Fairfax Media

Fairfax Media Limited Annual Report 2007 – Part 1

FAIRFAX MEDIA >UNLIMITED

> DEFENDING AND GROWING OUR NEWSPAPER BUSINESS

> AGGRESSIVE GROWTH ONLINE

> BUILDING A DIGITAL MEDIA COMPANY FOR THE 21ST CENTURY

ABN 15 008 663 161 www.fxj.com.au

AT A GLANCE 2007

"Since we last reported to you a year ago, our company has irrevocably changed for the better, entering a dimension not seen possible in the past."

RONALD WALKER, Chairman

"This has been a successful year of achievement and growth. Our three-pronged strategy of (1) defending and growing our newspapers, (2) accelerated growth online and (3) building a digital media company is working. Fairfax Media is substantially more diversified and is growing. We are significantly stronger today than we were two years ago, and we have excellent prospects for the future."

DAVID KIRK, Chief Executive Officer

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FAIRFAX MEDIA

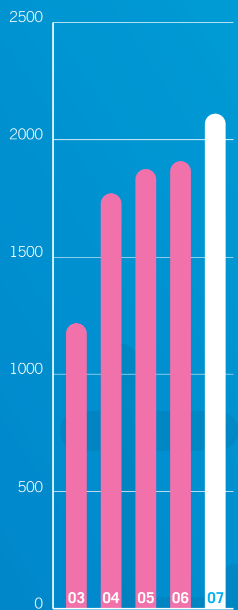
HAS SUCCESSFULLY COMBINED TRADITIONAL AND NEW MEDIA TO BECOME AUSTRALASIA'S LEADING MEDIA COMPANY

TRADING REVENUE UP 11.0% TO $2,117.6 MILLION

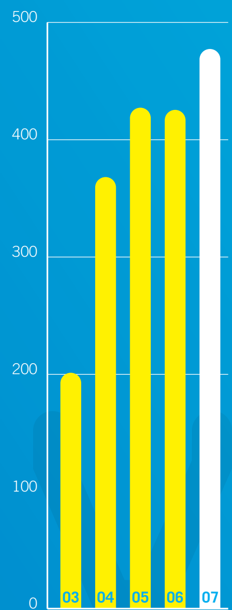
EBIT GREW 12.2% TO $477.4 MILLION

NET PROFIT AFTER TAX UP 9.9%

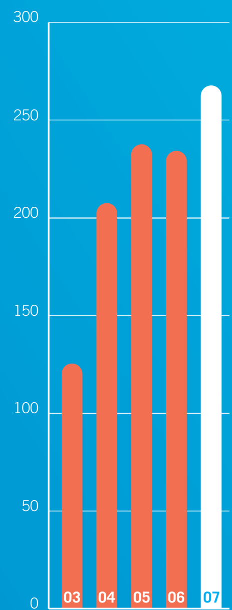
TRADING REVENUE
$M



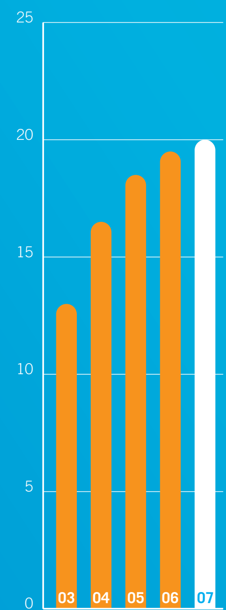
EBIT
$M



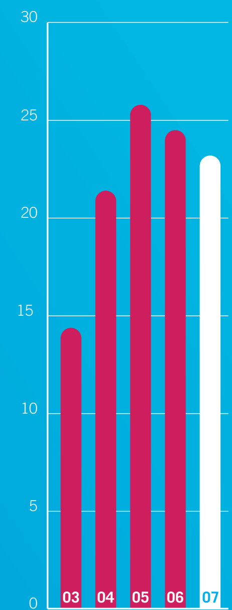
NET PROFIT
AFTER TAX
$M



ORDINARY
DIVIDENDS
PER SHARE
CENTS



EARNINGS
PER SHARE
CENTS



The above figures and graphs exclude the effects of significant items and reflect the underlying trading results of the Company.

About Fairfax Media

Fairfax Media Limited is Australasia's leading media company. In May 2007, Fairfax Media and Rural Press Limited completed their merger, creating the largest integrated metropolitan, rural and regional, print and online digital media company in Australasia, with publications and websites in every State and the ACT in Australia, and throughout New Zealand. Fairfax Media has leading online businesses Fairfax Digital in Australia (including the #1 online news sites) and Trade Me and stuff.co.nz in New Zealand.

In July 2007, Fairfax Media joined with Macquarie Media Group Limited in a proposal to acquire Southern Cross Broadcasting (Australia) Limited pursuant to a scheme of arrangement. If the acquisition is completed, Fairfax Media will acquire Southern Cross' radio business (including metropolitan radio stations in Sydney, Melbourne, Brisbane, and Perth), the Southern Star television production business, Satellite Music Australia and other associated businesses.

AGM

The Fairfax Media Annual General Meeting will be held on Friday, November 30 2007, Sheraton-on-the-Park Hotel, 161 Elizabeth Street, Hyde Park, Sydney, at 10:30am

Credits

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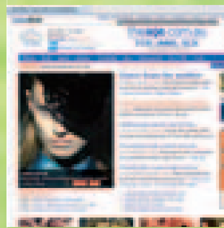
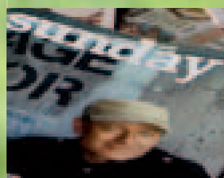
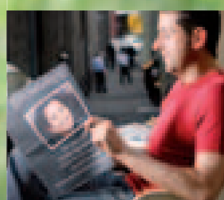


FAIRFAX DIGITAL is the #1 online news site in Australia, with over 14.3 million unique browsers, over 4 million video downloads per month and strong growth in revenues, earnings and market share.



Continued growth in metropolitan newspaper circulation, with **THE SUNDAY AGE THE FASTEST GROWING NEWSPAPER IN THE COUNTRY**.

Superior performance at **RURAL PRESS** in the face of the worst drought conditions in memory. Strong earnings growth in the US agriculture publications.



Fairfax Magazines command the most attractive audiences in the industry. **GOOD WEEKEND THE #1 MAGAZINE REVENUE EARNER IN THE COUNTRY**.

TRADE ME POSTS EARNINGS OF NZ$50.4 MILLION, and grows strongly across all categories: auctions, cars, property, jobs. Travel launched in September 2007.

FAIRFAX MAGAZINES in **NEW ZEALAND REACH OVER 50%** of all New Zealanders over the age of 10 years.

FAIRFAX MEDIA

REACHES OVER 6 MILLION PEOPLE WORLDWIDE EVERY DAY IN PRINT, ONLINE, ON MOBILE DEVICES AND WITH VIDEO DOWNLOADS

LOOKING BEYOND THE HORIZON

Chairman's Report
by Ronald J. Walker AC CBE

Since we last reported to you a year ago, our company has irrevocably changed for the better, entering a dimension not seen possible in the past.

Our market capitalisation has increased by over 50%, EBITDA up 13.1% and dividends by 2.6% – a record. Our costs in Australian publishing have been reduced by $52 million over the past two years.

Operating profit increased by 13.1% to $571.4 million on an 11.0% increase in revenue to $2.117 billion. Our dividend to shareholders this year is the highest on record.

Our company is now the largest media company in Australasia with a unique footprint in the USA, coupled with a growing international influence.

My Board and I are pleased to report to you, our shareholders, that Fairfax Media is a more dynamic and entirely more modern media company than at any time in our proud 176 years of history in Australia.

Fairfax Media is a truly digital media company, with our content available in print, online, radio and mobile devices.

Fairfax Media will lead the way on other information, entertainment and commercial platforms.

This has been the most dynamic year in our history with the $3 billion merger with Rural Press, embracing 200 publications in Australia and New Zealand, including the prestigious Canberra Times, 23 publications in the USA and 11 radio stations. We also purchased The Border Mail, the Riverina Media Group, and significantly expanded online with Brisbanetimes.com.au – an online newspaper bringing media diversity to Brisbane and Queensland with over 470,000 unique browsers per month.

To date, Fairfax Media has identified $22 million in cost synergies with Rural Press in the 2008 Financial Year, with $45 million in such synergies by the end of the 2009 Financial Year.

We also entered into a partnership with Macquarie Media to acquire the radio assets of Southern Cross, which include award-winning AM stations 3AW and 1278, 2UE, 4BC and 6PR – the leading talk radio stations in their markets – as well as video production company Southern Star Group, Australia's leading independent creator and producer of television programming, and esteemed producer Carnival Films & Television in the UK.

Trade Me, our internet business in New Zealand, enjoys outstanding market leadership in online auctions, real estate, cars, travel and employment.

These assets will continue to add wealth to our shareholders in coming years.

RURAL PRESS FLAGSHIP PUBLICATIONS IN FAIRFAX STABLE

The Land and The Canberra Times are key titles among the more than 200 publications in Australia, New Zealand and the US associated with the successful merger between Fairfax Media Limited and Rural Press Limited, completed in May 2007.

We reach over 6 million people, in print and online, daily – in Australia, New Zealand, America and worldwide. We are the leaders in online news in Australia. Fairfax Digital has over 14 million unique browsers per month online – a growth rate of over 33%. We own 100% of our portfolio of internet sites – a very strong competitive position, and we are poised for further growth as a digital media company for the 21st century.

After a period of successful expansion, we are now focussed first and foremost on the earnings, and earnings growth, we will deliver to our shareholders. **EPS growth based on the investments we have made is our core objective**.

In November, we will move our Sydney operations to new premises at One Darling Island, which will provide our staff with the most up-to-date workplace amenities. In the coming days, our new landmark Melbourne headquarters will be announced, revitalising our operations in both cities.

Among many awards won by our mastheads and websites across the company, we are very proud of The Age being named Newspaper of the Year 2007 by the Pacific Area Newspaper Publishers Association.

Fairfax Media has a great future, led by dynamic people, backed by a very focussed and hard working Board. We met 17 times in the current financial year. This year, we have had the privilege of welcoming three additional directors: John B. Fairfax, Nicholas Fairfax and Bob Savage.

After 176 years, there are not many media companies that can say they are stronger than ever before – but we can, and we are.

We are proud of our heritage, our tradition of excellence in journalism, and the respect we have in Australasia and worldwide.

We face the future with great confidence.

Fairfax Media's best days are still ahead of us.

As always, I thank our staff for a great result. They are our strongest asset.

* * * * *

On 7 March 2007, a Garuda Airlines plane crashed in Yogyakarta, Indonesia. Morgan Mellish, a Walkley Award-winning journalist with the Australian Financial Review, was killed, and Cynthia Banham, National Security Correspondent for The Sydney Morning Herald, was grievously injured.

