

Appendix 4D and Half Year Financial Report

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

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The half year financial report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3 and should be read in conjunction with the 2013 annual financial report.

Results for Announcement to the Market

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

Reported				
Total revenue	down	1.2%	to	\$1,083.4m
Net profit for the period attributable to members	down	49.8%	to	\$193.8m

DIVIDENDS

	Amount per security	Franked amount per security
29 December 2013		
Interim dividend	2.0¢	2.0¢
Record date for determining entitlements to the interim dividend	5 March 2014	
30 December 2012		
Interim dividend	1.0¢	1.0¢
Record date for determining entitlements to the interim dividend	6 March 2013	

NET TANGIBLE ASSETS PER SHARE

	29 December 2013 \$	30 December 2012 \$
Net tangible asset backing per ordinary share	0.27	0.16
Net asset backing per ordinary share	0.85	0.95

Results for Announcement to the Market

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

Trading Performance

	Note	As reported		Significant items (iv)		Trading performance excluding significant items	
		29 Dec 2013 6 months \$'000	30 Dec 2012 6 months \$'000	29 Dec 2013 6 months \$'000	30 Dec 2012 6 months \$'000	29 Dec 2013 6 months \$'000	30 Dec 2012 6 months \$'000
Total revenue	(i)	1,083,422	1,096,223	106,688	19,809	976,734	1,076,414
Associate profits		2,693	1,511	-	-	2,693	1,511
Expenses		(795,018)	(892,406)	-	-	(795,018)	(892,406)
Operating EBITDA		291,097	205,328	106,688	19,809	184,409	185,519
Depreciation and amortisation		(48,617)	(51,029)	-	-	(48,617)	(51,029)
EBIT		242,480	154,299	106,688	19,809	135,792	134,490
Net finance costs	(ii)	(3,301)	(35,532)	-	-	(3,301)	(35,532)
Net profit before tax		239,179	118,767	106,688	19,809	132,491	98,958
Tax expense		(44,955)	(29,311)	(6,019)	-	(38,936)	(29,311)
Net profit after tax from continuing operations		194,224	89,456	100,669	19,809	93,555	69,647
Net profit after tax from discontinued operations	(iii)	-	311,924	-	283,487	-	28,437
Net profit after tax		194,224	401,380	100,669	303,296	93,555	98,084
Net profit attributable to non-controlling interest		(427)	(15,031)	-	-	(427)	(15,031)
Net profit attributable to members of the Company		193,797	386,349	100,669	303,296	93,128	83,053
Earnings per share (cents)		8.2	16.4			4.0	3.5

Notes:

- (i) Revenue from ordinary activities excluding interest income and trading results of discontinued operations.
- (ii) Finance costs less interest income.
- (iii) The remaining 51% of Trade Me Group Ltd was disposed of on 21 December 2012 and classified as a discontinued operation. The "As reported" net profit after tax from discontinued operations includes both trading results of this business up to the date of disposal and the profit on disposal.
- (iv) Significant items are those items of such a nature or size that separate disclosure will assist users to understand the accounts. Refer to Note 4 for further details of significant items.

Directors' Report

Fairfax Media Limited and Controlled Entities

The Board of Directors presents its report on the consolidated entity of Fairfax Media Limited (the Company) and the entities it controlled at the end of, or during, the period ended 29 December 2013.

Directors

The directors of the Company at any time during the period ended 29 December 2013 or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated.

ROGER CORBETT, AO
Non-Executive Chairman

JAMES MILLAR, AM
Non-Executive Director

GREGORY HYWOOD
Chief Executive Officer and Managing Director

SAM MORGAN
Non-Executive Director

MICHAEL ANDERSON
Non-Executive Director

LINDA NICHOLLS, AO
Non-Executive Director

JACK COWIN
Non-Executive Director

PETER YOUNG, AM
Non-Executive Director

SANDRA MCPHEE, AM
Non-Executive Director

Review of operations

The key highlights of the trading results of the Company for the period ended 29 December 2013 as compared to the corresponding period are:

- Net profit attributable to members after significant items and tax of \$193.8 million.
- Earnings per share of 8.2 cents.
- Revenue of \$1.1 billion was down 1.2% from the prior corresponding period.
- EBITDA increased 41.8% to \$291.1 million.
- Significant items totalling \$100.7 million profit after tax.
- Net debt reduced by \$234.1 million to net cash of \$79.6 million.
- Interim dividend increased to 2 cents per share, fully franked.

In the Metropolitan business advertising revenue followed prior trends with print advertising revenue declining and digital advertising revenue increasing. Circulation grew with improved yield following the introduction of digital subscriptions for the major mastheads. Domain experienced impressive digital revenue growth which more than offset declining print revenue.

Australian Community Media continues to face a challenging environment with weakness in the majority of advertising categories. Agricultural publications have been adversely impacted by the ongoing drought in rural areas. Expenses are being managed closely across the segment to offset the ongoing weakness across the market.

In the New Zealand business, weak retail sales have affected the performance of circulation. The advertising market remained stable, however government elections, and the auto and property markets boosted the results against softer categories. Savings in staff expenses offset the decline in revenue.

Radio advertising revenue was consistent with last year's result. The total metro broadcasting market grew by 2.8%. A new invigorated presenter line-up was launched in January across several stations to improve ratings.

Directors' Report (continued)

Fairfax Media Limited and Controlled Entities

Review of operations (continued)

The Fairfax of the Future initiatives continue to track ahead of expectations. Annual run-rate savings of \$260 million have already been achieved in the program to date and the business remains on track to deliver annualised run-rate savings of \$311 million by June 2015. The impact of these structural changes are expected to contribute an EBITDA benefit of \$238 million for the 2014 financial year.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Company during the period were as follows:

- The Company repurchased some of its outstanding Senior Notes in July 2013. Of the outstanding total of US\$430 million, US\$224 million were repurchased.
- On 6 December 2013, the Company disposed of the Stayz business for gross proceeds of \$218.0 million.
- The Company acquired 100% of the shares in Property Data Solutions Pty Ltd on 13 December 2013 for \$30.0 million.

