APN News & Media Limited
Annual Report
2006

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

B Hopkins

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 AUSTRALAN 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.

CORPORATE GOVERNANCE

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

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

The Company has considered the best practice recommendations established by the ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations" (Recommendations) and, except to the extent indicated below, has complied with the Recommendations for the entire reporting period. In addition, a description of the Company's main corporate governance practices is set out below.

BOARD OF DIRECTORS

Board responsibilities

The Board is responsible for overseeing the long-term profitable growth of the Company. This is achieved through a process of regular reviews of strategy, operations and areas of risk. The Board sets overall corporate policy and provides guidance for senior management, as well as oversight of policy execution.

The responsibilities of the Board are:

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

Responsibility for the day-to-day operations of the Company is conferred on the Chief Executive who reports to the Board and provides the Board with information in relation to the conduct of the business of the Company and its subsidiaries.

Term of office

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

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

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

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

Composition and qualifications

The Board currently consists of 13 members: 12 non-executive Directors and one executive Director.

Details of the names, qualifications, tenure, skills, experience and Board Committee memberships of the Directors and their meeting attendances appear on pages 26 to 28 of this Annual Report.

Board procedure

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

Meeting agendas

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

Independent advice

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

Independence of Directors

The Board does not comply with the definition of independence applicable to Recommendations 2.1 and 2.2, due to a number of Directors, including the Chairman, having an association with the significant shareholder, Independent News & Media PLC, having a lengthy period of tenure or having been employed recently in an executive capacity by the Company.

The Board believes that none of these factors interferes with the independent judgment of any of the Directors or impedes the Directors' ability to act in the best interests of the Company.

In order to test the views held by the Board in relation to independence, the Board engaged a highly regarded professional firm, Cameron Ralph Pty Ltd (Cameron Ralph), to conduct a review of the capacity of the Board to act independently. The review concluded in April 2004. The Board does not consider that there has been any material change in circumstances during the reporting period which would impact on the findings of this review.

The review process carried out by Cameron Ralph entailed the following:

- A review of publicly available research on the Company;
- A review of documents available to the Board, including:
  - Board papers;
  - Committee papers; and
  - Company manuals, charters and policies;
- Questionnaires completed by each member of the Board (excluding Directors newly appointed at the time of the review);
- Interviews conducted with Directors:
  - all interviews were conducted by two Cameron Ralph team members; and
  - individual interviews were tailored according to the issues identified along the process and to each interviewee; and
- The data was analysed by Cameron Ralph and findings were established.

Cameron Ralph agreed to the inclusion of the following summary of its review:

"The Cameron Ralph review notes the unique context for APN as a large media company operating in the Australasian region, with a significant shareholder, Independent News & Media PLC, that operates globally in the same industry.

Cameron Ralph considered materials provided by APN, interviewed each of the Directors excluding the recent appointees, and reviewed the processes for several key decisions over the past few years.

Cameron Ralph Pty Ltd are satisfied that the Board of APN has, at the time of the review, both people and processes that enable it to bring independent judgment to bear in decision-making. These processes include establishing Committees of independent Directors to steer major transactions involving Independent News & Media PLC, use of external independent advisers, extensive monitoring of information, and use of two Deputy Chairmen to perform important local functions.

Cameron Ralph observed that the continuing ability of the Board to bring independent judgment to bear in decision-making depends critically on the composition of the Board and on the systems and processes in place. Cameron Ralph made a number of recommendations aimed at enhancing transparency and providing further structural and systemic support for individual Directors' vigilance and integrity."

Following the Cameron Ralph review, additional independent Directors were appointed to the Remuneration Committee and the Nomination Committee in 2004 to ensure that these Committees were comprised of a majority of independent Directors and an additional Director with extensive financial qualifications and experience was appointed to the Audit Committee.

The Company makes extensive use of its Committees and special purpose meetings are called on an as needs basis.

Relationship with Independent News & Media PLC

The Board believes that the relationship with Independent News & Media PLC is of value to the Company in providing it with access to expertise, resources and opportunities directly relevant to its businesses. Cameron Ralph found no evidence of inappropriate pressure from Independent News & Media PLC.

Length of tenure

The Board has not adopted a specific tenure threshold. It believes tenure is not an automatic measure of independence. The Board does not believe that any Director has served for a period which could reasonably be regarded as interfering with the Director's independence or ability to act in the best interests of the Company.

Furthermore, the Board considers that Directors who have extensive experience and contribute to maintaining corporate memory are of value to the Company.

Recent past executive

The Board does not accept that the fact a Director has recently served as an executive of the Company should automatically be regarded as interfering with the Director's independence or ability to act in the best interests of the Company.

The Board considers that having access to a Director with recent experience as an executive of the Company adds value to Board deliberations due to the operational perspective provided by the Director.

Findings

Consistent with the findings of the Cameron Ralph review, the following Directors are considered by the Board to be independent:

- AE Harris, Deputy Chairman
- Sir WJ Whineray, Deputy Chairman
- S Atkinson
- KJ Luscombe
- JH Maasland

Mr PP Cody is regarded as non-independent having been employed by the Company in an executive capacity in the last three years.

The following Directors are affiliated with Independent News & Media PLC:

- JJ Parkinson, Chairman
- DJ Buggy
- PM Cosgrove
- LP Healy
- AC O'Reilly
- GK O'Reilly

In relation to the Chief Executive, Mr BMA Hopkins has been seconded by Independent News & Media PLC to the Company until 31 March 2009. While Mr Hopkins is affiliated with Independent News & Media PLC, his sole focus is on APN News & Media Limited during the secondment.

Performance evaluation

From time to time, including during the reporting period, the operation of the Board and its performance are discussed and, where appropriate, measures are taken to enhance the Board's effectiveness.

Board Committees

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

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

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

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

<u>Nomination Committee</u>

The Board established a Nomination Committee in 1997. The Nomination Committee currently consists of the following non-executive Directors:

- **JJ Parkinson (Chairman)**
- **S Atkinson**
- **KJ Luscombe**
- **JH Maasland**

The main role of the Nomination Committee is:

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

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

Remuneration Committee
The Board established a Remuneration Committee in 1997. The Remuneration Committee currently consists of the following non-executive Directors:

- **AE Harris (Chairman)**
- **LP Healy**
- **JH Maasland**

The main role of the Remuneration Committee is:

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

During the reporting period the Remuneration Committee reviewed the remuneration of the Chief Executive and those executives reporting directly to him. The Committee also reviewed the fees paid to non-executive Directors.

The remuneration policy and the amount of remuneration paid to Directors and each of the five highest-paid (non-Director) relevant executives during the reporting period and details of the appraisal and performance evaluation applicable to these executives appear on pages 16 and 24 of this Annual Report.

Audit Committee

The Board established an Audit Committee in 1993. The Audit Committee currently consists of the following non-executive Directors:

WJ Whineray (Chairman)
AE Harris
KJ Luscombe
DJ Buggy

The main role of the Audit Committee is:

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

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

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

Audit Committee meetings are regularly attended by the Chief Executive, Chief Financial Officer, other senior management and the external auditors, by invitation.

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

RISK MANAGEMENT

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

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

As part of its risk management and internal compliance procedures, the Chief Executive and the Chief Financial Officer are required to state to the Board in writing that the Company's financial reports present a true and fair view of the Company's financial condition and operational results, and are in accordance with relevant accounting standards.

The Board has adopted an Internal Audit Charter, Internal Audit Policy and Procedure Manual and Risk Management Policy. A copy of the Risk Management Policy is available on the Company website.

The Board has structured the implementation and oversight of the Company and its subsidiaries' approach to risk management on two key principles:

- a focus on divisional risk management needs. Business division management is responsible for the day-to-day identification and assessment of risks applicable to their Division and the implementation of risk management controls, policies and procedures appropriate for their businesses; and
- the independent review of risk management. The assessment of the risk management practices of the business Divisions and the Group as a whole is conducted by persons independent of the business Divisions (including the external auditor, the Audit Committee and the Internal Audit Manager).

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

SHAREHOLDER COMMUNICATION AND CONTINUOUS DISCLOSURE

As part of an overall policy of open disclosure, the Company ensures that all material communications regarding its operations are made available for all interested stakeholders in a timely fashion. The Company has a policy in place to ensure compliance with Australian Stock Exchange (ASX) and New Zealand Exchange (NZX) Listing Rules regarding disclosure and to ensure accountability at a senior management level for compliance. A copy of the Market Disclosure Policy is available on the Company website.

The Company website, www.apn.com.au, lists announcements made to the market, press releases, presentations to industry analysts and investors, and information regarding annual and interim financial results. The details are posted to the website as soon as practicable after release to the ASX and NZX. Copies of past Company Annual Reports and details of the outcome of Annual General Meetings are also available from the website, or upon request directly from the Company.

Announcements, press releases and financial data for the past three years are available on the Company website.

Shareholders attending the Annual General Meeting are able to ask questions of the external auditor, who is requested by the Company to attend each Annual General Meeting to respond to queries about the conduct of the audit and the preparation and content of the auditor's report.

As required by the NZX Listing Rules, the Company discloses the following:

- the rules set out in Appendix 17 of the NZX Listing Rules do not apply to the Company as it is a "Dual Listed Issuer" (as defined in the NZX Listing Rules); and
- the Company has been granted a waiver from NZX Listing Rule 7.12.1.

SECURITIES TRADING

Directors and executives are made aware that the law prohibits insider trading and the Directors are aware that the *Corporations Act 2001* and the ASX and NZX Listing Rules require disclosure of any trading undertaken by Directors or their related entities in Company securities.

A copy of the Securities Trading Policy and Guidelines is available on the Company website.

ETHICAL STANDARDS

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

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

The Group is committed to compliance with all relevant laws and regulations and continually assesses its operations to ensure the health and safety of its employees and the protection of the environment and the community.

Your Directors present their report on the consolidated entity consisting of APN News & Media Limited (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 Padraig 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 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 business. 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 $'000	2005 $'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 $'000	2005 $'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

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.

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 ASIC 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.

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.

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;

- 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.

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
		Short-term	*Short-term*	*Post-employment*	*Short-term*	*Short-term*	
		$	*$*	*$*	*$*	*$*	*$*
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**
Total 2005		*1,811,343*	*100,497*	*343,257*	*1,175,000*	*301,222*	*3,731,319*

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 25).

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).

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**

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 shareholders 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.

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 25 to the financial statements.

11. SHAREHOLDINGS AND OPTIONS

Note 15 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 15. 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

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

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

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

Full details of the amounts paid or payable to the auditor for audit and non-audit services provided, during the financial year, are set out in note 4 to the financial statements.