Cynthia is one of the most courageous people I have ever met, and after months of the most extraordinary treatment and therapy, she has recently returned to work for us in Canberra.

We honour Morgan's life, achievements and memory (please see page 15) and we celebrate Cynthia's return to journalism.

Ronald Walker

RONALD J. WALKER AC CBE
CHAIRMAN

< ALBURY MAYOR AMANDA DUNCAN-STRELEC WITH HER FAVOURITE NEWSPAPER, THE BORDER MAIL.

RONALD WALKER > AND SYDNEY MORNING HERALD EDITOR ALAN OAKLEY

A YEAR OF ACHIEVEMENT AND INNOVATION

Chief Executive Officer's Report by David Kirk

During this past year, Fairfax Media has continued to successfully implement its strategy of growth and diversification, resulting in a significant strengthening of the company as a diversified media group with strong platforms for future growth.

We have reported solid profit results. Strong performance in our digital businesses, regional and rural publications, financial publishing, and magazines more than offset ongoing economic weakness in the greater Sydney metro market and in New Zealand.

We are delivering on our mergers and investments. The integration of Rural Press with Fairfax Media is proceeding smoothly, and we are fully on track to deliver cost synergies flowing from the merger of approximately $45 million.

Trade Me also exceeded its pre-acquisition earnings targets, resulting in NZ$4.8 million being paid to the original shareholders of Trade Me as part of the agreed earn-out provision of the purchase.

I am very pleased to welcome all the Rural Press employees to Fairfax Media and believe that through this merger we have one of the strongest management teams in media worldwide. We are working well together.

Major achievements for the 2007 financial year encompass all elements of our strategy.

In defending and growing our newspaper business, there was:

» The merger with Rural Press Limited.

» Acquisition of the Border Mail.

» Acquisition of the Riverina Media Group.

» Circulation and readership growth in The Sydney Morning Herald, The Age and The Australian Financial Review.

» For the final two months of the year, the excellent portfolio of Rural Press publications, in Australia and offshore, made a strong contribution to our overall result.

» Solid growth in Fairfax Business Media.

» Sound performance in difficult trading conditions in New Zealand.

» Solid growth in Fairfax Magazines.

With respect to aggressive growth online:

» Trade Me in New Zealand achieved the pre-acquisition earnings targets.

» Fairfax Digital achieved strong revenue and profitability growth, and continued online news leadership.

» New online initiatives in a host of areas, including the launches of Brisbanetimes.com.au, BusinessDay.com.au and afr.com.

In terms of building a digital media company:

» We are progressing steadily to meaningful integration through the creation and distribution of multimedia

BRISBANETIMES.COM.AU

A BRIGHT LIGHT FOR THE SUNSHINE STATE

Fairfax Media CEO David Kirk and Queensland Premier Peter Beattie, launched brisbanetimes.com.au in March this year, giving a fresh perspective on news to Queenslanders. Brisbanetimes.com.au marked the entry for the first time by Fairfax Digital into a market with an online-only news product. Distinctly Queensland while maintaining the high editorial standards of all Fairfax products, brisbanetimes.com.au has been a hit with locals and advertisers alike, bringing diversity to the Queensland market. Almost half a million Australians visited the website in July, just five months after launching. Immediate, timely and relevant – brisbanetimes.com.au is a new wave of information and choice for Queensland.

content, multimedia sales, and cross media marketing and promotions.

» We also have the impending move in Sydney to One Darling Island and construction of the Newsroom of the Future. With the sale of the Spencer Street building in Melbourne, plans will be completed for our new headquarters and digital media facilities.

» The proposed acquisition later this year of the Southern Cross metropolitan radio assets and the Southern Star television production business is a strategic expansion for Fairfax Media and will enhance our position in metropolitan media markets and on the internet generally.

An equal part of our success is the excellent cost management of the publishing businesses, while continuing to gain circulation and lead the news.

The year ahead will be one of implementation and execution. Our focus will remain on our three strategic priorities, and in particular:

» Successful integration of the Rural Press and Fairfax Media publishing businesses, development of their online assets, and full delivery of cost synergies.

» Relocation of our Sydney headquarters and completion of property plans for new headquarters in Melbourne.

» Completion of the acquisition of the radio and video production assets of Southern Cross Broadcasting and harnessing cross promotion and content opportunities.

Taken together, Fairfax Media in the years ahead will enjoy the benefits of these investments and strategic initiatives, with steadier earnings growth, more robust platforms for growth, and the emergence of a fully integrated digital media company.

I also want to pay tribute to our staff. Their dedication to quality journalism, exceptional sales ability, expertise in digital content and technology, excellence in printing, service to our customers, and making our offices work so effectively is deeply appreciated by management and the Board.

These are very positive and exciting times for the company, our staff and our shareholders.

DAVID KIRK
CHIEF EXECUTIVE OFFICER

WELCOME DRINKS FOR > NEW AGE EMPLOYEES FEATURING DON CHURCHILL, CHIEF EXECUTIVE AND PUBLISHER, VICTORIA METROPOLITAN AND COMMUNITY PUBLISHING, AND CEO DAVID KIRK.

MR RONALD J WALKER AC CBE

Non-Executive Chairman

Joined the Board 4 February 2003

Mr Ronald J Walker AC CBE has been prominent in public life for more than forty years.

He was founder and chairman of one of Australia's largest private chemicals companies between 1963 and 1976, and was co-founder and major shareholder of Hudson Conway Limited, and was co-founder and major shareholder of Crown Casino Limited, and Scarborough Minerals Limited.

He served two terms as Lord Mayor of Melbourne from 1974 to 1976.

Ronald Walker has served Australia in many capacities over many years in public life including: Chairman, Cancer Institute; Chairman, Heart Foundation Appeal; Chairman, Save the Children Fund; Chairman, Aborigines Advancement League; Chairman, Australian Ballet Foundation; Chairman, Australia Business Arts Foundation; Commissioner, Melbourne 1996 Olympic Games Bid; Member, Sydney 2000 Olympic Bid; Trustee, National Gallery of Victoria for nine years; Founding Chairman, Victorian Major Events Company for ten years; Chairman, Melbourne 2006 Commonwealth Games Corporation; Chairman, Australian Grand Prix Corporation and MotoGP; Member, Formula One Commission UK; Director, Football Federation Australia; Chairman, Microsurgery Foundation at St Vincent's Hospital; Director, Australian Tissue Engineering Centre at St Vincent's Hospital.

In 1977 Mr Walker was made a Commander of the Order of the British Empire (CBE) for service to the Commonwealth. He became an Officer of the Order for Australia (AO) for service to the community 1987, and was made a Companion of the Order of Australia (AC) in 2003 for services to business, arts, tourism and the community.

MR MARK BURROWS AO

Non-Executive Deputy Chairman

Joined the Board 22 January 1996

Mr Burrows is an investment banker, a Managing Director of Lazard LLC, and Chairman of Lazard in Australia, a Director of Burns Philp & Company Limited, and Carter Holt Harvey Limited (NZ) and previously Director and deputy Chairman of Brambles Limited. He chaired the Companies and Securities Advisory Committee from 1989 to 1994 and was one of the principal participants in the creation of the Australian Securities Commission (now known as the Australian Securities and Investments Commission).

MR ROGER CORBETT AM

Non-Executive Director

Joined the Board 4 February 2003

Mr Corbett has been involved in the retail industry for more than 40 years. In 1984, Mr Corbett joined the Board of David Jones Australia as Director of Operations. In 1990, he was appointed to the Board of Woolworths Limited and to the position of Managing Director of BIG W. On 1 January 1999, Mr Corbett was appointed Chief Executive Officer of Woolworths Limited and retired from that position at the end of September 2006. He is a Director of the Reserve Bank of Australia, a Director of Wal-Mart Stores and Chairman of ALH Group.

MR DAVID EVANS

Non-Executive Director

Joined the Board 22 June 2005

Mr Evans has over three decades of experience in the television industry in Australia, the US and the UK. He is a member of the senior executive team at RHI Entertainment in New York, in charge of New Media and Channel Development. Mr Evans is also on the board of directors of Village Roadshow Limited and BSkyB in the UK. Prior to taking up his position at RHI Entertainment, he was President and CEO of Crown Media Holdings, Inc, the owner of Hallmark Channels in the USA. Mr Evans has also served as Executive Vice President of News Corporation, and President and Chief Operating Officer of Fox Television.

MR JOHN B FAIRFAX AM

Non-Executive Director

Joined the Board 9 May 2007

Mr John B Fairfax was a board member of Rural Press from 1988 and Chairman from 1990 until the Merger with the Company. He has significant experience as a company director and in the media and agricultural industries. He has been Chairman of Marinya Media Pty Limited since 1988, Councillor of the Royal Agricultural Society of New South Wales since 1990, Councillor since 1979, and President since 1993 of The Girls and Boys Brigade and Trustee of Reuters Founders Share Company Limited since 2005.

Previously Mr Fairfax was Deputy Chairman of Fairfax Media (then John Fairfax Limited) from 1985-87 and Director from 1979-87, Director of David Syme & Co Ltd 1981-87, Chairman of the Media Council of Australia from 1980-82, Chairman of the Newspaper Advertising Bureau 1985-87, Chairman of the Australian section of the Commonwealth Press Union 1987-92, Director of St Lukes' Hospital 1973-76 and also 1981-95, Chairman of Cambooya Investments Limited 1991-2002, Director of Australian Rural Leadership Foundation Limited 1992-98, Director of Crane Group Limited 1996-2003 and a Director of Westpac Banking Corporation Limited 1996-2003.

MR NICHOLAS J FAIRFAX

Non-Executive Director

Joined the Board 9 May 2007

Mr Nicholas Fairfax was a Director of Rural Press Limited from August 2005 until the Merger. He has been a Director of Marinya Media Pty Ltd since 2005, a Director of Cambooya Pty Ltd since 2002 and a Director of the Vincent Fairfax Family Foundation since 2004. Mr Fairfax is a Director of Tickets Holdings Pty Limited and an alternate Director of Bayard Group Pty Ltd since 2002.

MRS JULIA KING

Non-Executive Director

Joined the Board 17 July 1995

Mrs King has had more than 30 years' experience in media marketing and advertising. She was Chief Executive of the LVMH fashion group in Oceania and developed the businesses in this area. Prior to joining LVMH she was the Managing Director of Lintas Advertising. She has been on the Australian Government's Task Force for the restructure of the Wool Industry, the

The Fairfax Media Board of Directors photographed on the balcony of the new headquarters under construction at One Darling Island, Pyrmont, in Sydney.

The Board of Directors

DIRECTING THE SHOW

From Left to Right: Mr Ronald J Walker, Mr Roger Corbett, Mr Mark Burrows, Mrs Julia King, Mr Robert Savage, Mr John B Fairfax, Mr David Kirk, Mr David Evans, Mr Peter Young, Mr Nicholas J Fairfax

Council of the National Library and the Heide Museum of Modern Art. Mrs King is a director of Servcorp Australian Holdings Pty Limited, Opera Australia and Carla Zampatti Limited.