Dividends

An interim fully franked dividend of 2.0 cents (2013: 1.0 cents fully franked) has been declared by the Board. Record date for the interim dividend is 5 March 2014 and the dividend will be payable on 19 March 2014.

Rounding of amounts

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

Auditor's Independence Declaration

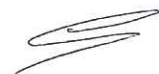
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

This report is made in accordance with a resolution of the directors of Fairfax Media Limited.



Roger Corbett, AO

Chairman



Gregory Hywood

Chief Executive Officer and Managing Director

Sydney

20 February 2014



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Auditor's Independence Declaration to the Directors of Fairfax Media Limited

In relation to our review of the financial report of Fairfax Media Limited for the half-year ended 29 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Douglas Bain'.

Douglas Bain
Partner
Sydney
20 February 2014

Consolidated Income Statement

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

	Note	29 December 2013 \$'000	30 December 2012 \$'000
Continuing operations			
Revenue from operations	2(A)	971,260	1,073,605
Other revenue and income	2(B)	118,295	25,176
Total revenue and income		1,089,555	1,098,781
Share of net profits of associates and joint ventures		2,693	1,511
Expenses from operations excluding impairment, depreciation, amortisation and finance costs	3(A)	(795,018)	(882,918)
Impairment of plant and equipment		-	(9,488)
Depreciation and amortisation	3(B)	(48,617)	(51,029)
Finance costs	3(C)	(9,434)	(38,090)
Net profit from continuing operations before income tax expense		239,179	118,767
Income tax expense		(44,955)	(29,311)
Net profit from continuing operations after income tax expense		194,224	89,456
Discontinued operations			
Net profit from discontinued operations after income tax expense	10	-	311,924
Net profit after income tax expense		194,224	401,380
Net profit is attributable to:			
Non-controlling interest		427	15,031
Owners of the parent		193,797	386,349
		194,224	401,380
Earnings per share (cents per share)			
Basic earnings per share (cents per share)	14	8.2	16.4
Diluted earnings per share (cents per share)	14	8.2	16.4
Earnings per share from continuing operations (cents per share)			
Basic earnings per share (cents per share)	14	8.2	3.8
Diluted earnings per share (cents per share)	14	8.2	3.8

The above Consolidated Income Statement should be read in conjunction with the notes to the half year financial statements.

Consolidated Statement of Comprehensive Income

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

	29 December 2013 \$'000	30 December 2012 \$'000
Net profit after income tax expense	194,224	401,380
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Changes in fair value of available for sale financial assets	(38)	(297)
Changes in fair value of cash flow hedges	2,531	(300)
Changes in value of net investment hedges	(10,487)	(1,389)
Exchange differences on translation of foreign operations	19,687	6,562
Income tax relating to these items	2,555	510
Items that will not be reclassified to profit or loss:		
Actuarial gain on defined benefit plans	352	1,210
Income tax relating to these items	(67)	(355)
Other comprehensive income for the period, net of tax	14,533	5,941
Total comprehensive income for the period	208,757	407,321
Total comprehensive income is attributable to:		
Non-controlling interest	427	15,031
Owners of the parent	208,330	392,290
	<u>208,757</u>	<u>407,321</u>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the half year financial statements.

Consolidated Balance Sheet

Fairfax Media Limited and Controlled Entities
as at 29 December 2013

	Note	29 December 2013 \$'000	30 June 2013 \$'000
Current assets			
Cash and cash equivalents		500,486	533,531
Trade and other receivables		308,918	298,330
Inventories		28,198	30,908
Assets held for sale		11,762	6,979
Derivative assets		1,788	11,018
Income tax receivable		7,386	8,466
Other financial assets		4,570	4,386
Total current assets		863,108	893,618
Non-current assets			
Receivables		673	1,046
Investments accounted for using the equity method	6	86,036	80,490
Available for sale investments		1,743	1,929
Intangible assets	7	1,361,274	1,438,034
Property, plant and equipment		457,840	478,933
Derivative assets		8,333	7,815
Deferred tax assets		85,481	107,895
Pension assets		914	709
Other financial assets		3,865	6,222
Total non-current assets		2,006,159	2,123,073
Total assets		2,869,267	3,016,691
Current liabilities			
Payables		224,045	235,919
Interest bearing liabilities	8	143,665	284,323
Derivative liabilities		8,044	47,978
Provisions		150,255	191,319
Current tax liabilities		3,051	1,333
Total current liabilities		529,060	760,872
Non-current liabilities			
Interest bearing liabilities	8	260,540	353,889
Derivative liabilities		21,500	26,939
Deferred tax liabilities		1,237	3,581
Provisions		52,233	53,942
Pension liabilities		907	1,273
Other non-current liabilities		210	-
Total non-current liabilities		336,627	439,624
Total liabilities		865,687	1,200,496
Net assets		2,003,580	1,816,195
Equity			
Contributed equity	9	4,646,553	4,646,248
Reserves		52,310	35,517
Retained profits		(2,696,825)	(2,867,387)
Total parent entity interest		2,002,038	1,814,378
Non-controlling interest		1,542	1,817
Total equity		2,003,580	1,816,195

The above Consolidated Balance Sheet should be read in conjunction with the notes to the half year financial statements.

