135,705**	101,032	**13,049**	107,924
Income tax (expense)/benefit	5	**(20,682)**	(26,087)	**(176)**	85
Profit from ordinary activities after income tax expense		**115,023**	74,945	**12,873**	108,009
Net profit attributable to outside equity interest		**(24,845)**	(26,776)	**–**	–
Net profit attributable to members of the Parent entity	16	**90,178**	48,169	**12,873**	108,009
Net increase in asset revaluation reserve	16	**49,240**	11,863	**–**	–
Net exchange differences on translation of financial report of overseas controlled entity	16	**109,709**	3,340	**–**	–
Total revenues, expenses and valuation adjustments attributable to members of the Parent entity recognised directly in equity		**158,949**	15,203	**–**	–
Total changes in equity other than those resulting from transactions with owners as owners		**249,127**	63,372	**12,873**	108,009
Basic earnings per share (cents)	27	**20.8**	18.0		
Diluted earnings per share (cents)	27	**20.7**	17.9		

The above statements of financial performance should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

APN News & Media Limited and Controlled Entities

AS AT 31 DECEMBER 2002		Consolidated		Parent entity	
	Notes	2002 $000	2001 $000	2002 $000	2001 $000
Current assets					
Cash		**37,142**	58,873	**–**	1,163
Receivables	6	**253,230**	214,847	**1,102,312**	1,128,012
Inventories	7	**32,880**	34,260	**–**	–
Tax assets	11	**17,040**	–	**–**	–
Other	11	**16,767**	18,257	**67**	–
Total current assets		**357,059**	326,237	**1,102,379**	1,129,175
Non-current assets					
Receivables	6	**23,813**	2,903	**–**	–
Investments	8	**27,223**	20,466	**10,000**	10,000
Investments accounted for using the equity method	8	**6,544**	8,533	**–**	–
Property, plant and equipment	9	**330,346**	311,042	**–**	–
Intangible assets	10	**192,459**	196,409	**–**	–
Deferred tax assets	11	**29,411**	33,734	**105**	354
Other	11	**1,786,949**	1,586,112	**2,662**	3,117
Total non-current assets		**2,396,745**	2,159,199	**12,767**	13,471
Total assets		**2,753,804**	2,485,436	**1,115,146**	1,142,646
Current liabilities					
Payables	12	**134,539**	105,862	**3,405**	4,670
Interest bearing liabilities	13	**85,431**	53,651	**–**	–
Current tax provisions	14	**–**	528	**74**	–
Provisions	14	**63,956**	118,902	**–**	37,837
Total current liabilities		**283,926**	278,943	**3,479**	42,507
Non-current liabilities					
Interest bearing liabilities	13	**972,285**	973,738	**250,000**	250,000
Deferred tax liabilities	14	**18,020**	15,710	**20**	58
Provisions	14	**2,195**	2,316	**–**	–
Total non-current liabilities		**992,500**	991,764	**250,020**	250,058
Total liabilities		**1,276,426**	1,270,707	**253,499**	292,565
Net assets		**1,477,378**	1,214,729	**861,647**	850,081
Equity					
Parent entity interest					
Contributed equity	15	**805,082**	780,154	**805,082**	780,154
Reserves	16	**259,806**	100,834	**–**	–
Retained profits	16	**140,303**	76,360	**56,565**	69,927
Total Parent entity interest		**1,205,191**	957,348	**861,647**	850,081
Outside equity interest in controlled entities	22	**272,187**	257,381	**–**	–
Total equity		**1,477,378**	1,214,729	**861,647**	850,081

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

APN News & Media Limited and Controlled Entities

FOR THE YEAR ENDED 31 DECEMBER 2002	Notes	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**1,113,273**	652,268	**1,949**	4,838
Payments to suppliers and employees (inclusive of goods and services tax)		**(886,096)**	(532,544)	**(2,466)**	(655)
Interest received		**4,564**	3,637	**18,144**	1,056
Borrowing costs		**(68,313)**	(19,046)	**(18,125)**	–
Dividends received		**784**	165	**12,900**	130,311
Income taxes paid		**(21,880)**	(32,768)	**250**	(270)
Net cash flows from operating activities	28	**142,332**	71,712	**12,652**	135,280
Cash flows from investing activities					
Payments for property, plant and equipment		**(35,178)**	(19,355)	**–**	–
Payments for mastheads, radio licences and transit and electronic systems		**(13,027)**	(36,624)	**–**	–
Payments for investments		**(38,017)**	(2,694)	**–**	–
Dividends received from associates		**–**	–	**–**	–
Payment for purchase of controlled entities, net of cash acquired	22	**(5,785)**	(824,787)	**–**	–
Proceeds from sale of property, plant and equipment		**8,493**	1,560	**–**	–
Proceeds from sale of investments		**1,469**	7,420	**–**	–
Costs relating to purchases of controlled entities		**–**	(12,124)	**–**	–
Payments for goodwill		**(1,424)**	(1,550)	**–**	–
Net cash flows from investing activities		**(83,469)**	(888,154)	**–**	–
Cash flows from financing activities					
Loans advanced to controlled entities		**–**	–	**–**	(903,062)
Loans (advanced to)/repaid by other entities		**(2,864)**	(2,308)	**25,345**	–
Loans repaid by other related entities		**–**	6,228	**–**	–
Proceeds from bank loans		**31,500**	74,000	**–**	–
Repayment of bank loans		**(56,950)**	–	**–**	–
Proceeds from issue of convertible notes		**–**	250,000	**–**	250,000
Repayment of borrowings to Director-related entities		**–**	(1,485)	**–**	–
Payment for borrowing costs		**(244)**	(13,305)	**–**	(3,117)
Principal repayments under finance leases		**(134)**	(77)	**–**	–
Proceeds from issues of securities		**6,569**	558,663	**6,569**	558,663
Share issue transaction costs		**–**	(8,554)	**–**	(8,554)
Dividends paid to shareholders		**(45,729)**	(28,047)	**(45,729)**	(28,047)
Dividends paid and contributions from outside equity interest		**(18,344)**	(5,933)	**–**	–
Net cash flows from financing activities		**(86,196)**	829,182	**(13,815)**	(134,117)
Net increase/(decrease) in cash held		**(27,333)**	12,740	**(1,163)**	1,163
Cash at the beginning of the financial year		**58,873**	43,750	**1,163**	–
Effects of exchange rate changes on cash		**5,602**	2,383	**–**	–
Cash at the end of the financial year	28	**37,142**	58,873	**–**	1,163

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

FOR THE YEAR ENDED 31 DECEMBER 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year. Comparative information is reclassified where appropriate to enhance comparability.

(a) Principles of consolidation

The consolidated financial statements of the consolidated entity include the assets and liabilities of the company and the entities it controlled at the end of the financial year and the results of the company and the entities it controlled during the financial year. Where entities are not controlled throughout the financial year, the consolidated results include the results of those entities for that part of the financial year during which control exists. The controlled entities are listed in Note 22.

The effect of all transactions between entities in the consolidated entity and inter-entity balances are eliminated in full in preparing the consolidated financial statements. Outside equity interest in the results and equity of controlled entities is shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where necessary, dissimilar accounting policies adopted by controlled entities have been amended to ensure consistent policies are adopted within the consolidated entity.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the profits or losses of associates are recognised as profit or loss in the consolidated statement of financial performance, and its share of movements in reserves is recognised in consolidated reserves. The cumulative post acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(b) Revaluation of non-current assets

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at balance date.

The above policy was adopted with effect from 1 January 2001. The previous policy was to revalue land and buildings at fair value at three yearly intervals. The changed policy has not had a material effect in the current or prior financial year, nor is it expected to have a material effect in subsequent financial years.

The changed policy has been adopted to comply with *AASB 1041 Revaluation of Non-Current Assets.*

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the statement of financial performance, the increment is recognised immediately as revenue in the statement of financial performance.

Revaluation decrements are recognised immediately as expenses in the statement of financial performance, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of asset, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

Revaluations do not result in the carrying value of land or buildings exceeding their recoverable amount.

(c) Foreign currency translation
Transactions denominated in a foreign currency are translated at the rates in existence at the date of the transactions. Foreign currency receivables and payables at balance date are translated at exchange rates current at the date of the statement of financial position. Exchange gains and losses are brought to account in determining the profit or loss for the financial year.

Assets and liabilities of self-sustaining overseas controlled entities and branches are translated into Australian currency at rates of exchange at balance date, while their revenues and expenses are translated at the average of rates ruling during the financial year. Exchange differences arising on translation are taken to the foreign currency translation reserve.

Upon part disposal of a self-sustaining foreign operation, the balance of the foreign currency translation reserve relative to the operation or to the part disposed of, is transferred to retained profits.

Gains and losses on transactions which do not hedge specific foreign currency transactions are brought to account as they arise. These gains and losses are measured by reference to movements in the exchange rates for the relevant currencies to balance date.

(d) Investments
The consolidated entity's interests in companies and trusts, which are not controlled, are brought to account at cost and dividends are recognised in the statement of financial performance on an entitlement basis.

Where, in the opinion of the Directors, there has been a permanent diminution in the value of investments, the carrying amount of the investment is written down to its recoverable amount.

(e) Inventories
Finished goods, raw materials and stores and work in progress are stated at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date using the first in first out basis. Cost comprises material, labour and an appropriate proportion of fixed and variable overheads.

(f) Depreciation and amortisation of property, plant and equipment
Property, plant and equipment, other than freehold land, are depreciated over their estimated useful lives using the straight line and diminishing value methods.

The expected useful lives are as follows:

Buildings	50 years
Plant and equipment	3 to 15 years.

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

The lease asset is 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 being amortised over periods ranging from one to five years.

Other leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expense over the periods in which they are incurred.

(h) Mastheads, radio licences, transit and electronic systems and brands

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 valuation as described in Note 11. The Directors believe the mastheads have infinite lives and consider that mastheads are appropriately carried at valuation. Accordingly, no amortisation has been provided against the carrying amount.

Radio licences – Australia
Commercial radio licences are accounted for as identifiable assets and are brought to account at valuation as described in Note 11. The Directors have considered the geographic location, bandwidth/frequencies provided by the licences and other commercial and technical factors likely to impact on the useful life of the radio licences and believe the commercial radio licences have infinite lives. In such circumstances, they consider that commercial radio licences are appropriately carried at valuation. The commercial radio licences held by the consolidated entity are renewable every five years under the provisions of the Broadcasting Services Act 1992 and the Directors have no reason to believe that the licences will not be renewed from time to time for the maximum period allowable under the Act and without imposition of any conditions. Accordingly, no amortisation has been provided against the carrying amount.

Radio licences – New Zealand
Commercial radio licences are accounted for as identifiable assets and are brought to account at valuation as described in Note 11. New Zealand radio licences expire on 31 March 2011. Ownership of these frequencies reverts to the Government at this time and these or other frequencies would need to be retendered. Such licences are being amortised on a straight line basis to 31 March 2011.

Transit and electronic systems
Transit and electronic systems are accounted for as identifiable assets and are brought to account at valuation as described in Note 11. The Directors believe the transit systems have infinite lives and they consider that the transit systems are appropriately carried at valuation. Accordingly, no amortisation has been provided against the carrying amount.

Brands
Brands are accounted for as identifiable assets and recorded at valuation as described in Note 11, being the fair value of the asset acquired on acquisition. The Directors have considered the geographic location, legal, technical and other commercial factors likely to impact on the useful lives of the brands and consider that they have infinite lives. Accordingly, no amortisation has been provided against the carrying amount.

(i) Goodwill
Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired in the controlled entities at the date of gaining control, including any liability for restructuring costs, is shown as an intangible asset. Goodwill is amortised on a straight line basis over the period of expected benefit, which has been assessed as 20 years from the date of gaining control of the relevant entities.

(j) Receivables and payables
Trade accounts receivable are generally settled within 60 days and are carried at amounts due. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off during the period in which they are identified.

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

(k) Employee entitlements
Liabilities for employees' entitlements to wages and salaries, annual leave and long service leave are accrued at nominal amounts calculated on the basis of current wage and salary rates.

Liabilities for other employee entitlements, which are not expected to be paid or settled within 12 months of balance date, are accrued in respect of all employees at the present values of future amounts expected to be paid, based on a projected weighted average increase in wage and salary rates. Present values are calculated using a weighted average rate based on government guaranteed securities with similar maturity terms.

The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by the consolidated entity to the superannuation fund.

(l) Income tax
Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision has been made for any taxes on capital gains which could arise in the event of a sale of certain revalued non-current assets for the amounts at which they are stated in the financial statements, as it is not expected that any such liability will crystallise.

APN News & Media Limited and its wholly-owned Australian subsidiaries have at this time decided to implement the tax consolidation legislation as of 1 January 2003.

As a consequence, APN News & Media Limited, as the head entity in the tax consolidated group, will recognise current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group in future financial statements as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable or payable under the tax sharing agreement will be recognised separetely as tax-related amounts receivable or payable. The impact on the income tax expense and results of APN News & Media Limited is unlikely to be material because of a tax sharing agreement which will be implemented between the group entities involved. This is not expected to have a material impact on the consolidated results and assets and liabilities.