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

PRICEWATERHOUSECOOPERS

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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

INCOME STATEMENTS
for the year ended 31 December 2006

	Note	Consolidated		Parent entity	
		2006	2005	**2006**	2005
		$'000	$'000	**$'000**	$'000
Revenue before finance income	3	**1,292,877**	1,337,869	**-**	-
Other income	3	**37,872**	7,107	**5,199**	269,876
Expenses before finance costs	3	**(1,028,863)**	(1,048,469)	**(9,211)**	(3,095)
Finance income	3	**8,784**	19,085	**18,488**	19,562
Finance costs	3	**(74,402)**	(84,012)	**(12,941)**	(17,400)
Net finance costs		**(65,618)**	(64,927)	**5,547**	2,162
Share of profits of associates	23	**11,591**	12,947	**-**	-
Profit before income tax expense		**247,859**	244,527	**1,535**	268,943
Income tax expense	5	**(49,361)**	(58,638)	**11**	310
Profit from continuing operations		**198,498**	185,889	**1,546**	269,253
Net profit attributable to minority interest		**(38,975)**	(36,229)	**-**	-
Net profit attributable to members of the parent entity	16	**159,523**	149,660	**1,546**	269,253

	Note		
		cents	cents
Basic earnings per share	26	**34.3**	31.1
Diluted earnings per share	26	**32.9**	30.3

Share of profits of associates excludes net finance costs and income tax expense – refer note 23.

BALANCE SHEETS

as at 31 December 2006

	Note	Consolidated		Parent entity	
			Restated		
		2006	2005	**2006**	2005
		$'000	$'000	**$'000**	$'000
Current assets					
Cash and cash equivalents		**70,681**	68,934	**483**	458
Receivables	6	**223,702**	235,909	**-**	28
Inventories	7	**21,939**	30,193	**-**	-
Tax assets	11	**24,861**	26,532	**20,550**	17,647
Other	11	**28,120**	25,144	**74**	20
Total current assets		**369,303**	386,712	**21,107**	18,153
Non-current assets					
Receivables	6	**7,174**	8,047	**360,204**	342,054
Other financial assets	8	**22,696**	17,296	**620,216**	880,140
Investments accounted for using the equity method	23	**25,703**	19,488	**-**	-
Property, plant and equipment	9	**292,605**	288,937	**-**	-
Intangible assets	10	**1,740,614**	1,784,717	**-**	-
Deferred tax assets	11	**36,471**	35,375	**16,358**	17,149
Total non-current assets		**2,125,263**	2,153,860	**996,778**	1,239,343
Total assets		**2,494,566**	2,540,572	**1,017,885**	1,257,496
Current liabilities					
Payables	12	**197,295**	199,546	**2,414**	2,592
Derivative financial instruments	12	**3,418**	4,280	**-**	-
Interest bearing liabilities	13	**89,414**	87,232	**-**	-
Current tax provisions	14	**5,299**	4,371	**-**	-
Provisions	14	**14,108**	12,220	**-**	-
Total current liabilities		**309,534**	307,649	**2,414**	2,592
Non-current liabilities					
Payables	12	**5,558**	6,613	**-**	-
Interest bearing liabilities	13	**801,593**	752,356	**148,344**	174,448
Deferred tax liabilities	14	**203,380**	214,188	**-**	93
Provisions	14	**2,159**	2,320	**-**	-
Total non-current liabilities		**1,012,690**	975,477	**148,344**	174,541
Total liabilities		**1,322,224**	1,283,126	**150,758**	177,133
Net assets		**1,172,342**	1,257,446	**867,127**	1,080,363
Equity					
Contributed equity	15	**817,579**	918,155	**817,579**	918,155
Reserves	16	**25,497**	42,647	**6,174**	3,074
Retained profits	16	**86,559**	44,342	**43,374**	159,134
Total parent entity interest		**929,635**	1,005,144	**867,127**	1,080,363
Minority interest	22	**242,707**	252,302	**-**	-
Total equity		**1,172,342**	1,257,446	**867,127**	1,080,363

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2006

	Note	Consolidated 2006 $'000	Consolidated Restated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Total equity at beginning of the year		**1,257,446**	1,253,367	**1,080,363**	964,851
Adjustment on adoption of AASB 132 and AASB 139	16	**-**	(3,924)	**-**	-
Exchange differences on translation of foreign operations	16	**(17,811)**	9,678	**-**	-
Unrealised exchange differences on currency hedges	16	**(3,418)**	-	**-**	-
Revaluation of investments	16	**977**	650	**-**	-
Option expense	16	**3,100**	1,474	**3,100**	1,474
Net income recognised directly in equity		**(17,152)**	7,878	**3,100**	1,474
Profit from continuing operations		**198,498**	185,889	**1,546**	269,253
Recognised income and expense for the year		**181,346**	193,767	**4,646**	270,727
Transactions with equity holders in their capacity as equity holders					
Contributions of equity, net of transaction costs		**39,009**	89,456	**39,009**	89,456
Dividends provided for or paid	17	**(117,306)**	(109,805)	**(117,306)**	(109,805)
Share buy-back	15	**(139,585)**	(134,866)	**(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	**867,127**	1,080,363
Recognised income and expense for the year is attributable to :					
Members of APN News & Media Limited		**142,371**	157,538	**4,646**	270,727
Minority interest		**38,975**	36,229	**-**	-
Recognised income and expense for the year		**181,346**	193,767	**4,646**	270,727

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2006

	Note	Consolidated		Parent entity	
		2006	2005	**2006**	2005
		$'000	$'000	**$'000**	$'000
Cash flows from operating activities					
Receipts from customers		**1,434,528**	1,473,808	**5,173**	3,960
Payments to suppliers and employees		**(1,125,373)**	(1,157,946)	**(6,032)**	(2,327)
Dividends received		**707**	701	**-**	264,388
Interest received		**5,521**	17,609	**18,488**	19,562
Interest paid		**(68,161)**	(66,678)	**(12,743)**	(17,846)
Income taxes paid		**(47,587)**	(35,529)	**(1,649)**	11,500
Net cash inflows from operating activities	27	**199,635**	231,965	**3,237**	279,237
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	22	**(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/(advanced to) controlled entities		**-**	-	**241,230**	(101,212)
Loans repaid by other entities		**11,950**	31,849	**-**	-
Proceeds from issues of shares		**12,449**	5,922	**12,449**	5,922
Share buy-back		**(139,585)**	(134,866)	**(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)	**(117,306)**	(100,526)
Net payments to minority interest		**(38,152)**	(42,233)	**-**	-
Net cash outflows from financing activities		**(175,865)**	(234,422)	**(3,212)**	(330,682)
Change in cash and cash equivalents		**4,671**	(40,257)	**25**	(51,445)
Cash and cash equivalents at beginning of the year		**68,934**	108,292	**458**	51,903
Effect of exchange rate changes		**(2,924)**	899	**-**	-
Cash and cash equivalents at end of the year	27	**70,681**	68,934	**483**	458
Non-cash from financing and investing activities	27				

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.

New standards/amendments
As at 31 December 2006, the following standards and interpretations had been issued which are not mandatory for 31 December 2006 reporting periods:

Pronouncements	**Title**	**Issue date**	**Operative date**
AASB 7	*Financial Instruments : Disclosures*	December 2005	1 Jan 2007
AASB 8	*Operating Segments*	February 2007	1 Jan 2009
UIG 8	*Scope of AASB 2*	March 2006	1 Jan 2007
UIG 9	*Reassessment of Embedded Derivatives*	April 2006	1 Jan 2007

At the date of this report, the consolidated entity is unable to reasonably estimate the impact of the adoption of these Standards.

(a) PRINCIPLES OF CONSOLIDATION

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of the Company and of all subsidiaries of APN News & Media Limited (Company or parent entity) as defined in Accounting Standard AASB 127. APN News & Media Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

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

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

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

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

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

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

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

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

(b) SEGMENT REPORTING

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

(c) FOREIGN CURRENCY TRANSLATION

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

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

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

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

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

(d) REVENUE RECOGNITION

Revenue is measured at the fair value of consideration received or receivable and is net of credits, returns and taxes paid. Revenue for services is recorded when the services are provided.

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

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

Other income includes rental income, profit from the sale of property, plant and equipment and dividends received. Dividend income of $701,000 (parent $264,388,000) has been reclassified from revenue to other income. Interest income of $19,085,000 (parent $19,562,000) has been reclassified from revenue to finance income. These reclassifications are consistent with the June 2006 half-year report.

(e) INCOME TAX

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

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

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

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

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

Tax consolidation – Australia
APN News & Media Limited and its wholly-owned Australian entities have formed a tax consolidated group. Each member of the tax consolidated group continues to account for their own current and deferred tax amounts as if they continued to be a stand-alone taxpayer in their own right.

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

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

(f) LEASES

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

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

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

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

(g) ACQUISITIONS OF ASSETS

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill - refer note 1(m). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

(h) IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever there is an indication that it may be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Goodwill is allocated to cash generating units for the purpose of impairment testing.

(i) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the balance sheet.

(j) RECEIVABLES AND PAYABLES

Trade receivables are recognised initially at cost and subsequently measured at cost less provision for doubtful debts. Trade receivables are generally settled within 60 days.

Debts which are known to be uncollectible are written off. A provision for doubtful debts is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The Company has reclassified loans to controlled entities recorded as current receivables at 31 December 2005 totalling $1,212,194,000, as non-current receivables totalling $342,054,000 and investments in controlled entities totalling $870,140,000. The reclassification has been made to aid in the comparability of the financial position.

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

(k) INVENTORIES

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

(l) AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Investments are initially recognised at fair value inclusive of transaction costs and are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When non-monetary securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments, previously recognised in equity, are included in the income statement as gains and losses from investment securities. The fair values of quoted investments are based on current bid prices.

Investments in subsidiaries are carried at cost and include interest free loans which are at call but which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(m) INTANGIBLES

(i) Mastheads

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

A-IFRS states explicitly that an active market does not exist in respect of newspaper mastheads, brands and other assets as such assets are unique. The Board of APN does not agree that an active market does not exist in respect of newspaper mastheads; however, it has complied with the requirement of the new standard to reverse all past revaluation of such assets.

(ii) Radio licences – Australia

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

(iii) Radio licences – New Zealand

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

(iv) Transit and Outdoor Advertising systems

Transit and Outdoor Advertising systems are accounted for as identifiable assets and are brought to account at cost. The directors believe the Transit and Outdoor Advertising systems have indefinite lives and accordingly no amortisation has been provided against the carrying amount.

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

(vi) Indefinite life intangible assets
Directors consider certain of the consolidated entity's identifiable intangible assets to have indefinite lives due to their established market positions in long-term growth segments, extended existence, regulated environment and demonstrated ability for continued existence notwithstanding the emergence over time of new media platforms.

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

(n) DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Fair value is determined with reference to quoted market prices. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or (2) hedges of highly probable forecast transactions (cash flow hedges).

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

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

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

(iii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised in the income statement.

(o) PROPERTY, PLANT AND EQUIPMENT

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

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

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

Buildings	50 years
Plant and equipment	3-25 years

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

(p) BORROWINGS

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

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

(q) EMPLOYEE BENEFITS

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

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

(iii) Bonus plans
A liability for bonuses is recognised in trade and other payables when there is an expectation of settlement and at least one of the following conditions is met:

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

Liabilities for bonuses are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

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

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

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

Shares options granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and vested after 1 January 2005
The fair value of options granted under the Executive and Director Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the options vest.

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

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

(r) CONTRIBUTED EQUITY

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

(s) EARNING PER SHARE

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

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

(t) DIVIDENDS

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

(u) ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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.