MR DAVID KIRK

Executive Director and Chief Executive Officer

Joined the Board 18 November 2005

Mr Kirk commenced as CEO of Fairfax Media in October 2005. Prior to joining Fairfax Media, Mr Kirk was the CEO and Managing Director of PMP Ltd, the largest magazine and commercial printing and media services company in Australia. Prior to this, he was Regional President, Australasia for Norske Skog, the world's largest manufacturer of newsprint and magazine grades of paper. Mr Kirk previously worked for Fletcher Challenge Paper and Fletcher Challenge Energy in senior executive roles in New Zealand and Australia.

Prior to joining Fletcher Challenge, Mr Kirk worked for three years as first Executive Assistant and then Chief Policy Advisor to the Rt. Hon. Jim Bolger, Prime Minister of New Zealand. Apart from the business arena, he represented New Zealand in rugby union from 1983-87 and captained the All Blacks in 1986 and 1987. In 1987, under his leadership the All Blacks won the inaugural Rugby World Cup. In 1987 he was awarded an MBE for services to rugby. In 1987 he took up a Rhodes Scholarship at Oxford University, studying Philosophy, Politics and Economics. His first degree was in Medicine.

MR BOB SAVAGE

Non-Executive Director

Joined the Board 25 June 2007

In addition to his particular expertise in the management of information technology and systems, Mr. Savage brings to the Fairfax Media board his experience as a senior executive in Australia and the Asian region, including experience in people management and organisation effectiveness issues and several years experience as a Non Executive director and Chairman across a wide range of Australian companies. Mr Savage was formerly Chairman and Managing Director of IBM Australia and New Zealand. He is Chairman of David Jones Limited and Perpetual Limited, was Chair of Mincom Limited until sold in May 2007, and was a director of Smorgon Steel Group Limited.

MR PETER YOUNG

Non-Executive Director

Joined the Board 16 September 2005

Mr Young has, until recently, served as Chairman of Investment Banking for ABN AMRO in Australia and New Zealand. From 1998 to 2002, Mr Young was Executive Vice Chairman, ABN AMRO Group (Australia and New Zealand) and Head of Telecommunications, Media & Technology Client Management for Asia Pacific. He is the Chairman of Transfield Services Infrastructure Fund, Chairman of the AIDA Fund Limited, the Chair of EFIC, the Federal Government's Export Agency, and Chairman of Delta Electricity. He is involved in several other community, environmental and artistic activities.

HIGHLIGHTS

- » Strong performance of regional publications
- » Substantial earnings gains in US agricultural publications
- » Opportunity for improved utilisation of printing operations
- » Good circulation performance at The Sydney Morning Herald and The Age

AUSTRALIAN PUBLISHING AND PRINTING

BRIAN MCCARTHY DEPUTY CEO AND CEO, AUSTRALIA

It has been a year of substantial achievement for the Rural Press publications, with good performances under challenging conditions for the Fairfax metropolitan newspapers.

The Age had a solid performance, continuing the improvements of recent years. *The Age* was awarded the honour of Newspaper of the Year at an industry event. *The Sydney Morning Herald* enjoyed excellent circulation results. *The Newcastle Herald* and *Illawarra Mercury* performed strongly in their markets, as did Fairfax Magazines. Gains were made with the suburban publications.

The Rural Press business units achieved a record result for the 2007 financial year. This achievement is a reflection of our quality media assets and the calibre of our management and staff. It also illustrates the importance of the close relationship we have with the communities we serve.

Australian agricultural publishing once again performed well in what can only be described as challenging circumstances, with continued drought conditions. One of the highlights of the agricultural publishing year was the 6th consecutive year of paid circulation growth for *Farm Weekly* in Western Australia.

Our offshore agricultural publishing arm, Farm Progress Companies in Carol Stream, Illinois, had its best year in five years, with growth in revenues, market share and earnings. A new publishing strategy put in place two years ago, has proven to be successful and has delivered pleasing results. In New Zealand, earnings were lower in tougher market conditions.

Regional and metropolitan publishing in Rural Press markets was strong, with advertising volume growth and sensible cost management. Real estate and national advertising were buoyant, while some regional titles were affected by high petrol prices and the flow-on from

drought conditions in the rural areas they service. The strength of the Western Australian economy was reflected in our regional mastheads in that State.

Key acquisitions during the year were made in Coffs Harbour with the *Coffs Harbour Independent*, The Riverina Media Group (publishers of the *Wagga Daily Advertiser* and *Seniors*), the *Oberon Review*, *Blue Mountains Wonderland*, *The Hub* (Tasmania) and *The North West Star* (Mount Isa). All six acquisitions will provide benefits to the group in future years.

Printing held its own in a more competitive environment, and with the merger of Rural Press and Fairfax Media, the printing division will have greater opportunities for utilisation of an enhanced printing capacity.

The radio broadcasting operations enjoyed another year of solid improvement in revenues and earnings in both South Australia and Queensland.

Considerable gains were made with the rollout of the Life is Local online strategy.

None of these substantial achievements of the past year would have been possible without the dedication, commitment, professionalism and support of our management and staff. Their contribution in what was a challenging year, both in terms of competitive marketplace conditions, and with the merger of Rural Press and Fairfax, has been nothing short of outstanding, and I wish to place on record my appreciation for their hard work in achieving such a pleasing result.

The integration of our two companies will continue during the coming year, and I look forward to all employees evolving into a cohesive and successful team, working for the benefit of all stakeholders.

HIGHLIGHTS

- » Excellent cost performance – real cost reduction of $52 million in Australian publishing over the last two years.
- » Improved systems and reporting
- » Full financial and analytic support for development and implementation of Fairfax Media's strategy and objectives
- » Finance team expertise driven deeper into the business units
- » Management of our real estate portfolio

GROUP FINANCE

SANKAR NARAYAN, CHIEF FINANCIAL OFFICER

In addition to the traditional accountabilities in finance, the CFO office is also responsible for corporate strategy (including M&A support) and group property.

The key focus for group finance was to ensure seamless integration with Rural Press from a statutory and control perspective prior to 1 July 2007. Having achieved that goal, the task ahead is to help drive improved operational performance through superior management information, effective and efficient back office support along with strong internal controls. More detailed discussion of the Group financial performance is in the Management Discussion and Analysis section in the accompanying financial report.

On the strategic front, the key recurring feature is the annual strategic planning process. We have rolling three-year plans where a focus on Total Shareholder Return is driven through EPS growth objectives that are translated into detailed divisional plans with financial targets. The first year of the strategic plan forms the basis of the annual budgeting cycle. The benefits are a clear sense of direction and alignment for the company, linking short and longer term performance. In addition to strategic planning, the strategy team is also responsible for M&A support by taking the lead role on the larger transactions and providing financial and strategic assessment criteria for the smaller deals that are driven by the business units.

There were several key property developments in the last financial year with new accommodation in both Sydney and Melbourne. We signed a longer term lease at One Darling Island, Pyrmont and are project managing the move from Darling Park, Sydney. In Melbourne we sold our Spencer Street premises for a significant gain and are finalising new accommodation for The Age.

Going forward, we will have an even greater focus on integration and securing cost synergies across an expanded company delivering sustained and strong EPS growth.

HIGHLIGHTS

- Major transactions: the merger with Rural Press, and the Border Mail Group, and the pending acquisition of radio and video assets of Southern Cross Broadcasting.
- Improvements in the defamation laws.
- Support for Australia's Right to Know campaign for greater transparency in the workings of governments at all levels and greater freedom of speech for the public including media.

GROUP GENERAL COUNSEL

GAIL HAMBLY, GROUP GENERAL COUNSEL AND COMPANY SECRETARY

As Group General Counsel and Company Secretary, I and my team provide legal, company secretarial and corporate governance services throughout the Group and to the Board. We also are responsible for the management of regulatory and legislative issues affecting the Group.

This involves both editorial and commercial legal advice and risk management and compliance with corporate governance and other regulatory obligations as well as negotiation and drafting transaction documents.

Our strategic growth over the past two years has been very important to the Company and its future and my team is proud to have played their part in this growth.

The scope of corporate governance reporting continues to increase substantially.

I consider some of the most important work we do is to help ensure that we can publish accurate, responsible and courageous journalism.

Defamation claims continue but after many years of lobbying Australian states now have enacted uniform defamation laws across the country. This is an important achievement.

Fairfax Media has joined other publishers, and the electronic media, in an important campaign to promote freedom of speech and the public's right to know about the workings of government. Our first target is reform of Freedom of Information laws which are presently not working effectively to deliver proper scrutiny of government decision making.

AHEAD OF THE PACK

Fairfax continues to win prestigious awards

Sandra King, Joan Withers CEO, Tanya Speir. At the Caanz awards – after winning the Media Brand of the Year Award.

Fairfax Media, journalists, photographers, illustrators, online editors, and sales and advertising teams are recognised for excellence by their peers in Australia, New Zealand and internationally.

AUSTRALIAN FINANCIAL REVIEW

- Julian Bajkowski won Best Writer at the Bell Awards
- Julian Bajkowski won the "Technology journalist of the year" award at the Sun Microsystems IT Journalism Awards
- Neil Chenoweth won for Non-Fiction Book 2006 for Packer's Lunch at the Walkley Awards
- Neil Chenoweth won for Non Fiction 2006 for Packer's Lunch at the Queensland Premier's Literary Awards
- Mathew Dunkley, Lisa Allen and Marsha Jacobs won the Urban Development Institute of Australia Victoria division media award
- Lenore Taylor won for excellence in press gallery journalism at the 2007 Paul Lyneham Award
- Eric Johnston and Andrew Cornell were highly commended for best business story in any medium at the 2006 Quill Awards
- Jill Margo was awarded Health Journalist of the Year by the National Press Club of Australia
- Jill Margo was awarded Best Documentary Series in Health, Health Science or Innovation by the National Press Club of Australia
- Jill Margo was highly commended for enlightened, intelligent and inspiring cancer reporting at the Luminous Awards Australia
- Karl Hilzinger won a Walkley Award for Artwork
- Morgan Mellish won a Walkley Award for Business Journalism
- Barrie Dunstan won the Citigroup Journalism Award 2007 for Excellence in the Personal Finance category

BALLARAT COURIER

- John Ditchburn won for Best Cartoon at the 2006 Melbourne Press Club Quill Awards

BAYSIDE BULLETIN

- Won Technical Excellence at the 2006 Queensland Country Press Association Awards
- Won Best Locally Produced advertisement section at 2006 Queensland Country Press Association Awards

BRW

- Luke Forrestal won Print Journalism prize at The Association of Mining and Exploration Companies
- Stuart Washington won the Citigroup Australia and New Zealand. Award for Excellence in Journalism

