

APN News & Media Limited

Concise Financial Report

2006

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RELATIONSHIP OF THE CONCISE FINANCIAL REPORT TO THE FULL FINANCIAL REPORT

The concise financial report is an extract from the full financial report for the year ended 31 December 2006. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding for the financial performance, financial position and financing and investing activities of APN News & Media Limited and its subsidiaries as the full financial report. Further financial information can be obtained from the full financial report.

The full financial report and auditor's report will be sent to members on request, free of charge. Please call 1300.850.505 (within Australia), +649.488.8777 (within NZ) or +613.9415.4095 (outside Australia/New Zealand) and a copy will be forwarded to you. Alternatively, you can access both the full financial report and the concise report via the internet on our website : www.apn.com.au

APN News & Media Limited (ABN 95 008 637 643) is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

APN News & Media Limited
Level 4
100 William Street
Sydney NSW 2011

TEN YEAR FINANCIAL HISTORY

	2006	2005 ¹	2004	2003	2002	2001	2000	1999	1998	1997
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
	A-IFRS	A-IFRS	A-IFRS	A-GAAP	A-GAAP	A-GAAP	A-GAAP	A-GAAP	A-GAAP	A-GAAP
INCOME STATEMENT										
Revenue ²	1,340	1,364	1,274	1,167	1,072	599	615	521	385	352
EBITDA ³	348	349	322	292	256	136	148	127	83	78
EBIT ⁴	313	309	283	238	202	116	127	109	70	66
Net profit	160	150	129	104	90	48	51	42	35	32
BALANCE SHEET										
Equity excluding minority interest	930	1,005	1,010	1,286	1,205	957	388	369	351	333
Total assets	2,495	2,541	2,584	2,748	2,754	2,485	1,063	1,018	713	685
Total bank borrowings	749	673	646	735	807	776	282	275	265	260
STATISTICAL ANALYSIS										
EBITDA/Total revenue	26.0%	25.6%	25.3%	25.0%	23.9%	22.7%	24.1%	24.5%	21.5%	22.2%
Bank borrowings/EBITDA	2.2	1.9	2.0	2.5	3.2	5.7	1.9	2.2	3.2	3.3
Earnings per share – basic (cents) ⁵	34.3	31.1	27.1	22.9	20.8	18.0	19.7	16.8	14.3	13.2
– diluted (cents) ⁵	32.9	30.3	26.2	22.9	20.7	17.8	19.3	16.4	13.8	13.0
Dividend per share (cents) ⁵	9.7 ⁶	24.2	22.0	18.3	16.0	14.6	14.2	12.2	10.1	8.9
Dividend payout ratio	28% ⁶	77%	82%	82%	78%	111% ⁷	73%	73%	72%	71%
Interest cover based on EBITDA	5.30	5.37	5.15	4.37	3.85	9.29	9.86	9.47	6.61	5.66
No. of shares on issue (000)	460,287	477,705	482,491	472,821	438,406	429,963	252,011	245,975	240,672	236,341
No. of shareholders	14,733	15,582	16,500	15,249	13,839	12,934	10,296	9,651	9,180	8,568
Market capitalisation (\$m)	2,784	2,293	2,485	1,891	1,337	1,479	1,119	824	578	544
Market price per share at 31 Dec	\$6.05	\$4.80	\$5.15	\$4.00	\$3.05	\$3.44	\$4.44	\$3.35	\$2.40	\$2.30

¹ Adjusted for restatement to Outdoor site costs

² Including other income and finance income

³ Profit before abnormals, interest, tax, depreciation and amortisation

⁴ Profit before abnormals, interest and tax

⁵ 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

⁶ No 2006 final dividend has been declared pending the outcome of the meeting of Members to consider the proposed Scheme of Arrangement

⁷ Final dividend paid on additional capital raised to fund acquisition of Wilson & Horton Group

Chairman's Review

The 2006 year was an eventful one for the media industry in Australia, and it is pleasing to report that once again APN News & Media has produced a record profit result.

Net profit after tax for 2006 increased by 7% to \$159.5 million. After a number of years of record results, to grow profits again in what was a very competitive market is a commendable achievement. There are many ways to measure the success of a business over time. I believe one of the most meaningful metrics is earnings per share. Ongoing capital management saw your Company buy back 27.8 million shares in 2006 for an aggregate price of \$140 million, taking the amount spent on the share buy-back since June 2005 to \$275 million. The subsequent cancellation of these shares has reduced the number of shares on issue. Increased profits, from a smaller share base are thereby reflected in higher earnings per share. In 2006, EPS increased a very creditable 10% to 34.3 cents per share, illustrating the underlying strength of APN's result.

APN News & Media is a diverse multimedia company with exposure to a range of different media sectors across a spread of economic conditions in a variety of geographic locations. The benefit of this portfolio strategy was again shown this year where tight market conditions in Auckland, New South Wales and Victoria were offset by ongoing good growth in regional Queensland. Equally, on a sectoral basis where the radio market proved to be challenging, the Outdoor advertising market delivered a strong result. APN's balance of world class media assets across Publishing, Radio, Online and Outdoor provide the Company with a strong foundation for continued growth.

During 2006 the Parliament of Australia passed legislation that will liberalise Australian media ownership laws. On 29 March 2007, the Minister for Communications, Information Technology and the Arts announced that the legislation had been proclaimed to commence from 4 April 2007. It is pleasing to report that the media industry will at last be allowed the flexibility to grow and that further investment will no doubt be attracted to what is, clearly, one of the most attractive media markets in the world.

2006 saw the launch and acquisition of a number of new publications and radio stations that have further extended the APN footprint.

On 12 February 2007 the Company received an offer by a consortium including Independent News & Media to acquire all of its shares at \$6.10 per share by way of a scheme of arrangement. The offer is inclusive of any final dividend payment.

A meeting is expected to be convened shortly at which shareholders will vote on the proposed scheme.

On behalf of the Board, I would like to extend my thanks to the Chief Executive, Brendan Hopkins and his senior management team and to all APN employees for another year of achievement. In addition, I would like to record my appreciation for the continuing support of all APN shareholders.

Early results for 2007 are in line with expectations and with the prior year.



James J Parkinson
Chairman
30 March 2007

Chief Executive's Review

In a year of intense speculation about corporate activity in the media industry, your senior management team has been determined not to be distracted from the task at hand: that is delivering continued growth in shareholder value to you, the owners of our Company. The result was a 7% increase in net profit to a record \$159.5 million in challenging market conditions. This achievement at a time when the Sydney, Auckland and Melbourne markets were experiencing tight economies, is pleasing, particularly against the background of strong growth in each of these markets in the previous three years.

A great deal was achieved in 2006, both on an operational level and also with regard to the structure of the operations. The Company is committed to using its capital to maintain modern and efficient systems. Over the past two years, the Company has put in place a number of capital investment and other initiatives that will greatly increase business efficiency. A major element has been the upgrading of production facilities in regional publishing centres in Australia and New Zealand. New press centres are now operational at Yandina and Bundaberg in Queensland, upgraded facilities are in place in Auckland and commitments have been made for new centres in Rockhampton, Toowoomba and Lismore, with a major upgrade to the facility in Mackay.

In addition, new advertising and editorial systems are being introduced across all publishing centres in Australia following on from the upgrade already completed in New Zealand. The Company also announced in December the launch of a centralised advertising services bureau in Brisbane that will provide our publishing clients with access to a high quality creative agency to design their advertising. At the time of writing we have also announced the outsourcing of Editorial Production across our New Zealand Publishing titles, once again meaning greater efficiency and flexibility in our fast changing media world.

Costs were well contained: down 1% on the previous year when adjusted for the impact of currency movements. The Regional Publishing Division was the only division to record increases in underlying costs, which reflected the strong revenue growth achieved in regional Australian markets.

Regional Publishing grew its operating profit once again in both Australia and New Zealand, with in particular the strong local economies of Queensland continuing to deliver good growth. Unemployment was at 30-year lows across most of APN's Australian markets and the strength in commodity exports and a long pipeline of government-backed infrastructure projects across Queensland augurs well for the future.

A number of strategic acquisitions were completed in Australia in 2006 extending APN's footprint from Coffs Harbour in the south to Cairns in the north – an area that has attracted more than 300,000 new residents from interstate and overseas over the past five years.

Across the Tasman, New Zealand National Publishing produced a solid outcome in a sluggish trading environment. Readership figures for The New Zealand Herald and the Herald on Sunday were particularly encouraging, following good reader support after the introduction of innovative new sections. The Weekend Herald remains the most read newspaper in New Zealand and the Herald on Sunday is the best read Sunday newspaper in Auckland. The Herald on Sunday is on target to move into profitability this year, just three years after its launch.

The investment phase in the newly-created Online division continued as APN extended its strong brand presence into new media ventures. The New Zealand Herald website continues to be the cornerstone asset for the division, growing online display advertising by over 60%. Search4jobs has quickly established itself as the fastest growing jobs website in New Zealand and is in clear second place in the market, with advertising volumes continuing to grow. The Online division completed a number of joint ventures into important growth sectors in New Zealand, including the local directory search business apnfinda and, with ACP, the online classifieds business sellmefree, whilst in Australia the Search4cars and Search4stuff classified sites continued to make progress.

The Radio Division delivered a solid result in the face of challenging market conditions, particularly in Sydney and Auckland. In Australia, ongoing work on programming was rewarded with good ratings results which in turn drove market share growth in agency advertising sales. Since 2002, the Australian Radio Network has grown agency revenue by 87% and increased its overall agency market share by 37%. In New Zealand, The Radio Network continued as market leader, operating four of the top five stations in the Auckland market. Radio brands were extended into Gisborne, Blenheim and Tokoroa and regional audience shares reached record highs in the important markets of Hawke's Bay, Southland, Tauranga and Taranaki.

The Outdoor division returned a strong result, growing EBIT by over 40% over the prior year. The cessation of a number of uneconomic contracts, the successful retention of key sites and the acquisition of new business combined to produce a positive outcome. The Adshel street furniture business increased its market share in this fast growing Outdoor category and expanded its product offering to advertisers through the innovative use of new technology. The Outdoor market in Australia as a whole grew 6.5% in 2006 and APN maintained its market leadership in all the main Outdoor categories.

I would like to thank all the people who have helped deliver this 2006 result, in particular the members of the senior executive team, who have once again proved their ability to compete in ever changing market conditions. We strengthened the team once again during the year with the appointment of Martin Simons to the role of CEO New Zealand Publishing, and at the same time promoting Mark Jamieson to the role of CEO Australian Publishing and recruited Josh Easby into the newly created role of CEO Business Development with special responsibility for our Business Change Programme. We have a first class team and I look forward to working with them and with all our staff, as APN faces another year of opportunity, the outcome of which will, we hope, be a further improvement in profitability and shareholder return.



Brendan MA Hopkins
Chief Executive

NEW ZEALAND PUBLISHING

New Zealand National Publishing (NZNP) produces an impressive portfolio of publications, including the country's largest circulation metropolitan daily, *The New Zealand Herald*, its sister publication the *Herald on Sunday*, and *The Aucklander*, a contemporary weekly news magazine serving diverse communities. The division also comprises New Zealand Magazines – publisher of iconic magazine titles *New Zealand Woman's Weekly* and *The Listener*.