The financial effect of the implementation of the legislation has not been recognised in the financial statements for the year ended 31 December 2002.

(m) Revenue recognition
Sales revenue represents revenue earned from the printing and publication of newspapers and magazines, general commercial printing, radio broadcasting, specialist transit and static outdoor advertising, net of government duties and taxes. Other revenue includes interest earned on short term deposits, rental income and dividends received from other corporations, proceeds from the sale of property, plant and equipment and, in the case of the Parent entity, dividends received and receivable from controlled entities. Sales revenue for services is recorded when the services are provided or the fee in respect of services provided is receivable. Sales revenue for goods is recorded when the goods have been despatched and the associated risks have passed to the customer.

(n) Derivative financial instruments
Derivative financial instruments, principally interest rate swap contracts, are entered into to manage financial risks.

Payments and receipts under interest rate swap contracts are recognised in the statement of financial performance on a basis consistent with corresponding fluctuations in the interest payments on floating rate financial liabilities.

The carrying amounts of interest rate swaps which comprise net interest receivables and payables accrued, are included in assets or liabilities, respectively.

(o) Cash
For the purpose of the statements of cash flows, cash includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

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

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

Other borrowing costs include:

- Interest on bank overdrafts and short term and long term borrowings,
- Finance lease charges, and
- Certain exchange differences arising from foreign currency borrowings.

(r) Net fair values of financial assets and liabilities
Net fair values of financial instruments are determined on the following basis:

Financial instruments traded in an organised financial market (traded securities) – carried at lower of cost or current quoted market bid price for an asset or offer price for a liability adjusted for any transaction costs necessary to realise the asset or settle the liability. Quoted market prices are available for listed shares, options, debentures and other equity and debt securities.

Monetary financial assets and liabilities not traded in an organised financial market – carrying amounts of trade debtors, trade accounts payable, accruals and dividends payable – cost basis (which approximates net market value).

Fixed rate loans, bills of exchange, promissory notes and debentures issued – carried at cost basis.

Investments in shares and other equity securities and debentures and other debt securities not traded in an organised financial market (other investments) – carried at lower of cost or Directors' estimate of net market value.

Interest rate swaps and forward foreign exchange contracts – amounts estimated by the consolidated entity to realise favourable contracts or settle unfavourable contracts.

(s) Earnings per share

Basic earnings per share
Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

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 income 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.

(t) Acquisition of assets
The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Goodwill is brought to account on the basis described above.

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of the acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains it is recognised as revenue in the statement of financial performance.

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

(u) Recoverable amount of non-current assets
The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying value of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk adjusted discount rate. The discount rates used range from 6%-8% depending on the nature of the assets.

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

(w) Comparative figures
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current financial year.

YEAR ENDED 31 DECEMBER 2002	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
2. REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities				
Sales revenue	**1,004,391**	571,989	–	–
	1,004,391	571,989	–	–
Revenue from outside the operating activities				
Interest				
Other persons	**5,381**	3,637	**19**	1,252
Associated companies	**2,102**	2,096	–	–
Controlled entities	–	–	**18,125**	–
Dividends				
Controlled entity	–	–	**12,900**	106,413
Other entities	**784**	165	–	–
Proceeds from sale of property, plant and equipment	**9,734**	3,560	–	–
Proceeds from the sale of investments	**42,860**	12,420	–	–
Rent				
Related entities	**42**	36	–	–
Other entities	**1,168**	1,080	–	–
Bad debts recovered	**129**	144	–	–
Group service fees/management fees				
Controlled entities	–	–	**1,720**	3,084
Associated company	**888**	450	–	–
Sundry revenue	**4,256**	3,111	–	762
	67,344	26,699	**32,764**	111,511
Revenue from ordinary activities (excluding share of equity accounted net profits/(losses) of associates)	**1,071,735**	598,688	**32,764**	111,511

3. EXPENSES AND LOSSES/GAINS

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
(a) Expenses from ordinary activities				
Publishing activities	**419,304**	164,278	–	–
Radio broadcasting activities	**184,116**	144,647	–	–
Transit and outdoor activities	**158,201**	157,687	–	–
Print activities	**83,476**	–	–	–
Corporate	**12,254**	11,236	**1,134**	1,087
	857,351	477,848	**1,134**	1,087
(b) Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Gains				
Net gain on sale of investments				
Subsidiary entities	–	2,344	–	–
Other entities	**6,056**	1,563	–	–
Share of net profits/(losses) of associates	**(1,989)**	522	–	–
Net profit on disposal of property, plant and equipment	**696**	118	–	–
Expenses				
Depreciation				
Plant and equipment	**35,778**	15,128	–	–
Amortisation				
Goodwill	**12,856**	4,066	–	–
Radio licences	**1,673**	810	–	–
Borrowing costs	**2,549**	303	–	–
Plant and equipment under finance leases	**746**	86	–	–
	17,824	5,265	–	–
Other charges against assets				
Doubtful debts – trade debtors	**(344)**	1,161	–	–
	(344)	1,161	–	–
Other provisions				
Employee entitlements	**8,316**	8,117	–	–

YEAR ENDED 31 DECEMBER 2002	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
3. EXPENSES AND LOSSES/GAINS CONTINUED				
Contributions to employee superannuation plans	**10,920**	7,194	**12**	–
Rental expense on operating leases	**10,675**	6,887	–	–
Net loss on sale of non-current assets				
Investments	**2**	–	–	–
Management fees				
Related entities	**1,499**	1,230	–	–
Borrowing costs				
Interest and finance charges paid/payable	**74,061**	33,332	**18,126**	5,617
Borrowing cost amortisation	**2,549**	303	**455**	–
Other borrowing costs	**324**	–	–	–
Amount capitalised	**(244)**	(13,305)	–	(3,117)
Borrowing costs expensed	**76,690**	20,330	**18,581**	2,500

	Consolidated 2002 $	Consolidated 2001 $	Parent entity 2002 $	Parent entity 2001 $
4. REMUNERATION OF AUDITORS				
Remuneration for audit or review of the financial reports of the Parent entity or any entity in the consolidated entity:				
Auditor of the Parent entity – PricewaterhouseCoopers Australian firm	**529,204**	397,477	**27,500**	25,000
Overseas PricewaterhouseCoopers firms	**452,942**	173,731	–	–
Other auditors of controlled entities				
Other firms	**369,028**	247,171	–	–
	1,351,174	818,379	**27,500**	25,000
Remuneration for other services:				
Auditor of the Parent entity – PricewaterhouseCoopers				
Australian firm – taxation and other services	**431,220**	361,606	–	–
Overseas PricewaterhouseCoopers firms – taxation and other services	**328,982**	221,421	–	–
	760,202	583,027	–	–

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000

5. INCOME TAX

The income tax on the profit from ordinary activities differs from the amount prima facie payable on that profit as follows:

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
Prima facie income tax on profit from ordinary activities at 30%:	**40,711**	30,310	**3,915**	32,377
Tax effect of permanent differences which:				
Reduce tax payable due to:				
Dividend rebate forgone	**(82)**	(153)	**–**	–
Building allowance	**648**	471	**–**	–
Rebateable dividends	**65**	18	**3,870**	31,924
Share of net profits/(losses) of associates	**(458)**	157	**–**	–
Differing tax rates	**313**	253	**–**	–
Masthead licencing agreement	**9,746**	–	**–**	–
Sundry items	**10,520**	4,986	**–**	559
	19,959	24,578	**45**	(106)
Increase tax payable due to non-deductible items:				
Depreciation of buildings	**58**	88	**–**	–
Entertainment	**511**	602	**–**	–
Goodwill on consolidation	**3,839**	1,175	**–**	–
Sundry items	**(23)**	287	**–**	21
Prima facie tax adjusted for permanent differences	**24,344**	26,730	**45**	(85)
(Over)/under provision in prior year	**(3,662)**	(643)	**131**	–
Income tax attributable to profit from ordinary activities	**20,682**	26,087	**176**	(85)

6. RECEIVABLES

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
Current				
Trade debtors	**184,545**	165,976	**–**	–
Deduct provision for doubtful debts	**6,654**	9,041	**–**	–
	177,891	156,935	**–**	–
Other loans	**2,380**	1,490	**–**	–
Loans to controlled entities	**–**	–	**1,102,312**	1,127,784
Loans to associated companies	**39,451**	35,463	**–**	–
Loans to Directors and Director-related entities	**4,215**	3,977	**–**	–
Other debtors	**29,293**	16,982	**–**	228
	253,230	214,847	**1,102,312**	1,128,012

YEAR ENDED 31 DECEMBER 2002	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
6. RECEIVABLES CONTINUED				
Non-current				
Other loans	**3,109**	2,903	–	–
Other debtors	**20,704**	–	–	–
	23,813	2,903	–	–

Trade debtors are required to be settled within 60 days. The Directors consider the carrying amount of trade debtors approximate their net fair values.

Loans to associated companies are unsecured, interest bearing and repayable at call.

Loans to Director-related entities, Pierpat Pty Limited, Swanbridge Pty Limited and Deanhill Pty Limited of $356,000 (2001: $356,000) relate to the acquisition of Cody Outdoor Advertising Pty Limited and are non-interest bearing and repayable under the agreements of purchase of the company from its previous ultimate shareholders P Cody, B Jarick and R Herring.

Loans to a Director of a subsidiary, PT Rainbow Cipta Utama, of $734,457 (2001: $596,250) relate to the purchase of PT Rainbow Cipta Utama and are unsecured, non-interest bearing and repayable at call.

Loans to a Director of a subsidiary, P Cody, of $3,124,000 (2001: $3,025,661) relate to the acquisition of Cody Outdoor International (HK) Limited, are secured over the shares in that entity held by the Director, are non-interest bearing and are repayable over fixed terms relating to the acquisition of Cody Outdoor International (HK) Limited.

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
7. INVENTORIES				
Current				
Raw materials and stores (at cost)	**25,650**	26,639	–	–
Work in progress (at cost)	**2,581**	3,538	–	–
Finished goods (at net realisable value)	**4,649**	4,083	–	–
	32,880	34,260	–	–
8. INVESTMENTS				
Non-current				
Listed securities (at cost)				
Shares in other corporations	**9,077**	9,074	–	–
Other securities (at cost)				
Shares in other corporations	**18,146**	11,392	–	–
Shares in controlled entities (refer Note 22)	–	–	**10,000**	10,000
	27,223	20,466	**10,000**	10,000
The aggregate market value of investments listed on a prescribed stock exchange are:				
Shares	**7,094**	7,171	–	–
Shares in associated companies (refer Note 23)	**6,544**	8,533	–	–

9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
Freehold land				
At Directors' valuation *	**32,340**	31,800	–	–
Buildings				
At Directors' valuation *	**84,870**	80,812	–	–
Deduct accumulated depreciation	**(22,336)**	(19,727)	–	–
	62,534	61,085	–	–
Plant and equipment				
At cost	**544,945**	478,406	–	–
Deduct accumulated depreciation	**(310,073)**	(261,376)	–	–
	234,872	217,030	–	–
Under finance lease	**1,526**	1,942	–	–
Deduct accumulated amortisation	**(926)**	(815)	–	–
	600	1,127	–	–
Total property, plant and equipment	**330,346**	311,042	–	–

* The Directors consider that these freehold land and buildings are carried at their recoverable amounts. This is supported by independent valuations based on the estimated realisable value in an open market with the additional assumption that the property will continue to be owner occupied for the existing use of the land and buildings carried out as at 31 December 2000. The independent valuations in 2000 were carried out by: Michael Rogers BAppSc (Prop Econ), AAPI, Certified Practising Valuer, Paul Ellis BBus (Real Prop Val and Admin), Grad Cert Construction Management, AAPI, Certified Practising Valuer, and Michael Gannon BBus (Land Ec), AAPI, Certified Practising Valuer of McGees National Property Consultants, Brisbane.