CUISINE

- David Burton won Journalist of the Year, Home and Food at the Magazine Publishers Awards
- William Chen won Designer of the Year, Home & Food at the Magazine Publishers Awards

FAIRFAX MEDIA NEW ZEALAND

- Winner of the 2007 CAANZ Media Award for "Media Brand of the Year"

HAWKESBURY GAZETTE

- Won for Newspaper printed on a single-width press up to four webs at PANPA

ILLAWARRA MERCURY

- Courtney Trenwith won the 2006 Federal education Minister's Award for Excellence for the most outstanding contribution to education journalism
- Vince O'Farrell was awarded gold and silver medals in the 2006 Rotary National Cartoon Awards

MACLEAY ARGUS (KEMPSEY)

- Won Best Event at the Rural Press Sales Awards 2006-07
- Won the EC Sommerlad Award for Local News Reporting at the Country Press Association of NSW 2005-06 Awards
- Runner-up for the EC Sommerlad Memorial Award for Feature Supplement at the Country Press Association of NSW 2005-06 Awards
- Won the Norske Skog Award for Advertising Idea at the Country Press Association of NSW 2005-06 Awards
- Won the Kempsey West Rotary Award for Community Involvement at the Country Press Association of NSW 2005-06 Awards

Left to Right: Neil Chenoweth with his award winning non-fiction book Packer's Lunch; Karl Hilzinger receiving his Walkley for Artwork; Hawkesbury Gazette's Lee Deacon (production manager) and Rebecca Lang (editor) with PANPA award for technical excellence attached; Aimee Pedler, Star Prize recipient for the Stock Journal

Morgan Mellish
1971-2007

"The Federal Parliamentary Press Gallery is deeply saddened at the death of a much-loved and respected former member and Walkley Award winning journalist Morgan Mellish from The Australian Financial Review. Morgan covered economics and financial services in Canberra but will be most remembered for his series of articles that forced South Australian businessman Robert Gerard to resign from the board of the Reserve Bank. In awarding him the Walkley, the judges said Morgan's research was exceptional and he continued to set the agenda on one of the biggest stories of the year."

- Tribute from Morgan's colleagues in Canberra, March 2007

MANAWATU STANDARD

» Martin Cummings was a joint winner for Crime and Justice newspaper feature writing at the Qantas Media Awards

MANNING RIVER TIMES (TAREE)

» Won the NSW Royal Life Saving 2006-07 award for Outstanding Media Services

MARLBOROUGH EXPRESS

» Won Daily Newspaper up to 25,000 Circulation at the Qantas Media Awards

MIS

» MIS won Technology Title of the Year and Best Business Technology Title at the Sun Microsystems IT Journalism Awards.
» MIS won Best production team in the Sun Microsystems IT Journalism Awards for 2006

NAROOMA NEWS (NAROOMA)

» Noel Forbes and Paul Gauci won Best Media Coverage of a Bowls Event at the NSW Bowls Association awards

NEWCASTLE HERALD

» Greg Ray won the NSW Department of Fair Trading Award for regional journalism
» Greg Ray won the Australian Skeptics Hunter Branch Inaugural Award for Excellence
» Kitty Hill won the Nikon Walkley Suburban Regional Prize
» Kitty Hill won the Northern NSW Journalism Award for Best Feature Photography
» Damon Cronshaw won the Northern NSW Journalism Award for Best Print Journalist
» Damon Cronshaw won the Northern NSW Journalism Award for Best Print News
» Jacqui Jones won Best All Media Specialty Journalism at the Northern NSW Journalism Awards
» Brett Keeble won Best Sport News Story at theNorthern NSW Journalism Awards
» Peter Lewis won Best Cartoon in Open Category at the Coffs Harbour City Rotary Club Cartoon Awards

NORTHERN DAILY LEADER (TAMWORTH)

» Geoff Newling won Best Coverage State League Bowls from Royal NSW Bowling Association
» Geoff Newling won Country Cricket NSW Media Award
» Jillian Carlon won for Excellence in Journalism at the Australian College of Educators NSW Branch awards
» Sue Thornhill won RPL Regional Co-Op Salesperson of the Year 2006
» Sports department won the Tamworth District Cricket Association Services to Sports Award

NORTH WEST STAR

» Photographer Jake Nowakowski was a finalist in the 2007 Queensland Media Awards category, Best Newspaper Photograph (Regional and Suburban Media)

NZ GARDENER

» Won Supreme Magazine of the Year at the Magazine Publishers Awards
» Lynda Hallinan won Supreme Editor of the Year at the Magazine Publishers Awards

NZ HOUSE & GARDEN

» Won Website of the Year at the Magazine Publishers Awards

SATURDAY EXPRESS

» Won Suburban/Community Newspaper at the Qantas Media Awards

SHEPPARTON NEWS

» Award for Branding up to 15,000 circulation at PANPA

SOUTH COAST REGISTER (NOWRA)

» Won for Best print coverage of State League at the 2006 Basketball Awards
» Glenn Ellard won Best Feature Writing at CPANSW for the story of the death of his baby son Alexander

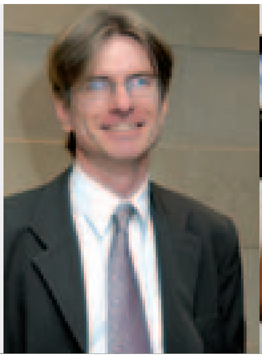
STOCK JOURNAL

» Journalist Aimee Pedler was awarded the Star Prize for agricultural journalism for 2007, awarded by the International Federation of Agricultural Journalists

STUFF.CO.NZ

» Won Best Media Site at the NetGuide 2007 People's Choice Web Awards
» Won Best Home Page at the NetGuide 2007 People's Choice Web Awards

Left to Right: Stuart Washington, BRW, wins 2007 Citigroup Journalism Awards for Excellence. Kitty Hill, Damon Cronshaw and Greg Ray award winners from The Newcastle Herald




Alan Moir, Cartoonist, Sydney Morning Herald


Norske Skog account director Andrew McKean (centre) presents the Newspaper of the Year Award to The Age chief executive, Don Churchill, (left) and editor-in-chief, Andrew Jaspan.

SUNDAY

- » Won Newspaper Magazine at Qantas Media Awards
- » Sunday Star Times Awarded Weekly Newspaper of the Year in the Qantas Media Awards
- » Tim Hume won the Shell New Zealand Award for Environmental & Conservation at the Qantas Media Awards
- » Josie McNaught won for general Reporting at the Qantas Media Awards
- » Ruth Laugesen won for Science & Technology reporting at the Qantas Media Awards
- » Steve Kilgallon won the DB Breweries Award for Sport & Racing reporting at the Qantas Media Awards
- » Deidre Mussen won Senior Writer in Newspaper Feature Writer category at the Qantas Media Awards
- » Tim Hunter won Business NZ Award for Business, Finance & Consumer Affairs feature writing at the Qantas Media Awards
- » Steve Braunias was a joint winner for Crime & Justice feature writing at the Qantas Media Awards
- » Steve Braunias won for Food & Nutrition feature writing at the Qantas Media Awards
- » Adam Dudding won for general feature writing at the Qantas Media Awards
- » Deidre Mussen won for Human Relations feature writing at the Qantas Media Awards
- » Yvonne Van Dongen won as a columnist for Tourism & Travel at the Qantas Media Awards
- » Grant Smithies won for Reviews at the Qantas Media Awards
- » Martin Hunter won in Photography for Senior Portfolio of Six Pictures and Best Single Feature Picture at the Qantas Media Awards
- » Sport section won the DB Breweries Award for Sport & Racing in the Newspaper Specialist Page or Section at the Qantas Media Awards

THE ADVOCATE

- » Won for Circulation between 15,000-50,000 at PANPA

THE AGE AND THE SUNDAY AGE

- » The Age won Newspaper of the Year at PANPA.
- » The Age won for Display Advertising for circulation over 50,000 at PANPA
- » The Age won the PANPA 2007 Environment, Health and Safety award
- » Michelle Grattan won a Walkley Award for Journalism Leadership
- » Kate Geraghty from the AGE / SMH won The Nikon-Walkley Pess Photographer of the Year and Best Photographic Essay
- » Angela Wylie from the AGE / SMH won a Walkley Award for Best Daily Life Photography
- » Jack Marx won a Walkley Award for Best Newspaper Feature Writing
- » Paul McGeough won a Walkley Award for Commentary, Analysis, Opinion, and Critique, and Walkley Award for Best Use of the Medium
- » Warwick McFayden won a Walkley Award for Three Headings
- » Mark Forbes won Best News Report in Print at Melbourne Press Club Quill Awards
- » Michael Gordon won Best Feature in Print at Melbourne Press Club Quill Awards
- » Russell Skelton won Grant Hattam Award for Best Investigative Reporting at Melbourne Press Club Quill Awards
- » Rebecca Urban won Best Business Story in any Medium at Melbourne Press Club Quill Awards


Age staff celebrate winning Newspaper of the Year Award.


Age photographer Angela Wylie won the press photographer of the year award at the Australian Institute of Professional Photography awards for her photo titled, “a windy Oaks Day”. The photo also won Wylie a Walkley award in the best daily life photography category.

Left to Right, all winning Melbourne Press Club Quill Awards on March 23, 2007 for The Age – Judy Green winning Best Illustration; Mark Forbes winning the Best News Report in Print award; Gary Tippet winning (with The Age online team) the award for Best Online Report; Michael Gordon winning the Best Feature in Print award.