Consolidated Cash Flow Statement

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

	29 December 2013 \$'000	30 December 2012 \$'000
	Note	
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	1,061,177	1,254,329
Payments to suppliers and employees (inclusive of GST)	(907,146)	(1,032,969)
Redundancy payments	(33,890)	(69,032)
Interest received	5,160	2,639
Dividends and distributions received	1,243	1,293
Finance costs paid	(17,537)	(35,678)
Net income taxes paid	(18,405)	(51,216)
Net cash inflow from operating activities	90,602	69,366
Cash flows from investing activities		
Payment for purchase of controlled entities, associates and joint ventures (net of cash acquired)	(33,239)	(54,077)
Payment for purchase of businesses, including mastheads	(482)	(10,048)
Payment for property, plant and equipment and software	(32,185)	(17,875)
Proceeds from sale of property, plant and equipment	8,080	373
Proceeds from sale of investments, net of transaction fees and cash disposed *	221,254	642,003
Loans repaid by other parties	2,473	2,396
Net cash inflow from investing activities	165,901	562,772
Cash flows from financing activities		
Payment for purchase of non-controlling interests in subsidiaries	(3,983)	(2,999)
Proceeds from borrowings and other financial liabilities	26,338	-
Repayment of borrowings and other financial liabilities	(293,303)	(471,453)
Dividends paid to shareholders	5 (23,520)	(23,520)
Dividends paid to non-controlling interests in subsidiaries	(892)	(14,145)
Net cash outflow from financing activities	(295,360)	(512,117)
Net (decrease)/increase in cash and cash equivalents held	(38,857)	120,021
Cash and cash equivalents at beginning of the year	533,531	358,364
Effect of exchange rate changes on cash and cash equivalents	5,812	(782)
Cash and cash equivalents at end of the financial period	500,486	477,603

* The proceeds include the disposal of the Stayz business on 6 December 2013. The prior year proceeds include the disposal of the remaining 51% interest in Trade Me Group Ltd and the disposal of the US Agricultural Media business.

The above Consolidated Cash Flow Statement should be read in conjunction with the notes to the half year financial statements.

Consolidated Statement of Changes in Equity

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

	Reserves										Total equity \$'000	
	Contributed equity \$'000	Asset revaluation reserve \$'000	Acquisition reserve \$'000	Foreign currency translation reserve \$'000	Cashflow hedge reserve \$'000	Net investment hedge reserve \$'000	Share-based payment reserve \$'000	General reserve \$'000	Total reserves \$'000	Retained earnings \$'000		Non-controlling interest \$'000
Balance at 30 June 2013	4,646,248	41	181,048	(132,599)	(4,703)	(10,232)	8,799	(6,837)	35,517	(2,867,387)	1,817	1,816,195
Profit for the period	-	-	-	-	-	-	-	-	-	193,797	427	194,224
Other comprehensive income	-	(35)	-	19,687	1,937	(7,341)	-	-	14,248	285	-	14,533
Total comprehensive income for the period	-	(35)	-	19,687	1,937	(7,341)	-	-	14,248	194,082	427	208,757
Transactions with owners in their capacity as owners:												
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(23,520)	-	(23,520)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(744)	(744)
Acquisition of non-controlling interest	-	-	1,657	-	-	-	-	-	1,657	-	42	1,699
Reclassification due to prior distribution of shares	305	-	-	-	-	-	(305)	-	(305)	-	-	-
Share-based payments, net of tax	-	-	-	-	-	-	1,193	-	1,193	-	-	1,193
Total transactions with owners	305	-	1,657	-	-	-	888	-	2,545	(23,520)	(702)	(21,372)
Balance at 29 December 2013	4,646,553	6	182,705	(112,912)	(2,766)	(17,573)	9,687	(6,837)	52,310	(2,696,825)	1,542	2,003,580

The above Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the half year financial statements.

Consolidated Statement of Changes in Equity

Fairfax Media Limited and Controlled Entities
for the period ended 30 December 2012

	Reserves								Total equity \$'000			
	Contributed equity \$'000	Asset revaluation reserve \$'000	Acquisition reserve \$'000	Foreign currency translation reserve \$'000	Cashflow hedge reserve \$'000	Net investment hedge reserve \$'000	Share-based payment reserve \$'000	General reserve \$'000		Total reserves \$'000	Retained earnings \$'000	Non-controlling interest \$'000
Balance at 24 June 2012	4,646,248	(259)	177,759	(219,528)	(7,088)	2,669	7,764	(6,837)	(45,520)	(2,805,566)	247,515	2,042,677
Profit for the period	-	-	-	-	-	-	-	-	-	386,349	15,031	401,380
Other comprehensive income	-	(297)	-	6,559	(204)	(972)	-	-	5,086	855	-	5,941
Total comprehensive income for the period	-	(297)	-	6,559	(204)	(972)	-	-	5,086	387,204	15,031	407,321
Transactions with owners in their capacity as owners:												
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(23,520)	-	(23,520)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(13,805)	(13,805)
Disposal of subsidiaries, net of tax *	-	-	-	58,876	-	-	(495)	-	58,381	-	(240,798)	(182,417)
Disposal of non-controlling interest in subsidiary	-	-	6,294	-	-	-	-	-	6,294	-	(6,294)	-
Acquisition of non-controlling interest	-	-	(3,004)	-	-	-	-	-	(3,004)	-	-	(3,004)
Share-based payments, net of tax	-	-	-	-	-	-	1,430	-	1,430	-	-	1,430
Total transactions with owners	-	-	3,290	58,876	-	-	935	-	63,101	(23,520)	(260,897)	(221,316)
Balance at 30 December 2012	4,646,248	(556)	181,049	(154,093)	(7,292)	1,697	8,699	(6,837)	22,667	(2,441,882)	1,649	2,228,682

* This relates to the disposal of the remaining 51% interest in Trade Me Group Ltd on 21 December 2012 and the disposal of the US Agricultural Media business on 14 November 2012. The Trade Me business has been classified as a discontinued operation. Refer to Note 10 for additional disclosures in relation to its disposal.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the half year financial statements.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

1. Summary of significant accounting policies

(A) BASIS OF PREPARATION

This general-purpose financial report for the interim half year reporting period ended 29 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all notes of the type normally included within the annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Fairfax Media Limited for the period ended 30 June 2013 and any public announcements made by Fairfax Media Limited and its controlled entities (the Group) during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below. These policies have been consistently applied to all of the periods presented.

This interim financial report is for the 26 weeks from 1 July 2013 to 29 December 2013 (2013: the 27 weeks from 25 June 2012 to 30 December 2012). Reference in this report to 'period' is to the period 1 July 2013 to 29 December 2013 (2013: 25 June 2012 to 30 December 2012), unless otherwise stated. In the current financial year, Fairfax Media Limited will report its half year and annual results on a 26 week and 52 week basis respectively.