3. REVENUE AND EXPENSES

3.1 REVENUE

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
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				
Controlled entities	**-**	-	**-**	264,388
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	**-**	-
Group service fees/management fees - controlled entities	**-**	-	**5,199**	3,859
Other	**4,208**	228	**-**	1,629
Other income	**37,872**	7,107	**5,199**	269,876
Interest received – associates	**2,496**	1,703	**-**	-
Interest received – controlled entities	**-**	-	**18,125**	18,125
Interest received – other entities	**6,288**	17,382	**363**	1,437
Finance income	**8,784**	19,085	**18,488**	19,562
Revenue and other income	**1,339,533**	1,364,061	**23,687**	289,438

3.2 EXPENSES

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
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	**9,211**	3,095
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	**9,211**	3,095
Depreciation				
Buildings	**1,621**	1,776	**-**	-
Plant and equipment	**27,654**	31,990	**-**	-
Total depreciation	**29,275**	33,766	**-**	-
Amortisation				
Borrowing costs	**4,412**	4,179	**455**	455
Plant and equipment under finance leases	**128**	364	**-**	-
Software	**2,610**	2,882	**-**	-
Radio licences	**2,006**	2,195	**-**	-
Other	**508**	228	**-**	-
Total amortisation	**9,664**	9,848	**455**	455
Borrowing costs				
Interest and finance charges	**71,400**	84,066	**12,486**	16,945
Borrowing costs amortisation	**4,412**	4,179	**455**	455
Amount capitalised	**(1,410)**	(4,233)	**-**	-
Total finance costs	**74,402**	84,012	**12,941**	17,400
Rental expense relating to operating leases				
Property	**17,968**	12,532	**-**	-
Outdoor site rentals				
Minimum lease payments	**111,908**	110,815	**-**	-
Contingent rentals	**18,677**	23,772	**-**	-
Total rental expense	**148,553**	147,119	**-**	-
Doubtful debts – trade debtors	**(1,613)**	(1,116)	**-**	-
Foreign exchange losses – controlled entities	**-**	-	**4,845**	-
Contributions to employee superannuation plans	**13,802**	15,055	**30**	37
Employee benefit expense	**372,214**	380,986	**-**	-

Employee benefit expense includes the impact of organic growth through new product investment as well as acquisitions. Excluding the impact of a weakened New Zealand dollar, employee benefit expense increased 1.1% over the prior year.

	Consolidated		Parent entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'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. REMUNERATION OF AUDITORS

	Consolidated		Parent entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
(i) Remuneration for audit or review of the financial reports				
PricewaterhouseCoopers – Australian firm	**926**	820	**32**	31
PricewaterhouseCoopers – overseas firm	**479**	478	-	-
Other firms	**379**	287	-	-
(ii) Remuneration for other assurance services				
PricewaterhouseCoopers – Australian firm	**47**	398	**8**	8
PricewaterhouseCoopers – overseas firm	**29**	40	-	-
Other firms	**92**	40	-	-
Total audit and other assurance services	**1,952**	2,063	**40**	39

	Consolidated		Parent entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
(iii) Remuneration for other services				
PricewaterhouseCoopers – Australian firm				
- Tax services				
• Consolidation	**40**	752	-	-
• Transactional advice	**218**	429	-	-
• Compliance	**231**	492	-	-
- Other advisory services	**160**	138	-	-
PricewaterhouseCoopers – overseas firm				
- Tax services				
• Transactional advice	**191**	238	-	-
• Compliance	**183**	171	-	-
- Other advisory services	**-**	210	-	-
Other firms				
- Tax Services				
• Consolidation	**14**	107	-	-
• Transactional advice	**47**	308	-	-
• Compliance	**216**	116	-	-
- Other advisory services	**47**	-	-	-
Total non-audit services	**1,347**	2,961	-	-

5. INCOME TAX

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Income tax expense differs from the amount prima facie payable as follows:				
Profit before income tax expense	**247,859**	244,527	**1,535**	268,943
Prima facie income tax at 30%	**74,358**	73,358	**461**	80,683
Tax effect of permanent differences:				
Rebateable dividends	**-**	-	**-**	(79,316)
Option expense	**930**	405	**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)	**(678)**	(682)
Prima facie tax adjusted for permanent differences	**47,664**	58,265	**713**	1,090
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 provision in prior years	**(31)**	(1,020)	**(724)**	(1,400)
Income tax expense	**49,361**	58,638	**(11)**	(310)
Reported income tax expense comprises:				
Current tax expense	**45,624**	51,593	**2,436**	1,764
Deferred tax expense	**3,768**	8,065	**(1,723)**	(674)
Over provision in prior years	**(31)**	(1,020)	**(724)**	(1,400)
Income tax expense	**49,361**	58,638	**(11)**	(310)

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).

6. RECEIVABLES

	Consolidated 2006	Consolidated 2005	Parent entity 2006	Parent entity 2005
Current				
Trade debtors	**202,915**	209,016	-	28
Provision for doubtful debts	**(3,993)**	(5,606)	-	-
	198,922	203,410	-	28
Other loans	**584**	324	-	-
Loans to controlled entities	**-**	-	-	-
Loans to associates	**10,590**	16,084	-	-
Other debtors	**13,606**	16,091	-	-
Total current receivables	**223,702**	235,909	-	28
Non-current				
Loans to controlled entities – at call	**-**	-	**360,204**	342,054
Other loans	**7,174**	7,750	-	-
Other debtors	-	297	-	-
Total non-current receivables	**7,174**	8,047	**360,204**	342,054

Trade debtors are required to be settled within 60 days. The Directors consider the carrying amount of trade debtors approximates their net fair values. Loans to associates and controlled entities are unsecured, interest bearing and repayable at call.

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
7. INVENTORIES				
Raw materials and stores (at cost)	**21,118**	24,837	-	-
Work in progress (at cost)	**399**	3,190	-	-
Finished goods (at net realisable value)	**422**	2,166	-	-
Total inventories	**21,939**	30,193	-	-
8. OTHER FINANCIAL ASSETS				
Listed securities (at market value)	**8,127**	2,675	-	-
Other securities (at cost)				
Shares in controlled entities (refer note 22)	**-**	-	**10,000**	10,000
Amounts due from controlled entities – at call	**-**	-	**610,216**	870,140
Shares in other corporations	**14,569**	14,621	-	-
Total other financial assets	**22,696**	17,296	**620,216**	880,140
9. PROPERTY, PLANT AND EQUIPMENT				
Freehold land				
At fair value*	**22,277**	26,884	-	-
Buildings				
At fair value*	**64,710**	70,429	-	-
Accumulated depreciation	**(17,482)**	(19,103)	-	-
	47,228	51,326	-	-
Plant and equipment				
At cost	**529,959**	545,294	-	-
Accumulated depreciation	**(319,960)**	(349,339)	-	-
Capital works in progress	**13,000**	14,513	-	-
	222,999	210,468	-	-
Plant and equipment				
Under finance lease	**459**	598	-	-
Accumulated amortisation	**(358)**	(339)	-	-
	101	259	-	-
Total property, plant and equipment	**292,605**	288,937	-	-

* The Directors consider that freehold land and buildings are carried at fair value. This is supported by independent valuations based on the estimated realisable value in an open market with the additional assumption that the property will continue to be owner occupied for the existing use of the land and buildings, carried out as at 31 December 2000. Independent valuations were also carried out in 2003 - where materially different, carrying values were adjusted to reflect such valuations. Independent valuations in 2000 and 2003 were carried out by certified registered valuers.

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations

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

	Consolidated 2006 $'000	2005 $'000
Freehold land		
Carrying amount at beginning of the year	**26,884**	27,375
Disposals	**(3,741)**	(662)
Other adjustments	**-**	(22)
Foreign exchange differences	**(866)**	193
Carrying amount at end of the year	**22,277**	26,884
Buildings		
Carrying amount at beginning of the year	**51,326**	50,612
Additions	**2,399**	2,126
Disposals	**(4,317)**	(952)
Depreciation expense	**(1,621)**	(1,776)
Other adjustments	**982**	935
Foreign exchange differences	**(1,541)**	381
Carrying amount at end of the year	**47,228**	51,326
Plant and equipment		
Carrying amount at beginning of the year	**210,468**	205,123
Additions	**58,565**	35,723
Acquisition of controlled entities	**78**	1,342
Disposals	**(11,509)**	(2,856)
Depreciation expense	**(27,654)**	(31,990)
Other adjustments	**102**	834
Foreign exchange differences	**(7,051)**	2,295
Revaluations	**-**	(3)
Carrying amount at end of the year	**222,999**	210,468
Plant and equipment under finance lease		
Carrying amount at beginning of the year	**259**	1,623
Additions	**21**	17
Disposals	**(1)**	(401)
Amortisation expense	**(128)**	(364)
Other adjustments	**(49)**	(626)
Foreign exchange differences	**(1)**	10
Carrying amount at end of the year	**101**	259
Total property, plant and equipment		
Carrying amount at beginning of the year	**288,937**	284,733
Additions	**60,985**	37,866
Acquisition of controlled entities	**78**	1,342
Disposals	**(19,568)**	(4,871)
Depreciation and amortisation expense	**(29,403)**	(34,130)
Other adjustments	**1,035**	1,121
Foreign exchange differences	**(9,459)**	2,879
Revaluations	**-**	(3)
Carrying amount at end of the year	**292,605**	288,937

10. INTANGIBLE ASSETS

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
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.

	Consolidated 2006	Consolidated 2005	Parent entity 2006	Parent entity 2005
Goodwill				
Carrying amount at beginning of the year	**213,303**	190,580	-	-
Acquisition of controlled entities	**-**	8,946	-	-
Additions	**516**	-	-	-
Disposals	**(2,857)**	-	-	-
Amounts reversed from restructuring provision (refer note 14)	**-**	(246)	-	-
Foreign exchange differences	**(2,393)**	7,626	-	-
Increased ownership and other	**4,077**	6,397	-	-
Carrying amount at end of the year	**212,646**	213,303	-	-
Software				
Carrying amount at beginning of the year	**7,272**	7,336	-	-
Additions	**1,488**	1,997	-	-
Disposals	**(150)**	-	-	-
Foreign exchange differences	**(357)**	81	-	-
Amortisation	**(2,610)**	(2,882)	-	-
Other	**-**	740		
Carrying amount at end of the year	**5,643**	7,272	-	-
Mastheads				
Carrying amount at beginning of the year	**1,144,183**	1,129,868	-	-
Acquisition of controlled entities	**500**	-		
Additions	**9,155**	2,217	-	-
Foreign exchange differences	**(46,453)**	12,085	-	-
Other	**-**	13	-	-
Carrying amount at end of the year	**1,107,385**	1,144,183	-	-

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Radio licences				
Carrying amount at beginning of the year	**312,022**	313,775	-	-
Additions	**226**	245	-	-
Foreign exchange differences	**(644)**	172	-	-
Amortisation	**(2,006)**	(2,170)	-	-
Carrying amount at end of the year	**309,598**	312,022	-	-
Transit and outdoor advertising systems				
Carrying amount at beginning of the year	**54,713**	54,043	-	-
Acquisition of controlled entities	**-**	670	-	-
Carrying amount at end of the year	**54,713**	54,713	-	-
Brands				
Carrying amount at beginning of the year	**51,085**	52,976	-	-
Foreign exchange differences	**(2,346)**	523	-	-
Other	**-**	(2,414)	-	-
Carrying amount at end of the year	**48,739**	51,085	-	-
Lease intangibles				
Carrying amount at beginning of the year	**2,139**	-	-	-
Acquisition of controlled entities	**-**	2,272	-	-
Amortisation	**(249)**	(133)	-	-
Carrying amount at end of the year	**1,890**	2,139	-	-

Impairment of cash generating units (CGUs) including goodwill and indefinite life assets

The recoverable amount of each CGU which includes goodwill or indefinite life intangibles has been reviewed. Where goodwill or other indefinite life intangible assets represent a significant component of the Group total, value in use calculations have been performed.