Reconciliations

Reconciliations of the carrying amount of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Consolidated 2002 $000	Consolidated 2001 $000
Freehold land		
Carrying amount at beginning of the year	**31,800**	18,765
Additions through acquisition of entities	**229**	14,051
Disposals	**(2,266)**	(1,145)
Foreign exchange currency adjustments	**2,577**	129
Carrying amount at end of the year	**32,340**	31,800
Buildings		
Carrying amount at beginning of the year	**61,085**	26,897
Additions	**2,153**	3,601
Additions through acquisition of entities	**549**	36,594
Disposals	**(1,525)**	(2,861)
Depreciation expense	**(2,400)**	(1,025)
Other adjustments	**(2,774)**	(2,220)
Foreign exchange currency adjustments	**5,446**	99
Carrying amount at end of the year	**62,534**	61,085

YEAR ENDED 31 DECEMBER 2002	Consolidated 2002 $000	Consolidated 2001 $000
9. PROPERTY, PLANT AND EQUIPMENT CONTINUED		
Plant and equipment		
Carrying amount at beginning of the year	**217,030**	62,418
Additions	**32,891**	15,754
Additions through acquisition of entities	**363**	153,340
Disposals	**(5,247)**	(3,835)
Depreciation expense	**(33,378)**	(14,103)
Other adjustments	**2,135**	2,976
Foreign exchange currency adjustments	**21,078**	480
Carrying amount at end of the year	**234,872**	217,030
Plant and equipment under finance leases		
Carrying amount at beginning of the year	**1,127**	142
Additions through acquisition of entities	**219**	1,071
Amortisation expense	**(746)**	(86)
Carrying amount at end of the year	**600**	1,127
Total property, plant and equipment		
Carrying amount at beginning of the year	**311,042**	108,222
Additions	**35,044**	19,355
Additions through acquisition of entities	**1,360**	205,056
Disposals	**(9,038)**	(7,841)
Depreciation and amortisation expense	**(36,524)**	(15,214)
Other adjustments	**(639)**	756
Foreign exchange currency adjustments	**29,101**	708
Carrying amount at end of the year	**330,346**	311,042

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
10. INTANGIBLES				
Non-current				
Goodwill	**220,911**	223,956	**–**	–
Deduct accumulated amortisation	**(28,452)**	(27,547)	**–**	–
	192,459	196,409	**–**	–
11. OTHER ASSETS				
Current				
Tax assets				
Receivable	**17,040**	–	**–**	–
Other current assets				
Deferred expenditure	**9,202**	12,264	**–**	–
Prepayments	**7,565**	5,993	**67**	–
	16,767	18,257	**67**	–
Non-current				
Deferred tax assets				
Future income tax benefit [a]	**29,411**	33,734	**105**	354

	Consolidated		Parent entity	
	2002 $000	2001 $000	2002 $000	2001 $000
Other assets				
Borrowing costs	**13,544**	15,753	**3,074**	3,117
Deduct accumulated amortisation	**(2,545)**	(2,448)	**(412)**	–
	10,999	13,305	**2,662**	3,117
Mastheads				
At valuation (b)	**1,333,419**	1,149,347	**–**	–
Radio licences				
At valuation (c)	**309,982**	308,638	**–**	–
Deduct accumulated amortisation	**(2,793)**	(1,928)	**–**	–
Transit and electronic systems				
At valuation (d)	**81,742**	69,831	**–**	–
Brands				
At valuation (e)	**53,600**	46,919	**–**	–
	1,786,949	1,586,112	**2,662**	3,117

(a) The consolidated future income tax benefit includes $1,817,000 (2001: $5,009,000) in relation to the benefit of income tax losses carried forward by controlled entities.

(b) The Directors consider that these mastheads are carried at their recoverable amounts. The New Zealand mastheads acquired as part of Wilson & Horton Group (refer to Note 22) are supported by independent valuations performed by Grant Samuel & Associates Pty Ltd dated 19 October 2001. The Grant Samuel & Associates Pty Ltd valuation involved an assessment of the value of each publishing business on an ungeared basis, having regard to multiples of earnings and cash flows, the investment in tangible assets so as to deduct this from the total intangible asset value for publications, and allowance for the costs of establishing or creating a functional enterprise capable of producing the relevant publications so as to also deduct this from the total intangible asset value.

The Australian mastheads are supported by independent valuations performed by Grant Samuel & Associates Pty Ltd as at 31 December 2002. The Grant Samuel & Associates Pty Ltd approach to the valuation of these mastheads involved an assessment of the value of each publishing business on an ungeared basis. The value is generally determined by capitalising earnings before net interest, tax, depreciation and amortisation or earnings before interest, tax and goodwill amortisation less the necessary investment in tangible assets required to be deducted to determine the total intangible asset value with the costs and risks of establishing or creating a functional enterprise capable of producing the publication deducted from the total intangible asset value.

(c) The Directors consider that the radio licences are carried at their recoverable amounts, based on the net amount that is expected to be recovered through the cash inflows and outflows arising from their continued use and subsequent sale without being discounted to their present values.

(d) The Directors consider that the value of The Buspak Transit Advertising System is carried at its recoverable amount. This is supported by an independent valuation performed by Ernst & Young Corporate Finance Pty Ltd dated 31 October 2002 based on franchise fee valuation methodology.

The Directors consider that the value of The Australian Posters Advertising System is carried at its recoverable amount. This is supported by an independent valuation performed by Ernst & Young Corporate Finance Pty Ltd dated 31 October 2002 based on franchise fee valuation methodology.

The Directors consider that the value of The Cody Advertising System is carried at its recoverable amount. This is supported by an independent valuation performed by Ernst & Young Corporate Finance Pty Ltd dated 31 March 2001 based on franchise fee valuation methodology.

(e) The Directors consider that the value of brands are carried at their recoverable amounts based on the net amount that is expected to be recovered through the cash inflows and outflows arising from their continued use and subsequent sale without being discounted to their present values.

YEAR ENDED 31 DECEMBER 2002	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
12. PAYABLES				
Trade creditors	**125,432**	101,404	**3,405**	4,670
Amounts due to related entity	**3,417**	832	**–**	–
Other loans	**2,605**	1,358	**–**	–
Loans from Directors and Director-related entities	**3,085**	2,268	**–**	–
	134,539	105,862	**3,405**	4,670

Trade creditors are generally settled within 30 days from the end of the month in which they are received. The Directors consider the carrying amounts of trade creditors and other accounts payable approximate their net fair values.

Loans from a Director of Citydreams Pte Ltd, J Kwek, of $210,620 (2001: $218,195) are unsecured, non-interest bearing and repayable at call.

Loans from a Director of Kurnia Outdoor Sdn Bhd, of $1,048,404 (2001: $1,070,491) are unsecured, non-interest bearing and repayable at call.

Loans from a Director of PT Rainbow Cipta Utama, of $1,826,503 (2001: $979,347) are unsecured, non-interest bearing and repayable at call.

13. INTEREST BEARING LIABILITIES

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
Current (unsecured)				
Bank loans	**84,958**	53,332	**–**	–
Current (secured)				
Lease liabilities	**473**	319	**–**	–
	85,431	53,651	**–**	–
Non-current (unsecured)				
Bank loans	**721,905**	722,962	**–**	–
Convertible notes	**250,000**	250,000	**250,000**	250,000
	971,905	972,962	**250,000**	250,000
Non-current (secured)				
Other loans	**–**	203	**–**	–
Lease liabilities	**380**	573	**–**	–
	972,285	973,738	**250,000**	250,000

The Directors consider the carrying amounts of bank loans and convertible notes represent their net fair values.

Lease liabilities are effectively secured, as the rights to the leased assets revert to the lessor in the event of default.

Convertible notes

The Parent entity has on issue 63,291,140 convertible notes at 7.25% pa for $250 million. The notes are convertible into ordinary shares of the Parent entity, at the option of the holder, at predetermined periods over the term of the note, or repayable on 31 October 2008. The number of ordinary shares to be issued for each convertible note will be one ordinary share. The convertible notes are presented in the statement of financial position as follows:

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
Face value of notes issued	**250,000**	250,000	**250,000**	250,000
Non-current liability	**250,000**	250,000	**250,000**	250,000

14. PROVISIONS

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
Current				
Taxation	–	528	**74**	–
Dividends*	–	37,837	–	37,837
Employee entitlements	**23,386**	21,096	–	–
Other provisions	–	20,599	–	–
Restructuring**	**40,570**	39,370	–	–
	63,956	118,902	–	37,837
Non-current				
Deferred income tax	**18,020**	15,710	**20**	58
Employee entitlements	**2,195**	2,313	–	–
Other	–	3	–	–
	2,195	2,316	–	–
Aggregate employee entitlement liabilities				
Current provision	**23,386**	21,096	–	–
Non-current provision	**2,195**	2,313	–	–
	25,581	23,409	–	–
Employee numbers				
Number of employees at the end of the financial year	**5,694**	3,106	–	–

* No provision has been made for the 2002 full-year dividend in preparation for the introduction of a new accounting standard *AASB 1044 Provisions, Contingent Liabilities and Contingent Assets* to be applied from 1 January 2003.

** The restructuring provision includes the integration costs relating to the acquisition of the Wilson & Horton Group covering areas such as editorial and shared services systems. Further information on the restructuring provision is not included because, in the Directors' opinion, it would prejudice the interests of the consolidated entity.

The Directors consider the carrying amounts of provisions for employee entitlements approximate their net fair values.

YEAR ENDED 31 DECEMBER 2002	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
15. SHARE CAPITAL				
Issued and paid up share capital	**805,082**	780,154	**805,082**	780,154

(a) Movements in issued and paid up ordinary share capital of the company during the past two financial years were as follows:

Date	Details	Notes	Number of shares	Issue price	$000
1/1/2001	Opening balance		252,011,197		220,415
17/1/2001	Issue of shares under EDOP	(d)	5,000	$2.24	11
19/1/2001	Issue of shares under EDOP	(d)	30,000	$2.32	70
19/1/2001	Issue of shares under EDOP	(d)	29,910	$2.88	86
21/1/2001	Issue of shares under EDOP	(d)	20,090	$2.88	58
15/2/2001	Issue of shares under EDOP	(d)	12,957	$2.32	30
27/2/2001	Issue of shares under EDOP	(d)	122,500	$2.24	274
27/2/2001	Issue of shares under EDOP	(d)	730,000	$2.35	1,716
27/2/2001	Issue of shares under EDOP	(d)	200,000	$2.42	484
27/4/2001	Issue of shares under EDOP	(d)	160,000	$2.24	358
27/4/2001	Issue of shares under EDOP	(d)	30,000	$2.32	70
2/5/2001	Issue of shares under the Dividend Reinvestment Plan	(b)	1,586,865	$3.94	6,236
24/5/2001	Issue of shares under EDOP	(d)	205,000	$2.44	500
30/5/2001	Issue of shares under EDOP	(d)	120,000	$2.24	269
8/6/2001	Issue of shares under EDOP	(d)	222,500	$2.24	498
29/6/2001	Issue of shares under EDOP	(d)	90,000	$2.15	194
29/6/2001	Issue of shares under EDOP	(d)	20,000	$2.35	47
30/6/2001	Issue of shares under the ESOP	(c)	397,065	–	–
4/7/2001	Issue of shares under EDOP	(d)	205,000	$2.15	441
4/7/2001	Issue of shares under EDOP	(d)	20,000	$2.32	46
9/7/2001	Issue of shares under EDOP	(d)	10,000	$2.15	22
9/7/2001	Issue of shares under EDOP	(d)	7,043	$2.32	16
18/7/2001	Issue of shares under EDOP	(d)	55,000	$2.15	118
18/7/2001	Issue of shares under EDOP	(d)	20,000	$2.35	47
23/7/2001	Issue of shares under EDOP	(d)	75,000	$2.35	176
25/7/2001	Issue of shares under EDOP	(d)	30,000	$2.15	65
3/8/2001	Issue of shares under EDOP	(d)	35,000	$2.15	75
3/8/2001	Issue of shares under EDOP	(d)	65,000	$2.32	151
3/8/2001	Issue of shares under EDOP	(d)	12,500	$2.35	29
10/8/2001	Issue of shares under EDOP	(d)	35,000	$2.15	75
31/8/2001	Issue of shares under the ESOP	(c)	79,182	–	–
17/9/2001	Issue of shares under EDOP	(d)	136,500	$2.19	299
17/9/2001	Issue of shares under EDOP	(d)	10,000	$2.32	23
20/9/2001	Issue of shares under the Dividend Reinvestment Plan	(b)	847,319	$4.17	3,394
18/10/2001	Issue of shares under EDOP	(d)	40,000	$2.15	86
6/11/2001	Issue of shares under EDOP	(d)	15,000	$2.15	32
14/11/2001	Issue of shares under EDOP	(d)	125,000	$2.35	294
20/11/2001	Issue of shares under EDOP	(d)	120,000	$2.15	258
20/11/2001	Issue of shares under EDOP	(d)	20,000	$2.32	46
20/11/2001	Issue of shares under EDOP	(d)	75,000	$2.35	176
20/11/2001	Issue of shares under EDOP	(d)	50,000	$3.32	166
21/12/2001	Share placement to Independent News & Media PLC	(f)	28,594,771	$3.50	100,000