(B) CHANGES IN ACCOUNTING POLICY

The Group has changed some of its accounting policies as a result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013.

The affected policies and standards are:

- Principles of consolidation – new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*, and
- Accounting for employee benefits – revised AASB 119 *Employee Benefits*.

Other new standards that are applicable for the first time for the December 2013 half year report are AASB 13 *Fair Value Measurement*, AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*. These standards have introduced new disclosures for the interim report but did not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

(i) Principles of consolidation - subsidiaries and joint arrangements

AASB 10 replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*. Under the new principles, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined it only has joint ventures.

Under the previous standard, investments in joint ventures could be accounted for using either the proportionate consolidation method or the equity method. Under AASB 11, investments in joint ventures may only be accounted for using the equity method. For the Group, this has resulted in no change or adjustments in the financial statements as the Group's policy is to account for all joint ventures using the equity method.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

1. Summary of significant accounting policies (continued)

(B) CHANGES IN ACCOUNTING POLICY (CONTINUED)

(ii) Employee benefits

The adoption of the revised AASB 119 changed the accounting for the Group's annual leave provisions. As the Group does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave provisions are now assessed as long term employee benefits. This has changed the measurement of these provisions, as the provisions are now measured on a discounted basis. However, it has not changed the balance sheet classification of the annual leave provision as current. The financial impact of this change is considered not to be material.

(C) ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The Group's view on the application of new accounting standards and interpretations which are not yet effective for the interim 29 December 2013 reporting period were the same as those in the consolidated financial report as at and for the annual period ended 30 June 2013.

(D) ROUNDING OF AMOUNTS

The Group is of a kind referred to in Class Order 98/100, as amended by Class Order 04/667, 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 to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

	29 December	30 December
	2013	2012
	\$'000	\$'000

2. Revenues

(A) REVENUE FROM OPERATIONS

Total revenue from sale of goods	250,263	245,935
Total revenue from services	720,997	827,670
Total revenue from operations	971,260	1,073,605

(B) OTHER REVENUE AND INCOME

Interest income	6,133	2,558
Dividend revenue	88	54
Foreign exchange gains	3,524	1,340
Gains on sale of property, plant and equipment	93	630
Gains on sale of controlled entities	106,688	19,809
Gain on derivative at fair value through profit and loss	354	785
Other	1,415	-
Total other revenue and income	118,295	25,176
Total revenue and income	1,089,555	1,098,781

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

	29 December 2013 \$'000	30 December 2012 \$'000
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3. Expenses

(A) EXPENSES EXCLUDING IMPAIRMENT, DEPRECIATION, AMORTISATION AND

FINANCE COSTS

Staff costs excluding staff redundancy costs	371,364	416,173
Redundancy costs	-	486
Newsprint and paper	72,174	89,053
Distribution costs	73,571	77,689
Production costs	70,740	84,005
Promotion and advertising costs	47,156	55,746
Rent and outgoings	29,511	30,390
Repairs and maintenance	12,487	14,067
Outsourced services	10,033	-
Communication costs	9,398	10,598
Maintenance and other computer costs	11,214	12,559
Fringe benefits tax, travel and entertainment	13,635	15,938
Other	73,735	76,214
Total expenses excluding impairment, depreciation, amortisation and finance costs	795,018	882,918

(B) DEPRECIATION AND AMORTISATION

Depreciation of freehold property	2,932	2,612
Depreciation of plant and equipment	28,275	31,200
Amortisation of leasehold property	2,032	1,940
Amortisation of tradenames	16	15
Amortisation of software	14,703	14,202
Amortisation of customer relationships	659	1,060
Total depreciation and amortisation	48,617	51,029

(C) FINANCE COSTS

External parties	17,297	33,048
Gain on partial redemption of Senior Notes	(10,183)	-
Finance lease	2,141	2,196
Hedge ineffectiveness	179	2,846
Total finance costs	9,434	38,090

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

	29 December 2013 \$'000	30 December 2012 \$'000
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4. Significant items

The net profit after tax includes the following items whose disclosure is relevant in explaining the financial performance of the consolidated entity.

Significant items are those items of such a nature or size that separate disclosure will assist users to understand the financial statements.

Gains on sale of controlled entities - Comprising:

Gain on sale of Stayz business and other controlled entities disclosed in other revenue and income (i)	106,688	-
Gain on sale of US Agricultural Media business disclosed in other revenue and income (ii)	-	19,809
Gain on sale of Trade Me business disclosed in net profit from discontinued operations (iii)	-	283,487
Income tax expense	(6,019)	-
Gains on sale of controlled entities, net of tax	100,669	303,296
Net significant items after income tax	100,669	303,296

- (i) On 6 December 2013, the Group disposed of the Stayz business for gross proceeds of \$218.0 million.
- (ii) On 14 November 2012, the Group disposed of the US Agricultural Media business for US\$79.9 million.
- (iii) On 21 December 2012, the Group disposed of its remaining 51% interest in Trade Me Group Ltd for proceeds of A\$605.5 million net of transaction fees. Previous disposals of the Group's interest in this entity have resulted in a gain on sale of \$182.8 million recorded in equity as an acquisition reserve while the Group still retained control.