NZNP reported positive circulation revenue and market share gains in 2006, despite a moderating national economy. The market was characterised by tight trading conditions in the real estate and retail sectors. With unemployment at a 15-year low, the job advertising market also slowed. The division maintained strong advertising volume share in traditional pillars such as retail, real estate, agency, automotive and general classifieds.

Such positive results in a challenging market reflect the success of APN's portfolio sales strategy, which recognises that different market segments require distinct editorial and advertising solutions. This is particularly so in key markets such as Auckland, which has one of the most diverse ethnic bases in the country and the largest Polynesian population in the world.

Auckland is New Zealand's most important business city and the engine room of the nation's fastest-growing region.

NZNP has a co-ordinated strategy to increase market share in Auckland, which is New Zealand's largest metropolitan market with a population of 1.3 million. The division's outstanding portfolio of titles has strong penetration in Auckland, with eight out of every 10 Aucklanders aged 15 and above reading a copy of an APN daily, weekly or magazine each week. According to ACNielsen figures for the Auckland print market, APN has a 62% share of newspaper advertising revenue.

More than half the daily circulation of the *Herald* is home delivered, a high proportion by international standards. A total of 102,000 unique subscribers to the *Herald* and the *Herald on Sunday* are based within the commercial hub of Auckland. Readership surveys show that readers are in a demographic that is highly sought by advertisers. More than half the *Herald's* readers are in the top three socioeconomic groups.

Editorial and management teams continue to upgrade offerings for readers and advertisers. A number of new supplements were launched during the year, including *The Business*, a weekly publication inserted in the Monday edition of the *Herald*. *The Business* is a stitched and trimmed compact publication aimed at the top end of the market, and is now the highest-circulating and best read weekly business publication in the country. It has quickly gained reader and advertiser support.

The continuing rise of the *Herald on Sunday*, launched in October 2004, represents another highlight for NZNP over the past 12 months. Filling a market niche for a compact quality weekend newspaper, the *Herald on Sunday* is the most-read Sunday newspaper in Auckland with readership of more than 200,000 and more than 300,000 throughout the northern region.

The Aucklander, established in 2003 to offer total market coverage to advertisers, delivers more than 330,000 copies in nine zoned editions each week. *The Aucklander* has grown its volume share of community newspaper advertising in the Auckland market by 2.7%, a strong result given corresponding contractions for its major competitors.

APN's market-leading regional newspapers also performed strongly over the year. Audit Bureau of Circulations figures for the 12 months to March 2006 show that the *Bay of Plenty Times* and *The Northern Advocate* at Whangarei were the fastest-growing titles in the 10,000 to 25,000 circulation band. Some regional economies have bucked the trend of the moderate national economy, contributing to good growth for APN in cities such as the Bay of Plenty and Hawke's Bay, where editorial efforts have been recognised with multiple awards. APN newspapers have benefited from a property sector that has continued to grow strongly in some regional areas, delivering double-digit growth in home prices.

In 2006, NZNP's magazine business built on its already strong reputation, expanding through the successful acquisition of teen magazine *Creme*. The publication is already the fastest-growing magazine among its target audience of girls aged 10 to 15, with good growth in circulation and readership.

APN AUSTRALIAN PUBLISHING

APN Australian Publishing is one of the nation's leading publishers of regional daily newspapers.

The division has a portfolio of more than 75 titles and services Queensland and northern New South Wales, the fastest-growing region in the country. With respected daily and community titles stretching across the eastern seaboard, the division plays a critical role informing and entertaining consumers, and offers a proven platform for advertisers.

The division is well positioned for continued success in the dynamic Queensland market, where the economy is being fuelled by strong levels of interstate migration, a high proportion of national tourism numbers and the benefits of a coal-driven resources boom.

The latest state budget reviews indicate that Queensland is growing at nearly twice the rate of the rest of the nation. With more than 2 million people in employment across the state, many regional cities enjoy strong household consumption levels. A large number of mining and infrastructure projects are scheduled for completion over the next few years. Regional cities such as Rockhampton, Toowoomba, Gladstone and Mackay, strongholds for APN publications, are likely to be among the major benefactors of the state boom.

In August 2006, a major APN initiative capitalised on the Smart State's employment market through a jobs expo in Sydney, where Queensland companies showcased work opportunities. The inaugural Queensland On Show jobs expo was a resounding success, with more than 200 Queensland businesses, local governments, industry groups and tourism bodies participating.

Although many of APN's titles already lead their markets, the division is committing resources to further update and improve the papers through relaunches, including leading dailies the *Sunshine Coast Daily* and *The Chronicle* in Toowoomba.

The community titles serving cities and towns throughout our markets play a key role in extending APN's market reach and provide valuable support to the division's daily titles. We are developing new supplements that take advantage of additional colour capacity on presses, and using shared pages across regions to improve information sources for readers while containing costs.

A number of strategic acquisitions and investments over the past 12 months have set a platform for good growth in APN's magazine business, which is an increasingly important component of our publishing strategy. The purchase of the Brisbane-based *Style* and North Queensland-based *City Life* magazines are an important step in this expansion.

A stable of lifestyle magazines, consolidated under the *Style* masthead, have been rolled out across markets stretching from Coffs Harbour in NSW to Far North Queensland. These high-quality gloss publications will target important market segments through a single umbrella brand that also has the capacity to deliver specialised local content. Market research indicates these magazines will be extremely attractive to national advertisers while allowing APN to expand its footprint into the important Brisbane market.

A new printing plant in Yandina on the Sunshine Coast is part of a 're-tooling' of APN presses and adds significant colour capacity to the business. The press has combined heatset-coldset press capability and can produce 72-page publishing products, all in full colour, with gloss functionality. This is a unique facility in regional publishing in Australia.

Complementing the Yandina centre, a new press has also been opened at Bundaberg that specialises in smaller print-run products. The announcement of new presses at Rockhampton, Toowoomba and Lismore, plus an upgrade of the Mackay press, will contribute to ongoing benefits for the business, readers and advertisers.

The installation of new editorial systems at most sites across the group will modernise the look of APN's newspapers and complement a new advertising administration system.

APN has also developed a unified advertising services bureau that provides an agency for its publishing clients, covering services such as advertising make-up, pre-press and creative. The new bureau will eventually act as a hub that services APN's extensive portfolio of multimedia assets, including online, magazines, outdoor advertising and radio.

The combination of strong economies, press upgrades, product extensions, technology rollouts and yield maximisation strategies ensures that APN is well placed for the year ahead.

RADIO

APN's Radio division is the leading broadcaster across Australasia.

With investments in 12 radio stations in Australia in metropolitan or major centres and 120 stations in New Zealand, the division's two operations – the Australian Radio Network (ARN) and The Radio Network (TRN) – reach almost 6 million listeners each week.

ARN stations have maintained their strength in the commercially important 25 to 54 year-old demographic through a dual brand strategy featuring the MIX and Classic Hits programming streams in Sydney, Melbourne, Adelaide, Brisbane and Canberra. In 2006, stations across the network attracted 4.5 million listeners each week, up from 4.3 million the previous year.

Despite the launch of competing FM radio stations in Sydney and Melbourne over the past 12 months, ARN continues to grow its share of agency advertising revenue. ARN's agency revenues have risen 87% since 2002, with its share increasing by 37%.

ARN finished 2006 with the No. 2 FM stations in Sydney and Melbourne, the No. 1 station in Adelaide and with good results in Brisbane.

Ongoing restructuring of ARN has delivered positive results. Through the innovative use of centralised technology to share resources, the network has been able to maximise the performance of its stations' creative, newsgathering and commercial departments. Management focus on 'thinking network and acting local' has lowered operating costs and led to a better product for listeners.

ARN continues to be an industry leader, introducing the first internet-only radio brand in Australia – a pure country format aimed at music fans across Australia. At the same time, the network has demonstrated its commitment to current technology by seeking upgrades to the performance of the group's AM stations in Adelaide (Cruise 1323) and Brisbane (4KQ). ARN has been granted power increases that will extend the audience reach of these stations.

Preparations for the shift to digital radio in Australia, in line with policy guidelines set by the Federal Government, are well advanced and ARN has already tested transmission systems for the targeted switch-over in 2009.

In New Zealand, TRN owns 120 radio stations that operate in 26 markets across New Zealand. Its flagship stations include the ratings leaders in the crucial commercial markets of Auckland and Christchurch.

A cluster of formats covers all demographics from listeners aged 18 to 65, providing advertising solutions for all buyers. Spanning eight different radio formats, TRN stations provide complementary programming to different market segments and are outperforming competitors in total revenue growth.

In 2006, TRN maintained its position as the No. 1 network in New Zealand, registering a national audience share of 45.2% of all people aged 10 and over. With more than 1.3 million weekly listeners, 63% of New Zealanders aged 10 and over listen to a TRN station.

Despite intense competition in the Auckland market, TRN's audience share in the capital remains strong at 49.6%. TRN runs four of the five top-ranked stations – Newstalk ZB, Classic Hits, Coast and ZM*. Newstalk is the nation's leading radio station with a national audience share of 12.7%. TRN also operates the No. 1 stations in Wellington and Christchurch.

TRN expanded its brand coverage with the launch of four radio licences during the year. This included extending coverage of Newstalk ZB into Marlborough and Gisborne, ZM into Marlborough, Radio Sport into Masterton, while Radio Hauraki upgraded to regional coverage in Northland. TRN also completed the acquisition of the remaining 50% of the Kapiti radio operations.

The development of strong broadcasting formats over the past few years is paying dividends. The success of Coast, a radio station for the commercially important Baby Boomers, demonstrates the value of this mature market segment and has created good revenue streams. Viva's successful launch represents a new way of doing radio in New Zealand, with a format of talk and music aimed at the over-40 female audience.

To offset a moderating New Zealand economy, TRN continues to examine innovative strategies to grow revenue. Time-saver traffic reports in Auckland have been popular with listeners, creating additional advertising revenue and promoting the network's strong community links. As a result of this success, the time-saver reports are being expanded nationally in key markets such as Christchurch and Wellington.

* Source: Research International Radio Audience Measurement Survey 2, 2006

APN OUTDOOR

APN Outdoor is the largest operator in Australasia in the dynamic outdoor advertising sector.

Leading the market in each of the main categories of supersites, billboards, transit and street furniture, the division achieved strong operational improvements in 2006 that highlight the benefits of APN's integrated management model.

Introduced three years ago, the model has allowed APN Outdoor to maximise benefits from a diversified portfolio of outdoor formats in five countries through a combination of excellent site development, major infrastructure asset tender wins and sound acquisitions. A growing presence in the lucrative Asian market points to strong new revenue streams.

The end to a number of uneconomic contracts and good revenue growth year on year led to a very strong result. APN brands have maintained their status as market share leaders in all of major formats in Australia.

The division consolidated the crucial Australian tender wins and renewals from the previous year – Railcorp in NSW, Perth Rail, Sydney Buses and Sydney Airport – which represent the premium outdoor assets in Australia. Their tenure provides a platform for ongoing revenue gains. These four contracts have enhanced the quality of APN's asset base in each of the key industry formats.

APN is also a leading operator of outdoor advertising at Australian airports, operating contracts in Sydney, Melbourne, Canberra and Perth. More than 70% of Australian air travellers pass an APN Outdoor airport touch point.

A major research project, O Zone, is aimed at helping media buyers understand how consumers differentiate the various outdoor formats and how this can be used to satisfy the media objectives of clients. The research has been well received in the market, and demonstrates APN's strategic and contemporary approach to the business.