Date	Details	Notes	Number of shares	Issue price	$000
21/12/2001	Pro-rata entitlement offer	(f)	143,287,799	$3.15	451,356
	Less: Transaction costs arising on share issues				(8,553)
31/12/2001	Balance		429,963,198		780,154
15/1/2002	Issue of shares under EDOP	(d)	100,000	$1.98	198
15/1/2002	Issue of shares under EDOP	(d)	8,000	$2.18	17
17/1/2002	Issue of shares under EDOP	(d)	60,000	$2.18	130
17/1/2002	Issue of shares under EDOP	(d)	76,000	$1.98	150
8/2/2002	Issue of shares under EDOP	(d)	50,000	$1.98	99
8/2/2002	Issue of shares under EDOP	(d)	20,000	$3.15	63
8/2/2002	Issue of shares under EDOP	(d)	25,000	$2.18	54
22/2/2002	Issue of shares under EDOP	(d)	90,000	$2.18	196
22/2/2002	Issue of shares under EDOP	(d)	20,000	$2.27	45
26/2/2002	Issue of shares under EDOP	(d)	480,000	$2.18	1,046
1/3/2002	Issue of shares under EDOP	(d)	30,000	$3.15	95
1/3/2002	Issue of shares under EDOP	(d)	45,000	$2.18	98
30/4/2002	Issue of shares under EDOP	(d)	10,000	$2.15	22
30/4/2002	Issue of shares under EDOP	(d)	10,000	$2.60	26
30/4/2002	Issue of shares under EDOP	(d)	10,000	$1.98	20
3/5/2002	Issue of shares under the Dividend Reinvestment Plan	(b)	2,716,157	$3.84	10,422
10/5/2002	Issue of shares under EDOP	(d)	50,000	$1.98	99
13/5/2002	Issue of shares under EDOP	(d)	400,000	$2.18	872
13/5/2002	Issue of shares under EDOP	(d)	25,000	$2.15	54
17/5/2002	Issue of shares under EDOP	(d)	25,000	$1.98	50
17/5/2002	Issue of shares under EDOP	(d)	10,000	$2.18	22
28/5/2002	Issue of shares under EDOP	(d)	10,000	$2.18	22
28/5/2002	Issue of shares under EDOP	(d)	20,000	$1.98	39
6/6/2002	Issue of shares under EDOP	(d)	20,000	$1.98	44
11/6/2002	Issue of shares under EDOP	(d)	225,000	$2.18	491
28/6/2002	Issue of shares under EDOP	(d)	947,500	$2.18	2,066
28/6/2002	Issue of shares under EDOP	(d)	25,000	$2.32	58
28/6/2002	Issue of shares under EDOP	(d)	50,000	$2.92	146
10/7/2002	Issue of shares under EDOP	(d)	100,000	$2.15	215
25/7/2002	Issue of shares under EDOP	(d)	25,000	$2.60	65
2/8/2002	Issue of shares under EDOP	(d)	50,000	$3.15	158
19/8/2002	Issue of shares under EDOP	(d)	76,000	$2.71	206
2/10/2002	Issue of shares under the Dividend Reinvestment Plan	(b)	2,611,192	$3.04	7,937
10/10/2002	Issue of shares under EDOP	(d)	22,600	$1.98	45
	Less: Transaction costs arising on share issues				(342)
			438,405,647		805,082

15. SHARE CAPITAL CONTINUED

(b) Dividend Reinvestment Plan

The company has established a Dividend Reinvestment Plan under which the holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. Shares are issued under the plan at a 2.5% discount to the market price.

(c) Employee Share Ownership Plan (ESOP)

Under the plan, approved at the 1997 Annual General Meeting, eligible employees are entitled to the issue of $1,000 worth of shares each, at market value, each financial year if the nominated growth in Earnings Per Share is achieved in that financial year.

The plan is administered by APN Share Plan Company Pty Ltd, with the acquisition of the shares being funded by tax deductible contributions from the company to APN Share Plan Company Pty Ltd.

Employee eligibility is based on the period of employment in the group prior to the offer and is available to full-time, permanent part-time and casual employees.

(d) Executive and Director Option Plan (EDOP)

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

The options are exercisable between three to five years from the date of issue at the exercise price based on current employment, (subject to special circumstances including redundancy and permanent disability) and performance hurdles including corporate profitability being achieved.

(e) Ordinary shares

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

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

(f) Pro-rata entitlement offer and share placement

On 13 November 2001, the company invited its shareholders to subscribe to a pro-rata entitlement offer of 143,287,799 ordinary shares at an issue price of $3.15 per share on a basis of five shares for every nine fully paid ordinary shares held. The issue was fully subscribed.

On 21 December 2001, the company issued 28,594,771 ordinary shares at $3.50 to a subsidiary company of Independent News & Media PLC.

(g) Options issued under the Executive and Director Option Plan that are outstanding in respect of the following ordinary shares in the company:

	2002		2001	
	Options	Exercise price $	Options	Exercise price $
Issued on 1 July 1997	–	–	2,365,500	2.18
Issued on 28 July 1997	–	–	135,000	2.15
Issued on 22 May 1998	**200,000**	**2.27**	200,000	2.27
Issued on 17 June 1998	**74,000**	**1.98**	330,000	1.98
Issued on 17 December 1998	**100,000**	**1.98**	197,600	1.98
Issued on 20 January 1999	**100,000**	**2.27**	120,000	2.27
Issued on 15 February 1999	**125,000**	**2.32**	150,000	2.32
Issued on 12 April 1999	**210,000**	**2.92**	310,000	2.92
Issued on 29 April 1999	**25,000**	**2.60**	60,000	2.60
Issued on 3 June 1999	**35,000**	**2.48**	35,000	2.48
Issued on 13 August 1999	–	–	76,000	2.71
Issued on 18 August 1999	**10,000**	**2.82**	10,000	2.82
Issued on 29 December 1999	**1,163,500**	**3.15**	1,423,500	3.15
Issued on 7 April 2000	**65,000**	**3.96**	65,000	3.96

	2002 Options	2002 Exercise price $	2001 Options	2001 Exercise price $
Issued on 2 June 2000	**650,000**	**3.51**	650,000	3.51
Issued on 7 June 2000	**75,000**	**3.71**	125,000	3.71
Issued on 10 November 2000	**–**	**–**	50,000	4.49
Issued on 15 December 2000	**175,800**	**4.21**	175,800	4.21
Issued on 29 December 2000	**350,000**	**4.02**	450,000	4.02
Issued on 3 April 2001	**152,400**	**3.56**	213,850	3.56
Issued on 22 July 2002	**2,728,800**	**3.54**	–	–
Issued on 7 August 2002	**500,000**	**3.74**	–	–
	6,739,500		7,142,250	

All options are exercisable between three and five years from date of issue at the exercise price.

Each option issued is convertible into one ordinary share.

The exercise price of the options outstanding as at 31 December 2001 has have been adjusted to take into account the bonus element of the pro-rata entitlement offer made during 2001.

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

16. RESERVES AND RETAINED PROFITS

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
(a) Reserves				
Asset revaluation reserve	**147,532**	98,292	**–**	–
Foreign currency translation reserve	**112,154**	2,422	**–**	–
Capital profits reserve	**120**	120	**–**	–
	259,806	100,834	**–**	–
Asset revaluation reserve				
Balance at the beginning of the financial year	**98,292**	86,429	**–**	–
Adjustment on valuation of land and buildings	**–**	(19)	**–**	–
Increment on revaluation of mastheads and other assets	**49,240**	11,882	**–**	–
Balance at the end of the financial year	**147,532**	98,292	**–**	–
Foreign currency translation reserve				
Balance at the beginning of the financial year	**2,422**	(918)	**–**	–
Other adjustment	**23**	–	**–**	–
Net exchange difference on translation of overseas controlled entities	**109,709**	3,340	**–**	–
Balance at the end of the financial year	**112,154**	2,422	**–**	–
Capital profits reserve				
Balance at the beginning of the financial year	**120**	165	**–**	–
Adjustment	**–**	(45)	**–**	–
Balance at the end of the financial year	**120**	120	**–**	–
(b) Retained profits				
Retained profits at the beginning of the financial year	**76,360**	81,528	**69,927**	15,255
Net profit attributable to members of the Parent entity	**90,178**	48,169	**12,873**	108,009
Dividends paid or provided for	**(26,235)**	(53,337)	**(26,235)**	(53,337)
Retained profits at the end of financial year	**140,303**	76,360	**56,565**	69,927

16. RESERVES AND RETAINED PROFITS CONTINUED

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy Note 1(b). 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 accounting policy Note 1(c).

	Consolidated		Parent entity	
	2002 $000	2001 $000	2002 $000	2001 $000
17. DIVIDENDS				
Ordinary				
Interim dividend paid				
Franked at 30% – 6.0c per share (2001: 5.8c per share)	**26,235**	15,500	**26,235**	15,500
Final dividend paid/proposed				
Franked at 30% – (2001: 8.8c per share)*	–	37,837	–	37,837
Total dividends paid or provided for	**26,235**	53,337	**26,235**	53,337
Tax paid available for subsequent financial years at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profits and the payment of the proposed dividend.	**48,938**	29,821	**12,068**	6,411
Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the financial years ended 31 December 2002 and 2001 were as follows:				
Paid in cash	**45,729**	28,047	**45,729**	28,047
Satisfied by issue of shares	**18,360**	9,629	**18,360**	9,629
	64,089	37,676	**64,089**	37,676

* No provision has been made for the 2002 full-year dividend in preparation for the introduction of a new accounting standard *AASB 1044 Provisions, Contingent Liabilities and Contingent Assets* to be applied from 1 January 2003.

18. CONTINGENT LIABILITIES

Guarantees

The Parent entity and all wholly owned controlled entities have provided guarantees in respect of a banking facility. As at 31 December 2002, the facility has been drawn to the extent of $387,500,000 (2001: $356,000,000) by Biffin Pty Limited, a wholly owned controlled entity. A standby letter of credit has been issued to Cedar Hill International Corporation, a subsidiary of JP Morgan Chase, on behalf of Biffin Pty Limited to a maximum value of NZ$480,273,581 (2001: NZ$509,804,000) to support the masthead financing liability arising on acquisition of Wilson & Horton Limited. As at 31 December 2002, no claims have been made against the standby letter of credit.

The Parent entity and some wholly owned controlled entities have given guarantees in respect of certain banking facilities to a maximum of $60,000,000 (2001: $60,000,000).

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 significant costs or damages.

19. SUPERANNUATION

The consolidated entity operates superannuation plans under which eligible employees 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.

The APN Occupational Superannuation Plan was merged into the APN Superannuation Scheme effective from 1 July 2002.

Joseph Di Bella, BSc (Hons), FIAA, as at 1 July 2002 made an actuarial assessment of the APN Superannuation Scheme. The assets of the principal plan at that date were sufficient to satisfy all benefits that would have vested under the plan in the event of its termination or in the event of the voluntary or compulsory termination of employment of each employee. For defined benefit members, there is a shortfall of the actuarial valuation of the plan assets to the past service benefits, and the actuary has recommended that the respective employer entities of defined benefit members recommence contributions to fund the future benefits and the current shortfall.

The accrued benefits based on the last actuarial assessments and the plan assets at net market value and vested benefits at 1 July 2002 of the superannuation plans sponsored by the company and other entities in the consolidated entity are:

	Accrued benefits 2002 $000	Net shortfall 2002 $000	Net surplus 2001 $000	Plan assets 2002 $000	Plan assets 2001 $000	Vested benefits 2002 $000	Vested benefits 2001 $000
APN Superannuation Scheme	**43,612**	**(742)**	4,957	**42,870**	30,451	**42,757**	24,512
APN Occupational Superannuation Plan	**–**	**–**	–	**–**	18,991	**–**	18,814

	Consolidated 2002 $'000	Consolidated 2001 $'000	Parent entity 2002 $'000	Parent entity 2001 $'000
20. COMMITMENTS				
Capital expenditure				
Capital expenditure contracted for at balance date but not recognised as liabilities:				
Payable no later than one year	**1,576**	7,437	**–**	–
Due within one to five years	**2,277**	844	**–**	–
	3,853	8,281	**–**	–

YEAR ENDED 31 DECEMBER 2002	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
21. LEASE COMMITMENTS				
Commitments for minimum lease payments in relation to operating leases and rental commitments contracted for at the reporting date but not recognised as liabilities, payable:				
Not later than one year	**99,344**	81,117	–	–
Later than one year but not later than five years	**196,684**	205,838	–	–
Later than five years	**45,769**	58,005	–	–
Commitments not recognised in the financial statements	**341,797**	344,960	–	–
Representing				
Cancellable operating leases and rental commitments	–	1,158	–	–
Non-cancellable operating leases and rental commitments	**341,701**	343,616	–	–
Future finance lease charges	**96**	186	–	–
	341,797	344,960	–	–
Commitments to finance leases are payable as follows:				
Not later than one year	**473**	319	–	–
Later than one year, but not later than five years	**476**	759	–	–
Payable later than five years	–	–	–	–
	949	1,078	–	–
Deduct future finance charges on finance leases	**96**	186	–	–
Provided for as a liability	**853**	892	–	–
Representing lease liabilities (Note 13)				
Current	**473**	319		–
Non-current	**380**	573	–	–
	853	892	–	–

The weighted average interest rate implicit in the leases is 8.38% pa (2001: 8.38%).

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.