- Royce Millar and Liz Minchin won Best Regional or Rural Affairs Report in any Medium at Melbourne Press Club Quill Awards
- Gary Tippet and The Age Online team won Best Online Report at Melbourne Press Club Quill Awards
- Andrew Rule won Best Sports Story in any Medium at Melbourne Press Club Quill Awards
- Judy Green won Best Illustration at Melbourne Press Club Quill Awards
- Martin Flanagan won Best columnist at Melbourne Press Club Quill Awards
- Bruce Postle and John Lamb won the Lifetime Achievement Award
- William Birnbauer won Best Report in Print at Victoria Law Foundation Legal Reporting Awards
- William Birnbauer won Best News Breaking Report (All-Media) at Victoria Law Foundation Legal Reporting Awards
- Katherine Kizilos won the Tony Smith Award for Promoting Understanding of the Work of the Courts at Victoria Law Foundation Legal Reporting Awards
- Liz Minchin won Best Environment Reporting at the United Nations Association of Australia – World Environment Day Awards
- The Age won Press Photography award at Australian Institute of Professional Photography Awards
- Angela Wylie won Press Photographer of the Year at Australian Institute of Professional Photography Awards
- Mark Forbes won Best Print News Story at United Nations Association of Australia – Media Peace Awards
- Russell Skelton won Best Story in the Promotion of Aboriginal Reconciliation at United Nations Association of Australia – Media Peace Awards
- Paul McGeough won Best Print Feature at United Nations Association of Australia – Media Peace Awards
- Andrew Rule and John Silvester won the Lifetime Achievement award at Crime Writers' Association of Australia Awards
- Royce Millar and Dan Silkstone won for Best Series on Planning at the Planning Institute of Australia Awards
- Good Food Guide won Best Restaurant Guide in English at Gourmand International Awards
- Caroline Milburn won the Media Award for an Outstanding Contribution to Education Awareness and Understanding at the Australian Council for Educational Leaders Victoria Media Award 2006
- Matt Golding won Best Gag Cartoon at the Australian Cartoonists Awards
- Vince Caligiuri won Best Print Photography at the Victoria Derby National Media Awards
- Stephen Howell won Best Feature at the Melbourne Racing Club Awards
- Vince Caligiuri won an Outstanding Merit Award at the Melbourne Racing Club Awards
- Pat Scala won an Outstanding Merit Award at the Melbourne Racing Club Awards
- Rachel Wells won for Best Social/ Lifestyle Reporting at the Melbourne Racing Club Awards
- Tony Bourke won Best News Story at the Victorian Racing Media Association Awards
- Epicure won Best Section Within a Newspaper at the Vittoria Australian Food Media Awards
- Necia Wilden won Best Food Article at the Vittoria Australian Food Media Awards
- Max Preston won Best Recipe at the Vittoria Australian Food Media Awards
- Vince Caligiuri won Most Outstanding News/Feature Photograph at the Australian Football Media Association Awards
- John Donegan, Chloe Saltau and Phil Smith won Most Outstanding Presentation (for Blood Brothers) at the Australian Football Media Association Awards
- Emma Quayle won the Most Outstanding non-AFL Grassroots Story at the Australian Football Media Association Awards
- Lyall Johnson won the Cricket Victoria Award at the Cricket Victoria Media Awards
- Darren Berry won the Victorian Premier Cricket Award at the Cricket Victoria Media Awards
- Steve Waldon won the Responsible Media Reporting (print) Award at the Suicide Prevention Australia Awards
- Simon O'Dwyer won Best Newspaper Photography at the PANPA Awards
- Fairfax Digital won Best Website at the PANPA Awards
- Angela Wylie won Best Daily Life Photography at the Rural Press Club of Victoria Awards
- Carol Nader won Best Article on Health Policy, Health Economics and Health Business at the National Press Club's Excellence in Health Journalism Awards
- Caroline Wilson, Martin Blake, and Martin Flanagan were made MCG Hall of Fame Inductees
- Melissa Fyfe and Simon O'Dwyer won Outstanding Achievement in Investigating and Reporting on the Australian Environment at the Banksia Awards
- Gabriella Coslovich won the Bates Smart Award for Architecture in the Media at the Royal Australian Institute of Architecture Victorian Architecture Awards
- Deborah Gough won the Print media category at the Australia and New Zealand Mental Health Service Achievement Award 2007

Walkley winning photograph by The Sydney Morning Herald's Steven Siewert

Sydney Morning Herald's Phil McLean (Fairfax Group Executive editor), Alison Bakunowich (SMH Marketing Manager) and Alan Oakley (SMH editor) take home the prize at PANPA.

THE BENDIGO ADVERTISER

» Won for Classified Advertising with circulation up to 15,000 at PANPA

THE DOMINION POST

» Won the news category for PANPA 2007 Newspaper Photograph of the Year

» Reuben Schwarz won for Information & Communications Technology newspaper feature writing at the Qantas Media Awards

» Jon Morgan won for Science & Technology newspaper feature writing at the Qantas Media Awards

» Linley Boniface won for General newspaper feature writing at the Qantas Media Awards

» Robert Kitchin won for Sports Portfolio Photographer at the Qantas Media Awards

» Stephen Matthews won for Newspaper Heading at the Qantas Media Awards

» The Dominion Post won AstraZeneca Award for Health in Newspaper Specialist Page or Section category at the Qantas Media Awards

» The Dominion Post – NZ InfoTech won for Information Technology in the Newspaper Specialist Page or Section category at the Qantas Media Awards

THE LAND

» Sally White won a McKellar Media Award at the 2007 NSW Farmers Association annual conference

» Michael Petey won a McKellar Media Photographic Award at the 2007 NSW Farmers Association annual conference

» Matt Cawood won for Best On-farm Story of the Year at the NSW Farm Writers Star Awards

» The Land won for Events with a circulation over 50,000 for its inaugural NSW Beef Spectacular at the PANPA awards

THE PRESS

» Won Newspaper of the Year at the Qantas Media Awards

» Yvonne Martin won for Food & Nutrition reporting at the Qantas Media Awards

» Yvonne Martin won for Social Issues reporting at the Qantas Media Awards

» Dave Moore won for Transport Newspaper Feature Writer at the Qantas Media Awards

» John Minto won for Maori Issues column at the Qantas Media Awards

» John Minto won for Pacific Island Issues column at the Qantas Media Awards

» Dave Moore won for Transport column at the Qantas Media Awards

» Al Nesbit won for Cartoonist in the Qantas Media Awards

» Peter Meecham won for Photography in Senior Portfolio of Six Pictures at the Qantas Media Awards

» Stacy Squires won Best Single Pic Photographer at the Qantas Media Awards

» The Press – Arts Page won for Newspaper Specialist Page of Section (Arts) at the Qantas Media Awards

» The Press – Zest won for Newspaper Specialist Page of Section (Food & Nutrition) at the Qantas Media Awards

THE REDLAND TIMES

» Won Best Newspaper more than 10,000 circulation at the 2006 Queensland Country Press Association Awards

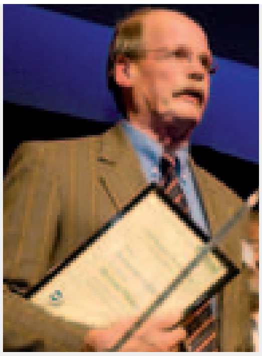
» Won Open Journalistic Excellence at the 2006 Queensland Country Press Association Awards

» Won Best Locally Produced advertising campaign at the 2006 Queensland Country Press Association Awards

» Won Best House Advertisement at the 2006 Queensland Country Press Association Awards

The Press's Peter Meecham, Qantas Media Award winner, captures US Wheelchair Basketball team celebrating after the USA defeated New Zealand 34-30 in the final of the World Wheelchair Basketball Championships, Christchurch.

Stacy Squires, The Press, Qantas Media Award winner for best picture 2006 captured the moment when World War II fighter Ace Johnny Checketts is presented with a service award on his death bed for bravery and heroics over Europe in the 1939-45 war. Checketts died on the 21 April 2006 11 days after the award was made to him ending his illustrious life on a positive note.



Michael Petey from The Land accepting his photographic award at this year's NSW Farmers' Association conference

The Redland Times/Bayside Bulletin advertising manager Damon Pownell, photographer Sally Walker-Brown, journalist Linda Muller and group manager Greg Watson accept the pool of awards won at the 2006 Queensland Country Press Association awards.

The Press team celebrates the paper's second successive title as newspaper of the year at the Qantas Media Awards

- Won Best Newspaper supplement at the 2006 Queensland Country Press Association Awards
- Won Best Community Promotion at the 2006 Queensland Country Press Association Awards
- Jessica Marszalek won Journalistic Excellence Individual at the 2006 Queensland Country Press Association Awards

THE SOUTHLAND TIMES

- Jared Morgan won Junior Writer in the newspaper feature writing category at the Qantas Media Awards

THE SYDNEY MORNING HERALD

- Daniel Lewis won the top metropolitan award at the recent Mackellar Media Awards
- Wendy Frew won the prize for environmental journalism at the Eureka Awards
- The Sydney Morning Herald was Highly Commended in the Newspaper of the Year category at PANPA
- SMH won for Newspapers printed on a Double-Width Press more then four webs at PANPA
- SMH won for Cause-Related Marketing for circulation over 50,000 at PANPA
- SMH won for Young Readers for circulation over 50,000 at PANPA
- Alison Bakunowich won the 2007 Marketer of the Year award at PANPA
- Alan Moir won a Walkley Award for Cartoons
- Matthew Absalom-Wong, Darren Connell, Paul McGeough and Kimberley Porteous won a Walkley Award for Best Use of The Medium
- Kimberley Porteous: Official Honoree, Webby Awards 2007
- Paul McGeough won a Walkley Award for Commentary, Analysis, Opinion and Critique
- Andrew Rule from Good Weekend Magazine won Best Sports Story in any Medium at the Melbourne Press Club Quill Awards
- Good Weekend Magazine won Gold medal & Good Weekend August 26th 2006 won silver at the 24th National print awards
- Hamish McDonald's series "The Face of Islam" won awards from the Forum on Australia's Islamic Relations (FAIR), and from the Affinity Intercultural Foundation.
- Lisa Wiltse won first prize in the Family category in the Paris-based Prix de la Photographie
- Craig Golding came 2nd in this year's World Press Awards in the Sports portfolio category
- Craig Golding won the POYi (Pictures of the Year International) for in the sports action photograph category and the N.P.P.A. (National Press Photographers Association) for Sports portfolio category.
- Photographer Steven Siewert won Nikon Walkley portrait of the year
- Craig Golding came second in the World Press photographic competition for sports action folio
- Steve Christo came third in the World Press Photographic competition for sports action folio
- Tim Clayton came third in the POY (American Pictures of the Year) sports folio
- Steve Christo was Highly Acclaimed at the POY (American Pictures of the Year) for sports folio
- James Brickwood was a documentary award finalist for the Centre for Contemporary Photography Leica
- Lisa Wiltse was a photography award finalist for the Centre for Contemporary Photography Leica
- Steven Siewert was a documentary award finalist for the Centre for Contemporary Photography
- Quentin Jones was a Nominee in Sport Photography, Black and White International Spider Awards and received an Honorable Mention in Nature Photography, Black and White International Spider Awards.
- Asher Moses won the Best Technology Article of the year award at the Sun Microsystems IT Journalism Awards
- Lisa Pryor and Debra Jopson won the print category at the Human Rights Awards 2006
- Cathy Wilcox was shortlisted in the Children's Book Council Children's Book of the Year awards
- Sunday Life's Lynne Mullins and Ross Dobson have been nominated in the 2007 World Food Media Awards for the Best Soft Cover Recipe Book Under $US30

TRADE ME

- Won Best Trading Site, Best Real Estate Site, Best Motoring Site at the NetGuide 2007 People's Choice Web Awards

WAIKATO TIMES

- Won for Printed Materials: Advertising for circulation up to 75,000 at the 2007 INMA.
- Won for Direct Mail award at 2007 INMA.
- Won Newspaper Research/Data Books and Media Packs award at 2007 INMA
- Yvonne Tahana won the Te Puni Kokiri Award for Maori Issues as Newspaper Feature Writer at the Qantas Media Awards
- Bruce Holloway won for Food & Nutrition column at the Qantas Media Awards
- Iain McGregor won for Arts Portfolio Photography at the Qantas Media Awards
- Peter Drury won for Portrait/Object Portfolio Photography at the Qantas Media Awards
- Wellington's Dominion Post won for Advertising Medium for circulation up to 300,000 at the 2007 INMA awards

HIGHLIGHTS

- **Every measure of the newspaper's performance was up.**
- ***AFR* circulation rose after a cover price increase.**
- **Magazine consolidation – *Smart Investor*, *MIS* – very successful.**
- ***BRW*, Asia, and New Zealand businesses strengthening.**

FAIRFAX BUSINESS MEDIA

MICHAEL GILL CEO, FAIRFAX BUSINESS MEDIA

The 2007 financial results for Fairfax Business Media affirmed the success of our efforts over recent years to build a strong operational platform for future growth.