The division is actively involved in industry initiatives that enhance the standing of the sector overall. APN is playing a key role in industry bodies such as the Outdoor Media Association, which acts as a regulatory body for the industry. In August 2006, the OMA announced the selection of a consortium of Australian and international research companies as the preferred candidate to develop a new audience measurement system for the Australian Outdoor market. APN welcomes this advance and will work closely with the industry association during the development phase.

New Zealand enjoyed a strong year despite a moderating national economy. Management centralisation of the Look Outdoor and Buspak operations provided a single point of contact for advertisers and brought trans-Tasman advantages to the division.

In Asia, improved economic conditions have contributed to strong sales performances in the region, and the commercial environments provide improved outcomes for APN's businesses in Malaysia, Indonesia and Hong Kong.

Malaysia has a vibrant Outdoor advertising market and is expected to continue to provide good opportunities for the division. Kurnia Outdoor has invested in the supersite market and has attracted strong advertiser support. Rainbow Indonesia leads its market and is creating strong revenue growth. In Hong Kong, the Buspak and Cody businesses manage some of the best outdoor assets in the world. The massive bus network in Hong Kong provides Buspak advertisers unsurpassed audience reach.

APN ONLINE

The Online division was launched in February 2006 to oversee the organic growth of APN's existing internet-related assets and to identify new opportunities in the Australian and New Zealand publishing and broadcasting markets.

The Online management group has achieved significant progress in its initial months of operation, selecting a high-quality team of senior managers and technology experts who share a vision to maximise the group's potential through complementary print, radio, advertising and online assets. Efforts to build the size and skill-sets of the team have been successful, including APN's recruitment of proven industry personnel.

APN has a three-pronged online strategy. First, the division will use existing internet presence to form relationships with APN's extensive print audiences. Secondly, channels will be opened to a younger, tech-savvy audience that is outside the demographic of the business's traditional newspaper readers. And third, we will increasingly engage with radio listeners who are interacting with us through station websites.

APN Online will build on the strength of established group assets such as the popular nzherald.co.nz and Search4 brands. To this end, APN's well-established promotional and advertising alliances will be invaluable.

In New Zealand, *The New Zealand Herald* website, nzherald.co.nz, is the most-visited news website in the country and the third most popular domestic site overall. The site continues to set records for visitors and page impressions. In 2006, display advertising revenue generated from the *Herald* site grew 57% year on year, and revenue records are being set month after month. The site was relaunched in December 2006 to ensure an increased focus on updated news content and user engagement.

In the classified advertising space, the Search4 website brands operating in New Zealand and Australia have quickly proven popular and loom as important tools to grow advertising revenues in key markets such as employment, dating, property and motor vehicle sales. The classified portals provide a value-added link to the millions of people who read APN newspapers and listen to APN radio stations, while offering greater scale for advertisers.

In May 2006, the online jobs site search4jobs.co.nz was re-launched in New Zealand. Job ad listing volumes have since more than doubled and the site finished the year as the No. 2 employment site in the market, based on traffic and job placement volumes. The success of the site with recruiters and jobseekers is expected to increase as new functionality is added.

The search4cars.com.au website launched in Queensland in November 2006 has also performed strongly. Management plans to extend the brand's reach beyond APN's traditional market of regional Queensland and into the fast-growing Brisbane city market.

Over the past 12 months, APN Online has overseen a significant upgrade of Worksearch, APN's common employment brand for print and online resources in Australia. The website, worksearch.com.au, links the group's regional newspapers and provides job advertising across APN's entire coverage area. It is already the largest regional employment website in the country.

Growth opportunities for New Zealand, in particular, are strong in the online space. The internet represents about 2% of total advertising spending in the New Zealand market compared with about 7% in Australia and about 13% in Europe. This percentage is expected to grow and APN is well positioned to benefit because of its extensive New Zealand media portfolio.

Important online initiatives have occurred in 2006. APN's New Zealand business has combined in a deal with media company ACP through the sellmefree joint venture on general classifieds.

APN has also taken a 50% stake in Finda, an online business directory and classifieds site. While organic growth is the most likely source of additional online revenue in the short-term, other strategic acquisitions are possible in the years to come.

In the directories sector, important opportunities exist to link directories and local media content. APN's leading New Zealand business-to-business directory, UBD, contains more than 130,000 business listings. Combined with the online street mapping assets of Wises Maps, potential exists to develop a powerful and highly localised online directory business. The Wises and UBD websites have been integrated to provide combined maps and directory listings, and an updated Wises website design was unveiled in May 2006.

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of APN News & Media Limited (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2006.

1. DIRECTORS

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

James Joseph Parkinson (Chairman)
Albert Edward Harris (Joint Deputy Chairman)
Wilson James Whineray (Joint Deputy Chairman)
Brendan Michael Anthony Hopkins (Chief Executive)
Sallyanne Atkinson
Donal Joseph Buggy
Pierce Patrick Cody
Peter Maxwell Cosgrove
Liam Pdraig Healy
Kevin John Luscombe
John Hendrik Maasland
Anthony Cameron O'Reilly
Gavin Karl O'Reilly

Details of their qualifications and experience, special responsibilities, meetings attended and shareholdings are set out in sections 17 and 18 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 the publishing of newspapers, magazines and directories in printed and online formats; radio broadcasting and outdoor advertising. During the year, the consolidated entity sold its security printing businesses. Except for the foregoing, the nature of the consolidated entity's activities did not change significantly during the financial year under review.

3. TRADING RESULTS

The net profit of the consolidated entity for the financial year was:

	2006	2005
	\$'000	\$'000
Profit from continuing operations	198,498	185,889
Net profit attributable to minority interest	(38,975)	(36,229)
Net profit attributable to members of the parent entity	159,523	149,660

4. DIVIDENDS

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

	2006	2005
	\$'000	\$'000
Final ordinary dividend for the year ended 31 December 2005 of 15.4 cents per share franked to 4.62 cents per share, paid on 24 April 2006 (2004: 14.0 cents per share franked to 4.2 cents per share)	72,816	67,583
Interim ordinary dividend for the year ended 31 December 2006 of 9.7 cents per share franked to 2.91 cents per share, paid on 28 September 2006 (2005: 8.8 cents per share franked to 2.64 cents per share)	44,490	42,222
	117,306	109,805

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

5. REVIEW OF OPERATIONS

A review of operations of the consolidated entity for the year ended 31 December 2006 is set out on pages 2 to 8 of this report.

6. EARNINGS PER SHARE

	2006	2005
	cents	cents
Basic earnings per share	34.3	31.1
Diluted earnings per share	32.9	30.3

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, the Company continued to buy back and cancel ordinary share capital in accordance with its previous market announcements. Since the commencement of the buy-back in June 2005, 54.9 million shares had been bought back for an aggregate price of \$275 million.

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

8. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 12 February 2007, the Company announced that it had entered into a Scheme Implementation Agreement (SIA) with Independent News & Media (Australia) Limited (ACN 008 637 689) (INMAL) in relation to the proposed acquisition of the Company by a consortium comprising Independent News & Media PLC, Providence Equity Partners and The Carlyle Group (Consortium) through the acquisition vehicle INMAL, via a scheme of arrangement between the Company and shareholders (Scheme).

Unless otherwise stated, the information contained in this report is stated as at the date of this report and does not take into account any changes which would arise if the Scheme were implemented.

On 12 February 2007, the Company issued an early redemption notice to holders of the convertible notes maturing on 31 October 2008 issued by the Company pursuant to a prospectus lodged with Australian Securities and Investments Commission on 2 November 2001 and listed on ASX (code ASX:APNG). The early redemption notice was issued in accordance with the requirements of the terms of issue of the convertible notes and the SIA.

Except as noted above, since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in this report or consolidated financial statements 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

Overall strategic direction and prospects are discussed in the Chairman's and Chief Executive's Reviews on pages 2 to 3.

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.

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

10. REMUNERATION REPORT

This Remuneration Report for the financial year has been prepared to comply with section 300A of the *Corporations Act 2001*. It also contains details, transferred from AASB 124 *Related Party Disclosures*, which have been audited.

Directors

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

Company and Group executives (other than Directors) of APN News & Media Limited

The following Relevant Executives together with Brendan Hopkins and the other Directors were the key management personnel having authority and responsibility for planning, directing and controlling the activities of the parent and consolidated entities during the financial year:

Name	Position	Employer
Peter Myers	Chief Financial Officer	APN News & Media Limited
Martin Simons	CEO New Zealand Publishing	APN New Zealand Limited
Bob Longwell	CEO Australian Radio	Australian Radio Network Pty Limited
Richard Herring	CEO APN Outdoor	APN Outdoor Pty Limited
Warren Lee	CEO APN Online	APN News & Media Limited

Ken Steinke resigned as CEO NZ National Publishing effective 7 July 2006. Martin Simons was appointed CEO New Zealand Publishing 1 July 2006 (previously CEO Regional Publishing). Warren Lee was appointed CEO APN Online on 30 January 2006.

Remuneration of Directors and executives

Principles used to determine nature and amount of remuneration

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

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

- create value for shareholders;
- be competitive in the market;
- align executive reward with company performance; and
- reward the achievement of strategic objectives.

The Company's executive reward framework conforms with market best practice for delivery of reward.

In consultation with external reward consultants, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. The external reward consultants have advised that the remuneration arrangements for the Chief Executive and the other Relevant Executives are:

- competitive against an appropriate peer group as determined by the external reward consultants; and
- appropriately balanced between base reward, Short-term incentive (STI) and Long-term incentive (LTI).

The Company's reward framework achieves alignment to shareholders' interests by:

- having profit as a core component of STI;
- focusing on sustained growth in earnings by using earnings per share as a key driver of LTI; and
- being designed to attract and retain high calibre executives.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. In respect of Relevant Executives with division specific responsibilities, STIs will generally be based on divisional performance whilst LTIs are based on overall Group performance. This aligns the overall Group objectives of creating shareholder value with the fact that the responsibilities of certain executives are limited to individual divisions.

As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Remuneration Committee has responsibility for reviewing and recommending the level of remuneration for non-executive Directors in relation to Board and Committee duties, within the overall maximum amount approved by shareholders. This amount is currently a total of \$750,000 per annum.

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

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

Executive pay

The executive pay and reward framework has the following components:

Fixed remuneration

Fixed remuneration includes base salary, other fixed remuneration including fully costed salary packaged benefits such as motor vehicles (including fringe benefits tax as applicable) and superannuation.

There are no guaranteed base pay increases for executives.

Other remuneration-related costs

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

Retirement benefits

Retirement benefits are delivered to executives under a number of different schemes. All contributions made on behalf of executives are based on a percentage of base salary and in some instances on a total salary package basis. No Relevant Executives are members of defined benefit schemes.

Short-term incentives

STIs are earned through cash bonuses to certain executives subject to achieving certain performance goals. STIs in respect of any year are paid early in the next financial year following the finalisation of the audited results.

In determining the amount of the STIs to be paid, the Remuneration Committee has regard to achievement of budgeted profitability targets (either Group or divisional as appropriate) and achievement of individual business objectives. If budgeted targets are achieved, 50% of the maximum STI is payable (unless otherwise detailed in the individual contracts disclosed in this report). The balance of the STI is payable depending on the extent to which the budget is exceeded. The maximum STI is payable if budgets are exceeded by 10% other than as detailed in the individual contracts disclosed elsewhere in this report. In certain exceptional circumstances, the Remuneration Committee may take account of other factors impacting on the year's results as well as the extent to which other business objectives have been achieved.