22. INVESTMENTS IN CONTROLLED ENTITIES

	Country of formation or incorporation	APN News & Media Limited direct or indirect interest in ordinary shares/equity 2002 %	2001 %
Actraint No. 116 Pty Limited[7]	Australia	50	50
Adhoc Pty Ltd[3]	Australia	75	75
Airplay Media Services Pty Limited[1]	Australia	50	50
APN Broadcasting Investments Pty Ltd[4]	Australia	100	100
APN Broadcasting Regionals Pty Limited[1]	Australia	50	50
APN Business Magazines Pty Ltd[4]	Australia	100	100
APN Business Information Group Pty Ltd[2, 5]	Australia	100	100
APN Computing Group Pty Ltd[2, 5, 6]	Australia	100	100
APN Digital Pty Limited[2, 5, 8]	Australia	100	100
APN Educational Media Pty Ltd[2, 5]	Australia	100	100
APN Educational Media (NZ) Limited[3]	New Zealand	100	100
APN Media (Asia) Pte Ltd	Singapore	100	100
APN Newspapers Pty Limited (formerly PNQ Investments Pty Ltd)[4]	Australia	100	100
APN Publishing (Asia) Pte Ltd	Singapore	100	100
APN Occupational Superannuation Pty Ltd[2]	Australia	100	100
APN Superannuation Pty Ltd[2]	Australia	100	100
APN New Zealand Limited	New Zealand	100	100
ARN Adelaide Pty Limited[1]	Australia	50	50
ARN Brisbane Pty Limited[1]	Australia	50	50
ARN Broadcasting Pty Limited[7]	Australia	50	50
ARN Communications Pty Limited[1]	Australia	50	50
ARN Holdings (NZ) Limited[1]	New Zealand	50	50
ARN New Zealand Pty Limited[1]	Australia	50	50
ARN Overseas Pty Limited[1]	Australia	50	50
ARNSAT Pty Limited[1]	Australia	50	50
ARN Superannuation Pty Limited[1]	Australia	50	50
Asia Posters Limited	Hong Kong	100	100
Asia Posters Pte Ltd	Singapore	70	70
Asia Posters Sdn Bhd	Malaysia	70	70
Australian Posters Pty Limited[2, 5]	Australia	100	100
Australian Provincial Newspapers International Pty Ltd[4]	Australia	100	100
Australian Provincial Newspapers Ltd[6]	Australia	100	100
Australian Radio Network Pty Ltd[1, 7]	Australia	50	50
Australian Radio Network (NZ) Limited[1]	New Zealand	–	–
The Australasian Advertising Co Pty Limited[2, 5]	Australia	100	100
Bankprint Australia Pty Limited	Australia	100	100
Biffin Pty Limited[4]	Australia	100	100
Blue Mountains Broadcasters Pty Limited[1]	Australia	50	50
Border Newspapers Pty Ltd[2, 5, 6]	Australia	100	100
Brisbane FM Radio Pty Limited[1]	Australia	25	25
The Brisbane Publishing Company Pty Ltd[2, 5]	Australia	100	100
The Bundaberg Newspaper Company Pty Ltd[4]	Australia	100	100
Buspak Advertising Group Pty Ltd[4]	Australia	100	100
Buspak Advertising (Hong Kong) Limited[3]	Hong Kong	50	50
Buspak Advertising (Singapore) Pte Ltd	Singapore	100	100
Buspak (NZ) Limited	New Zealand	100	100
Byron Shire News Pty Ltd[2, 5]	Australia	100	100
Calcom Sdn Bhd	Malaysia	25	25

YEAR ENDED 31 DECEMBER 2002

22. INVESTMENTS IN CONTROLLED ENTITIES CONTINUED

	Country of formation or incorporation	APN News & Media Limited direct or indirect interest in ordinary shares/equity 2002 %	2001 %
Capital City Broadcasters Pty Limited[1]	Australia	50	50
Campus Review Pty Ltd[2,5]	Australia	100	100
Capricornia Newspapers Pty Ltd[4]	Australia	100	100
Captive Media Pty Ltd[2,5,6]	Australia	100	25
Cardcorp (Manufacturing) Pty Limited	Australia	100	100
Central Coast Broadcasting Pty Limited[1]	Australia	50	50
Central Queensland News Publishing Company Pty Ltd[2,5]	Australia	100	100
Central Telegraph Pty Ltd[2,5]	Australia	100	100
Chinchilla Newspapers Pty Ltd[2,5]	Australia	100	100
Citydreams Pte Ltd	Singapore	35	35
Codylink Pty Ltd[4,6]	Australia	100	100
Cody Outdoor Advertising Pty Ltd[4]	Australia	100	100
Cody Outdoor International (HK) Limited	Hong Kong	25	25
Commonwealth Broadcasting Corporation Pty Limited[1]	Australia	50	50
Colorgraphic International Limited	New Zealand	100	100
Daily Commercial News Pty Ltd[2,5]	Australia	100	100
The Daily Examiner Pty Ltd[2,5]	Australia	100	100
Dalby Herald Pty Ltd[2,3]	Australia	50	50
DCN (Electronic Services) Pty Ltd[2,5]	Australia	100	100
Double T Radio Pty Limited[1]	Australia	50	50
Eastcott Investments Pty Limited[4]	Australia	100	100
Everfact Pty Limited[4,6]	Australia	100	100
Everfact Unit Trust	Australia	100	100
5AD Broadcasting Company Pty Limited[1]	Australia	50	50
Focus Panel Advertising Limited	Hong Kong	45	45
Focus Communication Limited	Hong Kong	25	25
Gatton Star Pty Ltd[2,3]	Australia	50	50
Gladstone Newspaper Company Pty Ltd[4]	Australia	100	100
The Gold Coast Press Pty Limited[2,5]	Australia	100	100
Graphic Screen Prints Pty Limited[2,5,6]	Australia	100	100
Gulgong Pty Ltd[4]	Australia	100	100
Gympie Times Pty Limited[2,5]	Australia	100	100
Haswell Pty Ltd[4]	Australia	100	100
Independent Communications Australia Pty Limited[4]	Australia	100	100
Infowatch Pty Ltd (formerly Transit Signs Pty Ltd)[2,5]	Australia	50	50
Jupiter Network Sdn Bhd[1]	Malaysia	35	35
KAFM Broadcasters Pty Limited[2]	Australia	50	50
Kelly Publications Pty Ltd[2,5]	Australia	100	100
Kurnia Outdoor Sdn Bhd[1]	Malaysia	35	35
Kurnia Outdoor Production Sdn Bhd[1]	Malaysia	35	35
Lasting Impressions Pty Ltd	Australia	100	100
Longbeach Publications Pty Ltd[2,5]	Australia	100	100
Longbeach Publications Unit Trust	Australia	100	100
Lonkasi Segat Sdn Bhd[1]	Malaysia	25	25
Look Outdoor Limited[1]	New Zealand	50	66
The Mackay Printing & Publishing Company Pty Ltd[4]	Australia	100	100
Manawatu Guardian Limited	New Zealand	100	–
The Maryborough Hervey Bay Newspaper Company Pty Ltd[4]	Australia	100	100
Marcus Oakes Pty Ltd[1]	Australia	50	50
Media Consulting Pty Ltd[1]	Australia	50	50
Media Tek Pty Ltd[2,5]	Australia	100	100

	Country of formation or incorporation	APN News & Media Limited direct or indirect interest in ordinary shares/equity 2002 %	2001 %
Melbourne Independent Newspapers Pty Ltd[2,5]	Australia	100	100
Michael Nettlefold Pty Ltd[2,5,8]	Australia	100	100
Mt Maunganui Publishing Limited	New Zealand	100	100
National Outdoor Advertising Pty Ltd[2,5,6]	Australia	100	100
Nettlefold Advertising Pty Ltd[2,5,6]	Australia	100	100
Nettlefold Outdoor Advertising Trust	Australia	100	100
New Hobsons Press Pty Ltd[2]	Australia	100	100
New Zealand Associated Press Limited	New Zealand	100	100
New Zealand Radio Network Limited[1]	New Zealand	50	66
North Coast News Pty Limited[4]	Australia	100	100
Northern Star Limited[4]	Australia	100	100
Observer Times (Hervey Bay) Pty Ltd[2,5]	Australia	100	100
Outdoor Network Co Ltd	Thailand	52	52
Peterhouse Proprietary Limited[2,5,6]	Australia	100	100
Presspak Pty Ltd[2,5]	Australia	100	100
Provincial Investments Pty Ltd[4]	Australia	100	100
PT Rainbow Cipta Utama	Indonesia	50	50
The Queensland Times Pty Ltd[6]	Australia	100	100
Radiowise Pty Limited[3]	Australia	50	50
Reach Network Pty Ltd[2,5,8]	Australia	100	100
Regional Publishers Limited	New Zealand	100	100
Regmax Pty Limited[3]	Australia	50	50
Sabawin Pty Ltd[2,5,8]	Australia	100	100
The South Burnett Times Pty Ltd[2,5]	Australia	100	100
Security Plastics Pty Limited	Australia	100	100
SOL Australia Pty Limited[2,5]	Australia	100	100
Southern State Broadcasters Pty Limited[3]	Australia	50	50
Speedlink Pty Limited[3]	Australia	100	100
Stanthorpe Newspapers Services Unit Trust	Australia	100	100
Stanley Newcomb & Co Limited	New Zealand	100	100
Sun Coastal FM Radio Pty Limited[3]	Australia	50	50
Sunshine Coast Newspaper Company Pty Ltd[4]	Australia	100	100
Taximedia Pty Limited[2,5]	Australia	100	100
Taxi Top Advertising Co Ltd	Thailand	78	78
Toowoomba Newspapers Pty Ltd[5]	Australia	50	50
The Internet Amusements Group Pty Limited[7]	Australia	50	50
The Radio Network of New Zealand Limited[1]	New Zealand	50	66
The Radio Network-Northern Limited[1]	New Zealand	50	66
The Radio Bureau Limited[1]	New Zealand	50	66
The Tweed Newspaper Company Pty Ltd[4]	Australia	100	100
TMS Outdoor Advertising Pty Ltd[2,5,6]	Australia	100	100
Trade Debts Collecting Co Limited	New Zealand	100	100
Transit Video Enterprises Pty Ltd	Australia	100	50
Universal Outdoor Pty Limited[4,6]	Australia	100	100
Universal Outdoor Co Ltd	Thailand	34	34
Universal Radio Pty Limited[3]	Australia	50	50
Valtoff Pty Limited[4]	Australia	100	100
Wilson & Horton Australia Pty Ltd	Australia	100	100
Wilson & Horton Finance Pty Ltd[2,5,6]	Australia	100	100
Wilson & Horton Limited	New Zealand	100	100
W&H Digital Limited	New Zealand	100	100

YEAR ENDED 31 DECEMBER 2002	Country of formation or incorporation	APN News & Media Limited direct or indirect interest in ordinary shares/equity 2002 %	2001 %

22. INVESTMENTS IN CONTROLLED ENTITIES CONTINUED

W&H Interactive Limited	New Zealand	100	100
W&H Newspapers Limited	New Zealand	100	100
W&H Print Limited	New Zealand	100	100
W&H Specialist Publications Limited	New Zealand	100	100
Wairarapa Times-Age Company Limited	New Zealand	100	–
The Warwick Newspaper Pty Ltd[4]	Australia	100	100
Wawasan Kilat Sdn Bhd[1]	Malaysia	25	25
Wesgo Pty Limited[1]	Australia	50	50
West Sydney Radio Pty Limited[1]	Australia	50	50
Westat Research Pty Limited[1]	Australia	50	50
Western Star Pty Ltd[2, 3]	Australia	50	50
Whitsunday Times Unit Trust	Australia	75	75
Zodiac Australia Pty Ltd[2, 5]	Australia	100	100

1 Denotes controlled entities audited by auditors other than PricewaterhouseCoopers.

2 Denotes controlled entity that is a small proprietary company with audited management accounts, even though it is not required to prepare statutory financial statements.

3 Under the constitution, the immediate parent entity, whilst it holds 50% of the issued share capital is entitled to appoint 50% of the directors, the chairman and deputy chairman of the controlled entity's board. The chairman of the board has the right to use a casting vote.

4 These companies are parties to a Deed of Cross Guarantee dated 26 December 1997 under which each company guarantees the debts of others. 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 by Class Order 98/2017, 00/0321, 01/1087 and 02/248) issued by the Australian Securities & Investments Commission. These companies represent a 'Closed Group' for the purposes of the Class Order.

5 These companies are parties to a Deed of Cross Guarantee dated 26 December 1997 under which each company guarantees the debts of others.