Integrity, reliability, value, and insight: these are central to the values of our customers.

The characteristics of valuable editorial products, intelligent sales strategies and execution, sophisticated marketing insights and activities, and a high standard of initiative and commitment were both abundant and confirmed by the outcomes.

The *Australian Financial Review* and its related titles had a strong year. Circulation grew strongly, despite a cover price increase, while advertising remained healthy in a sometimes unsteady market. We saw the fruits of the consolidation of our niche magazines with The Australian Financial Review operations, improved performances from the roll up of competitor titles in Singapore and New Zealand, and very strong performance from our new *AFR Smart Investor* magazine. During the year we also invested in the restructure of *BRW* magazine, the roll out of our digital platform and the ground work for our break out activities in education and data.

Our plans for digital products target new markets adjacent to our core print activities, with an emphasis on the presentation of high value information and services in a customised form.

We have opportunities to do new things, such as investor and management education, that have substantial growth potential and which fit naturally with our brand values. Our focus on up-to-date information is a huge advantage in building that capability.

We aim to transform our whole business – to move on from what we have today and create new related businesses in things digital, events and conferences, education and data.

The total impact should be that everyone has greater opportunity to use their skills and talents across the full range of potential. Journalists will have opportunities to work across different media and, where relevant, in education and conferences. Commercial staff will be able to develop wider skills and have exposure to a wider range of products.

Our focus is on the power of the person, the investor and what they can do for their livelihood and future.

FAIRFAX DIGITAL

HIGHLIGHTS

- Fairfax Digital named Best Interactive Service, and Jack Matthews named Best New Media CEO by Australian Telecom Magazine META Awards
- 14.3 million unique browsers, up 33.6%
- #1 in News
- Revenue up 37.8%, EBITDA up 52.4% to $37 million
- Breaking news brings huge traffic spikes online

JACK MATTHEWS CEO, FAIRFAX DIGITAL

Fairfax Digital continues to lead in national online news and information. Our integrated newsrooms in Sydney and Melbourne provide unequalled depth and breath of online coverage in Australians – however and whenever they want it.

The Australian appetite for video news straight to their computers is exploding – over four million video views were conducted across Fairfax Digital in June 2007. Information custom-built for mobile phones is growing rapidly, as is our supply of content.

The Sydney Morning Herald and The Age print and online editorial teams operate seamlessly as the premier news providers in their markets, while upholding Fairfax's core masthead values – our industry awards attest to that. The recent launch of 14 Fairfax Community Newspaper websites brings us even closer to the communities we serve.

Fairfax Digital is growing faster than the market, outstripping the online general display and classified advertising markets, which grew by 35 and 39 per cent in the past financial year (source: PricewaterhouseCoopers IAB Online Advertising Expenditure Report, June 2007).

Our classifieds – domain.com.au, RSVP.com.au, mycareer.com.au, drive.com.au, and stayz.com.au – are either leaders or strong challengers in their markets while Direct Access and newly-acquired Essential Baby innovate in their sectors. Direct Access has just merged with InvestSMART bringing $1 billion in self-managed funds into our online business.

Queensland's brisbanetimes.com.au is performing strongly as it provides a different look at a growing state (see page 7) and we are accelerating our integration with Rural Press properties as Fairfax Digital continues to increase its presence and market offerings while becoming a truly national online media company.

In September 2007, Fairfax Digital was named Best Interactive Service by the Australian Telecom Magazine's Media, Entertainment, and Telemarketing Awards.

HIGHLIGHTS

- » Largest media company in New Zealand
- » Significant performance growth in news and information online sites
- » Organisational restructure, tight cost control and investment in infrastructure delivering real benefits in 2008
- » Scooped the pool in all major media awards

FAIRFAX NEW ZEALAND

JOAN WITHERS CEO, FAIRFAX NEW ZEALAND

We are the largest media company in New Zealand, and are steadily evolving as a multimedia company. We have the very best people, and with our successful rebranding from Fairfax New Zealand to Fairfax Media, we have the strongest employment brand in the market.

It was a challenging year, under brittle economic conditions, although key markets strengthened as the year progressed. Employment volumes improved, real estate strengthened, and online revenues grew substantially as a result of significant development of our news and information websites. At the same time, we enjoyed the benefit of very strong cost controls, with less than1% underlying cost increases.

We have a very strong management team that can capitalise on opportunities across the board.

We have a concerted focus on commercial and editorial operations in order to facilitate an even deeper engagement with our readers, our online audiences, and our customers – and to maintain an ongoing commitment to meeting their needs.

Our publications – in print and online, and with our newspapers and magazines – received the country's most prestigious industry awards, and we are very proud of all of the people who have contributed to this success, especially the dozens of editors, journalists, photographers and contributors who have ensured that we continue our tradition of excellence and quality in journalism. They make Fairfax Media the leader we are.

HIGHLIGHTS

- NZ$50.4 million EBITDA
- Exceeded pre-acquisition earnings target
- Registered members grew from 1.3 million to 1.7 million
- Expansion into Travel and New Cars

TRADE ME

SAM MORGAN GENERAL MANAGER, TRADE ME

Trade Me enjoyed solid growth over the past year, both in its core auction site, as well as its specialist classified sites TradeMe Motors, TradeMe Property and TradeMe Jobs.

The total number of registered members grew from 1.3 million to 1.7 million, a remarkable feat in a country estimated to have around 2 million adult internet users. Total live-to-site general items for sale increased from 675,000 to 960,000, and monthly unique browsers increased 23% for the period. Accordingly to Nielsen//Netrating, 65% of all New Zealanders visit Trade Me each month, seven times each on average.

Since launching in August 2006 with 100 jobs, TradeMe Jobs has shown good growth increasing live-to-site listings from 100 to over 9,000 jobs with steadily increasing traffic. TradeMe Property remained the #1 visited real estate site in New Zealand, with around 2.5 times the traffic of its nearest competitor. TradeMe Motor's leadership in the automotive sector was even stronger – with the site receiving five times more traffic than every other New Zealand car site combined for the reported period.

Trade Me has also launched into travel with its new site, Travelbug, and extended TradeMe Motors into new cars.

TURNING OFF FOR THE FUTURE

EARTH HOUR

Proudly supported by Fairfax Media

In Sydney last March 31, at 7:30 pm, a remarkable event took place.

Households and businesses across Sydney turned off their lights for 60 minutes in a simple but profound statement that we must, as a planet, address the reality of climate change.

Earth Hour has proved to be the most significant grassroots initiative to date this year about global warming.

For all who witnessed the event, the city visibly darkened. The lights of the Opera House went out for the very first time.

The Sydney Harbour Bridge was dimmed. Tens of thousands came to the foreshore on the Harbour to see a statement of concern being made – to Sydney, to the country and, thanks to the power of media, to the world.

Couples married by candlelight. Diners in restaurants and at home enjoyed their meals the same way.

Earth Hour had a dramatic impact in addition to its symbolism and the worldwide media coverage it generated.

» On the night, there was a 10.2% drop in energy usage in the Sydney CBD
» 30% of businesses on the ASX100 committed to Earth Hour, and over 2000 businesses signed up to participate
» An estimated 2.2 million Sydney residents took part

Fairfax Media was a founding partner of Earth Hour, along with WWF-Australia and Leo Burnett.

Our initial goal has been to secure, over the next year, a 5% reduction in greenhouse gas emissions by participating companies, which we estimate would be the equivalent if taking 75,000 medium-sized cars off the road for one year.

We are asking all participating companies to be in a position to certify that this has been done by the time Earth Hour strikes again next March 29th.

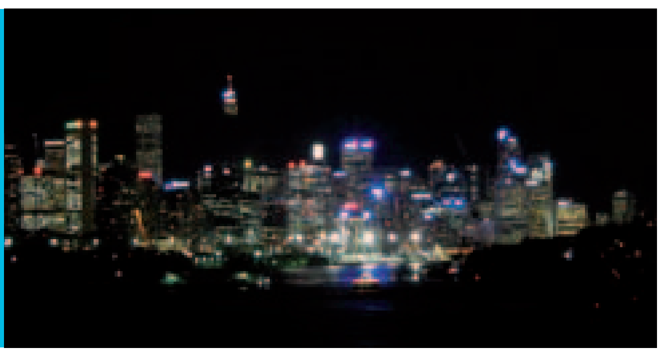
For Fairfax Media, Earth Hour was a very important event, both internally and externally.

Earth Hour, and our commitment to it, was inspired by the power of a simple idea, conceived by Phil McLean, our Group Executive Editor, together with Nigel Marsh of Leo's and Andy Ridley of WWF.

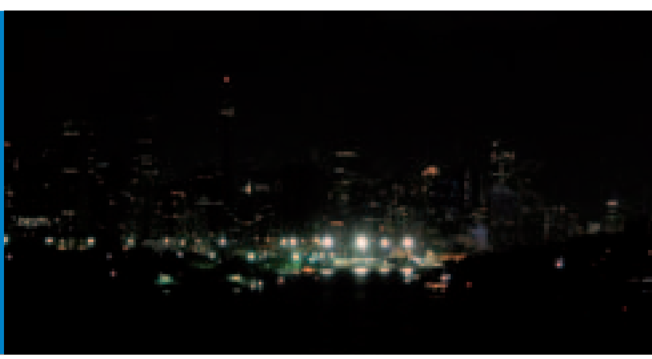
Internally, it captured the imagination and enthusiasm of thousands of our staff.

They were proud that their company was standing up, and doing the right thing for the environment.

BEFORE



DURING



60 EARTH HOUR

The Sydney skyline before and during Earth Hour, 31 March, 2007. 2 million Sydneysiders participated. Electricity use in the CBD was down 10%.

HIGHLIGHTS

- Training and management program in support of Newsroom of the Future at One Darling Island
- Support for the integration with Rural Press
- Driving the Health, Safety and Environment agenda, with enhanced reporting to the CEO and Board
- Delivery of self-service management of key employee information and forms
- Begin replacement and upgrades of editorial and advertising systems
- New circulation and subscription management system
- Secure disaster recovery programs
- Improved newspaper demand forecasting and supply management

IT & HUMAN RESOURCES

LINDA PRICE GROUP DIRECTOR, IT AND HUMAN RESOURCES

The biggest challenge and opportunity is the effective delivery of change. The combined responsibilities of HR and IT is very powerful: the people dimension, together with the technology dimension, are very important to how successfully we manage, navigate and respond to the new media world.