The Remuneration Committee considers evaluation of financial performance to be a critical criterion and one which can be objectively assessed against the actual audited results. The Remuneration Committee considers that the use of objective and verifiable data to test the achievement of performance aids transparency.

For 2006, the Remuneration Committee has determined that the proportion of the STI payable is as follows:

	STI payable	STI forfeited
Brendan Hopkins	54%	46%
Peter Myers	80%	20%
Martin Simons	48%	52%
Bob Longwell	48%	52%
Richard Herring	38%	62%
Warren Lee	50%	50%

Generally, no part of the STI is payable where an executive leaves during the year.

Long-term incentives

The Company has provided LTIs to executives through participation in the Executive and Director Option Plan (EDOP). The terms of options granted to the Chief Executive in 2003, 2004 and 2006 were approved by shareholders prior to being issued. Options issued in 2003, 2004 and 2006 to Relevant Executives were issued on the same terms as the Chief Executive. There were no options issued in 2005. Eligibility for participation in the EDOP is at the discretion of the Board.

Options granted under the EDOP:

- are granted for no consideration and carry no dividends or voting rights;
- are generally exercisable between three to five years from the date of grant at the exercise price, subject to the satisfaction of performance hurdles;
- are convertible into one ordinary share per option;
- have an exercise price of the options equal to the weighted average market price of the Company's shares sold on the ASX during the week immediately prior to and including the grant date;

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

- require the exercise price to be paid at the time of exercise of the options;
- cannot be transferred, encumbered or otherwise disposed of without the prior consent of the Board; and
- normally lapse if the optionholder ceases to be an employee of the Company or any of its subsidiaries, and in the case of a Director, ceases to hold office, otherwise than by death, permanent incapacity, redundancy or retirement. In these events, options are normally exercisable within 12 months of the occurrence of the event.

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

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.

Performance hurdles in relation to the options issued under the EDOP are as follows:

Options granted in 2003 or prior

For options granted prior to or during 2003, each option will only be exercisable if at any time on or after the first exercise date, the earnings per share (as disclosed in the audited accounts of the Group) for the year ended 31 December preceding any exercise date (being any day on or between the first and last exercise date) is greater than the earnings per share (as disclosed in the audited accounts of the Group) for the year ended 31 December three consecutive years immediately prior to the 31 December preceding the same exercise date, by a percentage which exceeds the increase in the CPI + 2% for each year.

Options granted in 2004

For options granted during 2004, the options were issued in four tranches each with its own performance hurdle as set out below:

- Tranche A (50% of total number of options granted) = CPI + 2% per annum;
- Tranche B (16.67% of total number of options granted) = CPI + 3% per annum;
- Tranche C (16.67% of total number of options granted) = CPI + 4% per annum; and
- Tranche D (16.66% of total number of options granted) = CPI + 5% per annum.

Each 2004 option will only be exercisable if the increase in earnings per share (as disclosed in the audited accounts of the Group) for the year ended 31 December immediately preceding any day on or between the first and last exercise date (Determination Date) compared with the earnings per share (as disclosed in the audited accounts of the Group) for the year ended 31 December three years prior to the Determination Date, exceeds the compound growth rate specified in the relevant performance hurdle.

Options granted in 2006

The 2006 options will only all be exercisable if the increase in earnings per share (as disclosed in the audited accounts of the Group) for the year ended 31 December immediately preceding any day on or between the first and last exercise date (Determination Date) compared with the earnings per share (as disclosed in the audited accounts of the Group) for the year ended 31 December three years prior to the Determination Date, exceeds a compound growth rate of 10% per annum.

In the event that the compound growth rate achieved by the Group is less than 5% per annum, then none of the options may vest.

In the event that the compound growth rate achieved by the Group is between 5% per annum and 10% per annum, then the percentage of the options that may vest will increase on a straight line basis between 50% and 100%.

The Directors consider that ordinary earnings per share represents the most objective long-term measure of the Group's performance and in determining whether the relevant performance hurdles have been satisfied Directors are able to rely on the audited results for the relevant year.

In respect of all options issued prior to 2006, the relevant performance hurdles have been met. In respect of options issued during 2006, the performance hurdles cannot first be tested until the audited accounts for the 2008 financial year have been finalised.

Employment contracts

Remuneration and other terms of employment for the Relevant Executives are formalised in employment contracts. The extent to which each key management executive's remuneration is performance based is described elsewhere in this Remuneration Report.

Fixed-term contracts

Brendan Hopkins, Chief Executive

The term of Mr Hopkins' agreement is fixed until 31 March 2009. Mr Hopkins receives a base salary, inclusive of superannuation, bonuses and other benefits, including eligibility to participate in the EDOP, which are reviewed annually by the Remuneration Committee. Mr Hopkins is eligible to receive a STI payment, heavily weighted towards the financial performance of the Group and determined in accordance with the principles for STIs detailed elsewhere in this report. Mr Hopkins' agreement also contains a restraint (including a non-compete) which applies for a period of 12 months after its termination in Australia, New Zealand and any other country in which the Company and its related entities operate.

Bob Longwell, Chief Executive Officer – Australian Radio

The term of Mr Longwell's agreement is fixed until 31 December 2009. He receives a base salary, bonus and other benefits, which are reviewed from time to time by the Remuneration Committee of the Australian Radio Network, subject to approval by the Australian Radio Network Board. Mr Longwell participates in the EDOP. Mr Longwell is eligible to receive a STI payment, based on the financial performance of the Australian Radio Network. 30% of the maximum annual STI is payable for achievement of budgeted EBIT for the year with further payments accruing to above budgeted performance.

Rolling contracts

Other Relevant Executives

Peter Myers	Chief Financial Officer
Ken Steinke	CEO NZ National Publishing - resigned 7 July 2006
Martin Simons	CEO New Zealand Publishing
Richard Herring	CEO APN Outdoor
Warren Lee	CEO APN Online

Contractual operating terms for these other Relevant Executives are substantially similar and contain confidentiality provisions.

Length of contract	Continuing.
Fixed compensation	Relevant Executives receive a base salary, inclusive of superannuation, and benefits which are reviewed annually by the Chief Executive, subject to approval of the Remuneration Committee.
Short-term incentives	Relevant Executives are eligible to receive a STI payment, heavily weighted towards the financial performance of the Group or the relevant division and determined in accordance with the principles for STIs detailed elsewhere in this report. In the case of the Chief Financial Officer, Mr Myers, 50% of his STI is payable on achieving Group budgeted NPAT and 50% is subject to other performance objectives as determined by the Remuneration Committee upon the recommendation of the Chief Executive.
Long-term incentives	Relevant Executives are eligible to participate in the EDOP at the Board's discretion.
Termination	Employment may be terminated by either party giving 12 months notice (six months in the case of Mr Herring) or, where employment is terminated by the Company, payment may be made in lieu of notice.
Redundancy	If the Company terminates the employment of Mr Simons or Herring for reasons of redundancy, a termination payment would be paid depending on the length of their service. In the case of Mr Herring, such payment would not exceed one year's remuneration and in the case of Mr Simons such payment would not exceed two years base salary.
Non-compete	Relevant Executives are subject to non-compete provisions for the term of their notice period. In the case of Mr Herring the Company may elect to extend the non-compete by up to a further 6 months with the payment of up to a further six months' remuneration.

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

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

Details of remuneration

Details of short-term and post-employment benefits paid to each Director of APN News & Media Limited and each of the Relevant Executives (including the five receiving the highest emoluments) of the consolidated entity are set out in the following tables:

Directors of APN News & Media Limited

		Cash salary	Other fixed remuneration	Superannuation	Bonus	Other remuneration related costs	Total
		<i>Short-term</i>	<i>Short-term</i>	<i>Post-employment</i>	<i>Short-term</i>	<i>Short-term</i>	
		\$	\$	\$	\$	\$	\$
Chief Executive and Director of APN News & Media Limited							
BMA Hopkins	2006	1,600,000	148,221	368,000	787,500	312,047	3,215,768
	2005	1,200,000	100,497	309,600	1,175,000	301,222	3,086,319
Non-executive Directors of APN News & Media Limited							
JJ Parkinson	2006	-	-	-	-	-	-
	2005	-	-	-	-	-	-
AE Harris	2006	150,000	-	-	-	-	150,000
	2005	120,000	-	-	-	-	120,000
WJ Whineray	2006	120,000	-	-	-	-	120,000
	2005	91,931	-	6,069	-	-	98,000
S Atkinson	2006	68,807	-	6,193	-	-	75,000
	2005	61,468	-	5,532	-	-	67,000
DJ Buggy	2006	-	-	-	-	-	-
	2005	-	-	-	-	-	-
PP Cody	2006	64,220	-	5,780	-	-	70,000
	2005	56,881	-	5,119	-	-	62,000
PM Cosgrove	2006	68,881	-	5,719	-	-	74,600
	2005	68,310	-	5,690	-	-	74,000
LP Healy	2006	-	-	-	-	-	-
	2005	-	-	-	-	-	-
KJ Luscombe	2006	85,000	-	-	-	-	85,000
	2005	77,000	-	-	-	-	77,000
JH Maasland	2006	82,569	-	7,431	-	-	90,000
	2005	78,872	-	6,128	-	-	85,000
AC O'Reilly	2006	64,220	-	5,780	-	-	70,000
	2005	56,881	-	5,119	-	-	62,000
GK O'Reilly	2006	-	-	-	-	-	-
	2005	-	-	-	-	-	-
Total 2006		2,303,697	148,221	398,903	787,500	312,047	3,950,368
<i>Total 2005</i>		<i>1,811,343</i>	<i>100,497</i>	<i>343,257</i>	<i>1,175,000</i>	<i>301,222</i>	<i>3,731,319</i>

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

The Company pays fees to Independent News & Media PLC including reimbursements for services provided including travel and ancillary expenses, provision of unlimited live editorial copy, and advisory services on a range of matters including global media and advertising trends and product development (refer note 12).

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

Relevant Executives

		Cash salary	Other fixed remuneration	Superannuation	Bonus	Other remuneration related costs	Total
		Short-term \$	Short-term \$	Post-employment \$	Short-term \$	Short-term \$	\$
Peter Myers	2006	608,528	-	41,472	400,000	1,622	1,051,622
	2005	510,369	-	39,631	400,000	-	950,000
Martin Simons	2006	586,953	41,982	64,239	200,000	39,266	932,440
	2005	440,000	32,462	74,800	300,000	-	847,262
Ken Steinke	2006	477,313	24,817	-	-	17,365	519,495
	2005	480,591	42,055	98,546	270,000	35,545	926,737
Bob Longwell	2006	384,222	115,225	-	160,000	36,000	695,447
	2005	310,067	120,872	-	270,000	49,272	750,211
Richard Herring	2006	393,288	19,554	57,798	150,000	8,261	628,901
	2005	274,994	78,216	50,375	250,000	-	653,585
Warren Lee	2006	458,715	-	41,285	250,000	10,042	760,042
	2005	-	-	-	-	-	-
Total 2006		2,909,019	201,578	204,794	1,160,000	112,556	4,587,947
Total 2005		2,016,021	273,605	263,352	1,490,000	84,817	4,127,795

Equity instrument disclosures relating to Directors and Relevant Executives

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

Grant date	Expiry date	Exercise price	Value per option at grant date	Date first exercisable (subject to performance hurdles)
24 May 2003	24 May 2008	\$3.34	\$0.44 ¹	24 May 2006
29 April 2004	29 April 2009	\$3.85	\$0.61 ¹	29 April 2007
2 May 2006	2 May 2011	\$5.02	\$0.80	2 May 2009

¹ Value of 2003 and 2004 option grants have been corrected to more accurately reflect share price volatility (previously based on share price, now reflects change in share price as required by binomial pricing model).