6 On 17 December 2002, these companies entered into the Deed of Cross Guarantee dated 26 December 1997.

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

	Consolidated 2002 $000	2001 $000
Set out below is a consolidated statement of financial performance for the year ended 31 December 2002 for the Closed Group:		
Revenue from ordinary activities	**319,644**	293,566
Expenses from ordinary activities	**(305,157)**	(251,715)
Borrowing costs	**(2,873)**	(6,542)
Profit from ordinary activities before income tax expense	**11,614**	35,309
Income tax benefit/(expense)	**720**	(8,119)
Net profit attributable to members of the Parent entity	**12,334**	27,190
Net increase/(decrease) in asset revaluation reserve	**34,202**	(470)
Net exchange differences on translation of financial report of foreign controlled entity	**41,665**	237
Total revenues, expenses and valuation adjustments attributable to members of the Parent entity recognised directly in equity	**75,867**	(233)
Total changes in equity other than those resulting from transactions with owners as owners	**88,201**	26,957
Retained profits		
Retained profits at the beginning of the financial year	**6,134**	32,281
Opening retained earnings of entities included in Closed Group for the first time	**4,550**	–
Net profit attributable to members of the Parent entity	**12,334**	27,190
Dividends paid or provided for	**(26,235)**	(53,337)
Retained profits at end of the financial year	**(3,217)**	6,134

	Consolidated 2002 $000	Consolidated 2001 $000
Set out below is a consolidated statement of financial position as at 31 December 2002 of the Closed Group:		
Current assets		
Cash	**4,846**	10,536
Receivables	**185,433**	659,602
Inventories	**5,374**	7,063
Tax Assets	**10,125**	–
Other	**5,501**	8,971
Total current assets	**211,279**	686,172
Non-current assets		
Investments	**493,655**	510,089
Property, plant and equipment	**68,745**	62,031
Intangibles	**37,189**	12,190
Other	**873,615**	267,314
Total non-current assets	**1,473,204**	851,624
Total assets	**1,684,483**	1,537,796
Current liabilities		
Payables	**61,998**	33,030
Interest bearing liabilities	**25,025**	–
Provisions	**7,617**	42,519
Total current liabilities	**94,640**	75,549
Non-current liabilities		
Interest bearing liabilities	**612,596**	606,000
Provisions	**5,928**	4,699
Total non-current liabilities	**618,524**	610,699
Total liabilities	**713,164**	686,248
Net assets	**971,319**	851,548
Equity		
Share capital	**805,118**	780,154
Reserves	**169,418**	65,260
Retained profits	**(3,217)**	6,134
Total equity	**971,319**	851,548

Acquisition of controlled entities

Details of the aggregate cash flows and consideration relating to the acquisition of controlled entities and the aggregate assets and liabilities of the entities at the date of acquisition were as follows:

	2002	2001
Cash outflow in the consolidated entity	**(5,785)**	(824,787)
Add cash balances acquired	**(393)**	(26,804)
Cash consideration paid by the company	**(6,178)**	(851,591)
Costs of the acquisition	–	(16,428)
Fair value of identifiable net assets of controlled entities acquired	**(6,178)**	(868,019)

YEAR ENDED 31 DECEMBER 2002	Consolidated 2002 $000	Consolidated 2001 $000

22. INVESTMENTS IN CONTROLLED ENTITIES CONTINUED

Acquisition of controlled entities continued

	2002 $000	2001 $000
Mastheads	**3,651**	908,116
Goodwill acquired	**63**	13,654
Property, plant and equipment	**1,360**	205,057
Investments	**–**	1,118
Inventories	**225**	26,491
Trade debtors	**1,288**	66,375
Cash acquired	**393**	26,804
Accounts payable	**(1,363)**	(38,944)
Provisions	**–**	(34,841)
Deferred taxation	**–**	(1,871)
Loans and finance leases acquired	**–**	(421,614)
Conversion of outside equity interest	**–**	41,023
Provision for restructuring	**–**	(38,392)
Fair value of assets acquired	**5,617**	752,976
Goodwill on consolidation	**561**	115,043
Cash consideration (including costs)	**6,178**	868,019

The principal acquisition by the consolidated entity during 2001 was the purchase of Wilson & Horton Limited and its subsidiaries and Wilson & Horton Finance Pty Limited.

On 1 July 2002, the consolidated entity acquired 100% of the Wairarapa Times-Age Company Limited and the Manawatu Guardian Limited.

	2002 $000	2001 $000
Outside equity interest in controlled entities		
Interest in:		
Share capital and capital invested in trusts	**94,390**	94,439
Reserves	**38,340**	29,900
Retained profits	**38,025**	32,342
Other	**101,432**	100,700
	272,187	257,381

23. INVESTMENTS IN ASSOCIATES

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

Name of associate	Principal activity	Country of incorporation and principal place of business	Ownership interest 2002 %	Ownership interest 2001 %	Carrying values 2002 $000	Carrying values 2001 $000
Adshel Street Furniture Pty Ltd	Outdoor advertising	Australia	**50**	50	**6,260**	8,018
Pan TV Ltd	Television production	Australia	**30**	30	**284**	515
					6,544	8,533

	Consolidated 2002 $000	Consolidated 2001 $000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	**8,533**	8,011
Share of operating profit/(loss) after income tax	**(1,989)**	522
Dividends received	**–**	–
Carrying amount at the end of the financial year	**6,544**	8,533

23. INVESTMENTS IN ASSOCIATES CONTINUED

	Consolidated 2002 $000	Consolidated 2001 $000
Results attributable to associates		
Operating profit/(loss) before income tax	**(1,989)**	838
Income tax expense	**–**	(316)
Operating profit/(loss) after income tax	**(1,989)**	522
Dividends received	**–**	–
	(1,989)	522
Retained profits attributable to associates at the beginning of the financial year	**1,173**	651
Retained profits/(accumulated losses) attributable to associates at the end of the financial year	**(816)**	1,173
Share of associates' expenditure commitments		
Capital commitments	**13,701**	7,332
Lease commitments	**39,812**	49,233
	53,513	56,565

24. SEGMENT INFORMATION

Business segments

The consolidated entity operates predominantly in the following industries:
Publishing of newspapers, magazines, directories and general printing
Broadcasting of radio transmissions
Outdoor – Specialist transit and static outdoor advertising
Print – Commercial and security printing

Primary reporting – business segments

	2002 $000	2001 $000
Segment revenues		
Sales to external customers		
Publishing	**550,686**	195,739
Broadcasting	**193,482**	190,993
Outdoor	**171,982**	185,110
Print	**86,752**	–
Corporate[(i)]	**1,489**	147
	1,004,391	571,989
Other revenue		
Publishing	**7,220**	10,120
Broadcasting	**45,814**	4,683
Outdoor	**4,271**	2,631
Print	**4,699**	–
Corporate[(i)]	**5,340**	9,265
	67,344	26,699
Total revenue		
Publishing	**557,906**	205,859
Broadcasting	**239,296**	195,676
Outdoor	**176,253**	187,741
Print	**91,451**	–
Corporate[(i)]	**6,829**	9,412
	1,071,735	598,688

YEAR ENDED 31 DECEMBER 2002

24. SEGMENT INFORMATION CONTINUED

	Consolidated 2002 $000	Consolidated 2001 $000
Segment result (before abnormals, interest and income tax)		
Publishing	**137,613**	41,580
Broadcasting	**54,508**	51,465
Outdoor	**16,183**	30,140
Print	**7,976**	–
Corporate	**(11,368)**	(7,545)
	204,912	115,640
Net interest and borrowing costs	**(69,207)**	(14,608)
Income tax expense	**(20,682)**	(26,087)
Profit from ordinary activities after income tax and before outside equity interest	**115,023**	74,945
Segment assets		
Publishing	**1,802,055**	1,668,833
Broadcasting	**537,287**	481,944
Outdoor	**262,241**	183,100
Print	**67,693**	66,446
Corporate[(a)]	**84,528**	85,113
	2,753,804	2,485,436
Segment liabilities		
Publishing	**530,318**	538,222
Broadcasting	**28,908**	23,608
Outdoor	**44,298**	42,889
Print	**19,265**	14,166
Corporate	**653,637**	651,822
	1,276,426	1,270,707
Investment in associates		
Broadcasting	**284**	515
Outdoor	**6,260**	8,018
	6,544	8,533
Share of associates net profit/(loss)		
Broadcasting	**(231)**	436
Outdoor	**(1,758)**	86
	(1,989)	522
Acquisition of property, plant and equipment, intangibles and other non-current segment assets		
Publishing	**27,559**	1,336,556
Broadcasting	**8,602**	77,437
Outdoor	**25,474**	56,722
Print	**3,086**	50,087
Corporate	**1,176**	1,076
	65,897	1,521,878
Depreciation and amortisation expense (including borrowing cost amortisation)		
Publishing	**23,989**	5,744
Broadcasting	**9,841**	7,742
Outdoor	**9,354**	6,696
Print	**7,292**	–
Corporate	**3,126**	211
	53,602	20,393

Notes to the primary reporting – business segments

(i) Corporate revenue represents interest received on surplus funds and other corporate revenue.
(ii) Corporate assets have not been segmented and have been treated as unallocated assets.

Geographical segments

Although the consolidated entity's divisions are managed on a global basis, they operate in two main geographical areas:

Australia

This is the home country of the Parent entity which operates in the publishing, broadcasting, outdoor and print division segments.

New Zealand

This comprises publishing, broadcasting, outdoor and print business segments.

Secondary reporting – geographical segments

	Consolidated 2002 $000	Consolidated 2001 $000
Segment revenue		
Australia and other	**494,717**	502,603
New Zealand	**577,018**	96,085
	1,071,735	598,688
Segment results (before abnormals, interest and income tax)		
Australia and other	**88,085**	99,455
New Zealand	**116,827**	16,185
	204,912	115,640
Segment assets		
Australia and other	**1,165,981**	1,137,407
New Zealand	**1,587,823**	1,348,029
	2,753,804	2,485,436
Acquisition of property, plant and equipment, intangibles and other non-current segment assets		
Australia and other	**39,869**	150,388
New Zealand	**26,028**	1,371,490
	65,897	1,521,878

Notes to and forming part of segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the consolidated entity as disclosed in Note 1 and the revised segment reporting accounting standard, *AASB 1005 Segment Reporting*, which has been applied for the first time in the year ended 31 December 2002. The business segments identified in the primary reporting disclosures and the geographical segments are not materially different to the industry and geographical segments identified in previous years. The comparative information has been restated to present the information on a consistent basis with the current year disclosures.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property plant and equipment and goodwill and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for restructuring.

(ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arms length basis and are eliminated on consolidation.

YEAR ENDED 31 DECEMBER 2002

	Directors of consolidated entity 2002	Directors of consolidated entity 2001	Directors of Parent entity 2002	Directors of Parent entity 2001
25. DIRECTORS' AND EXECUTIVES' REMUNERATION				
(i) Directors' remuneration				
Income paid or payable, or otherwise made available, to Directors by entities in the consolidated entity and related parties in connection with the management of affairs of the Parent entity or its controlled entities	**8,245,433**	5,096,615	**2,287,735**	1,018,579

Directors' remuneration excludes insurance premiums of $72,884 paid by the Parent entity in respect of Directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of the individual Directors and officers. Information relating to the insurance contracts is set out in the Directors' Report.

The above amounts exclude the value of options (if any) issued to Directors during the financial year. Refer to (iii) below.

The number of Directors of the company included in these figures is shown below in their relevant income bands:

	2002 Number	2001 Number
Income of		
$Nil to $9,999	**2**	2
$40,000 to $49,999	**–**	3
$50,000 to $59,999	**2**	–
$80,000 to $89,999	**1**	1
$120,000 to $129,999	**1**	1
$160,000 to $169,999	**–**	1
$190,000 to $199,999	**1**	–
$350,000 to $359,999	**1**	–
$410,000 to $419,999	**1**	–
$780,000 to $789,999	**–**	1
$910,000 to $919,999	**1**	–

	Executive officers of consolidated entity 2002	Executive officers of consolidated entity 2001	Executive officers of Parent entity 2002	Executive officers of Parent entity 2001
(ii) Executives' remuneration				
Income received or due and receivable by executive officers (including Directors) whose income is $100,000 or more:				
from the company	**–**	–	**–**	–
from entities in the consolidated entity and related parties	**10,325,148**	8,195,797	**1,965,939**	786,379

The above amounts exclude the value of options issued to executives during the financial year. Refer to (iii) below.

	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
(ii) Executives' remuneration (Continued)				
The number of Australian-based executive officers whose income is $100,000 or more are shown below in their relevant income bands:				
Income of				
$100,000 to $109,999	**2**	1	**–**	–
$110,000 to $119,999	**3**	1	**–**	–
$120,000 to $129,999	**2**	1	**–**	–
$130,000 to $139,999	**–**	5	**–**	–
$140,000 to $149,999	**1**	3	**–**	–
$150,000 to $159,999	**3**	–	**–**	–
$160,000 to $169,999	**3**	3	**–**	–
$170,000 to $179,999	**5**	2	**–**	–
$180,000 to $189,999	**2**	1	**–**	–
$190,000 to $199,999	**1**	2	**–**	–
$200,000 to $209,999	**2**	1	**–**	–
$210,000 to $219,999	**2**	2	**–**	–
$220,000 to $229,999	**1**	2	**–**	–
$230,000 to $239,999	**2**	3	**–**	–
$240,000 to $249,999	**2**	–	**–**	–
$250,000 to $259,999	**–**	1	**–**	–
$260,000 to $269,999	**1**	2	**–**	–
$270,000 to $279,999	**1**	–	**–**	–
$290,000 to $299,999	**1**	1	**–**	–
$320,000 to $329,999	**1**	–	**–**	–
$350,000 to $359,999	**–**	1	**–**	–
$390,000 to $399,999	**1**	1	**–**	–
$410,000 to $419,999	**–**	1	**–**	–
$430,000 to $439,999	**1**	–	**–**	–
$460,000 to $469,999	**1**	–	**1**	–
$470,000 to $479,999	**1**	–	**–**	–
$480,000 to $489,999	**–**	1	**–**	–
$560,000 to $569,999	**1**	–	**–**	–
$580,000 to $599,999	**1**	–	**1**	–
$780,000 to $789,999	**–**	1	**–**	1
$910,000 to $919,999	**1**	–	**1**	–

(iii) Executives' options

A summary of the options granted to and exercised by the executive officers (with income of at least $100,000) during the financial year ended 31 December 2002 is set out below. The terms and conditions relating to the options are set out in Note 15.