Change means that everyone in the business learns to work differently. Training is crucial, and it has become a major priority. We want our people to be prepared, enthusiastic, trained and well-equipped.

The challenge for IT is to make the investments needed to provide support to the strategy: building our newspapers, aggressive growth online, and creating a digital media company. Our $20 million investment in the Genera editorial system, and our investment in multimedia devices for journalists are prime examples.

Our people are passionate. They have a strong affinity to the mastheads and brands, and want to be part of a quality media environment – which is exactly what Fairfax Media is. David Kirk's leadership – by driving change and investing in our capabilities – is very motivating to our staff.

I'm proud of our work to ensure performance reviews across the company. We have strong integrity into the annual evaluations for our staff, building confidence and trust in their career paths with Fairfax Media.

There is huge competition for good talent, and we want to be an employer of choice. Increasingly, we are.

ROSTER OF PUBLICATIONS AND WEBSITES

FAIRFAX MEDIA AUSTRALIAN PUBLICATIONS

METROPOLITAN NEWSPAPERS

The Sydney Morning Herald
The Sun-Herald
The Age
The Sunday Age
The Canberra Times

REGIONAL NEWSPAPERS

NEW SOUTH WALES

The Herald – Newcastle
Illawarra Mercury
Hunter Post
Newcastle/Lake Macquarie Post
Central Coast Sun Weekly
Port Stephens Examiner
Wollongong Advertiser

VICTORIA

The Border Mail
The Warrnambool Standard

COMMUNITY NEWSPAPERS

NSW

St George & Sutherland Leader
Cooks River Valley Times
The Macarthur Advertiser
Camden Advertiser
Wollondilly Advertiser
Fairfield City Champion
Liverpool City Champion
Bankstown-Canterbury Torch
Blacktown City Sun
Parramatta Sun
Penrith City Star
St Mary's Star
Hills News
Northern Beaches Weekender
South Western Rural

VICTORIA

Melbourne Weekly
Knox Journal
Maroondah Journal
Yarra Ranges Journal
The Journal
Monash Journal
Whitehorse Leader
Macedon Ranges/Sunbury Telegraph
Werribee Banner
Moreland Community News
Moonee Valley Community News
The Altona Laverton Mail
North-West Advocate
Williamstown Advertiser
Melton Express Telegraph
Bacchus Marsh Express Telegraph
Whittlesea Weekly
Valley Weekly
Manningham Weekly
Whitehorse Weekender
Peninsular Journal (was Frankston & District)

MAGAZINES

Good Weekend
Television Magazine
Sunday Life
the(sydney)magazine
theage(melbourne)magazine
Travel + Leisure Australia

FAIRFAX BUSINESS MEDIA

The Australian Financial Review
The Australian Financial Review – Weekend Edition
afr.com
AFR Boss
AFR Magazine
AFR Smart Investor
AFR Sophisticated Traveller
Asset
Business Review Weekly (BRW)
brw.com.au
CFO Australia
MIS Australia
misaustralia.com.au
MIS NZ
MIS Asia
Computerworld
CIO
jobuniverse.co.nz
PC World
NZ Reseller
Fairfax Business Research

FAIRFAX DIGITAL

smh.com.au
theage.com.au
rugbyheaven.com
realfooty.com.au
monyemanager.com.au
tradingroom.com.au
mycareer.com.au
domain.com.au
drive.com.au
stayz.com.au
RSVP.com.au
cracker.com.au
brisbanetimes.com.au
essentialbaby.com.au
countrycars.com.au

NEW ZEALAND DIGITAL

trademe.co.nz
trademeproperty.co.nz
tradememotors.co.nz
trademejobs.co.nz
smaps.co.nz
findsomeone.co.nz
oldfriends.co.nz
stuff.co.nz

FAIRFAX MEDIA NEW ZEALAND PUBLICATIONS

METROPOLITAN NEWSPAPERS

The Dominion Post
The Christchurch Press
Waikato Times

PROVINCIAL NEWSPAPERS

Manawatu Standard
The Marlborough Express
The Nelson Mail
The Southland Times, The Taranaki Daily News
Timaru Herald

NATIONAL NEWSPAPERS

Sunday Star-Times
Sunday News
Turf Digest, Best Bets
The Independent Financial Review

COMMUNITY NEWSPAPERS

Wellingtonian
Hutt News
Kapi-Mana News
Kapiti Observer
Horowhenua Mail
Upper Hutt Leader
Wairarapa News
Christchurch Mail
The Northern Outlook
Central Canterbury News
Central Districts Farmer
Feilding Herald
Rangitikei Mail
The Tribune
Kaikoura Star
Motueka Golden Bay News
The Nelson Leader
The Richmond-Waimea Edition
The Mirror
Clutha Leader
Newslink
Taieri Herald
Otago Southland Farmer
The Bay Chronicle
Central Leader
Auckland City Harbour News
Eastern Courier
East & Bays Courier
Manukau Courier
Papakura Courier
Northern News
North Harbour News
North Shore Times
Norwest Newsbrief
Western Leader
Whangarei Leader
South Taranaki Star
North Taranaki Midweek
High Country Herald
Hamilton Press
Cambridge Edition
Franklin County News
North Waikato News
Hauraki Herald
Matamata Chronicle
East Waikato Country

Rural Delivery
Piako Post
Rotorua Review
South Waikato News
Ruapehu Press
Taupo Times
Rodney Times

FAIRFAX MAGAZINES

Autocar
Cuisine
New Zealand Gardener
NZ House & Garden
TV Guide
Boating New Zealand
New Zealand Fishing News
Fish & Game New Zealand
New Zealand Growing Today
New Zealand Horse & Pony
New Zealand Trucking
Sky Sport

RURAL PRESS PUBLICATIONS, RADIO STATIONS AND WEBSITES

(Fairfax Media merged with Rural Press Limited in May 2007)

AUSTRALIAN METRO PUBLICATIONS

ACT

ACT SeniorLifestyle
Public Sector Informant
See Canberra
The Canberra Times
The Chronicle
The Sunday Times

AUSTRALIAN REGIONAL PUBLICATIONS

NEW SOUTH WALES

The Armidale Express
Armidale Express Extra
Armidale: InTune Magazine
Armidale: MyLife Magazine
Batemans Bay Post/Moruya Examiner
Bathurst Western Advocate
Bathurst Western Times
Bega District News
Bellinger Shire Courier Sun
Blayney Chronicle
Blue Mountains Gazette
Bombala Times
Boorowa News
Bowral Highlands Post
Bowral: Property Press
Bowral: Southern Highland News
Braidwood Tallaganda Times
Canowindra News
Cessnock Advertiser
Cobar Age
Coffs Coast Independent
Coleambally: Colypoint Observer
Cooma Monaro Express/Jindabyne Summit Sun
Cootamundra Herald
Country Leader
Cowra Guardian
Crookwell Gazette
Dubbo Daily Liberal
Dubbo Mailbox Shopper
Dungog Chronicle
Eden Imlay Magnet
Eurobodalla Shire Independent
Eurobodalla TV Guide
Forbes Advocate
Forster: Great Lakes Advocate
Forster: Mid Coast Happenings
Gilgandra Weekly
Glen Innes Examiner
Gloucester Advocate
Goulburn Post
Goulburn: The Post Weekly
Grenfell Record
Griffith: The Area News
Guyra Argus
Harden Murrumburrah Express
Hawkesbury Courier
Hawkesbury Gazette
Henty: Eastern Riverina Chronicle
Hunter Valley Town + Country
Hunter SeniorLifestyle
Hunter Valley News
Junee: Southern Cross
Inverell Times
Kempsey: Macleay Argus
Kempsey: Macleay Valley Happenings
Laurieton: Camden Haven Courier
Leeton: The Irrigator
Lightning Ridge News
Lithgow Mercury
Macksville: Midcoast Observer
Maitland: Lower Hunter Star
Maitland Mercury
Merimbula News Weekly
Moree: Border News
Moree Champion
Mudgee Guardian
Mudgee Weekly
Muswellbrook Chronicle
Muswellbrook: Hunter Valley News
Nambucca Guardian News
Nambucca Heads: Hibiscus Happynings
Narooma News
Narromine News
Newcastle Star
North Coast Lifestylefifty plus
North Coast Town + Country Magazine
Nowra: Shoalhaven + Nowra News
Nowra: South Coast Register
Nyngan Observer
Oberon Review
Orange Central Western Daily
Orange Midstate Observer
Parkes Champion Post
Port Macquarie Express
Port Macquarie News
Port Macquarie: The Happenings
Queanbeyan Age
The Scone Advocate
Singleton Argus
Snowy Times
South Coast Senior Lifestyle
South Coast Weekly
South East Town + Country
Southern Highlands + Macarthur SeniorLifestyle
Southern Weekly Magazine
Sussex Inlet Times
Tamworth: The Northern Daily Leader
Tamworth Times
Taree: Manning Great Lakes Extra
Taree: Manning River Times
Tea Gardens/Hawks Nest: Myall Coast Nota
Tenterfield Star
The Australian Senior
Thornton: Weekend Hunter Star
Ulladulla: Milton Ulladulla Times
Ulladulla: South Coast Leisure Times
Wauchope Gazette
Wagga Wagga: Daily Advertiser
Wagga Wagga: Weekend Advertiser
Wagga Wagga: The Rural
Wagga Wagga: The Riverina Leader
Walcha News
Warren Advocate
Wellington Times
Western Magazine
Wingham Chronicle
Yass Tribune
Young Witness

VICTORIA

Ararat Advertiser
Ballarat Courier
Ballarat News
Bendigo Advertiser
Bendigo Miner
Daylesford + Hepburn Shire Advocate
Horsham: Wimmera Mail Times
Moe + Narracan Shire News
Morwell: Latrobe Valley Express
Sale: Gippsland Times
Stawell Times News
Traralgon Journal

QUEENSLAND

Bayside SeniorLifestyle
Cleveland: Bayside Bulletin
Cleveland: Redland Times
Define
Goondiwindi Argus
Mt Isa: The Northwest Star
Southern Bay News

TASMANIA

Burnie: The Advocate
Campbell Town: Northern Midlands Community News
Deloraine: Meander Valley News
Devonport Times
Explore Tasmania
In Business Tasmania
Launceston Advertiser
Launceston Examiner
Launceston: Sunday Examiner

ROSTER OF PUBLICATIONS AND WEBSITES (CONTINUED)

Melbourne Style
Rosebery Western Herald
St Helens: East Coast News
Tamar Community Times
Tasmanian Farmer
Tasmanian Parent
Tasmanian Senior
Tasmanian Travelways
Xstatic Plus