	29 December 2013 \$'000	30 December 2012 \$'000
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5. Dividends paid and proposed

ORDINARY SHARES

Dividend:

2014: 1.0 cent - paid 17 September 2013 (fully franked)	23,520	-
2013: 1.0 cent - paid 21 September 2012 (fully franked)	-	23,520
Total dividends paid	23,520	23,520

DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY

Since 29 December 2013, the directors have declared a fully franked interim dividend of 2.0 cents per fully paid ordinary share. The aggregate amount of the interim dividend to be paid on 19 March 2014 out of the retained profits at 29 December 2013, but not recognised as a liability at the end of the period is expected to be \$47.0 million.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
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	Note	29 December 2013 \$'000	30 June 2013 \$'000
Shares in associates	(A)	66,428	63,103
Shares in joint ventures	(B)	19,608	17,387
Total investments accounted for using the equity method		86,036	80,490

(A) INTERESTS IN ASSOCIATES

Name of company	Principal activity	Place of incorporation	Ownership interest	
			Dec 2013	Dec 2012
Australian Associated Press Pty Ltd	News agency business and information service	Australia	47.0%	47.0%
Digital Radio Broadcasting Melbourne Pty Ltd (i)	Digital audio broadcasting	Australia	18.2%	18.2%
Digital Radio Broadcasting Perth Pty Ltd	Digital audio broadcasting	Australia	33.3%	33.3%
Digital Radio Broadcasting Brisbane Pty Ltd	Digital audio broadcasting	Australia	25.0%	25.0%
Digital Radio Broadcasting Sydney Pty Ltd (i)	Digital audio broadcasting	Australia	11.3%	11.3%
Earth Hour Limited	Environmental promotion	Australia	33.3%	33.3%
Healthshare Pty Ltd (ii)	Information technology tools for healthcare practitioners and consumers	Australia	19.7%	-
Homebush Transmitters Pty Ltd	Rental of a transmission facility	Australia	50.0%	50.0%
MMP Holdings Pty Ltd (iii)	Community newspaper publisher	Australia	50.01%	50.01%
Newspaper House Limited (iv)	Property ownership	New Zealand	-	45.5%
New Zealand Press Association Ltd	News agency business and financial information service	New Zealand	49.2%	49.2%
NGA.net Pty Ltd	Provider of e-recruitment software to corporations	Australia	23.7%	24.6%
Perth FM Facilities Pty Ltd	Rental of a transmission facility	Australia	33.3%	33.3%
The Video Network Pty Ltd	Internet delivered television network	Australia	28.6%	28.6%
Times Newspapers Limited	Newspaper publishing	New Zealand	49.9%	49.9%
XchangeIT Newsagents Pty Ltd	Provider of EDI software	Australia	25.0%	25.0%
XchangeIT Software Pty Ltd	Provider of EDI software	Australia	33.3%	33.3%

- (i) The Group has significant influence in the entity due to its right to participate in policy setting for the entity.
- (ii) This investment was acquired on 5 November 2013. The Group has significant influence in this entity due to its representation on the Board and its participation in policy-making processes.
- (iii) The Group does not have control of this company as it does not have power to govern the financial and operating policies of the company, such as power over budget, operational plans and appointment and removal of key personnel. The investment has been classified as an associate, rather than a joint venture, as all significant decisions do not require unanimous consent.
- (iv) Company was deregistered on 23 April 2013.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
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6. Investments accounted for using the equity method (continued)

(A) INTERESTS IN ASSOCIATES (CONTINUED)

Share of associates' profits

	29 December 2013 \$'000	30 December 2012 \$'000
Revenue	39,348	37,365
Profit before income tax expense	2,188	158
Income tax expense	(870)	(131)
Net profit after income tax	1,318	27

(B) INTERESTS IN JOINT VENTURES

Name of company	Principal activity	Place of incorporation	Ownership interest	
			Dec 2013	Dec 2012
Adzuna Australia Pty Ltd (i)	Job advertisements search engine	Australia	50.0%	-
Dog Lovers Show Pty Limited (ii)	Organisation of canine industry exhibitions	Australia	-	50.0%
Fermax Distribution Company Pty Ltd	Letterbox distribution of newspapers	Australia	50.0%	50.0%
Gilgandra Newspapers Pty Ltd	Newspaper publishing and printing	Australia	50.0%	50.0%
Gippsland Regional Publications Partnership	Newspaper publishing and printing	Australia	50.0%	50.0%
Torch Publishing Company Pty Ltd	Newspaper publishing and printing	Australia	50.0%	50.0%

(i) This company was incorporated on 31 October 2013 and established as a joint venture investment on 13 November 2013.

(ii) This investment was disposed of on 31 July 2013.

Share of joint ventures' profits

	29 December 2013 \$'000	30 December 2012 \$'000
Revenues	5,708	5,820
Expenses	(4,251)	(4,248)
Profit before income tax expense	1,457	1,572
Income tax expense	(82)	(88)
Net profit after income tax	1,375	1,484

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities

for the period ended 29 December 2013

29 December	30 June
2013	2013
\$'000	\$'000

7. Intangible assets

Mastheads and tradenames	975,923	966,223
Goodwill	218,037	294,385
Radio licences	114,037	114,037
Software	52,009	56,840
Customer relationships	1,268	6,549
Total intangible assets	1,361,274	1,438,034

The movement in intangibles during the period is due to the disposal of controlled entities (Note 12), acquisitions from business combinations (Note 13), amortisation and exchange differences on translation of foreign operations.

Impairment of goodwill and intangibles with indefinite useful lives

The Group tests annually whether goodwill and intangible assets with indefinite useful lives are impaired. Each interim reporting period, the Group assesses whether there are any indicators of impairment. In reviewing for such indicators, each of the key assumptions subject to significant accounting judgement, including growth rates, discount rates relevant to individual cash generating unit (CGU) groups and the growth rates beyond year three cash flows which form the basis of the terminal value, are challenged in light of current circumstances. No indicators of impairment were identified during the half year assessment.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

		29 December 2013 \$'000	30 June 2013 \$'000
	Note		
8. Interest bearing liabilities			
Current interest bearing liabilities - unsecured			
Other loans			
Senior notes	(C)	136,310	277,700
Other	(D)	2,755	2,185
Finance lease liability	(D)	4,600	4,438
Total current interest bearing liabilities		143,665	284,323
Non-current interest bearing liabilities - unsecured			
Bank borrowings	(B)	152,537	123,548
Other loans			
Senior notes	(C)	102,111	220,508
Other	(D)	2,219	3,819
Finance lease liability	(D)	3,673	6,014
Total non-current interest bearing liabilities		260,540	353,889

NET DEBT FOR FINANCIAL COVENANT PURPOSES

Cash and cash equivalents	(500,486)	(533,531)
Current interest bearing liabilities	143,665	284,323
Non-current interest bearing liabilities	260,540	353,889
Derivative financial instruments liabilities *	16,641	49,812
Net (cash)/debt for financial covenant purposes	(79,640)	154,493

* Debt hedging instruments are measured against the undiscounted contractual AUD cross currency swap obligations and therefore may not equate to the values disclosed in the balance sheet (inclusive of transaction costs).