	Options issued	Options exercised
Executive officers of the Parent entity	500,000	300,000
Executive officers of other entities in the consolidated entity	2,679,600	855,000

The issue price of options was set at the weighted average market price of the shares sold on the Australian Stock Exchange during the week immediately prior to and including the date the options were granted in accordance with the terms of the Executive and Director Option Plan (EDOP) as described in Note 15.

The eventual value of these options is indeterminable but will depend upon the value the sharemarket places on the company's shares during the 24 months during which these options may be exercised. The sharemarket value will in turn depend upon the company's performance and in part, on many other factors beyond the company's control such as general market conditions, interest rates, etc.

At 31 December 2002, the Company's share price was $3.05. At the date of the Directors' Report, the share price had moved to $3.03.

YEAR ENDED 31 DECEMBER 2002

26. RELATED PARTY INFORMATION

(i) Directors and Director-related entities

The Directors named in the attached Directors' Report each held office as a Director of the company during the years ended 31 December 2001 and 2002 or otherwise indicated in the Directors' Report.

Remuneration and retirement benefits

Remuneration paid, payable or otherwise made available to the Directors of entities in the consolidated entity and aggregate amounts paid in connection with the retirement of Directors of entities in the consolidated entity are disclosed in Note 25.

	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
Unsecured and interest free				
Loans				
Aggregate loans to Directors of entities in the consolidated entity and their Director-related entities are disclosed in Note 6.				
Loan repayments				
C Kwek	–	569,000	–	–
Loans advanced				
F Moniaga	**138,208**	596,250	–	–
P Cody	**372,688**	630,661	–	–

Transactions with Directors and their Director-related entities

Movement in Directors' shares and options holdings:

	2002 Number	2001 Number
Share and share option transactions with Directors of the Parent entity and controlled entities and their Director-related entities during the financial year were:		
Ordinary shares acquired	**1,601,805**	3,226,454
Ordinary shares disposed	**470,000**	–
Options over ordinary shares granted	**500,000**	50,000
Options over ordinary shares exercised	**1,400,000**	1,370,000
The exercising of options, the granting of options and the acquisition of shares were made on terms and conditions no more favourable than those offered to other share and option holders.		
The aggregate number of shares and share options of APN News & Media held directly, indirectly or beneficially by Directors of the company and consolidated entity and their Director-related entities at balance date were:		
Ordinary shares	**4,650,442**	3,754,535
Options over ordinary shares	**600,000**	2,000,000

Directors and their Director-related entities are entitled to receive normal dividends on these ordinary shares.

Details of individual Director holdings can be found in the "Information on Shareholders" set out in a separate section following the financial report.

Other transactions with Directors and their Director-related entities

The aggregate amounts recognised in respect of the following types of transactions with Directors of entities in the consolidated entity and their Director-related entities were:

		Consolidated		Parent entity	
Transaction type	**Director concerned**	**2002 $000**	**2001 $000**	**2002 $000**	**2001 $000**
Professional services provided by Director-related entities	GD Hough, B Wexham, D Kew, A Mollet, J Maasland	–	80	–	–
Compensation payment arising from ill health, the nature of which incapacitated Mr Sanders from performing executive responsibilities	JC Sanders	**2,200**	–	–	–

The above transactions were made on commercial terms and conditions and at market rates except for the professional services, which were provided at cost.

(ii) Transactions with entities in the wholly owned group

APN News & Media Limited is the Parent entity in the wholly owned group comprising the company and its wholly owned controlled entities.

The company advanced and repaid loans, received loans, sold goods and provided accounting and administrative assistance to other entities in the wholly owned group during the current and previous financial years. With the exception of the accounting and administrative assistance, which was provided free of charge, and interest free loans provided by the company, these transactions were on commercial terms and conditions.

(iii) 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:

		Consolidated		Parent entity	
Transaction type	**Class of other related party**	**2002 $000**	**2001 $000**	**2002 $000**	**2001 $000**
Loans advanced to	Related entities[(i)]	–	–	**25,345**	1,127,784
Loan interest received from	Associated company[(ii)]	**2,102**	2,086	–	–
Group service fees	Controlled entity[(iii)]	–	–	**1,720**	3,084
Dividends received/receivable from	Controlled entity[(iv)]	–	–	**12,900**	106,413
Interest received/receivable from	Controlled entity[(ix)]	–	–	**18,125**	–
Dividends paid/payable to	Other related party[(v)]	**27,993**	22,972	**27,993**	22,972
Interest paid/payable to	Other related party[(v)]	**8,763**	–	**8,763**	–
Management fees received from	Associated company[(vi)]	–	450	–	–
Letter of credit fees	Other related party[(vii)]	**600**	–	–	–
Consultancy fees	Other related party[(viii)]	**1,499**	1,230	–	–

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

(i) These loans are at call and interest free.

(ii) These loans are subject to interest.

(iii) Group service fees are charged by the company to APN Newspapers Pty Ltd to recover outgoings incurred.

(iv) Dividends received/receivable from Gulgong Pty Ltd (controlled entity).

(v) Dividends and interest paid to Independent News & Media (Australia) Limited and Independent News & Media Investments Limited.

(vi) Management fees received from New Zealand Radio Network Limited.

(vii) Letter of credit fees paid to Independent News & Media PLC relating to the Wilson & Horton acquisition.

(viii) Consultancy fees paid to Independent News & Media PLC covering work performed by VC Crowley (from 5 July 2002), LP Healy, JJ Parkinson and other executives of Independent News & Media PLC.

(ix) Interest received/receivable from APN International Pty Ltd (controlled entity).

YEAR ENDED 31 DECEMBER 2002

	2002 Cents per share	2001 Cents per share
27. EARNINGS PER SHARE		
Basic earnings per share	**20.8**	18.0
Diluted earnings per share	**20.7**	17.9

	Number	Number
Weighted average number of ordinary shares on issue used as the denominator in the calculation of basic earnings per share	**434,396,689**	267,888,249
Weighted average number of ordinary shares and potential ordinary shares as the denominator used in the calculation of diluted earnings per share	**435,123,134**	269,632,047

Options

The Parent entity granted share options in respect of ordinary shares to employees during 1997, 1998, 1999, 2000, 2001 and 2002 – refer Note 15. These options, which are exercisable between two, three and five years from date of issue and expire on termination of the employees' service (except in special circumstances) or after the five year period, are considered to be dilutive and are included in the calculation of diluted earnings per share.

Convertible notes

Convertible notes issued during 2001 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The convertible notes have not been included in the determination of basic earnings per share.

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
28. CASH FLOW INFORMATION				
Reconciliation of cash				
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:				
Cash	**37,142**	58,873	**–**	1,163
Reconciliation of net cash flows from ordinary activities to profit from ordinary activities after income tax				
Profit from ordinary activities after income tax	**115,023**	74,945	**12,873**	108,009
Depreciation and amortisation	**53,602**	20,393	**455**	–
Foreign currency translation reserve movement for self-sustaining foreign operations	**22**	(45)	**–**	–
Net (profit) on sale of non-current assets	**(6,750)**	(4,025)	**–**	–
Amounts credited to provisions against assets	**(2,902)**	(1,078)	**–**	–
Equity accounting of associates	**1,989**	(522)	**–**	–
Increase/(decrease) in tax payable	**(15,510)**	(12,888)	**467**	(258)
Decrease in tax losses transferred	**–**	–	**–**	(144)
Increase/(decrease) in deferred taxes payable	**14,312**	6,523	**(39)**	46
Changes in operating assets and liabilities net of effect of purchase of controlled entities:				
(Increase)/decrease in trade and other debtors	**(12,839)**	19,065	**229**	23,695
(Increase)/decrease in inventories	**1,992**	1,978	**–**	–
(Increase) in interest receivable	**(2,919)**	(2,096)	**–**	–
(Increase) in prepayments and deferred expenditure	**(3,861)**	(3,242)	**(67)**	–
Increase/(decrease) in trade and other creditors and employee entitlements	**173**	(27,296)	**(1,266)**	3,932
Net cash flows from ordinary activities	**142,332**	71,712	**12,652**	135,280

Non-cash financing and investing activities

Share issues

Share issues other than for cash referred to in Note 15 are not reflected in the statements of cash flows.

Finance facilities

Details of credit standby arrangements and loan facilities are included in Note 29.

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000

29. STANDBY ARRANGEMENTS AND CREDIT FACILITIES

Entities in the consolidated entity have access to:

	Consolidated 2002 $000	Consolidated 2001 $000	Parent entity 2002 $000	Parent entity 2001 $000
Credit standby arrangements				
Unsecured bank overdraft facility totalling	**14,943**	17,513	–	–
Amount of credit unused	**14,943**	17,513	–	–
Amount of credit used	–	–	–	–
Loan facilities – (unsecured)				
Unsecured bank loan facility totalling	**850,000**	850,000	–	–
Amount of facility used	**836,354**	776,294	–	–
Amount of facility unused	**13,646**	73,706	–	–

30. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES

(i) Derivative financial instruments

Objectives and significant terms and conditions

Interest rate swaps

The consolidated entity has entered into interest rate swap contracts that entitle it to receive interest at floating rates on notional principal amounts and oblige it to pay interest at fixed rates on the same amounts. The interest rate swaps allow the consolidated entity to raise long term borrowings at floating rates and effectively swap them into fixed rates that are lower than those available to the consolidated entity if fixed rate borrowings were made directly. The contracts are settled on a net basis and the net amount receivable or payable at balance date is included in other debtors or other creditors.

The contracts require settlement of net interest receivable or payable, usually around 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

As at 31 December 2002, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2002 $000	2001 $000
Less than one year	–	100,000
One to two years	–	–
	–	100,000

Foreign exchange contracts

The Australian operations receive cash from their New Zealand operations on a periodical basis which generally is returned to New Zealand when required. In order to protect against adverse exchange rate movements, the consolidated entity has entered into foreign exchange swap contracts.

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

Buy New Zealand dollars	Sell Australian dollars 2002	Sell Australian dollars 2001	Average exchange rate 2002	Average exchange rate 2001
Maturity				
Zero to six months	**9,257**	–	**1.08025**	–

In addition, the consolidated entity has a A$100,000,000 (US$53,900,000) cross currency contract outstanding at balance date which was entered into during the year. This cross currency contract will mature on 30 July 2003. This cross currency contract allows the consolidated entity to access the lower interest rate environment in the US by enabling the company to receive Australian interest rates whilst paying US interest rates.

The consolidated entity has entered into a A$100,000,000 foreign exchange hedge contract to minimise the foreign exchange risk on the principal amount of the cross currency contract. This foreign exchange hedge contract protects the consolidated entity against a fall in the Australian dollar against the US Dollar whilst allowing the company to participate in some improvement in the Australian dollar.

YEAR ENDED 31 DECEMBER 2002

30. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES CONTINUED

(ii) Interest rate risk exposure

The consolidated entity's exposure to interest rate risk and the effective interest rates on financial assets and liabilities at balance date are:

2002	Notes	Floating interest rates $'000	Fixed interest rates 1 year or less $'000	Fixed interest rates 1 to 5 years $'000	Non-interest bearing $'000	Total $'000	Weighted average effective interest rate %
Assets							
Cash		37,142	–	–	–	37,142	3.64%
Trade debtors	6	–	–	–	177,891	177,891	–
Other debtors and loans	6	–	–	29,288	25,155	54,443	6.25%
Loans to associates	6	39,451	–	–	5,259	44,710	5.87%
Investments	8	–	–	–	27,223	27,223	–
Total financial assets		76,593	–	29,288	235,528	341,409	
Liabilities							
Payables	12	–	–	–	128,849	128,849	–
Other loans	12	–	–	–	5,684	5,684	–
Convertible Notes	13	–	–	250,000	–	250,000	7.25%
Lease liabilities	13	–	473	380	–	853	8.38%
Bank loans	13	387,500	59,964	359,404	–	806,868	6.00%
Other provisions	14	–	–	–	–	–	–
Employee entitlements	14	–	–	–	25,581	25,581	–
Loans from outside equity interest		104,269	–	–	–	104,269	10.00%
Total financial liabilities		491,769	60,437	609,784	160,114	1,322,104	
Net financial assets/(liabilities)		(415,176)	(60,437)	(580,496)	75,414	(980,695)	

2001	Notes	Floating interest rates $'000	Fixed interest rates 1 year or less $'000	Fixed interest rates 1 to 5 years $'000	Non-interest bearing $'000	Total $'000	Weighted average effective interest rate %
Assets							
Cash		58,873	–	–	–	58,873	4.20%
Trade debtors	6	–	–	–	156,935	156,935	–
Other debtors and loans	6	–	–	–	25,352	25,352	–
Loans to associates	6	35,314	–	–	149	35,463	4.85%
Investments	8	–	–	–	20,466	20,466	–
Total financial assets		94,187	–	–	202,902	297,089	
Liabilities							
Payables	12	–	–	–	102,236	102,236	–
Other loans	12	–	–	–	3,829	3,829	–
Convertible Notes	13	–	–	250,000	–	250,000	7.25%
Lease liabilities	13	–	319	573	–	892	8.38%
Bank loans	13	356,000	53,332	366,962	–	776,294	7.01%
Other provisions	14	–	–	–	20,599	20,599	–
Dividends	14	–	–	–	37,837	37,837	–
Employee entitlements	14	–	–	–	23,409	23,409	–
Loans from outside equity interest		103,840	–	–	–	103,840	8.01%
Interest rate swaps[1]		(100,000)	100,000	–	–	–	4.64%
Total financial liabilities		359,840	153,651	617,535	187,910	1,318,936	
Net financial assets/(liabilities)		(265,653)	(153,651)	(617,535)	14,992	(1,021,847)	

(1) Interest rate swaps are off-statement of financial position transactions.