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

Option holdings

Options granted to Directors and Relevant Executives during the financial year and held at the end of the financial year are shown in the table below. Based on the 2006 eps, all options, other than those granted during the 2006 financial year, have satisfied the relevant performance criteria.

Year ended 31 December 2006	Balance at start of year	Granted during year as remuneration	Exercised during year	Other changes during year	Balance at end of year	Options vested during year	Vested and exercisable at end of year	Amortised value of options
Directors of APN News & Media Limited								
JJ Parkinson	-	-	-	-	-	-	-	-
AE Harris	-	-	-	-	-	-	-	-
WJ Whineray	-	-	-	-	-	-	-	-
BMA Hopkins	2,500,000	1,500,000	(1,000,000)	-	3,000,000	1,000,000	-	\$630,421
S Atkinson	-	-	-	-	-	-	-	-
DJ Buggy	-	-	-	-	-	-	-	-
PP Cody	-	-	-	-	-	-	-	-
PM Cosgrove	100,000	-	(50,000)	-	50,000	-	50,000	-
LP Healy	-	-	-	-	-	-	-	-
KJ Luscombe	-	-	-	-	-	-	-	-
JH Maasland	-	-	-	-	-	-	-	-
AC O'Reilly	-	-	-	-	-	-	-	-
GK O'Reilly	-	-	-	-	-	-	-	-
Total Directors	2,600,000	1,500,000	(1,050,000)	-	3,050,000	1,000,000	50,000	\$630,421
Relevant Executives								
P Myers	550,000	500,000	(250,000)	-	800,000	250,000	-	\$145,589
K Steinke	540,000	-	(300,000)	(240,000) ⁽²⁾	-	200,000	-	(\$65,959) ⁽¹⁾
M Simons	540,000	400,000	-	-	940,000	200,000	300,000	\$105,153
B Longwell	275,000	250,000	(125,000)	-	400,000	125,000	-	\$51,539
R Herring	375,000	400,000	(135,000)	-	640,000	75,000	-	\$100,966
W Lee	-	400,000	-	-	400,000	-	-	\$24,029
Total Relevant Executives	2,280,000	1,950,000	(810,000)	(240,000)	3,180,000	850,000	300,000	\$361,317
(1) Value of forfeited options previously expensed								
(2) Forfeited options								
Year ended 31 December 2005	Balance at start of year	Granted during year as remuneration	Exercised during year	Other changes during year	Balance at end of year	Options vested during year	Vested and exercisable at end of year	Amortised value of options
Directors of APN News & Media Limited								
JJ Parkinson	-	-	-	-	-	-	-	-
AE Harris	-	-	-	-	-	-	-	-
WJ Whineray	-	-	-	-	-	-	-	-
BMA Hopkins	2,500,000	-	-	-	2,500,000	-	-	\$394,854
S Atkinson	-	-	-	-	-	-	-	-
DJ Buggy	-	-	-	-	-	-	-	-
PP Cody	-	-	-	-	-	-	-	-
PM Cosgrove	100,000	-	-	-	100,000	50,000	100,000	\$25,326
LP Healy	-	-	-	-	-	-	-	-
KJ Luscombe	-	-	-	-	-	-	-	-
JH Maasland	-	-	-	-	-	-	-	-
AC O'Reilly	-	-	-	-	-	-	-	-
GK O'Reilly	-	-	-	-	-	-	-	-
Total Directors	2,600,000	-	-	-	2,600,000	50,000	100,000	\$420,180
Relevant Executives								
P Myers	550,000	-	-	-	550,000	-	-	\$86,579
K Steinke	590,000	-	(50,000)	-	540,000	100,000	100,000	\$95,464
M Simons	540,000	-	-	-	540,000	100,000	100,000	\$80,582
B Longwell	462,800	-	(187,800)	-	275,000	187,800	-	\$64,546
R Herring	375,000	-	-	-	375,000	60,000	60,000	\$57,034
Total Relevant Executives	2,517,800	-	(237,800)	-	2,280,000	447,800	260,000	\$384,205

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

The amount shown for emoluments relating to options is the assessed fair value at grant date of options granted to Relevant Executives, allocated equally over the period during which the options vest. Fair values at grant date have been determined by using the binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Value of options exercised and shares issued

Details of ordinary shares in the Company issued as a result of the exercise of options by each Director of APN News & Media Limited and each Relevant Executive of the consolidated entity during the year are as follows:

	Date of exercise of options	Number of options exercised and ordinary shares issued	Amount paid per share	Value of each option when exercised	Total value of options exercised
Directors of APN News & Media Limited					
Brendan Hopkins	30 May 2006	1,000,000	\$3.34	\$1.81	\$1,810,000
Peter Cosgrove	4 April 2006	50,000	\$3.56	\$1.18	\$59,000
Relevant Executives					
Peter Myers	13 September 2006	250,000	\$3.34	\$1.77	\$442,500
Ken Steinke	19 June 2006	100,000	\$3.54	\$1.51	\$151,000
	19 June 2006	25,000	\$3.34	\$1.71	\$42,750
	26 June 2006	175,000	\$3.34	\$1.73	\$302,750
Bob Longwell	6 June 2006	63,000	\$3.34	\$1.71	\$107,730
	8 June 2006	62,000	\$3.34	\$1.66	\$102,920
Richard Herring	5 September 2006	60,000	\$3.54	\$1.61	\$96,600
	22 December 2006	75,000	\$3.34	\$2.63	\$197,250

Total remuneration including options

Total remuneration for each Director including the amortised value of options granted, as required by AASB 124 is as follows:

BMA Hopkins \$3,846,189 (2005: \$3,481,173), JJ Parkinson \$0 (2005: \$0), AE Harris \$150,000 (2005: \$120,000), WJ Whineray \$120,000 (2005: \$98,000), S Atkinson \$75,000 (2005: \$67,000), DJ Buggy \$0 (2005: \$0), PP Cody \$70,000 (2005: \$62,000), PM Cosgrove \$74,600 (2005: \$99,326), LP Healy \$0 (2005: \$0), KJ Luscombe \$85,000 (2005: \$77,000), JH Maasland \$90,000 (2005: \$85,000), AC O'Reilly \$70,000 (2005: \$62,000) and GK O'Reilly \$0 (2005: \$0).

Total remuneration for each Relevant Executive including the amortised value of options granted, as required by AASB 124 is as follows:

P Myers \$1,197,211 (2005: \$1,036,579), K Steinke \$453,537 (2005: \$1,022,201), M Simons \$1,037,593 (2005: \$927,844), B Longwell \$746,986 (2005: \$814,757), R Herring \$729,867 (2005: \$710,619) and W Lee \$784,071 (2005: \$0).

Total remuneration in 2006 for all Directors was \$4,580,789 (2005: \$4,151,499) and for all key management personnel other than the Chief Executive \$4,949,265 (2005: \$4,512,000).

Company performance

	2006	2005	2004	2003	2002
Net profit after tax (NPAT)	\$159.5m	\$149.7m	\$129.4m	\$103.5m	\$90.2m
Annual increase in NPAT	6.6%	15.6%	23.9%	14.8%	87.2%
Dividends per share (dps)	9.7c	24.2c	22.0c	18.3c	16.0c
Earnings per share (eps)	34.3c	31.1c	27.1c	22.9c	20.8c
Annual increase in eps	10.3%	14.8%	17.5%	10.1%	15.5%
Share price at 31 December	\$6.05	\$4.80	\$5.15	\$4.00	\$3.05

No 2006 final dividend has been declared pending the outcome of the meeting of Members to consider the proposed scheme of arrangement involving the Consortium.

The NPAT and eps for 2002 and 2003 have not been adjusted for A-IFRS in the above table. Increases for 2004 are based on A-GAAP results as previously announced.

During 2005, the Company strengthened its capital management program by announcing an on market buy-back of its ordinary shares and by suspending the Dividend Reinvestment Plan. By 31 December 2006, the Company had bought back 54.9 million shares in aggregate at an average price of \$5.00 per share. Directors consider that the buy-back, which is eps accretive after taking into account interest paid, is in the interests of all shareholders.

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

The above table shows that since 2002 earnings per share have increased 65% and the closing share price has increased by 98%. In relation to earnings per share the results for 2002 and 2003 have not been adjusted for A-IFRS, accordingly it is difficult to make comparisons over time, however a review of the annual growth rates confirms that the performance conditions of options issued prior to 2006 have been satisfied.

The Remuneration Committee considers that the performance linked approach to its remuneration policies encourages an outcome that is directly aligned with the generation of shareholder wealth.

Shareholding information

The number of ordinary shares in the Company held by each Director of APN News & Media Limited and each of the Relevant Executives for the year ended 31 December 2006, including their related parties, is set out below:

	Balance at start of the year	Received during year on exercise of options	Other changes during year	Balance at end of the year
Directors of APN News & Media Limited				
JJ Parkinson	-	-	100,000	100,000
AE Harris	530,956 ¹	-	20,000	550,956 ¹
WJ Whineray	-	-	-	-
BMA Hopkins	964,197	1,000,000	(965,000)	999,197
S Atkinson	13,022	-	-	13,022
DJ Buggy	-	-	-	-
PP Cody	129,914	-	(24,890)	105,024
PM Cosgrove	-	50,000	-	50,000
LP Healy	581,112	-	-	581,112
KJ Luscombe	52,976	-	-	52,976
JH Maasland	-	-	-	-
AC O'Reilly	1,000,000	-	-	1,000,000
GK O'Reilly	20,000	-	-	20,000
Relevant Executives				
P Myers	10,000	250,000	-	260,000
K Steinke	90,081	300,000	(390,081)	-
M Simons	69,366	-	(69,366)	-
B Longwell	-	125,000	(125,000)	-
R Herring	46,000	135,000	(91,000)	90,000
W Lee	-	-	-	-

¹ In addition, Mr AE Harris is a Director of a trustee company which holds 335,898 shares for the benefit of other parties.

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

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

Convertible notes

Mr AE Harris has no interest in convertible notes in the Company (2005: 20,000).

Mr KJ Luscombe has an interest in 2,900 convertible notes in the Company (2005: 2,900).

Loans to Directors and Relevant Executives

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

Other transactions with Directors and Relevant Executives

Details of other transactions with Directors and Relevant Executives are provided in note 12 to the financial statements.

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

11. SHAREHOLDINGS AND OPTIONS

Note 7 to the financial statements contains details of the following:

- the number of unissued shares of APN News & Media Limited under option at 31 December 2006; and
- shares issued during the financial year as a result of the exercise of options.

The Remuneration Report contains details of shareholdings of the Directors and Relevant Executives as at 31 December 2006. Options granted during the year are disclosed in note 7. No options were granted since the end of the financial year.

12. INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

13. INSURANCE OF DIRECTORS AND OFFICERS

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

14. ENVIRONMENTAL REGULATION

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

15. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

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

16. CLASS ORDERS

The Company has utilised the following Class Orders in the financial report and this report:

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

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

17. INFORMATION ON DIRECTORS

Director	Qualifications	Responsibility
JJ Parkinson	MA, FCA. Mr Parkinson was appointed Chairman in May 2002, having been first appointed to the 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 and served as Group Finance Director from 1988 to 2002. He is also Chairman of News & Media NZ Ltd and a former President of the Financial Executives Association of Ireland. He was previously a Director of iTouch PLC (UK).	Non-Executive Chairman of the Board of Directors, Chairman of the Nomination Committee, Chairman of Allotment Committee, Chairman of Options Committee, Member of Treasury/Finance Committee
AE Harris AC	F.INST.D, FAIM, FAICD. Mr Harris has been a 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 Thakral Holdings (Director since 1994), the Australian Radio Network and St Vincent's Clinic Foundation. He is Deputy Chairman of Metcash Limited (Director since 1994), 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. He was previously Chairman of Gazal Corporation Limited (Director 1989 to 2004).	Non-Executive Director, Joint Deputy Chairman, Chairman of Remuneration Committee, Member of Audit Committee, Member of Treasury/Finance Committee
Sir WJ Whineray KNZM, OBE	BCom, MBA. Sir Wilson has been a Board Member since 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 his retirement in June 1993. He retired as Chairman of Carter Holt Harvey Limited in 2003, retired as Chairman of The National Bank of New Zealand Limited in 2004 and retired as a Director of Auckland International Airport Limited in 2005. He is currently a Director of Nestlé New Zealand Limited and a Trustee of Eden Park Board of Control and The Dilworth Trust. He was previously a Director of News & Media NZ Limited.	Non-Executive Director, Joint Deputy Chairman, Chairman of Audit Committee, Chairman of Treasury/Finance Committee
BMA Hopkins	BA. Mr Hopkins was appointed CEO in August 2002 and has been a Board Member since that time. He has over 20 years experience managing Media businesses in a number of countries. He is a Director of Independent News & Media PLC, a Freeman of the City of London, Honorary Vice President of the British Vascular Foundation, Patron of the European Australian Business Council, a Governor of The Australian Ireland Fund and a member of the Chairman's Council of the Australian Chamber Orchestra.	Chief Executive, Member of Allotment and Options Committees
S Atkinson AO	BA, FAICD, FAIM, FAMI. Ms Atkinson has been a Board Member since August 1999. She is Special Representative for Queensland in South East Asia, Chairman of ABC Learning Centres Ltd (Director since 2000), Chairman of the Commonwealth Taskforce on Dementia and of the Crawford Fund (Qld). She is on the Boards of The Australian Ballet, the Brisbane Writers Festival, 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. 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, Member of Nomination Committee
DJ Buggy	BComm, ACA. Mr Buggy has been a Board Member since October 2003. A chartered accountant, he was appointed Chief Financial Officer and Director of Independent News & Media PLC in 2002. He joined Independent News & Media PLC in 1996 as Group Finance Manager and was appointed Group Financial Controller in 1999. Mr Buggy was previously audit manager with an international accounting firm. He is also a Director of a number of Independent News & Media PLC subsidiaries, including Independent News & Media (Australia) Limited, News & Media NZ Limited and Independent News & Media (South Africa) Pty Limited.	Non-Executive Director, Member of Audit Committee, Member of Treasury/Finance Committee

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

17. INFORMATION ON DIRECTORS (continued)

Director	Qualifications	Responsibility
PP Cody	Mr Cody was appointed to the APN Board in 2003. Mr Cody founded Cody Outdoor Australasia and was formerly the Chief Executive of APN Outdoor. He has more than 27 years' experience in the advertising industry. Mr Cody is currently the co-owner and Executive Chairman of Macro Life Pty Ltd (trading as Macro Wholefoods Market), a Non-Executive Director of Adcorp Australia Limited (since 1999) and is a Governor and Director of The Australian Ireland Fund. Mr Cody was formerly a Trustee of the Art Gallery of NSW and a founding Director of Tower Estate Vineyard and Restaurants in the NSW Hunter Valley.	Non-Executive Director
PM Cosgrove	Mr Cosgrove has been a Board Member since December 2003. Founder of the Buspak group of companies in Australia, New Zealand and Hong Kong, he has more than 20 years' experience in the outdoor advertising industry. He is Non-Executive Chairman of Buspak Hong Kong, as well as Non-Executive Deputy Chairman of Clear Media Limited, which is listed on the Stock Exchange of Hong Kong. He is also a Director of Independent News & Media PLC and Chairman of GlobeCast Australia Pty Limited, a broadcasting company.	Non-Executive Director
LP Healy	FCA. Mr Healy has been a Board Member since May 1988, was acting Chief Executive from 1988 to 1989, Deputy Chairman from March 1992 to 1994 and Chairman from 1995 to 2002. He was 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. He was previously a Director of News & Media NZ Limited.	Non-Executive Director, Member of Remuneration Committee
KJ Luscombe AM	FAICD, FAIM, CPM. Mr Luscombe has been a Board Member since October 1997. Following a successful corporate career in Australia, US markets and Board roles in several SE Asian 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. In 1998, he was appointed Adjunct Professor at the Graduate School of Management, Swinburne University. He was the recipient of the 2001 Sir Charles McGrath Award for marketing excellence.	Non-Executive Director, Member of Audit and Nomination Committees
JH Maasland	MA (Cantab). Mr Maasland has been a Board Member since December 2003. Chairman of Auckland International Airport Limited and Carter Holt Harvey Limited, New Zealand's largest forestry and timber company. Mr Maasland has extensive business experience in the media industry and in New Zealand, and serves on a number of private and public company boards. He is also Chairman and a Trustee of the Royal New Zealand Ballet.	Non-Executive Director, Member of Nomination and Remuneration Committees
AC O'Reilly	BA (Hons) Oxon. Mr O'Reilly was Chief Executive from May 1996 to July 2000, having previously held the position of Deputy Chief Executive. Mr O'Reilly has been a Board Member since 1988. He is the Founder and Managing Director of Bayard Group. He is a Director of Independent News & Media PLC, Sydney Theatre Company and the National Gallery of Australia Foundation. 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
GK O'Reilly	BScBA (Hons). Mr O'Reilly was appointed to the Board in 2004. He has been Group Chief Operating Officer of Independent News & Media PLC since December 2001. He joined the international media group in 1993 and has held various roles. He formerly worked in London for the global advertising group DDB Needham. In the late 80s, he also worked in Stockbroking in London and Asia. He is President of the World Association of Newspapers, Chairman of the National Newspapers of Ireland, Chairman of Dromoland Castle Hotel and serves on the board of Independent News & Media PLC and its subsidiaries, Ashford Castle Hotel, Norkom Technologies, and numerous charitable foundations including the Ireland Funds.	Non-Executive Director

APN NEWS & MEDIA LIMITED

DIRECTORS' REPORT (continued)

18. 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 was:

Director	Board of Directors		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
JJ Parkinson	7	7				
AE Harris	7	7	4	4	2	2
WJ Whineray	7	7	4	4		
BMA Hopkins	7	7				
S Atkinson	7	7				
DJ Buggy	7	7	4	2		
PP Cody	7	6				
PM Cosgrove	7	6				
LP Healy	7	5			2	2
KJ Luscombe	7	7	4	4		
JH Maasland	7	6			2	2
AC O'Reilly	7	6				
GK O'Reilly	7	6				

Twenty-five meetings of the Allotment Committee were held and were attended by JJ Parkinson (25) and BMA Hopkins (25).

Four meetings of the Options Committee were held and attended by JJ Parkinson (4) and BMA Hopkins (4).

Two meetings of a Board Committee formed to review and approve the half-yearly and annual financial statements were held and were attended by AE Harris (2) and BMA Hopkins (2).

Two meetings of a Board Committee formed to review and approve the dividend payments were held and were attended by JJ Parkinson (2) and BMA Hopkins (2).

Two meetings of a Board Committee formed to approve the 2005 Annual Report and Notice of Meeting were held and attended by AE Harris (2) and BMA Hopkins (2).

A sub-committee was formed to consider the offer by the Consortium which met once during the financial year and was attended by AE Harris (1), WJ Whineray (1) and KJ Luscombe (1).

19. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

20. AUDITOR'S INDEPENDENCE DECLARATION

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

21. NON-AUDIT SERVICES

During the financial year, the Company's auditor, PricewaterhouseCoopers, received or is due to receive \$1,023,000 for the provision of non-audit services.

The auditor has provided the Directors with an auditor independence declaration in relation to the audit, a copy of which is set out below. The auditor has also confirmed to the Directors that it has in place independence quality control systems which support its assertions in relation to its professional and regulatory independence as auditor of the consolidated entity (including the requirements of Professional Statement F1).

The Audit Committee has reviewed the fees provided to the auditor for non-audit services in the context of Professional Statement F1, the requirements of the Audit Committee Charter and general corporate governance practices adopted by the consolidated entity.

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

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

22. QUALIFICATIONS AND EXPERIENCE OF COMPANY SECRETARY

Yvette Lamont Company Secretary and Group General Counsel

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

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

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

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



JJ Parkinson
Director



BMA Hopkins
Director

Sydney
30 March 2007

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Auditor's Independence Declaration

As lead auditor for the audit of APN News & Media Limited and its controlled entities for the year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



S J Bosiljevac
Partner
PricewaterhouseCoopers

Sydney
30 March 2007

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2006

	Note	2006 \$'000	2005 \$'000
Revenue before finance income	3	1,292,877	1,337,869
Other income	3	37,872	7,107
Expenses before finance costs	3	(1,028,863)	(1,048,469)
Finance income	3	8,784	19,085
Finance costs	3	(74,402)	(84,012)
Net finance costs		(65,618)	(64,927)
Share of profits of associates		11,591	12,947
Profit before income tax expense		247,859	244,527
Income tax expense	4	(49,361)	(58,638)
Profit from continuing operations		198,498	185,889
Net profit attributable to minority interest		(38,975)	(36,229)
Net profit attributable to members of the parent entity		159,523	149,660
		cents	cents
Basic earnings per share		34.3	31.1
Diluted earnings per share		32.9	30.3

Share of profits of associates excludes net finance costs and income tax expense.