(A) FINANCING ARRANGEMENTS

The Group net cash for financial covenant purposes, taking into account all debt related derivative financial instruments, was \$79.6 million as at 29 December 2013 (30 June 2013: Net debt of \$154.5 million).

The Group has sufficient unused committed facilities and cash at the reporting date to finance maturing current interest bearing liabilities. The Group has a number of finance facilities which are guaranteed by Fairfax Media Limited and are covered by deeds of negative pledge.

(B) BANK BORROWINGS

Non-current

A \$441.6 million syndicated bank facility is available to the Group maturing in April 2015. At 29 December 2013, \$125.0 million was drawn down (30 June 2013: \$125.0 million). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

A NZ\$40.0 million revolving cash advance facility is available to the Group until July 2015. At 29 December 2013, NZ\$30.0 million was drawn down (30 June 2013: Nil). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

8. Interest bearing liabilities (continued)

(C) SENIOR NOTES

The Group issued Senior Notes in the US private placement market with a principal value of US\$230 million (A\$289.8 million) in January 2004 with a fixed coupon of between 4.7% p.a. and 5.9% p.a. payable semi-annually in arrears. The interest and principal on the Senior Notes are payable in US dollars and were swapped into floating rate New Zealand dollars and floating rate Australian dollars via cross currency swaps. This issue of Senior Notes comprises maturities ranging from January 2011 to January 2019. In January 2011 Senior Notes of US\$50 million were repaid and in July 2013 Senior Notes of US\$148 million were repaid. The weighted average maturity of the issue is approximately 1.2 years. The applicable cross currency swap credit margin includes the cost of hedging all currency risk and future interest and principal repayments on a quarterly basis.

The Group issued further Senior Notes in the US private placement market with a principal value of US\$250 million (A\$308.2 million) in July 2007 comprising maturities ranging from July 2013 to July 2017. In July 2013 Senior Notes of US\$76 million were repaid. The weighted average maturity of this issue is approximately 1.7 years. The issued notes include fixed and floating rate coupon notes, paying a weighted average coupon of 7.4% p.a. semi-annually in arrears. The interest and principal on the Senior Notes are payable in US dollars and were swapped into fixed and floating rate Australian dollars via cross currency swaps. An additional 1.0% p.a. step up margin is payable on the coupons, effective from 10 July 2009.

(D) OTHER LOANS AND FINANCE LEASE LIABILITY

The Chullora printing facility in Sydney is partially financed by a finance lease facility and loans with a maturity date of 30 September 2015. This comprises a finance lease of \$8.3 million (30 June 2013: \$10.5 million), which was entered into in February 1996, and principal and interest outstanding of \$5.0 million (30 June 2013: \$6.0 million) in the form of a fixed rate loan with an established repayment schedule.

9. Contributed equity

	29 December 2013 \$'000	30 June 2013 \$'000
Ordinary shares		
2,351,955,725 ordinary shares authorised and fully paid (30 June 2013: 2,351,955,725)	4,667,944	4,667,944
Unvested Employee Incentive Shares		
11,576,461 unvested employee incentive shares (30 June 2013: 11,723,026)	(21,391)	(21,696)
Debentures		
281 debentures fully paid (30 June 2013: 281)	*	*
Total contributed equity	4,646,553	4,646,248

* Amount is less than \$1000

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

10. Discontinued operations

On 21 December 2012, the Group disposed of its remaining 51% interest in Trade Me Group Ltd for proceeds of A\$605.5 million net of transaction fees.

The Trade Me business had its own operating segment within the segment reporting disclosures (refer Note 15).

As at 30 December 2012, the Trade Me business was classified as a discontinued operation and the results for the period ended 30 December 2012 are presented below:

	29 December 2013 \$'000	30 December 2012 \$'000
Total revenue and income	-	60,871
Expenses	-	(21,229)
Net profit before income tax expense	-	39,642
Income tax expense	-	(11,205)
Net profit after income tax expense	-	28,437
Gain on sale of discontinued operations *	-	283,487
Income tax expense	-	-
Net profit from discontinued operations after income tax expense	-	311,924

* The gain on sale is associated with the disposal of the Group's 51% interest in Trade Me Group Ltd. Previous disposals of the Group's interest in this entity have resulted in a gain on sale of \$182.8 million recorded in equity as an acquisition reserve while the Group still retained control.

	29 December 2013 ¢ per share	30 December 2012 ¢ per share
Earnings per share		
Basic earnings per share from discontinued operations	-	13.3
Diluted earnings per share from discontinued operations	-	13.3

	29 December 2013 \$'000	30 December 2012 \$'000
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Cash flows of discontinued operations

The net cash flows incurred by discontinued operations are as follows:

Operating	-	27,010
Investing	-	(4,020)
Financing	-	(26,894)
Net cash outflow	-	(3,904)

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

11. Commitments and contingencies

There have been no material changes in commitments and contingent liabilities since 30 June 2013.

12. Acquisition and disposal of controlled entities

(A) ACQUISITIONS

The Group gained control over the following entities during the half year:

Entity or business acquired	Principal activity	Date of acquisition	Ownership interest
Property Data Solutions Pty Ltd	Property data research subscriptions	13 December 2013	100%
Mapshed Pty Ltd	Property data research subscriptions	13 December 2013	100%

(B) DISPOSALS

The Group disposed of its interests in the following entities during the half year:

Entity or business disposed	Principal activity	Date of disposal	Ownership interest
Fairfax Business Media Pte Ltd	Business media publishing	7 August 2013	100%
Fairfax Business Media Sdn. Bhd.	Business media publishing	7 August 2013	100%
InvestSMART Financial Services Pty Ltd	Agent to managed investment funds	30 September 2013	100%
Personal Investment Direct Access Pty Limited	Agent to managed investment funds	30 September 2013	100%
Stayz Pty Ltd	Online accommodation advertising	6 December 2013	100%
Stayz Limited	Online accommodation advertising	6 December 2013	100%
Occupancy Pty Ltd	Online accommodation advertising	6 December 2013	100%

For the above entities, the major classes of assets and liabilities disposed were as follows:

	\$'000
Cash and cash equivalents	6,120
Trade and other receivables	3,107
Income tax receivable	453
Intangible assets	115,514
Property, plant and equipment	112
Deferred tax assets	448
Total assets	125,754
Payables	10,346
Provisions	677
Deferred tax liabilities	1,850
Total liabilities	12,873
Net assets	112,881

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

13. Business combinations

The acquisition of Property Data Solutions group is listed in Note 12(A).