Where value in use calculations have been used, these calculations have been based on management budgets and forecasts for a five year period, extrapolated at estimated growth rates between 3% and 5% being rates no higher than the long-term average growth rates for the CGU. Discount rates of between 12% and 15% (before income tax) have been used.

No impairment losses have been incurred or reversed during the period.

Allocation of goodwill and non-amortising intangibles to CGUs	Consolidated	
	2006	2005
	$'000	$'000
Name of CGU		
New Zealand National Publishing	**942,500**	952,100
Australian Regionals Publishing	**119,200**	110,100
New Zealand Regionals Publishing	**145,089**	146,600
Australian Broadcasting	**299,200**	299,000
New Zealand Broadcasting	**92,727**	96,724
Outdoor - Australia	**104,500**	100,627
Other	**19,260**	59,272
Total goodwill and non-amortising intangibles	**1,722,476**	1,764,423

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
11. OTHER ASSETS				
Current				
Tax assets	**24,861**	26,532	**20,550**	17,647
Deferred expenditure	**-**	42	**-**	-
Prepayments	**28,120**	25,102	**74**	20
Other current assets	**28,120**	25,144	**74**	20
Non-current				
Deferred tax assets – refer below	**36,471**	35,375	**16,358**	17,149

There are no material unbooked tax losses as at 31 December 2006.

Movements in deferred tax assets and liabilities - Consolidated	Balance 1 Jan 06 $'000	Recognised in income $'000	Recognised in equity $'000	Other movements $'000	**Balance 31 Dec 06 $'000**
Deferred tax assets					
Tax losses	16,641	(2,421)	-	-	**14,220**
Employee benefits	10,564	(782)	(67)	-	**9,715**
Doubtful debts	1,766	(456)	(52)	-	**1,258**
Accruals/restructuring	5,256	1,480	(51)	-	**6,685**
Other	1,148	(1,364)	1,179	3,630	**4,593**
	35,375	(3,543)	1,009	3,630	**36,471**
Deferred tax liabilities					
Intangible assets	179,016	2,689	(18,077)	5,140	**168,768**
Depreciation	28,871	715	(731)	-	**28,855**
Other	6,301	(3,179)	4,146	(1,511)	**5,757**
	214,188	225	(14,662)	3,629	**203,380**

Movements in deferred tax assets and liabilities - Consolidated	Balance 1 Jan 05 $'000	Recognised in income $'000	Recognised in equity $'000	Other movements $'000	**Balance 31 Dec 05 $'000**
Deferred tax assets					
Tax losses	12,726	3,915	-	-	**16,641**
Employee benefits	9,722	842	-	-	**10,564**
Doubtful debts	2,117	(351)	-	-	**1,766**
Accruals/restructuring	8,007	(2,751)	-	-	**5,256**
Other	29,757	(15,871)	-	(12,738)	**1,148**
	62,329	(14,216)	-	(12,738)	**35,375**
Deferred tax liabilities					
Intangible assets	175,406	-	3,610	-	**179,016**
Depreciation	30,933	(2,062)	-	-	**28,871**
Other	10,670	(4,089)	(280)	-	**6,301**
	217,009	(6,151)	3,330	-	**214,188**

(1) Other deferred tax assets includes non-current tax refunds and mark-to-market adjustments on derivatives
(2) Other movements represents reclassifications

Movements in deferred tax assets and liabilities - Parent entity	Balance 1 Jan 06 $'000	Recognised in income $'000	Recognised in equity $'000	Other movements $'000	**Balance 31 Dec 06 $'000**
Deferred tax assets					
Tax losses	16,641	-	-	(2,421)	**14,220**
Accruals/restructuring	508	1,586	-	-	**2,094**
Other	-	44	-	-	**44**
	17,149	1,630	-	(2,421)	**16,358**
Deferred tax liabilities					
Other	93	(93)	-	-	-
	93	(93)	-	-	-

Movements in deferred tax assets and liabilities - Parent entity	Balance 1 Jan 05 $'000	Recognised in income $'000	Recognised in equity $'000	Other movements $'000	**Balance 31 Dec 05 $'000**
Deferred tax assets					
Tax losses	12,951	-	-	3,690	**16,641**
Accruals/restructuring	(225)	733	-	-	**508**
Other	-	-	-	-	-
	12,726	733	-	3,690	**17,149**
Deferred tax liabilities					
Other	36	57	-	-	**93**
	36	57	-	-	**93**

12. PAYABLES

	Consolidated		**Parent entity**	
	2006 $'000	Restated 2005 $'000	**2006 $'000**	2005 $'000
Current				
Trade and other payables	**180,988**	183,347	**2,414**	2,592
Amounts due to related entities	**5,101**	5,963	-	-
Other loans	**7,105**	6,264	-	-
Loans from Directors and director-related entities (refer note 25)	**4,101**	3,972	-	-
Total current payables	**197,295**	199,546	**2,414**	2,592
Derivative financial instruments	**3,418**	4,280	-	-
Non-current				
Trade and other payables	**5,558**	6,613	-	-

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

Loans from Directors of Kurnia Outdoor Sdn Bhd, P Sapwell, S Koh, A Yew, G Khan, of $1,107,363 (2005: $1,219,625) are unsecured, interest bearing and repayable at call.

Loans from a Director of PT Rainbow Asia Posters, F Moniaga, of $2,830,815 (2005: $2,575,554) are unsecured, interest bearing and repayable at call.

Loans from a Director of APN News & Media Limited, PP Cody, of $162,946 (2005: $176,991) are unsecured and non-interest bearing pursuant to the agreement to purchase PP Cody's shares in Cody Outdoor International (HK) Limited. This loan will be repaid in 2007.

13. INTEREST BEARING LIABILITIES

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Current (unsecured)				
Bank loans	**89,364**	87,041	**-**	-
Current (secured)				
Lease liabilities (refer note 21)	**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	**149,185**	175,745
Lease liabilities – secured (refer note 21)	**95**	44	**-**	-
	808,710	762,118	**149,185**	175,745
Deduct:				
Borrowing costs	**23,354**	22,461	**3,188**	3,188
Accumulated amortisation	**(16,237)**	(12,699)	**(2,347)**	(1,891)
Net borrowing costs	**7,117**	9,762	**841**	1,297
Total non-current interest bearing liabilities	**801,593**	752,356	**148,344**	174,448

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 31.

14. PROVISIONS

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Current				
Current tax provisions	**5,299**	4,371	-	-
Employee benefits	**7,446**	8,632	-	-
Restructuring provision(i)	**6,662**	3,588	-	-
Total current provisions	**14,108**	12,220	-	-
Movements in restructuring provision				
Carrying amount at beginning of the year	**3,588**	10,654		
Payments	**(1,681)**	(6,974)		
Foreign exchange differences	**(160)**	154		
Amounts provided	**4,915**	-		
Amounts reversed to goodwill	**-**	(246)		
Carrying amount at end of the year	**6,662**	3,588		

(i) The restructuring provision includes:
- onerous contracts entered into by the Wilson & Horton Group prior to acquisition by APN
- expected redundancy costs related to formally announced restructuring plans

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
Non-current				
Deferred tax liabilities – refer note 11	**203,380**	214,188	-	93
Employee benefits	**2,159**	2,320	-	-
Total non-current provisions	**2,159**	2,320	-	-
Aggregate employee benefit liabilities				
Current provision	**7,446**	8,632	-	-
Non-current provision	**2,159**	2,320	-	-
Included in trade and other payables	**21,870**	23,702	-	-
Total employee benefit liabilities	**31,475**	34,654	-	-
Employee numbers				
Number of employees at end of the year	**5,340**	5,644	-	-

15. CONTRIBUTED EQUITY

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Issued and paid up share capital	**817,579**	918,155	**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) Dividend Reinvestment Plan

The company's Dividend Reinvestment Plan was discontinued from 27 May 2005.

(c) Executive and Director Option Plan (EDOP)

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

The options are granted for no consideration and carry no dividend or voting rights. The options are generally exercisable between three to five years from the date of grant at the exercise price, subject to the satisfaction of performance hurdles. The options expire five years from the date of grant.

Each option issued is convertible into one ordinary share.

The exercise price of the options is 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. The exercise price is payable at the time of exercise of the options.

The options must not be transferred, encumbered or otherwise disposed of without the prior consent of the Board.

Options normally lapse if the optionholder ceases to be an employee of APN News & Media Limited 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.

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

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 (which includes a variable CPI component).

(d) Ordinary shares

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

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

(e) 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.

16. RESERVES AND RETAINED PROFITS

	Consolidated		Parent entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
(a) 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	**6,174**	3,074
Hedging reserve	**(3,418)**	-	**-**	-
Total reserves	**25,497**	42,647	**6,174**	3,074
Asset revaluation reserve				
Balance at beginning of the year	**4,845**	4,848	**-**	-
Devaluation of freehold land and buildings	**-**	(3)	**-**	-
Balance at end of the year	**4,845**	4,845	**-**	-
Investment revaluation reserve				
Balance at beginning of the year	**653**	-	**-**	-
Revaluation of listed securities	**977**	653	**-**	-
Balance at end of the year	**1,630**	653	**-**	-
Foreign currency translation reserve				
Balance at the beginning of the year	**33,955**	24,277	**-**	-
Net exchange difference on translation of foreign controlled entities	**(17,811)**	9,678	**-**	-
Other	**2**	-	**-**	-
Balance at end of the year	**16,146**	33,955	**-**	-
Share-based payments reserve				
Balance at beginning of the year	**3,074**	1,600	**3,074**	1,600
Option expense	**3,100**	1,474	**3,100**	1,474
Balance at end of the year	**6,174**	3,074	**6,174**	3,074
Hedging reserve				
Balance at beginning of the year	**-**	-	**-**	-
Unrealised loss on hedge contracts for the year	**(3,418)**	-	**-**	-
Balance at end of the year	**(3,418)**	-	**-**	-
(b) Retained profits				
Balance at beginning of the year	**44,342**	8,411	**159,134**	(314)
Adjustment on adoption of AASB 132 and AASB 139	**-**	(3,924)	**-**	-
Net profit attributable to members of the parent entity	**159,523**	149,660	**1,546**	269,253
Dividends paid	**(117,306)**	(109,805)	**(117,306)**	(109,805)
Balance at end of the year	**86,559**	44,342	**43,374**	159,134

(c) Nature and purpose of reserves

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

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

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

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

17. DIVIDENDS

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'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	**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	**44,490**	42,222
Total dividends	**117,306**	109,805	**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	**3,000**	4,794

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

18. 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.