CONSOLIDATED BALANCE SHEET

as at 31 December 2006

	Note	2006 \$'000	Restated 2005 \$'000
Current assets			
Cash and cash equivalents		70,681	68,934
Receivables		223,702	235,909
Inventories		21,939	30,193
Tax assets		24,861	26,532
Other		28,120	25,144
Total current assets		369,303	386,712
Non-current assets			
Receivables		7,174	8,047
Other financial assets		22,696	17,296
Investments accounted for using the equity method		25,703	19,488
Property, plant and equipment		292,605	288,937
Intangible assets	5	1,740,614	1,784,717
Deferred tax assets		36,471	35,375
Total non-current assets		2,125,263	2,153,860
Total assets		2,494,566	2,540,572
Current liabilities			
Payables		197,295	199,546
Derivative financial instruments		3,418	4,280
Interest bearing liabilities	6	89,414	87,232
Current tax provisions		5,299	4,371
Provisions		14,108	12,220
Total current liabilities		309,534	307,649
Non-current liabilities			
Payables		5,558	6,613
Interest bearing liabilities	6	801,593	752,356
Deferred tax liabilities		203,380	214,188
Provisions		2,159	2,320
Total non-current liabilities		1,012,690	975,477
Total liabilities		1,322,224	1,283,126
Net assets		1,172,342	1,257,446
Equity			
Contributed equity	7	817,579	918,155
Reserves	8	25,497	42,647
Retained profits		86,559	44,342
Total parent entity interest		929,635	1,005,144
Minority interest		242,707	252,302
Total equity		1,172,342	1,257,446

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

	Note	2006 \$'000	Restated 2005 \$'000
Total equity at beginning of the year		1,257,446	1,253,367
Adjustment on adoption of AASB 132 and AASB 139		-	(3,924)
Exchange differences on translation of foreign operations		(17,811)	9,678
Unrealised exchange differences on currency hedges		(3,418)	-
Revaluation of investments		977	650
Option expense		3,100	1,474
Net income recognised directly in equity		(17,152)	7,878
Profit from continuing operations		198,498	185,889
Recognised income and expense for the year		181,346	193,767
Transactions with equity holders in their capacity as equity holders			
Contributions of equity, net of transaction costs		39,009	89,456
Dividends provided for or paid	9	(117,306)	(109,805)
Share buy-back	7	(139,585)	(134,866)
Other transactions with minority interest		(48,568)	(34,473)
Total equity at end of the year		1,172,342	1,257,446
Recognised income and expense for the year is attributable to :			
Members of APN News & Media Limited		142,371	157,538
Minority interest		38,975	36,229
Recognised income and expense for the year		181,346	193,767

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2006

	2006 \$'000	2005 \$'000
Cash flows from operating activities		
Receipts from customers	1,434,528	1,473,808
Payments to suppliers and employees	(1,125,373)	(1,157,946)
Dividends received	707	701
Interest received	5,521	17,609
Interest paid	(68,161)	(66,678)
Income taxes paid	(47,587)	(35,529)
Net cash inflows from operating activities	199,635	231,965
Cash flows from investing activities		
Payments for property, plant and equipment	(60,985)	(35,869)
Payments for software	(1,488)	(1,997)
Construction in progress pending resale	(28,764)	-
Proceeds on sale of assets constructed for resale	28,764	-
Proceeds from sale of property, plant and equipment	30,631	4,566
Proceeds from sale of Security printing business	32,100	-
Payment for purchase of controlled entities	(500)	(9,949)
Payment for investments	(4,059)	-
Proceeds from sale of investments	-	11,700
Payments for goodwill	(4,077)	(2,504)
Payments for other intangible assets	(9,426)	(3,947)
Other	(1,295)	200
Net cash outflows from investing activities	(19,099)	(37,800)
Cash flows from financing activities		
Loans repaid by other entities	11,950	31,849
Proceeds from issues of shares	12,449	5,922
Share buy-back	(139,585)	(134,866)
Proceeds from borrowings	311,786	411,042
Repayment of borrowings	(215,525)	(400,144)
Proceeds from short-term construction financing	28,764	-
Repayment of short-term construction financing	(28,764)	-
Payment for borrowing costs	(1,409)	(4,193)
Principal repayments under finance leases	(73)	(1,273)
Dividends paid to shareholders	(117,306)	(100,526)
Net payments to minority interest	(38,152)	(42,233)
Net cash outflows from financing activities	(175,865)	(234,422)
Change in cash and cash equivalents	4,671	(40,257)
Cash and cash equivalents at beginning of the year	68,934	108,292
Effect of exchange rate changes	(2,924)	899
Cash and cash equivalents at end of the year	70,681	68,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

Australian Accounting Standards include A-IFRSs. Compliance with A-IFRSs ensures that the consolidated financial statements and notes of the Group comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with the requirements of IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB132 *Financial instruments: Presentation and Disclosure*.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment and other financial assets.

Comparatives

Certain comparative amounts have been reclassified as noted below:

Dividend income of \$701,000 has been reclassified from revenue to other income. Interest income of \$19,085,000 has been reclassified from revenue to finance income. These reclassifications are consistent with the June 2006 half-year report.

2. RESTATEMENT OF OUTDOOR SITE COSTS

The timing of recognition of lease payments has been corrected and is in accordance with AASB 117 *Leases*. AASB 117 requires that costs are recognised on a straight line basis for contracts which include fixed annual increases. APNs previous treatment recognised Outdoor site costs on such contracts as incurred. This adjustment relates only to the timing of costs in respect of certain Outdoor site lease contracts and means that cash costs on such contracts will be lower than reported costs in earlier years but will be higher than reported costs in latter years of the contract term. This adjustment has no impact on cash or total costs reported over the contract term.

The impact of this adjustment as at 1 January 2005 is as follows:

	\$'000
Increase in current liabilities	718
Increase in non-current liabilities	6,613
Decrease in investments accounted for using the equity method	1,526
Increase in deferred tax assets	1,998
Decrease in retained earnings	6,859

The balance sheet as at 31 December 2005, the statement of changes in equity for the year then ended and all related notes have been restated to reflect this adjustment.

The impact on previously reported 2005 earnings is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2006	2005
	\$'000	\$'000
3. REVENUE AND EXPENSES		
3.1 REVENUE		
Advertising revenue	1,218,567	1,243,689
Revenue from sale of goods	74,310	94,180
Revenue before finance income	1,292,877	1,337,869
Dividends received		
Other entities	707	701
Net gain on disposal of property, plant and equipment	2,788	355
Non-recurring gain on disposal of investments and properties – refer note 3.3	29,062	4,306
Rent received - other entities	757	1,095
Bad debts recovered	350	422
Other	4,208	228
Other income	37,872	7,107
Interest received – associates	2,496	1,703
Interest received – controlled entities	-	-
Interest received – other entities	6,288	17,382
Finance income	8,784	19,085
Revenue and other income	1,339,533	1,364,061
3.2 EXPENSES		
Expenses before finance costs		
Publishing	557,249	571,607
Broadcasting	172,545	182,280
Outdoor	229,650	239,885
Corporate & other	39,675	50,470
Non-recurring costs – refer note 3.3		
Publishing - asset write-offs	3,553	1,539
Publishing - restructure costs	16,365	2,688
Online establishment costs	6,407	-
Outdoor - business restructure and closure costs	2,168	-
Corporate & other – restructure costs and asset write-offs	1,251	-
Total expenses before finance costs	1,028,863	1,048,469

APN NEWS & MEDIA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2006	2005
	\$'000	\$'000
3.3 NON-RECURRING ITEMS (pre tax)		
Gain on disposal of investments and properties ⁽¹⁾	29,062	4,306
Publishing - asset write-offs	(3,553)	(1,539)
Publishing - restructure costs	(16,365)	(2,688)
Online establishment costs	(6,407)	-
Outdoor - business restructure and closure costs	(2,168)	-
Corporate & other – restructure costs and asset write-offs	(1,251)	-
Net non-recurring items (pre tax)	(682)	79
Minority interest	(1,431)	-
Income tax	4,178	-
Net non-recurring items (post tax)	2,065	79

⁽¹⁾The gain on disposal of investments and properties in 2006 relates to the sale of the specialist print businesses and certain land and buildings.

4. INCOME TAX

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

Profit before income tax expense	247,859	244,527
Prima facie income tax at 30%	74,358	73,358
Tax effect of permanent differences:		
Option expense	930	405
Differences in international tax treatments and rates	(21,428)	(11,522)
Impact of adoption of Australian tax consolidation	(3,783)	-
Other	(2,413)	(3,976)
Prima facie tax adjusted for permanent differences	47,664	58,265
Deferred tax asset not recognised or written off	628	2,980
Deferred tax asset not previously recognised	-	(1,587)
Correction of tax expense of associates	1,100	-
Over revision in prior years	(31)	(1,020)
Income tax expense	49,361	58,638

The Company continues to be engaged in a tax audit in New Zealand. The Company is satisfied that its treatment of the New Zealand Masthead Licensing Agreement (“MLA”) complies with all relevant legislation.

As part of the Wilson & Horton acquisition in December 2001, APN has received commercial warranties and indemnities from the vendor Independent News & Media PLC (“IN&M”) including a full indemnity from IN&M covering all aspects of the MLA (including the financial benefits of the MLA).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2006	2005
	\$'000	\$'000
5. INTANGIBLE ASSETS		
Goodwill	212,646	213,303
Software		
At cost	19,692	19,800
Accumulated amortisation	(14,049)	(12,528)
	5,643	7,272
Mastheads – at cost	1,107,385	1,144,183
Radio licences		
At cost	318,828	319,509
Accumulated amortisation	(9,230)	(7,487)
	309,598	312,022
Transit and outdoor advertising systems – at cost	54,713	54,713
Brands – at cost	48,739	51,085
Lease intangibles		
At cost	2,272	2,272
Accumulated amortisation	(382)	(133)
	1,890	2,139
Total intangible assets	1,740,614	1,784,717

Intangible assets are carried at acquisition cost to the consolidated entity. From time to time, independent valuations are carried out on certain intangible assets. Directors have, as appropriate, had regard to such valuations as part of their impairment testing. All of the Group's mastheads and radio licences have been subject to independent valuations during the preceding three years.

Directors consider that the fair value of mastheads and radio licences are significantly in excess of cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INTEREST BEARING LIABILITIES

	Consolidated	
	2006	2005
	\$'000	\$'000
Current (unsecured)		
Bank loans	89,364	87,041
Current (secured)		
Lease liabilities	50	191
Total current interest bearing liabilities	89,414	87,232
Non-current		
Bank loans – unsecured	659,430	586,329
Convertible notes – unsecured	149,185	175,745
Lease liabilities – secured	95	44
	808,710	762,118
Deduct:		
Borrowing costs	23,354	22,461
Accumulated amortisation	(16,237)	(12,699)
Net borrowing costs	7,117	9,762
Total non-current interest bearing liabilities	801,593	752,356

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 37.8 million convertible notes at 7.25% per annum with a face value of \$149.2 million. Each note is convertible into one ordinary share 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 notes are subordinated in right of payment to the claims of all other creditors, other than persons, including other noteholders, whose claims against the issuer are subordinated in the event of a liquidation of the issuer in any manner (other than by statute) to the claims of any unsecured and unsubordinated creditor of the issuer in the event of a liquidation of the issuer. The convertible notes are recorded at their face value.

On 12 February 2007, the Company issued early redemption notices as further described in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated 2006 \$'000	2005 \$'000
7. CONTRIBUTED EQUITY		
Issued and paid up share capital	817,579	918,155

(a) Movements in contributed equity during the financial year

Date	Details	Number of shares	Issue price	\$'000
1 January 2006	Opening balance	477,705,527		918,155
30 April 2006	Conversion of notes	10,000	\$3.95	40
31 October 2006	Conversion of notes	6,714,043	\$3.95	26,520
Various	EDOP issues	3,684,299	(i)	12,449
Various	Share buy-back	(27,827,265)	(ii)	(139,585)
31 December 2006	Closing balance	460,286,604		817,579

(i) Issued during the year between \$3.34 and \$3.85 per share

(ii) Share buy-back continued during the year at prices ranging from \$4.62 to \$5.20 per share

(b) Options issued under EDOP

Grant date	Exercise price \$	Balance at start of the year Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number
3 April 2001	3.56	97,900	-	(84,200)	(13,700)	-
22 July 2002	3.54	1,167,900	-	(549,400)	(131,300)	487,200
24 May 2003	3.34	4,001,231	-	(3,020,699)	(89,021)	891,511
29 April 2004	3.85	5,741,497	-	(30,000)	(460,000)	5,251,497
30 September 2004	4.53	100,000	-	-	-	100,000
2 May 2006	5.02	-	8,655,000	-	(70,000)	8,585,000
		11,108,528	8,655,000	(3,684,299)	(764,021)	15,315,208

Based on the 2006 eps, all options, other than those granted during the 2006 financial year, have satisfied the relevant performance criteria.