The fair values of the identifiable assets and liabilities acquired have been determined provisionally given the proximity of the acquisition to reporting date. The provisional values are as follows:

	Recognised on acquisition \$'000
Value of net assets acquired	
Cash and cash equivalents	277
Receivables	702
Property, plant and equipment	183
Income tax receivable	166
Total assets	1,328
Payables	550
Provisions	165
Total liabilities	715
Value of identifiable net assets	613
Goodwill arising on acquisition	27,387
Total identifiable net assets and goodwill attributable to the Group	28,000
Purchase consideration	
Cash paid	28,000
Total purchase consideration	28,000
Net cash outflow on acquisition	
Net cash acquired with subsidiary	277
Cash paid	(28,000)
Net cash outflow	(27,723)

In addition to cash paid of \$28.0 million, remuneration of up to \$2.0 million is payable by the Group to specified former shareholders if certain financial performance criteria is achieved. This is payable over a period of two years with the final payment due on 31 December 2015.

If the acquisition had occurred at the beginning of the reporting period, the consolidated income statement would have included revenue and net profit before tax of \$4.1 million and \$1.4 million respectively.

Goodwill of \$27.4 million is preliminarily considered to comprise internally generated software, which has not been separately recognised, the acquired workforces and future growth opportunities.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
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29 December	30 December
2013	2012
¢ per share	¢ per share

14. Earnings per share

Basic earnings per share

Net profit attributable to owners of the parent	8.2	16.4
Net profit from continuing operations attributable to owners of the parent	8.2	3.8

Diluted earnings per share

Net profit attributable to owners of the parent	8.2	16.4
Net profit from continuing operations attributable to owners of the parent	8.2	3.8

29 December	30 December
2013	2012
\$'000	\$'000

Earnings reconciliation - basic

Net profit attributable to owners of the parent	193,797	386,349
Net profit from continuing operations attributable to owners of the parent	193,797	89,456

Earnings reconciliation - diluted

Net profit attributable to owners of the parent	193,797	386,349
Net profit from continuing operations attributable to owners of the parent	193,797	89,456

29 December	30 December
2013	2012
Number	Number
'000	'000

Weighted average number of ordinary shares used in calculating basic EPS	2,351,956	2,351,956
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Weighted average number of ordinary shares used in calculating diluted EPS	2,351,956	2,351,956
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Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

15. Segment reporting

(A) DESCRIPTION OF SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors, CEO and CFO in assessing performance and in determining the allocation of resources.

During the 2013 financial year, the Printing Operations division was restructured to form part of corporate services. As a result, Printing Operations is no longer a reportable segment and its results have been allocated to the Metropolitan Media, Australian Community Media and the New Zealand Media segments.

In the 2014 financial year, the Group has implemented changes to the structure of the organisation which has resulted in a reclassification within its reportable segments. NSW community and ACT publications have been moved from Metropolitan Media to Australian Community Media.

The Group is organised into five reportable segments based on aggregated operating segments determined by similar product and services provided, economic characteristics and geographical considerations.

The prior year financial information has been restated under the new reportable segments.

On 21 December 2012, the Group disposed of its remaining 51% interest in Trade Me Group Ltd. The Group disposed of the US Agricultural Media business on 14 November 2012. The US Agricultural Media business was part of the Australian Community Media reportable segment. On 6 December 2013, the Group disposed of the Stayz business which was part of the Metropolitan Media segment.

Reportable Segment	Products and Services
Australian Community Media	Newspaper publishing and online for all Australian regional, community and agricultural media.
Metropolitan Media	Metropolitan news, sport, lifestyle and business media across various platforms including print, online, tablet and mobile. Also includes classifieds for metropolitan publications and transactional businesses.
New Zealand Media	Newspaper, magazine and general publishing and online for all New Zealand media.
Radio	Metropolitan radio networks in Australia.
Other	Comprises corporate and other entities not included in the segments above.
Trade Me (discontinued operations)	Transactional businesses of Trade Me in New Zealand.

Although the Radio segment does not meet the quantitative thresholds required by AASB 8, management has concluded that disclosure of this segment would be beneficial to users of the financial statements.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

15. Segment reporting (continued)

(B) RESULTS BY OPERATING SEGMENT

The segment information provided to the Board of Directors, CEO and CFO for the reportable segments for the half year ended 29 December 2013 is as follows:

	Segment revenue \$'000	Intersegment revenue \$'000	Revenue from external customers \$'000	Share of profits of associates and joint ventures \$'000	Underlying EBIT \$'000
6 months to 29 December 2013					
Australian Community Media	305,610	(172)	305,438	1,386	62,934
Metropolitan Media	429,193	(613)	428,580	2,070	51,612
New Zealand Media	182,259	-	182,259	(12)	30,942
Radio	54,510	-	54,510	(34)	7,549
Other	5,947	-	5,947	(717)	(17,245)
Total for the Group	977,519	(785)	976,734	2,693	135,792

	Segment revenue \$'000	Intersegment revenue \$'000	Revenue from external customers \$'000	Share of profits of associates and joint ventures \$'000	Underlying EBIT \$'000
6 months to 30 December 2012					
Australian Community Media	373,747	(1,609)	372,138	1,400	86,325
Metropolitan Media	485,580	(10,443)	475,137	350	28,416
New Zealand Media	174,213	(18)	174,195	232	27,436
Radio	55,148	(110)	55,038	(85)	8,910
Other	(5,094)	5,000	(94)	(386)	(16,597)
Total for continuing operations	1,083,594	(7,180)	1,076,414	1,511	134,490
Trade Me (discontinued operations)	60,187	-	60,187	-	41,634
Total for the Group	1,143,781	(7,180)	1,136,601	1,511	176,124

(C) OTHER SEGMENT INFORMATION

The Board of Directors, CEO and CFO assess the performance of the operating segments based on a measure of underlying EBIT. This measurement basis excludes the effects of significant items from the operating segments such as restructuring costs and goodwill, masthead or radio licence impairments when the impairment is the result of an isolated, significant event. Gains on the sale of controlled entities have been excluded from the reportable segment results.