19. SUPERANNUATION

(a) Superannuation scheme

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

Accounting policy
A portion of actuarial gains and losses is recognised in profit and loss in the year in which they occur using the corridor approach. The portion recognised is the excess of the unrecognised gain/loss at the start of the year over the greater of 10% of the value of assets and 10% of the defined benefit obligation at the start of the year, divided by the expected future service of members.

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

(b) Balance sheet amounts

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

	Consolidated		**Parent entity**	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Fair value of defined benefit scheme assets	**23,718**	28,893	-	-
Present value of the defined benefit obligation[1]	**(23,766)**	(26,416)	-	-
	(48)	2,477	-	-
Unrecognised net loss/(gain)	**637**	(2,838)	-	-
Net asset/(liability)	**589**	(361)	-	-

[1] includes contributions tax provision

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

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

Key assumptions used in the latest actuarial valuation are discount rate 5% (2005 4.5%), salary inflation 3% for the first 3 years and then 4% thereafter and expected return on plan assets 6.8%. As at 31 December 2006, the plan assets have been invested in the following asset classes: Australian equities 29% (2005 34%), international equities 29% (2005 26%), property 11% (2005 9%), cash and fixed interest 28% (2005 31%) and other 3% (2005 nil).

Company service cost with interest	**(642)**	(628)	-	-
Interest cost on defined benefit obligation	**(1,192)**	(1,127)	-	-
Expected return on assets	**1,870**	1,733	-	-
Benefit/(expense) recognised in income statement	**36**	(22)	-	-
Actual return on plan assets	**1,112**	2,004	-	-

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
20. CAPITAL COMMITMENTS – property, plant and equipment				
Capital expenditure contracted for at balance date but not recognised as liabilities:				
Within one year	**18,041**	24,739	**-**	-
Later than one year but not later than five years	**3,858**	5,599	**-**	-
Total capital commitments	**21,899**	30,338	**-**	-

21. LEASE COMMITMENTS

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

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Not later than one year	**105,736**	91,683	**-**	-
Later than one year but not later than five years	**255,325**	203,785	**-**	-
Later than five years	**112,181**	78,041	**-**	-
Commitments not recognised in the financial statements	**473,242**	373,509	**-**	-
Representing:				
Cancellable operating leases and rental commitments	**18,780**	12,239	**-**	-
Non-cancellable operating leases and rental commitments	**454,462**	361,197	**-**	-
Future finance lease charges	**-**	73	**-**	-
Commitments not recognised in the financial statements	**473,242**	373,509	**-**	-
Commitments to finance leases are payable as follows:				
Not later than one year	**64**	191	**-**	-
Later than one year, but not later than five years	**115**	89	**-**	-
Later than five years	**6**	9	**-**	-
	185	289	**-**	-
less future finance charges on finance leases	**(40)**	(54)	**-**	-
Total lease liabilities	**145**	235	**-**	-
Representing lease liabilities (refer note 13):				
Current	**50**	191	**-**	-
Non-current	**95**	44	**-**	-
Total lease liabilities	**145**	235	**-**	-

The weighted average interest rate implicit in the leases is 8.20% per annum (2005: 8.50%).

The rental commitments represent fixed portions of long-term rental contracts. The Directors believe that the associated future revenue streams will be sufficient to cover these commitments.

22. INVESTMENTS IN CONTROLLED ENTITIES

	Country of incorporation or formation	Equity holding 2006 %	2005 %
Actraint No. 116 Pty Limited [1, 4]	Australia	**50**	50
Adhoc Pty Ltd	Australia	**75**	75
Adspace Pty Ltd	Australia	**100**	100
Airplay Media Services Pty Limited [1, 4]	Australia	**50**	50
APN AP National Sales Pty Limited [2]	Australia	**100**	100
APN Braeside Pty Ltd [1]	Australia	**100**	100
APN Broadcasting Investments Pty Limited [2, 3]	Australia	**100**	100
APN Broadcasting (Regionals) Pty [1, 4]	Australia	**50**	50
APN Business Magazines Pty Ltd [2]	Australia	**100**	100
APN Business Information Group Pty Ltd [2]	Australia	**100**	100
APN Computing Group Pty Ltd [2]	Australia	**100**	100
APN Digital Pty Ltd [2]	Australia	**100**	100
APN Digital NZ Limited	New Zealand	**100**	100
APN Educational Media Pty Limited [2]	Australia	**100**	100
APN Educational Media (NZ) Limited	New Zealand	**100**	100
APN Finance Pty Limited [2, 3]	Australia	**100**	100
APN Holdings NZ Limited	New Zealand	**100**	100
APN Lasting Impressions Pty Limited	Australia	**55**	55
APN Media (Asia) Pte Ltd	Singapore	**100**	100
APM Milperra Pty Ltd [1]	Australia	**100**	100
APN New Zealand Limited	New Zealand	**100**	100
APN Newspapers Pty Ltd [2, 3]	Australia	**100**	100
APN NZ Investments Limited	New Zealand	**100**	100
APN Occupational Superannuation Pty Ltd	Australia	**100**	100
APN Online (Australia) Pty Limited	Australia	**100**	-
APN Online (New Zealand) Limited	New Zealand	**100**	100
APN Outdoor Limited	New Zealand	**100**	100
APN Outdoor Pty Limited [2, 3]	Australia	**100**	100
APN Print NZ Limited	New Zealand	**100**	100
APN Printing Services Pty Ltd [2]	Australia	**100**	100
APN Publishing (Asia) Pte Ltd	Singapore	**100**	100
APN Specialist Publications NZ Limited	New Zealand	**100**	100
APN Superannuation Pty Ltd	Australia	**100**	100
ARN Adelaide Pty Ltd [1, 4]	Australia	**50**	50
ARN Brisbane Pty Ltd [1, 4]	Australia	**50**	50
ARN Broadcasting Pty Ltd [1, 4]	Australia	**50**	50
ARN Communications Pty Ltd [1, 4]	Australia	**50**	50
ARN Holdings (NZ) Limited [1, 4]	New Zealand	**50**	50
ARN (NZ) Limited [1, 4]	New Zealand	**50**	50
ARN NZ Investments Limited [1, 4]	New Zealand	**50**	50
ARN New Zealand Pty Limited [1, 4]	Australia	**50**	50
ARN Overseas Pty Limited [1, 4]	Australia	**50**	50
ARN Perth Pty Ltd [1, 4]	Australia	**50**	50
ARNSAT Pty Limited [1, 4]	Australia	**50**	50
ARN South Australia Pty Ltd [1, 4]	Australia	**50**	50
ARN Superannuation Pty Ltd [1, 4]	Australia	**50**	50
Asia Posters Pte Ltd	Singapore	**100**	100
Asia Posters Sdn Bhd	Malaysia	**100**	100
The Australasian Advertising Company Pty Limited [2]	Australia	**100**	100
Australian Posters Pty Ltd [2]	Australia	**100**	100
Australian Provincial Newspapers International Pty Limited [2, 3]	Australia	**100**	100
Australian Provincial Newspapers Ltd [2, 3]	Australia	**100**	100
Australian Radio Network Pty Limited [1, 4]	Australia	**50**	50
Australian Radio Network Sales Pty Ltd [1, 4]	Australia	**50**	50
Biffin Pty Limited [2, 3]	Australia	**100**	100
Blue Mountains Broadcasters Pty Limited [1, 4]	Australia	**50**	50
Border Newspapers Pty Ltd [2]	Australia	**100**	100
Brisbane FM Radio Pty Ltd [1, 5]	Australia	**25**	25
Broad Developments Limited [1, 4]	New Zealand	**50**	50
The Brisbane Publishing Company Pty Ltd [2]	Australia	**100**	100
The Bundaberg Newspaper Company Pty Limited [2, 3]	Australia	**100**	100
Buspak Advertising (China) Limited	Hong Kong	**100**	100
Buspak Advertising Group Pty Ltd [2, 3]	Australia	**100**	100
Buspak Advertising (Hong Kong) Limited [6]	Hong Kong	**50**	50

22. INVESTMENTS IN CONTROLLED ENTITIES (continued)

	Country of incorporation or formation	Equity holding 2006 %	2005 %
Buspak Advertising (Singapore) Pte Ltd	Singapore	**100**	100
Byron Shire News Pty Ltd [2]	Australia	**100**	100
Calcom Sdn Bhd [12]	Malaysia	**35**	35
Campus Review Pty Ltd [2]	Australia	**100**	100
Capital City Broadcasters Pty Limited [1,4]	Australia	**50**	50
Capricornia Newspapers Pty Ltd [2,3]	Australia	**100**	100
Captive Media Pty Limited [2]	Australia	**100**	100
Cardcorp (Manufacturing) Pty Limited [1]	Australia	**100**	100
Central Coast Broadcasting Pty [1,4]	Australia	**50**	50
Central Queensland News Publishing Company Pty Ltd [2]	Australia	**100**	100
Central Telegraph Pty Ltd [2]	Australia	**100**	100
Chinchilla Newspapers Pty Ltd [2]	Australia	**100**	100
Citydreams Pte Ltd	Singapore	**-**	100
Cody Link Pty Ltd [2,3]	Australia	**100**	100
Cody Outdoor Advertising Pty Limited [2,3]	Australia	**100**	100
Cody Outdoor International (HK) Limited [9]	Hong Kong	**50**	50
Commonwealth Broadcasting Corporation Pty Ltd [1,4]	Australia	**50**	50
Daily Commercial News Pty Ltd [2]	Australia	**100**	100
The Daily Examiner Pty Ltd [2]	Australia	**100**	100
Dalby Herald Pty Ltd [8]	Australia	**50**	50
DCN (Electronic Services) Pty Ltd [2]	Australia	**100**	100
Double T Radio Pty Ltd [1,4]	Australia	**50**	50
Eastcott Investments Pty Ltd[2,3]	Australia	**100**	100
Electronic Interests Limited[1,4]	New Zealand	**50**	50
Everfact Pty Limited [2,3]	Australia	**100**	100
Everfact Unit Trust	Australia	**100**	100
5AD Broadcasting Company Pty Ltd [1,4]	Australia	**50**	50
Focus Communications Limited [9]	Hong Kong	**50**	50
Focus Panel Advertising Limited [9]	Hong Kong	**45**	45
Gatton Star Pty Ltd [8]	Australia	**50**	50
Gladstone Newspaper Company Pty Ltd [2,3]	Australia	**100**	100
The Gold Coast Press Pty Limited [2]	Australia	**100**	100
GSP Print Pty Ltd [2]	Australia	**100**	100
Gulgong Pty Ltd [2,3]	Australia	**100**	100
Gympie Times Pty Ltd [2]	Australia	**100**	100
Haswell Pty Limited [2,3]	Australia	**100**	100
Jupiter Outdoor Network Sdn Bhd [10]	Malaysia	**50**	50
KAFM Broadcasters Proprietary Limited [1,4]	Australia	**50**	50
Kelly Publications Pty Ltd [2]	Australia	**100**	100
Kurnia Outdoor Production Sdn Bhd [11]	Malaysia	**50**	50
Kurnia Outdoor Sdn Bhd [10]	Malaysia	**50**	50
Longbeach Publications Pty Ltd [2]	Australia	**100**	100
Longbeach Publications Unit Trust	Australia	**100**	100
Lokasi Sejagat Sdn Bhd [13]	Malaysia	**50**	50
Look Outdoor Limited [1]	New Zealand	**-**	100
The Mackay Printing and Publishing Company Pty Limited [2,3]	Australia	**100**	100
The Maryborough Hervey Bay Newspaper Company Pty Ltd [2,3]	Australia	**100**	100
Marnin Limited [16]	Ireland	**-**	-
Media Tek Pty Ltd [2,3]	Australia	**100**	100
Melbourne Independent Newspapers Pty Ltd [2]	Australia	**100**	100
Michael Nettlefold Pty Ltd [2]	Australia	**100**	100
Mt Maunganui Publishing Co Limited	New Zealand	**100**	100
National Outdoor Advertising Pty Limited [2]	Australia	**100**	100
Nettlefold Advertising Pty Ltd [2]	Australia	**100**	100
Nettlefold Outdoor Advertising Trust	Australia	**100**	100
New Hobsons Press Pty Limited	Australia	**100**	100
New Zealand Radio Network Limited [1,4]	New Zealand	**50**	50
North Coast News Pty Ltd [2,3]	Australia	**100**	100
Northern Star Ltd [2,3]	Australia	**100**	100
Observer Times (Hervey Bay) Pty Ltd [2]	Australia	**100**	100
Outdoor Network Co Ltd	Thailand	**100**	100
Peterhouse Proprietary Limited [2]	Australia	**100**	100