(iii) Credit risk

The carrying amounts of financial assets included in the consolidated statement of financial position represent the consolidated entity's maximum exposure to credit risk in relation to these assets. Where entities have a right of set-off and intend to settle on a net basis, this set-off has been reflected in the financial statements in accordance with Accounting Standards.

The credit exposure of interest rate swaps is represented by the net fair values of the contracts, as disclosed.

(iv) Net fair value of financial assets and liabilities

• On-statement of financial position

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity is their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date. For non-traded equity investments, the net fair value is an assessment by the Directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

• Off-statement of financial position

The net fair value of financial liabilities arising from interest rate swap agreements has been determined as the carrying amount, which represents the amount currently receivable or payable at the balance date, and the present value of the estimated future cash flows which have not been recognised as an asset or liability.

For forward exchange contracts, the net fair value is taken to be the unrealised gain or loss at balance date calculated by reference to the current forward rates for contracts with similar maturity profiles.

DIRECTORS' DECLARATION

APN News & Media Limited

The Directors declare that the financial statements and notes set out on pages 42 to 83:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the company's and consolidated entity's financial position as at 31 December 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001;

(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 22 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 22.

This declaration is made in accordance with a resolution of the Directors.

JJ Parkinson
DIRECTOR

BMA Hopkins
DIRECTOR

SYDNEY
12 MARCH 2003

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF

APN News & Media Limited

AUDIT OPINION

In our opinion, the financial report, set out on pages 42 to 84:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of APN News & Media Limited and theAPN News & Media Group (as defined below) as at 31 December 2002 and of their performance for the year ended on that date
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

SCOPE AND SUMMARY OF OUR ROLE

The financial report – responsibility and content

The preparation of the financial report for the year ended 31 December 2002 is the responsibility of the directors of APN News & Media Limited. It includes the financial statements for APN News & Media Limited (the Company) and for the APN News & Media Limted Group (the Group), which incorporates APN News & Media Limited and the entities it controlled during the year ended 31 December 2002.

THE AUDITOR'S ROLE AND WORK

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the Company's and the Group's financial position, and their performance as represented by the results of their operations and cash flows.

The procedures included:

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the directors in their preparation of the financial report
- obtaining written confirmation regarding material representations made to us in connection with the audit
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

INDEPENDENCE

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Group. These services are disclosed in note 4 to the financial statements. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers

PricewaterhouseCoopers
CHARTERED ACCOUNTANTS

DS Wiadrowski

DS Wiadrowski
PARTNER

SYDNEY
12 MARCH 2003

INFORMATION TO SHAREHOLDERS

APN News & Media Limited and Controlled Entities

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders shown in the company's register (ie. only nominee holders are included) at 10 March 2003 were:

Name	Number of ordinary shares
Independent News & Media (Australia) Limited	141,541,073
Independent News & Media Investments Limited	50,000,000

Top 20 holders fully paid ordinary share	Number of shares	% Of total share
Independent News & Media (Australia) Limited	141,541,073	32.29
Independent News & Media Investments Limited	50,000,000	11.40
RBC Global Services Australia Nominees Pty Limited	20,554,566	4.69
Chase Manhattan Nominees Limited	17,444,951	3.98
Westpac Custodian Nominees Limited	15,986,296	3.65
Citicorp Nominees Pty Limited (CFS Wholesale Imputation Fund A/c)	11,942,476	2.72
National Nominees Limited	10,840,234	2.47
AMP Life Limited	7,637,239	1.74
Citicorp Nominees Pty Limited (CFS Imputation Fund A/c)	6,197,922	1.41
Citicorp Nominees Pty Limited (CFS Wholesale Aust Share Fund A/c)	5,901,254	1.35
Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/c)	5,167,240	1.18
ANZ Nominees Limited	4,884,732	1.11
Australian Foundation Investment Company Limited (Investment Portfolio A/c)	4,746,962	1.08
Citicorp Nominees Pty Limited (CFS Wholesale Industrial Share A/c)	4,738,754	1.08
Citicorp Nominees Pty Limited	4,431,190	1.01
Westpac Financial Services Limited	3,996,089	0.91
Merrill Lynch (Australia) Nominees Pty Ltd	3,555,801	0.81
Commonwealth Custodial Services Limited	3,548,636	0.81
Kept In Pty Ltd	2,750,000	0.63
MLC Limited	2,374,463	0.54
	328,239,878	74.86

Analysis of individual ordinary shareholdings as at 10 March 2003:

Holding	Number of shareholders	% of total	No. of shares	% of issued capital
1–1,000	3,281	23.70%	1,621,196	0.37%
1,001–5,000	6,650	48.05%	18,186,821	4.15%
5,001–10,000	2,291	16.55%	16,865,319	3.85%
10,001–100,000	1,512	10.92%	33,539,688	7.65%
100,001– and over	108	0.78%	368,197,615	83.98%
Total holdings	**13,842**	100%	438,410,639	100%

Voting rights of shareholders

The voting rights are governed by Paragraphs 54 to 67 of the Constitution.

In summary, shareholders are entitled to vote in person or by proxy at any meeting of shareholders of the company on:

(a) a show of hands – one vote per shareholder

(b) a poll – one vote per share

LISTING

The shares of APN News & Media Limited are listed on the Australian Stock Exchange – Brisbane.

DIRECTORS' SHAREHOLDINGS

The relevant interest of each Director in the share capital of the Parent entity as at 10 March 2003 is:

Director	Number of ordinary shares	Number of options	Number of convertible notes
JJ Parkinson	–	–	–
AE Harris	530,956	–	20,000
WJ Whineray	–	–	–
BMA Hopkins	170,986	–	–
LP Healy	581,112	–	–
VC Crowley	556,871	600,000	90,000
KJ Luscombe	52,976	–	2,900
AC O'Reilly	2,750,000	–	–
S Atkinson	7,541	–	–

SHAREHOLDERS INFORMATION

STOCK EXCHANGE LISTING
APN News & Media Limited shares are listed on the Australian Stock Exchange and are traded under the 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 at:

Computershare Investor Services Pty Limited
Level 27, Central Plaza One, 345 Queen Street,
BRISBANE QLD 4000

or

GPO Box 523, BRISBANE QLD 4001

Telephone within Australia: 1300 552 270
Telephone outside Australia: +61 7 3237 2100
Facsimile: (07) 3229 9860

VOTING RIGHTS
As set out in the company's Constitution, every member present or by proxy shall be entitled to one vote on a show of hands and to one vote per share held on a poll.

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 in writing with full account details.

ANNUAL REPORT MAILING LIST
Every shareholder is entitled to receive an Annual Report. However, those who do not wish to receive the Annual Report should notify the Share Registry to remove their name from the mailing list.

All shareholders will continue to receive all other shareholder information including Notices of Meetings and proxy forms.

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 in writing of your TFN.

THE CHESS SYSTEM
The company operates under CHESS (Clearing House Electronic Subregister System), an Australian Stock Exchange system which permits the electronic transfer and registration of shares. Under CHESS, the company issues a Statement of Holdings to investors, instead of share certificates, and the statement will quote the Holder Identification Number (HIN). The HIN should be quoted on any correspondence shareholders have with the Share Registry.

CHANGE OF NAME OR ADDRESS
Shareholders 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.

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.

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.

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)
Details of the ESOP for eligible employees are available from the Company Secretary at the Registered Office of the company.

INVESTOR INFORMATION
The Annual Report is the most comprehensive publication with information for investors.

Other financial and relevant information, including press releases on financial results and Chairman's address, are available from the corporate office in Sydney, or at the corporate website, www.apn.com.au.

COMPANY DIRECTORY

CORPORATE

APN News & Media Limited
Level 4
100 William Street
SYDNEY NSW 2011
Telephone: +61 2 9333 4999
Facsimile: +61 2 9333 4900
www.apn.com.au

PUBLISHING

The New Zealand Herald
Level 4
46 Albert Street
Auckland
NEW ZEALAND
Telephone: +64 9 379 5050
Facsimile: +64 9 373 6414
www.nzherald.co.nz

APN Regional Newspapers
Level 10
300 Ann Street
BRISBANE QLD 4000
Telephone: +61 7 3307 0300
Facsimile: +61 7 3307 0307

New Zealand Magazines
318 Richmond Road
Grey Lynn
AUCKLAND
Telephone: +64 9 360 3820
Facsimile: +64 9 360 3826

UBD
2 Robert Street
Ellerslie
AUCKLAND
Telephone: +64 9 526 6300
Facsimile: +64 9 526 6313
www.ubd.co.nz

APN Educational Media
Level 4
2 Elizabeth Plaza
NORTH SYDNEY NSW 2060
Telephone: +61 2 9936 8666
Facsimile: +61 2 9954 0565

OUTDOOR

Adshel Street Furniture
The Forum
Level 11
205 Pacific Highway
ST LEONARDS NSW 2065
Telephone: +61 2 8425 7200
Facsimile: +61 2 8425 7222
www.adshel.com.au

Australian Posters
Level 3
1 Bay Street
BROADWAY NSW 2007
Telephone: +61 2 9218 3444
Facsimile: +61 2 9218 3456
www.auposters.com.au
www.taximedia.net

Buspak Advertising Group
30 Balfour Street
CHIPPENDALE NSW 2008
Telephone: +61 2 8303 3100
Facsimile: +61 2 8303 3101
www.buspak.com

Cody Outdoor Advertising
Level 3
52 William Street
EAST SYDNEY NSW 2011
Telephone: +61 2 9360 4400
Facsimile: +61 2 9360 6555
www.codyoutdoor.com.au

Asia Posters
72A Peck Seah Street
SINGAPORE 079329
Telephone: +65 6323 5100
Facsimile: +65 6323 0100

BROADCASTING

Australian Radio Network
3 Byfield Street
NORTH RYDE NSW 2113
Telephone: +61 2 8899 9999
Facsimile: +61 2 8899 9909

The Radio Network
54 Cook Street
Auckland
NEW ZEALAND
Telephone: +64 9 373 0000
Facsimile: +64 9 367 4650

Pan TV
14 Herbert Street
ARTARMON NSW 2064
Telephone: +61 2 9777 2777
Facsimile: +61 2 9777 3450
www.worldmovies.net

CORPORATE DIRECTORY

DIRECTORS

JJ Parkinson (Chairman)

AE Harris (Joint Deputy Chairman)

Sir Wilson J Whineray (Joint Deputy Chairman)

BMA Hopkins (Chief Executive)

LP Healy

VC Crowley

KJ Luscombe

AC O'Reilly

S Atkinson

SECRETARIES

Y Lamont

BM Stead

REGISTERED OFFICE

Level 10
300 Ann Street
BRISBANE QLD 4000

GPO Box 2591
BRISBANE QLD 4001

Telephone: (07) 3307 0300
Facsimile: (07) 3307 0307

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 27
Central Plaza One
345 Queen Street
BRISBANE QLD 4000

GPO Box 523
BRISBANE QLD 4001

Telephone within Australia:
1300 552 270
Telephone outside Australia:
+61 7 3237 2100
Facsimile:
+61 7 3229 9860

AUDITORS

PricewaterhouseCoopers
Darling Park
Tower 2
201 Sussex Street
SYDNEY NSW 1171

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited

JP Morgan Australia Limited

National Australia Bank Limited

The National Bank of New Zealand Limited

SOLICITORS

Allens Arthur Robinson
The Chifley Tower
2 Chifley Square
SYDNEY NSW 2000

Blake Dawson Waldron
Grosvenor Place
225 George Street
SYDNEY NSW 2000

Notice is hereby given that the Annual General Meeting of members of APN News & Media Limited will be held at The Sheraton Brisbane Hotel, 249 Turbot Street, Brisbane, Queensland on Wednesday, 23 April 2003 at 11.00am.

DESIGNED AND PRODUCED BY ROSS BARR & ASSOCIATES PTY LIMITED

APN
NEWS & MEDIA