	Consolidated 2006 \$'000	2005 \$'000
8. RESERVES		
Asset revaluation reserve	4,845	4,845
Investment revaluation reserve	1,630	653
Foreign currency translation reserve	16,146	33,955
Capital profits reserve	120	120
Share-based payments reserve	6,174	3,074
Hedging reserve	(3,418)	-
Total reserves	25,497	42,647

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2006 \$'000	2005 \$'000
9. DIVIDENDS		
Final ordinary dividend for the year ended 31 December 2005 of 15.4 cents per share franked to 4.62 cents per share, paid on 24 April 2006 (2004: 14.0 cents per share franked to 4.2 cents per share)	72,816	67,583
Interim ordinary dividend for the year ended 31 December 2006 of 9.7 cents per share franked to 2.91 cents per share, paid on 28 September 2006 (2005: 8.8 cents per share franked to 2.64 cents per share)	44,490	42,222
Total dividends	117,306	109,805

Franking credits available for subsequent financial years at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profits and tax refunds due	3,488	5,238
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Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan were as follows:

Paid in cash	117,306	100,526
Satisfied by issue of shares	-	9,279
Total dividends	117,306	109,805

10. CONTINGENT LIABILITIES

Guarantees

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 31 December 2006, the facilities had been drawn to the extent of \$597,614,820 (2005: \$443,694,247). A standby letter of credit has been issued to Cedar Hill International Corporation, a subsidiary of JPMorgan Chase, on behalf of the consolidated entity to a maximum value of NZ\$188,996,726 (2005: NZ\$276,718,713) to support the masthead financing liability arising on the acquisition of Wilson & Horton Limited. As at 31 December 2006, 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 (2005: \$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 material costs or damages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2006	Restated 2005
	\$'000	\$'000
11. SEGMENT INFORMATION		
Primary segments – industry		
The consolidated entity operates predominately in the following industries:		
Publishing of newspapers, magazines, directories, printing and online publishing		
Broadcasting of radio transmissions		
Outdoor – specialist transit and static outdoor advertising		
Segment revenues – continuing revenue from external customers		
Publishing	762,586	784,821
Broadcasting	254,591	263,231
Outdoor	247,410	243,352
Corporate & other	4,001	383
	1,268,588	1,291,787
Revenue from operations closed/sold during the period		
Outdoor	811	5,246
Corporate & other	23,478	40,836
	1,292,877	1,337,869
Segment revenues including operations closed/sold during the period		
Other income	37,872	7,107
Finance income	8,784	19,085
	1,339,533	1,364,061
Segment results (before interest and income tax)		
Publishing	208,066	212,998
Broadcasting	82,932	82,006
Outdoor (including share of associates)	32,823	23,354
Corporate & other	(12,503)	(10,703)
	311,318	307,655
Result from operations closed/sold during the period		
Outdoor	(36)	(2,290)
Corporate & other	2,877	4,010
	314,159	309,375
Non-recurring items		
Gain on disposal of investments and properties	29,062	4,306
Publishing – asset write-offs	(3,553)	(1,539)
Publishing - restructure costs	(16,365)	(2,688)
Online establishment costs	(6,407)	-
Outdoor - business restructure and closure costs	(2,168)	-
Corporate & other - restructure costs and asset write-offs	(1,251)	-
	(682)	79
	313,477	309,454
Profit from continuing operations before interest and tax		
Net finance costs	(65,618)	(64,927)
Profit before income tax expense	247,859	244,527
Income tax expense	(49,361)	(58,638)
	198,498	185,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2006	Restated 2005
	\$'000	\$'000
11. SEGMENT INFORMATION (continued)		
Segment assets		
Publishing	1,382,308	1,421,736
Broadcasting	570,168	564,063
Outdoor	269,688	266,284
Corporate & other	272,402	288,489
	2,494,566	2,540,572
Segment liabilities		
Publishing	443,194	562,716
Broadcasting	58,516	52,035
Outdoor	56,790	58,668
Corporate & other	763,724	609,707
	1,322,224	1,283,126
Investment in associates		
Publishing	3,766	-
Broadcasting	908	786
Outdoor	21,029	18,702
	25,703	19,488
Share of associates' net profit		
Publishing	(244)	-
Broadcasting	122	197
Outdoor	5,052	7,853
	4,930	8,050
Acquisition of segment assets		
Publishing	53,093	24,753
Broadcasting	9,095	7,504
Outdoor	9,595	20,536
Corporate & other	3,768	1,668
	75,551	54,461
Depreciation and amortisation expense (including amortisation of borrowing costs)		
Publishing	16,420	18,303
Broadcasting	5,664	7,189
Outdoor	6,697	7,685
Corporate & other	10,158	10,437
	38,939	43,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. SEGMENT INFORMATION (continued)

	Consolidated	
	2006	2005
	\$'000	\$'000
Secondary segments – geographic		
Revenue from external customers		
Australia	588,750	579,422
New Zealand	633,967	689,672
Asia	70,160	68,775
	1,292,877	1,337,869
Segment results (before interest and income tax)		
Australia	161,275	131,246
New Zealand	144,173	171,107
Asia	5,870	5,302
	311,318	307,655
Result from operations closed/sold during the period		
Australia	(860)	(1,318)
New Zealand	3,701	3,038
	314,159	309,375
Segment result including operations closed/sold during the period		
Non-recurring items		
Australia – gain on disposal of investments and properties	4,998	4,306
Australia – restructure costs and asset write-offs	(14,260)	-
New Zealand – gain on disposal of investments and properties	24,064	-
New Zealand – restructure costs	(14,885)	(4,227)
Asia – restructure costs	(599)	-
	(682)	79
	313,477	309,454
Profit from continuing operations before interest and tax		
Segment assets		
Australia	928,307	881,873
New Zealand	1,515,176	1,606,487
Asia	51,083	52,212
	2,494,566	2,540,572
Acquisition of segment assets		
Australia	48,676	30,694
New Zealand	25,261	21,508
Asia	1,614	2,259
	75,551	54,461

Notes to and forming part of segment information

- (i) **Segment policies**
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, goodwill and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other payables, employee benefits and provision for restructuring.
- (ii) **Inter-segment transfers**
Segment revenues, expenses and results exclude transfers between segments. Such transfers are priced on an arm's length basis and are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. RELATED PARTY INFORMATION

Directors and Relevant Executives

Total remuneration including the amortised cost of options for directors and relevant executives in aggregate is as follows:

	Short-term	Post-employment	Amortised cost of options	Total including amortised cost of options
2006	\$7,722,219	\$816,096	\$991,739	\$9,530,054
2005	\$7,252,505	\$606,609	\$804,385	\$8,663,499

Other disclosures relating to Directors and Relevant Executives are set out in the Remuneration Report.

Other transactions with Directors and their Director-related entities

During the year, consultancy fees of \$ nil (2005: \$37,500) were paid to Mr PP Cody. These fees were paid on commercial terms and conditions and at market rates. The consultancy was terminated in April 2005.

As part of his relocation arrangements, during 2005 the Group paid \$87,244 on behalf of Mr R Herring. This amount was recouped on a salary sacrifice basis during 2006.

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 and received dividends and interest to/from other entities in the wholly-owned group during the current and previous financial years. With the exception of certain interest free loans provided by the company, these transactions were on commercial terms and conditions.

Transactions with other related parties

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

Transaction type	Class of other related party	Consolidated	
		2006 \$'000	2005 \$'000
Loans (repaid by)/advanced to	Related entities (i)	-	-
Loan interest received from	Associates (ii)	954	2,022
Group service fees	Controlled entity (iii)	-	-
Dividends received/receivable from	Controlled entity (iv)	-	-
Dividends paid/payable to	Other related party (v)	48,077	43,671
Independent News & Media fees	Other related party (vi)	1,115	1,115
Interest received/receivable from	Controlled entity (vii)	-	-

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 (controlled entity) and Australian Provincial Newspapers International Pty Ltd (controlled entity) 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 News & Media NZ Limited.
- (vi) Fees paid to Independent News & Media PLC include reimbursements for services provided including travel and ancillary expenses, provision of unlimited live editorial copy, and advisory services on a range of matters including global media and advertising trends and product development.
- (vii) Interest received/receivable from Australian Provincial Newspapers International Pty Limited (controlled entity).

13. SUBSEQUENT EVENTS

On 12 February 2007, the Company announced that it had entered into a Scheme Implementation Agreement (SIA) with Independent News & Media (Australia) Limited (ACN 008 637 689) (INMAL) in relation to the proposed acquisition of the Company by a consortium comprising Independent News & Media PLC, Providence Equity Partners and The Carlyle Group (Consortium) through the acquisition vehicle INMAL, via a scheme of arrangement between the Company and shareholders (Scheme).

Unless otherwise stated, the information contained in this Report is stated as at the date of this report and does not take into account any changes which would arise if the Scheme were implemented.

On 12 February 2007, the Company issued an early redemption notice to holders of the convertible notes maturing on 31 October 2008 issued by the Company pursuant to a prospectus lodged with Australian Securities and Investments Commission on 2 November 2001 and listed on ASX (code ASX:APNG). The early redemption notice was issued in accordance with the requirements of the terms of issue of the convertible notes and the SIA.

Except as noted above, since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Director's Report or consolidated financial statements 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.

APN NEWS & MEDIA LIMITED

DIRECTORS' DECLARATION

The directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 31 December 2006 as set out on pages 26 to 41 complies with Accounting Standard AASB 1039: *Concise Financial Reports*.

The concise financial report is an extract from the full financial report for the year ended 31 December 2006. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

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

A handwritten signature in black ink, appearing to read 'JJ Parkinson', with a long horizontal stroke extending to the right.

JJ Parkinson
Director

A handwritten signature in black ink, appearing to read 'BMA Hopkins', with a long horizontal stroke extending to the right.

BMA Hopkins
Director

Sydney
30 March 2007

**Independent audit report to the members of
APN News & Media Limited**

**Matters relating to the electronic presentation of the audited financial
report**

This audit report relates to the concise financial report of APN News & Media Limited for the financial year ended 31 December 2006 included on APN News & Media Limited's web site. The Company's directors are responsible for the integrity of the APN News & Media Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the concise financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the concise financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited concise financial report to confirm the information included in the audited concise financial report presented on this web site.

Audit opinion

In our opinion, the concise financial report of APN News & Media Limited for the year ended 31 December 2006 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity, notes to the financial statements, and the directors' declaration for APN News & Media Limited (the company) for the year ended 31 December 2006.

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our

website <http://www.pwc.com/au/financialstatementaudit>.

We also performed an independent audit of the full financial report of the company for the financial year ended 31 December 2006. Our audit report on the full financial report was signed on 30 March 2007, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, and other disclosures in the concise financial report which were not directly derived from the full financial report.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



S J Bosiljevac
Partner

Sydney
30 March 2007