22. INVESTMENTS IN CONTROLLED ENTITIES (continued)	**Country of incorporation or formation**	**Equity holding 2006 %**	2005 %
Observer Times (Hervey Bay) Pty Ltd [2]	Australia	**100**	100
Outdoor Network Co Ltd	Thailand	**100**	100
Peterhouse Proprietary Limited [2]	Australia	**100**	100
Provincial Investments Pty Ltd[2, 3]	Australia	**100**	100
PT Rainbow Asia Posters [14]	Indonesia	**50**	50
The Queensland Times Pty Limited [2, 3]	Australia	**100**	100
Radiowise Pty Ltd [1, 4]	Australia	**50**	50
Reach Network Pty Ltd [2]	Australia	**100**	100
Regional Publishers Limited	New Zealand	**100**	100
Regmax Pty Limited [1, 4]	Australia	**50**	50
Sabawin Pty Limited [2]	Australia	**100**	100
SOL Australia Pty Ltd [2]	Australia	**100**	100
The South Burnett Times Pty Ltd [2]	Australia	**100**	100
Southern State Broadcasters Pty Limited [1, 4]	Australia	**50**	50
Speedlink Services Pty Ltd [1, 4]	Australia	**50**	50
Stanley Newcomb & Company Limited	New Zealand	**100**	100
Stanthorpe Newspapers Services Unit Trust	Australia	**100**	100
Style Magazines Pty Ltd [17]	Australia	**50**	-
SunCoastal FM Radio Pty Ltd [1, 4]	Australia	**50**	50
Sunshine Coast Newspaper Company Pty Ltd [2, 3]	Australia	**100**	100
Taxi Top Advertising Co Ltd	Thailand	**100**	100
Taximedia (Hong Kong) Limited [7]	Hong Kong	**50**	50
Taximedia Pty Ltd [2]	Australia	**100**	100
Taximedia Sdn Bhd	Malaysia	**-**	100
The Internet Amusements Group Pty Limited [1, 4]	Australia	**50**	50
The Radio Bureau Limited [1, 4]	New Zealand	**50**	50
The Radio Network of NZ Limited [1, 4]	New Zealand	**50**	50
The Radio Network Limited [1, 4]	New Zealand	**50**	50
The Tweed Newspaper Co Pty Ltd [2, 3]	Australia	**100**	100
TMS Outdoor Advertising Pty Limited [2]	Australia	**100**	100
Toowoomba Internet Pty Ltd [8]	Australia	**50**	50
Toowoomba Newspapers Pty Ltd [15]	Australia	**50**	50
Total Cab Media Pty Ltd	Australia	**100**	100
Trade Debts Collecting Company Limited	New Zealand	**100**	100
Transit Video Enterprises Pty Limited	Australia	**100**	100
TRB Holdings (2004) Limited [1, 4]	New Zealand	**50**	50
Universal Outdoor Co Ltd	Thailand	**100**	100
Universal Outdoor Pty Limited [2, 3]	Australia	**100**	100
Universal Radio Pty Ltd [1, 4]	Australia	**50**	50
Valtoff Pty Limited [2, 3]	Australia	**100**	100
The Warwick Newspaper Pty Limited [2, 3]	Australia	**100**	100
Wawasan Kilat Sdn Bhd [13]	Malaysia	**50**	50
Wesgo [1, 4]	Australia	**50**	50
West Sydney Radio Pty Ltd [1, 4]	Australia	**50**	50
Westat Research Pty Ltd [1, 4]	Australia	**50**	50
Western Australia Investments Pty Ltd	Australia	**100**	100
Western Star Pty Ltd [8]	Australia	**50**	50
Whitsunday Times Unit Trust	Australia	**75**	75
Wilson & Horton Australia Pty Ltd [1]	Australia	**100**	100
Wilson & Horton Finance Pty Ltd [2]	Australia	**100**	100
Wilson & Horton Limited	New Zealand	**100**	100
Wilson & Horton Provident Nominees Limited	New Zealand	**100**	100
W&H Interactive Limited	New Zealand	**100**	100
Yourbiz Holdings Limited [1, 4]	New Zealand	**50**	50
Yourbiz TRN Holdings Limited [1, 4]	New Zealand	**-**	50
Zodiac Australia Pty Ltd [2]	Australia	**100**	100

Notes to the Financial Statements

[1] Denotes controlled entities audited by auditors other than PricewaterhouseCoopers.

[2] These companies are parties to a Deed of Cross Guarantee dated 5 December 2006 under which each company guarantees the debts of the others. This Deed replaces the Deed of Cross Guarantee dated 26 December 1997 which was revoked by Revocation Deed dated 5 December 2006. These companies represent a 'Closed Group' for the purposes of the Class Order. There are no other members of the 'Extended Closed Group'.

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

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

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

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

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

[8] These entities are 100% owned by Toowoomba Newspapers Pty Ltd.

[9] Focus Communications Limited is 100% owned by Cody Outdoor International (HK) Limited, which is 100% owned by Buspak Advertising (Hong Kong) Limited. Focus Panel Advertising Limited is 90% owned by Buspak Advertising (Hong Kong) Limited.

[10] Under the shareholders agreement, APN News & Media Limited has the right to appoint 50% of the Directors and a Chairman who has the right to use a casting vote.

[11] This entity is 100% owned by Kurnia Outdoor Sdn Bhd.

[12] This entity is 70% owned by Jupiter Outdoor Network Sdn Bhd.

[13] These entities are 100% owned by Jupiter Outdoor Network Sdn Bhd.

[14] Under the shareholders agreement, APN News & Media Limited has the right to appoint 50% of the Directors including the Vice President who has the authority to resolve any deadlocks between the shareholders.

[15] Under the constitution, the immediate parent entity, whilst it holds 50% of the issued share capital, is entitled to appoint 50% of the Directors, the Chairman and Deputy Chairman of the controlled entity's Board. The Chairman of the Board has the right to use a casting vote.

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

[17] Under the shareholders agreement, the immediate parent entity, whilst it holds 50% of the issued capital, is entitled to appoint 50% of the Directors and the Chairman of the controlled entity's Board. The Chairman of the Board has the right to use a casting vote.

Set out below is a consolidated income statement for the year ended 31 December 2006 for the Closed Group:

	Consolidated	
		Restated
	2006	2005
	$'000	$'000
Revenue before finance income	**404,456**	384,977
Other income	**32,808**	70,364
Expenses before finance costs	**(338,443)**	(324,927)
Finance income	**2,085**	4,908
Finance costs	**(71,147)**	(62,848)
Net finance costs	**(69,062)**	(57,940)
Share of profits of associates	**11,712**	12,749
Profit before income tax expense	**41,471**	85,223
Income tax expense	**(2,214)**	(1,663)
Profit from continuing operations	**39,257**	83,560
Net profit attributable to minority interest	**(55)**	-
Net profit attributable to members of the parent entity	**39,202**	83,560
Accumulated losses		
Balance at beginning of the year	**(191,715)**	(164,492)
Adjustments on adoption of AASB 132 and AASB 139	**-**	(3,927)
Profit from continuing operations	**39,202**	83,560
Transfer from foreign currency translation reserve	**(7,582)**	2,949
Dividends paid	**(117,306)**	(109,805)
Balance at end of the year	**(277,401)**	(191,715)

22. INVESTMENTS IN CONTROLLED ENTITIES (continued)

Set out below is a consolidated balance sheet as at 31 December 2006 of the Closed Group:

	Consolidated	
		Restated
	2006	2005
	$'000	$'000
Current assets		
Cash and cash equivalents	**10,833**	13,165
Receivables	**124,497**	116,634
Inventories	**6,325**	6,572
Tax assets	**20,550**	14,215
Other	**10,537**	8,850
Total current assets	**172,742**	159,436
Non-current assets		
Receivables	**119,864**	125,280
Other financial assets	**473,694**	467,002
Property, plant and equipment	**88,266**	52,997
Intangible assets	**718,311**	733,267
Other	**37,074**	45,020
Total non-current assets	**1,437,209**	1,423,566
Total assets	**1,609,951**	1,583,002
Current liabilities		
Payables	**366,028**	365,007
Derivative financial instruments	**3,418**	4,280
Interest bearing liabilities	**-**	-
Provisions	**8,113**	5,194
Total current liabilities	**377,559**	374,481
Non-current liabilities		
Payables	**4,315**	4,475
Interest bearing liabilities	**721,185**	480,745
Provisions	**27,702**	37,118
Total non-current liabilities	**753,202**	522,338
Total liabilities	**1,130,761**	896,819
Net assets	**479,190**	686,183
Equity		
Contributed equity	**817,569**	918,155
Reserves	**(61,033)**	(40,257)
Accumulated losses	**(277,401)**	(191,715)
Total parent entity interest	**479,135**	686,183
Minority interest	**55**	-
Total equity	**479,190**	686,183

Acquisition of controlled entities

On 4 August 2006, the Group acquired 50% of the capital of Style Magazines Pty Ltd. Details of the cash flow and consideration relating to the acquisition and the assets and liabilities of the entity as at the date of acquisition were as follows:

	Consolidated	
	2006	2005
	$'000	$'000
Cash outflow in the consolidated entity	**(500)**	(9,431)
Add cash balances acquired	**-**	132
Cash consideration paid by the acquiring entity	**(500)**	(9,299)
Costs of the acquisition	-	(650)
Fair value of identifiable net assets acquired	**(500)**	(9,949)
Fair value of net assets acquired		
Intangible assets	**500**	952
Property, plant & equipment	**-**	1,342
Trade debtors	**-**	431
Cash acquired	**-**	132
Accounts payable	**-**	(1,143)
Provisions	**-**	(49)
Deferred taxation	**-**	1
Loans and finance leases acquired	**-**	(663)
Fair value of net assets acquired	**500**	1,003
Goodwill on consolidation	**-**	8,946
Cash consideration (including costs)	**500**	9,949

Minority interest in controlled entities

Share capital	**208,924**	208,924
Reserves	**8,409**	19,890
Retained profits	**(31,030)**	(13,847)
Other	**56,404**	37,335
Minority interest in controlled entities	**242,707**	252,302

23. INVESTMENTS IN ASSOCIATES

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

Name of associate	Principal activity	Country of incorporation and principal place of business	Ownership interest		Consolidated Carrying values	
			2006 %	2005 %	**2006 $'000**	Restated 2005 $'000
Adshel Street Furniture Pty Ltd	Outdoor advertising	Australia	**50%**	50%	**20,581**	18,165
Pan TV Ltd	Television production	Australia	**30%**	30%	**908**	786
Marcus Oakes Pty Ltd	Sign fitting	Australia	**50%**	50%	**448**	537
Sellmefree Limited	Online general classifieds	New Zealand	**50%**	-	**2,672**	-
Finda Group Limited	Online business directories	New Zealand	**50%**	-	**1,094**	-
					25,703	19,488

	Consolidated	
	2006 $'000	Restated 2005 $'000
(a) Movements in carrying amounts of investments in associates		
Carrying amount at beginning of the year	**19,488**	11,638
Additions	**3,785**	-
Share of profit after income tax expense	**4,930**	8,050
Dividends received	**(2,500)**	(200)
Carrying amount at end of the year	**25,703**	19,488
(b) Results attributable to associates		
Earnings before interest and tax	**11,591**	12,947
Net finance costs	**(2,496)**	(2,385)
Profit before income tax expense	**9,095**	10,562
Income tax expense	**(4,165)**	(2,512)
Profit after income tax expense	**4,930**	8,050
Dividends received	**(2,500)**	(200)
	2,430	7,850
Retained profits attributable to associates at beginning of the year	**11,957**	4,107
Retained profits attributable to associates at end of the year	**14,387**	11,957
(c) Share of associates' expenditure commitments		
Capital commitments	**8,236**	6,399
Lease commitments	**45,718**	41,165
	53,954	47,564

(d) Summarised financial information of associates

	Group's share of:		
	Assets $'000	**Liabilities** $'000	**Revenue** $'000
2006	**71,537**	**46,652**	**49,421**
2005 – restated	69,635	49,929	43,479

24. 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

	Consolidated 2006 $'000	Restated 2005 $'000
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
Segment revenues including operations closed/sold during the period	**1,292,877**	1,337,869
Other income	**37,872**	7,107
Finance income	**8,784**	19,085
Total revenue and other income	**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)
Segment result excluding operations closed/sold during the period	**311,318**	307,655
Result from operations closed/sold during the period		
Outdoor	**(36)**	(2,290)
Corporate & other	**2,877**	4,010
Segment result including operations closed/sold during the period	**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
Profit from continuing operations before interest and tax	**313,477**	309,454
Net finance costs	**(65,618)**	(64,927)
Profit before income tax expense	**247,859**	244,527
Income tax expense	**(49,361)**	(58,638)
Profit from continuing operations	**198,498**	185,889

24. SEGMENT INFORMATION (continued)

	Consolidated 2006 $'000	Consolidated Restated 2005 $'000
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

24. SEGMENT INFORMATION (continued)

	Consolidated 2006 $'000	2005 $'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
Segment result including operations closed/sold during the period	**314,159**	309,375
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
Profit from continuing operations before interest and tax	**313,477**	309,454
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.

25. RELATED PARTY INFORMATION

Directors and Relevant Executives

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.

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.

	Consolidated		**Parent entity**	
	2006	2005	**2006**	2005
	$000	$000	**$000**	$000
Unsecured and interest bearing loans				
Loans from Directors of entities in the consolidated entity, and their director-related entities, are disclosed in note 12.				
Loan repayments				
P Sapwell, S Koh, A Yew, G Khan	**163**	136	-	-
F Moniaga	**-**	-	-	-
	163	136	-	-
Net interest paid/payable on loans from Directors of entities in the consolidated entity and their director-related entities	**300**	356	-	-

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.

25. RELATED PARTY INFORMATION (continued)

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		Parent entity	
		2006	2005	**2006**	2005
		$'000	$'000	**$'000**	$'000
Loans (repaid by)/advanced to	Related entities *(i)*	**-**	-	**(241,774)**	75,477
Loan interest received from	Associates *(ii)*	**954**	2,022	**-**	-
Group service fees	Controlled entity *(iii)*	**-**	-	**5,199**	3,859
Dividends received/receivable from	Controlled entity *(iv)*	**-**	-	**-**	264,388
Dividends paid/payable to	Other related party *(v)*	**48,077**	43,671	**48,077**	43,671
Independent News & Media fees	Other related party *(vi)*	**1,115**	1,115	**-**	-
Interest received/receivable from	Controlled entity *(vii)*	**-**	-	**18,125**	18,125

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).

26. EARNINGS PER SHARE

	2006	2005
	cents per share	cents per share
(a) Earnings per share (EPS)		
Basic EPS	**34.3**	31.1
Diluted EPS	**32.9**	30.3

	$'000	$'000
(b) Reconciliation of earnings used in calculating EPS		
Net profit attributable to members of the parent entity used in calculating basic EPS	**159,523**	149,660
Interest saving on convertible notes	**8,737**	11,860
Net profit attributable to members of the parent entity used in calculating diluted EPS	**168,260**	161,520

(c) Weighted average number of shares

	Number	Number
Weighted average number of shares used as the denominator in calculating basic EPS	**464,973,239**	481,538,690
Adjusted for calculation of diluted EPS		
Options	**2,709,690**	3,226,122
Convertible notes	**43,363,654**	47,502,833
Weighted average number of shares used as the denominator in calculating diluted EPS	**511,046,583**	532,267,645

Options

The parent entity granted share options in respect of ordinary shares to employees between 1999 and 2006 (refer note 15). These options, which are exercisable between three and five years from date of issue and expire on termination of the employees' service (except in special circumstances) or after the five year period, are considered to be dilutive and are included in the calculation of diluted EPS.

Convertible notes

Convertible notes (refer note 13) issued during 2001 are considered to be potential ordinary shares and have been included in the determination of diluted EPS. The Company gave a notice of early redemption event on 12 February 2007 and all convertible notes will either be redeemed for $3.95 per note or converted into ordinary shares by 9 May 2007 in accordance with the terms of issue of the convertible notes.

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

27. CASH FLOW INFORMATION

Reconciliation of cash

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

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Cash and cash equivalents	**70,681**	68,934	**483**	458

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Reconciliation of net cash flows from operating activities to profit from continuing operations				
Profit from continuing operations	**198,498**	185,889	**1,547**	269,253
Depreciation and amortisation	**38,939**	43,614	**455**	455
Net gain on sale of non-current assets	**(35,384)**	(4,661)	**-**	-
Share of net profits of associates	**(4,930)**	(8,050)	**-**	-
Other non-cash items	**4,476**	397	**3,100**	1,473
Change in current/deferred tax payable	**(3,491)**	15,746	**(1,660)**	11,189
Changes in assets and liabilities net of effect of acquisitions:				
Trade and other debtors	**(8,022)**	(6,828)	**28**	-
Inventories	**2,206**	(6,161)	**-**	-
Prepayments and deferred expenditure	**(3,187)**	14,982	**(55)**	101
Trade and other payables and employee benefits	**10,530**	(2,963)	**(178)**	(3,234)
Net cash inflows from operating activities	**199,635**	231,965	**3,237**	279,237

Non-cash financing and investing activities

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

Finance facilities
Details of credit standby arrangements and loan facilities are included in note 28.

28. STANDBY ARRANGEMENTS AND CREDIT FACILITIES

Entities in the consolidated entity have access to:

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Overdraft facilities				
Unsecured bank overdraft facility totalling	**15,233**	16,057	**-**	-
Amount of credit utilised	**-**	(1,420)	**-**	-
Amount of available credit	**15,233**	14,637	**-**	-
Loan facilities (unsecured)				
Unsecured bank loan facility totalling	**968,852**	1,011,265	**-**	-
Amount of facility utilised	**(766,349)**	(702,311)	**-**	-
Amount of available facility	**202,503**	308,954	**-**	-

29. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including foreign exchange, interest rate risk and credit risk. The Group's overall risk management program operates in accordance with the Risk Management Policy set out in the Directors' Report.

(i) Foreign exchange

The Group operates internationally and is exposed to foreign exchange risk, principally arising from currency exposures to the NZ dollar. Foreign exchange risks are managed by a combination of NZD denominated borrowings NZD and through the use of forward rate contracts.

(ii) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group manages its cash flow interest-rate risk by using interest rate swaps. At the year end, 34% of borrowings, after allowing for the effect of interest rate swaps, were at fixed rates.

30. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES

(i) Derivative financial instruments

Objectives and significant terms and conditions

Interest rate swaps
The consolidated entity has two interest rate swaps outstanding as at 31 December 2006. These two swaps offset each other, leaving the consolidated entity with no net exposure from interest rate swaps. The two swaps have a notional principal amount of NZ$187,528,599 each and mature in the next six months.

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

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

Buy New Zealand dollars	**Sell Australian dollars**		**Average exchange rate**	
	2006 $'000	2005 $'000	**2006**	2005
Maturity				
Zero to six months	-	97,208	-	1.0904

Foreign exchange contracts – translation of New Zealand earnings
The consolidated entity has entered into foreign exchange contracts in order to protect its earnings in foreign currency from adverse exchange rate movements.

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

Sell New Zealand dollars	**Buy Australian dollars**		**Average exchange rate**	
	2006 $'000	2005 $'000	**2006**	2005
Maturity				
Zero to 12 months	**114,725**	150,143	1.1331	1.1290

Foreign exchange contracts – paper purchases
The New Zealand Print operations purchase paper in $US. In order to protect against adverse exchange rate movements, the consolidated entity has entered into foreign exchange swap contracts.

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

Buy United States dollars	**Sell New Zealand dollars**		**Average exchange rate**	
	2006	2005	**2006**	2005
	$'000	$'000		
Maturity				
Zero to 12 months	**31,127**	16,443	**0.6152**	0.6811

Foreign exchange contracts – capital equipment
The consolidated entity has entered into foreign exchange contracts for the purchase of capital equipment.