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the centralised treasury function, which manages the cash position of the Group.

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15. Segment reporting (continued)

(C) OTHER SEGMENT INFORMATION (CONTINUED)

A reconciliation of underlying EBIT to operating profit before income tax is provided as follows:

	29 December 2013 \$'000	30 December 2012 \$'000
Underlying EBIT for continuing operations	135,792	134,490
Interest income	6,133	2,558
Finance costs	(9,434)	(38,090)
Gains on sale of controlled entities in other revenue and income	106,688	19,809
Reported net profit before tax	239,179	118,767

Information provided to the Board of Directors, CEO and CFO in respect of assets and liabilities is presented on a group basis consistent with the consolidated financial statements.

For the half year ended 29 December 2013, significant items of \$106.7 million from gains on sale of controlled entities is due to the disposal of the Stayz business and other controlled entities. The gains were recorded in the Other operating segment.

For the half year ended 30 December 2012, significant items of \$19.8 million from gains on sale of controlled entities is due to the disposal of the US Agricultural Media business. The gain was recorded in the parent entity, Rural Press Pty Limited, which is part of the Other operating segment.

16. Related party transactions

(A) ULTIMATE PARENT

Fairfax Media Limited is the ultimate parent company.

(B) CONTROLLED ENTITIES

For a list of the controlled entities acquired or disposed during the period refer to Note 12.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

17. Fair value measurement of financial instruments

The carrying amounts and fair values of financial assets and financial liabilities at reporting date are:

	Carrying value 29 December 2013 \$'000	Fair value 29 December 2013 \$'000	Carrying value 30 June 2013 \$'000	Fair value 30 June 2013 \$'000
Financial assets				
Cash and cash equivalents	500,486	500,486	533,531	533,531
Receivables	281,350	281,350	287,457	287,457
Derivative assets	10,121	10,121	18,833	18,833
Available for sale investments	1,743	1,743	1,929	1,929
Other financial assets	8,435	8,435	10,608	10,608
	802,135	802,135	852,358	852,358
Financial liabilities				
Payables	224,045	224,045	235,919	235,919
Interest bearing liabilities:				
Bank borrowings	157,511	157,511	129,552	129,552
Senior notes	238,421	238,545	498,208	498,848
Finance lease liability	8,273	13,800	10,452	17,929
Derivative liabilities	29,544	29,544	74,917	74,917
	657,794	663,445	949,048	957,165

Market values have been used to determine the fair value of listed available for sale investments.

The fair value of the senior notes and lease liabilities have been calculated by discounting the future cash flows by interest rates for liabilities with similar risk profiles. The discount rates applied range from 4.05% to 13.29% (30 June 2013: 1.93% to 13.29%).

The carrying value of all other balances approximate their fair value.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

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

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

As at 29 December 2013

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative assets	-	10,121	-	10,121
Available for sale investments	1,743	-	-	1,743
	1,743	10,121	-	11,864
Financial liabilities				
Derivative liabilities	-	29,544	-	29,544
	-	29,544	-	29,544

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

17. Fair value measurement of financial instruments (continued)

As at 30 June 2013

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative assets	-	18,833	-	18,833
Available for sale investments	1,929	-	-	1,929
	1,929	18,833	-	20,762
Financial liabilities				
Derivative liabilities	-	74,917	-	74,917
	-	74,917	-	74,917

18. Parent entity information

The following disclosures relate to Fairfax Media Limited as an individual entity, being the ultimate parent entity of the Fairfax Media group.

	29 December 2013 \$'000	30 June 2013 \$'000
Financial position of parent entity		
Current assets	1,514,616	1,419,568
Total assets	1,923,779	1,829,633
Current liabilities	21,514	12,912
Total liabilities	22,009	13,438
Total equity of parent entity		
Contributed equity	4,646,553	4,646,248
General reserve	(722)	(722)
Acquisition reserve	(10,672)	(10,672)
Share-based payment reserve	9,687	8,799
Retained losses	(2,743,076)	(2,827,458)
Total equity	1,901,770	1,816,195
Result of parent entity		
Profit/(loss) for the period	107,902	(180,630)
Other comprehensive income	-	-
Total comprehensive income for the period	107,902	(180,630)

19. Events subsequent to reporting date

The Group has executed documents to refinance its domestic bank facility subject to conditions precedent which is expected to complete on 20 February 2014. The original \$441.6 million syndicated bank facility available to the Group and due to mature in April 2015 has been replaced with a new \$275 million facility. The new bank facility matures in February 2018 and the interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

Directors' Declaration

In accordance with a resolution of the directors of Fairfax Media Limited (the Company), we state that:


In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity set out on pages 7 to 30 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 29 December 2013 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; 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.

On behalf of the Board



Roger Corbett, AO
Chairman



Gregory Hywood
Chief Executive Officer and Managing Director

Sydney
20 February 2014



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Independent auditor's report to the members Fairfax Media Limited

Report on the half-year financial report

We have reviewed the accompanying financial report of Fairfax Media Limited, which comprises the consolidated balance sheet as at 29 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the half-year.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 29 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Fairfax Media Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included by reference in the directors' report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that half-year financial report of Fairfax Media Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 29 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

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A handwritten signature in black ink, appearing to read 'Douglas Bain', with a stylized flourish at the end.

Douglas Bain
Partner
Sydney
20 February 2014