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

Buy Euro	**Sell Australian dollars**		**Average exchange rate**	
	2006	2005	**2006**	2005
	$'000	$'000		
Maturity				
Zero to 12 months	**5,975**	10,854	**0.5755**	0.5834

Buy United States dollars	**Sell Australian dollars**		**Average exchange rate**	
	2006	2005	**2006**	2005
	$'000	$'000		
Maturity				
Zero to 12 months	**1,981**	-	**0.7512**	-

Buy Swiss Francs	**Sell Australian dollars**		**Average exchange rate**	
	2006	2005	**2006**	2005
	$'000	$'000		
Maturity				
Zero to 12 months	**2,337**	-	**0.9466**	-

30. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES (continued)

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

2006	Notes	Floating interest rates $'000	Fixed interest rates 1 year or less $'000	Fixed interest rates 1 to 5 years $'000	Non-interest bearing $'000	Total $'000	Weighted average interest rate %
Financial assets							
Cash and cash equivalents		70,681	-	-	-	**70,681**	5.8%
Trade debtors	6	-	-	-	198,922	**198,922**	
Other debtors and loans	6	-	-	-	21,364	**21,364**	
Loans to associates	6	10,590	-	-	-	**10,590**	6.9%
Other financial assets	8	-	-	-	22,697	**22,697**	
Loans to minority interest		-	-	-	10,233	**10,233**	
Total financial assets		81,271	-	-	253,216	**334,487**	
Financial liabilities							
Trade and other payables	12	-	-	-	186,548	**186,548**	
Other loans	12	-	-	-	12,206	**12,206**	
Convertible notes	13	-	-	149,185	-	**149,185**	7.2%
Lease liabilities	13	-	50	95	-	**145**	8.5%
Bank loans	13	596,852	73,007	78,935	-	**748,794**	7.5%
Loans from Directors	12	4,101	-	-	-	**4,101**	15.9%(i)
Employee entitlements	14	-	-	-	14,519	**14,519**	
Total financial liabilities		600,953	73,057	228,215	213,273	**1,115,498**	
Net financial assets/(liabilities)		(519,682)	(73,057)	(228,215)	39,943	**(781,011)**	

2005	Notes	Floating interest rates $'000	Fixed interest rates 1 year or less $'000	Fixed interest rates 1 to 5 years $'000	Non-interest bearing $'000	Total $'000	Weighted average interest rate %
Financial assets							
Cash and cash equivalents		68,934	-	-	-	**68,934**	5.6%
Trade debtors	6	-	-	-	203,410	**203,410**	
Other debtors and loans	6	-	6,308	503	17,651	**24,462**	4.4%
Loans to associates	6	16,084	-	-	-	**16,084**	6.7%
Other financial assets	8	-	-	-	17,296	**17,296**	
Loans to minority interest		-	-	-	8,459	**8,459**	
Total financial assets		85,018	6,308	503	246,816	**338,645**	
Financial liabilities							
Trade and other payables	12	-	-	-	189,960	**189,960**	
Other loans	12	-	-	-	12,227	**12,227**	
Convertible notes	13	-	-	175,745	-	**175,745**	7.2%
Lease liabilities	13	-	191	44	-	**235**	8.5%
Bank loans	13	443,142	71,060	159,168	-	**673,370**	7.6%
Loans from Directors	12	3,972	-	-	-	**3,972**	15.3%(i)
Employee entitlements	14	-	-	-	10,952	**10,952**	
Total financial liabilities		447,114	71,251	334,957	213,139	**1,066,461**	
Net financial assets/(liabilities)		(362,096)	(64,943)	(334,454)	33,677	**(727,816)**	

(i) Interest rates are based on prevailing rates in the country of jurisdiction

31. 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.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 31 to 77 are in accordance with the *Corporations Act 2001*, including:
    (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
    (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
(c) the remuneration disclosures set out on pages 43 to 49 of the Directors' Report comply with *Accounting Standards AASB 124 Related Party Disclosures* and *Corporations Regulations 2001*; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 22 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 22.

This declaration is made in accordance with a resolution of the Directors, after receiving the declarations required to be made by the Chief Executive and the Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001*.

JJ Parkinson
Director

BMA Hopkins
Director

Sydney
30 March 2007

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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 financial report and remuneration disclosures of APN News & Media Limited (the Company) and the APN News & Media Limited Group (defined below) 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 financial report and remuneration disclosures identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Audit opinion

In our opinion,

1. the financial report of APN News & Media Limited:
   - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of APN News & Media Limited and the APN News & Media Limited Group (defined below) as at 31 December 2006, and of their performance for the year ended on that date, and
   - is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.
2. the remuneration disclosures that are contained on pages 16 to 24 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and the *Corporations Regulations 2001*.

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

Scope

The financial report, remunerations disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both APN News & Media Limited (the company) and the APN News & Media Limited Group (the consolidated entity), for the year ended 31 December 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading “remuneration report” on pages 16 to 24 of the directors’ report, as permitted by the *Corporations Regulations 2001*.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors’ report.

Audit approach

We conducted an independent audit in order to express an opinion 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 financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*. 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 performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company’s and the consolidated entity’s financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

While we considered the effectiveness of management’s internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

PRICEWATERHOUSECOOPERS

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

S J Bosiljevac
Partner

Sydney
30 March 2007

Information on Shareholders

1. Shares

(a) Substantial shareholders

The following information is extracted from substantial shareholder notices received by the Company as at 19 March 2007:

Name	Number of ordinary shares
Independent News & Media (Australia) Limited	131,541,073
News & Media NZ Limited	60,000,000
Perpetual Limited	67,953,503
Maple-Brown Abbott Limited	37,453,140

The Carlyle Group and Providence Equity Partners have advised that they have a relevant interest in the shares held by Independent News & Media (Australia) Limited and News & Media NZ Limited noted above and totalling 191,541,073. This interest arises as a result of their participation in the Consortium formed for the purpose of the proposed acquisition of the Company (further described in note 31).

(b) Top 20 holders of fully paid ordinary shares at 19 March 2007

Name	Number of shares	% of total shares
Independent News & Media (Australia) Limited	131,541,073	28.58%
RBC Global Services Australia Nominees Pty Limited	60,794,540	13.21%
News & Media NZ Limited	60,000,000	13.04%
Westpac Custodian Nominees Limited	26,537,058	5.77%
Chase Manhattan Nominees Ltd	21,089,928	4.58%
Invia Custodian Pty Limited	14,822,065	3.22%
Citicorp Nominees Pty Limited	12,953,677	2.81%
Cogent Nominees Pty Limited	7,167,497	1.56%
ANZ Nominees Limited (Cash Income a/c)	6,467,283	1.41%
Australian Foundation Investment Company Limited	5,929,455	1.29%
UBS Nominees Pty Ltd	5,354,064	1.16%
HSBC Custody Nominees (Australia) Limited	3,283,989	0.71%
Argo Investments Limited	3,038,370	0.66%
HSBC Custody Nominees (Australia) Limited (GSI ECSA)	2,402,895	0.52%
Queensland Investment Corporation	2,106,408	0.46%
New Zealand Central Securities Depository Limited	2,102,140	0.46%
Djerriwarrh Investments Limited	1,919,429	0.42%
Citicorp Nominees Pty Limited (CFS WSLE 452 Aust Share a/c)	1,697,229	0.37%
Peter Isaacson Nominees Pty Ltd	1,355,556	0.29%
Milton Corporation Limited	1,184,102	0.26%
Total	**371,746,758**	80.78%

(c) Analysis of individual ordinary shareholdings as at 19 March 2007

Holding	Number of shareholders	% of total	Number of shares	% of issued capital
1-1,000	2,942	21.03%	1,474,256	0.32%
1,001-5,000	7,196	51.43%	19,639,205	4.27%
5,001-10,000	2,330	16.65%	16,854,980	3.66%
10,001-100,000	1,427	10.20%	31,031,762	6.74%
100,001 and over	96	0.69%	391,286,393	85.01%
Total holdings	**13,991**	**100.00%**	**460,286,596**	**100.00%**

There were 335 holders of less than a marketable parcel.

(d) Voting rights of shareholders

The voting rights are governed by Paragraphs 54 to 67 of the Constitution. In summary, shareholders are entitled to vote in person or by proxy, representative or attorney at any meeting of shareholders of the company on:

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

2. Convertible notes

(a) Top 20 holders of convertible notes at 19 March 2007

Name	Number of notes	% of total notes
Elise Nominees Pty Limited	12,372,970	32.76%
Australian Foundation Investment Company Limited	4,250,000	11.25%
Pan Australian Nominees Pty Limited	3,378,602	8.95%
Brispot Nominees Pty Ltd (House Head Nominee No 1 a/c)	3,257,006	8.62%
ANZ Nominees Limited (Cash Income a/c)	2,801,032	7.42%
Chase Manhattan Nominees Ltd	2,710,097	7.18%
Mirrabooka Investments Limited	1,200,000	3.18%
Irrewarra Investments Pty Ltd (SH a/c)	1,134,310	3.00%
HSBC Custody Nominees (Australia) Limited (GSI ECSA)	789,500	2.09%
Invia Custodian Pty Limited	490,347	1.30%
Fortis Clearing Nominees P/L (Settlement a/c)	455,460	1.21%
Gwynvill Trading Pty Limited	445,651	1.18%
Argo Investments Limited	323,474	0.86%
Janytte Investments Pty Ltd (Pension Fund a/c)	125,000	0.33%
Collier Charitable Fund Custodian Corporation	100,000	0.26%
MLEQ Nominees Pty Limited (Unpaid1 a/c)	100,000	0.26%
Carla Zampatti Pty Limited	82,417	0.22%
MLEQ Nominees Pty Limited (Seg a/c)	65,822	0.17%
Portman Trading Pty Limited	65,000	0.17%
Edsgear Pty Ltd	54,945	0.15%
Total	**34,201,633**	90.56%

A number of Noteholders Conversion Forms have been received from Noteholders as listed above.

(b) Analysis of individual holdings as at 19 March 2007

Holding	Number of noteholders	% of total	Number of notes	% of total notes
1-1,000	23	3.93%	15,686	0.04%
1,001-5,000	297	50.77%	937,577	2.48%
5,001-10,000	162	27.69%	1,150,030	3.05%
10,001-100,000	89	15.21%	2,012,281	5.33%
100,001 and over	14	2.40%	33,652,822	89.10%
Total holdings	**585**	**100.00%**	**37,768,396**	**100.00%**

3. Options

Analysis of individual option holdings as at 19 March 2007

Holding	Number of optionholders	% of total	Number of options	% of total options
1-1,000	-			
1,001-5,000	1	1.02%	4,510	0.03%
5,001-10,000	-			
10,001-100,000	64	65.31%	3,285,810	21.77%
100,001 and over	33	33.67%	11,799,888	78.20%
Total holdings	**98**	**100.00%**	**15,090,208**	**100.00%**

4. Directors' interests

The relevant interest of each Director in the securities of the parent entity as at 19 March 2007 is:

Director	Number of ordinary shares	Number of options	Number of convertible notes
JJ Parkinson	100,000	-	-
AE Harris	550,956	-	-
WJ Whineray	-	-	-
BMA Hopkins	999,197	3,000,000	-
S Atkinson	13,022	-	-
DJ Buggy	-	-	-
PP Cody	105,024	-	-
PM Cosgrove	50,000	50,000	-
LP Healy	581,112	-	-
KJ Luscombe	52,976	-	2,900
JH Maasland	-	-	-
AC O'Reilly	1,000,000	-	-
GK O'Reilly	20,000	-	-