SOUTH AUSTRALIA

Ceduna: West Coast Sentinel
Clare: Northern Argus
Cleve: Eyre Peninsula Tribune
Kingscote: The Islander
McLaren Vale: On The Coast
Murray Bridge: Murray Valley Standard
Port Augusta: The Transcontinental
Port Lincoln Times
Port Pirie: Flinders News
Port Pirie Recorder
Roxby Downs Sun
Tanunda: Barossa + Light Herald
Victor Harbor Times
Whyalla News

WESTERN AUSTRALIA

Augusta Margaret River Mail
Bunbury Mail
Busselton Dunsborough Mail
Collie Mail
Donnybrook Bridgetown Mail
Esperance Express
Kalgoorlie: The Golden Mail
Mandurah Mail
Merredin Wheatbelt Mercury
Moora: Central Midlands + Coastal Advocate
Northam: Avon Valley Advocate
Perth: Hype Magazine
Perth: Xpress Magazine
Seniors Post
Wagin Argus

WEBSITES

www.lifeislocal.com.au
www.ruralpress.com
www.agquip.com.au
www.autoguide.com.au
www.businessquickfind.com.au
www.buyersguide.com.au
www.canberratimes.com.au
www.examiner.com.au
www.farmonline.com.au
www.farmprogress.com
www.feedstuffs.com
www.holidaysaway.net
www.jobsguide.com.au
www.lifestyle-farmer.co.nz
www.localdirectory.com.au
www.plantorder.com
www.propertyguide.com.au
www.river949.com.au
www.rpinteractive.com.au
www.ruralbookshop.com.au
www.ruralpropertyguide.com.au
www.ruralpresssales.com
www.tackntogs.com
www.yourguide.com.au

PRINTING

Ballarat
Burnie
Canberra
Dubbo
Esperance
Launceston
North Richmond
Mandurah
Morwell
Murray Bridge
Nowra
Ormiston
Port Macquarie
Tamworth
Whyalla

BROADCASTING

5RM Berri
Magic FM Berri
Wild Country Berri
5AU Port Augusta
1332 4BU Bundaberg
93.9 HITZ FM Bundaberg
KIX FM Bundaberg
Magic FM Port Lincoln
5CC Port Lincoln
5CS Port Pirie
River 94.9 FM Ipswich

AUSTRALIAN AGRICULTURAL PUBLISHING

NEW SOUTH WALES

Farm Equipment Trader
Farming Small Areas
NSW Ag Today
The Land

QUEENSLAND

North Queensland Register
Queensland Country Life
Queensland Farmer
Queensland Grains Outlook
Queensland Smart Farmer

SOUTH AUSTRALIA

Stock Journal
The Grower
Smart Farmer

VICTORIA

Stock + Land

WESTERN AUSTRALIA

Farm Weekly
Ripe

NATIONAL

Australasian Flowers
Australian Cotton Outlook
Australian Dairyfarmer
Australian Farm Journal
Australian Horticulture
Australian Landcare
Australian Nursery Manager
Country Music Capital News
Dairy Info. Guide
Flower Register
Good Fruit + Vegetables
Grape Growers & Vignerons
Hortguide
Irrigation and Water Resources
Lotfeeding
Turfcraft

FIELD DAYS + EVENTS

Ag-Quip
FarmFest
Farming Small Areas Expo
NSW Beef Spectacular
Pro-Ag
Queensland Country Life Beef Week
Star Maker Quest
The Land Beef Weeks

USA AGRICULTURAL PUBLISHING

PUBLICATIONS

American Agriculturist
Californian Farmer
Carolina-Virginia Farmer
Dakota Farmer
The Farmer
The Farmer-Stockman
Feedstuffs
Feedstuffs Reference Issue
Indiana Prairie Farmer
Kansas Farmer
Michigan Farmer
Mid-South Farmer
Missouri Ruralist
Nebraska Farmer
Ohio Farmer
Prairie Farmer
Southern Farmer
Tack 'n' Togs
Wallaces Farmer (Iowa)
Western Farmer-Stockman
Wisconsin Agriculturist

FARM SHOWS

Farm Progress Show
Hay Expo
Husker Harvest Days
New York Farm Show
Oklahoma Farm Show

NEW ZEALAND AGRICULTURAL PUBLISHING

PUBLICATIONS

Ag Trader
The Dairyman
Horticulture News
Lifestyle Farmer
New Zealand Grapegrower
Rural Central Districts
Rural Waikato
Straight Furrow

FIELD DAYS

Central District Field Days

get online

Help us protect the environment...

Fairfax Media advises all its shareholders that, as a result of changes in the Corporations Act, this will be the last year that those shareholders who have not elected to receive an electronic copy of the Annual Report will automatically receive a printed version.

Next year's annual report will of course be posted on the internet and easily accessible. www.fxj.com.au

While full provision will be made for shareholders to elect to continue to receive a printed copy of future annual reports, Fairfax Media strongly encourages shareholders to help the Company save extensive printing and distribution costs – and help protect the environment as well.

FAIRFAX IS A
PROUD SUPPORTER
OF EARTH HOUR

60 EARTH HOUR

Fairfax Media

FAIRFAX DIGITAL is the #1 online news site in Australia, with over 14.3 million unique browsers, over 4 million video downloads per month, and strong growth in revenues, earnings and market share

Continued growth in metropolitan newspaper circulation, with The Sunday Age the **FASTEST GROWING NEWSPAPER** in the country

USA
AGRICULTURAL
PUBLISHING

SUPERIOR PERFORMANCE at Rural Press in the face of the worst drought conditions in memory. Strong earnings growth in the US agriculture publications.

Fairfax Magazines command the most attractive audiences in the industry. Good Weekend the **#1 NEWSPAPER INSERTED MAGAZINE REVENUE EARNER**.

Trade Me posts earnings of NZ$50.4 million, and grows strongly across all categories: auctions, cars, property, jobs. **TRAVEL LAUNCHED IN SEPTEMBER 2007.**

Fairfax Magazines in New Zealand **REACH OVER 50%** of all New Zealanders over the age of 10 years.

Fairfax Media has successfully married traditional and new media to become Australasia's leading media company.

Cover images and
Fairfax Media office design by
BATESSMART

Fairfax Media is building the Newsroom of the Future for its new headquarters in Sydney and Melbourne

Fairfax Media

Merger with **RURAL PRESS LIMITED**

ACQUISITION of The Border Mail

ACQUISITION of the Riverina Media Group

LAUNCH of Brisbanetimes.com.au

Trade Me **ACHIEVES PRE-ACQUISITION EARNINGS TARGETS**

EXCELLENT cost management

Major achievements in 2007

Fairfax Digital: strong revenue and earnings growth; **CONTINUED ONLINE NEWS LEADER**

CIRCULATION GROWTH in The Sydney Morning Herald, The Age, and The Australian Financial Review

NEW HQ at One Darling Island, Sydney announced; sale of Spencer Street premises and new Melbourne HQ underway

FAIRFAX MEDIA
IN AUSTRALASIA

FAIRFAX MEDIA AUSTRALIAN PUBLICATIONS

METROPOLITAN NEWSPAPERS

The Sydney Morning Herald
The Sun-Herald
The Age
The Sunday Age
The Canberra Times

REGIONAL NEWSPAPERS

NEW SOUTH WALES

The Herald – Newcastle
Illawarra Mercury
Hunter Post
Newcastle/Lake Macquarie Post
Central Coast Sun Weekly
Port Stephens Examiner
Wollongong Advertiser

VICTORIA

The Border Mail
The Warrnambool Standard

COMMUNITY NEWSPAPERS

NSW

St George & Sutherland Leader
Cooks River Valley Times
The Macarthur Advertiser
Camden Advertiser
Wollondilly Advertiser
Fairfield City Champion
Liverpool City Champion
Bankstown-Canterbury Torch
Blacktown City Sun
Parramatta Sun
Penrith City Star
St Mary's Star
Hills News
Northern Beaches Weekender
South Western Rural

VICTORIA

Melbourne Weekly
Knox Journal
Maroondah Journal
Yarra Ranges Journal
The Journal
Monash Journal
Whitehorse Leader
Macedon Ranges/Sunbury Telegraph
Werribee Banner
Moreland Community News
Moonee Valley Community News
The Altona Laverton Mail
North-West Advocate
Williamstown Advertiser
Melton Express Telegraph
Bacchus Marsh Express Telegraph
Whittlesea Weekly
Valley Weekly
Manningham Weekly
Whitehorse Weekender
Peninsular Journal (was Frankston & District)

MAGAZINES

Good Weekend
Television Magazine
Sunday Life
the(sydney)magazine
theage(melbourne)magazine
Travel + Leisure Australia

FAIRFAX BUSINESS MEDIA

The Australian Financial Review
The Australian Financial Review – Weekend Edition
afr.com
AFR Boss
AFR Magazine
AFR Smart Investor
AFR Sophisticated Traveller
Asset
Business Review Weekly (BRW)
brw.com.au
CFO Australia
MIS Australia
misaustralia.com.au
MIS NZ
MIS Asia
Computerworld
CIO
jobuniverse.co.nz
PC World
NZ Reseller
Fairfax Business Research

FAIRFAX DIGITAL

smh.com.au
theage.com.au
rugbyheaven.com
realfooty.com.au
monyemanager.com.au
tradingroom.com.au
mycareer.com.au
domain.com.au
drive.com.au
stayz.com.au
RSVP.com.au
cracker.com.au
brisbanetimes.com.au
essentialbaby.com.au
countrycars.com.au

NEW ZEALAND DIGITAL

trademe.co.nz
trademeproperty.co.nz
trademotors.co.nz
trademejobs.co.nz
smaps.co.nz
findsomeone.co.nz
oldfriends.co.nz
stuff.co.nz

FAIRFAX MEDIA NEW ZEALAND PUBLICATIONS

METROPOLITAN NEWSPAPERS

The Dominion Post
The Christchurch Press
Waikato Times

PROVINCIAL NEWSPAPERS

Manawatu Standard
The Marlborough Express
The Nelson Mail
The Southland Times, The Taranaki Daily News
Timaru Herald

NATIONAL NEWSPAPERS

Sunday Star-Times
Sunday News
Turf Digest, Best Bets
The Independent Financial Review

COMMUNITY NEWSPAPERS

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Hutt News
Kapi-Mana News
Kapiti Observer
Horowhenua Mail
Upper Hutt Leader
Wairarapa News
Christchurch Mail
The Northern Outlook
Central Canterbury News
Central Districts Farmer
Feilding Herald
Rangitikei Mail
The Tribune
Kaikoura Star
Motueka Golden Bay News
The Nelson Leader
The Richmond-Waimea Edition
The Mirror
Clutha Leader
Newslink
Taieri Herald
Otago Southland Farmer
The Bay Chronicle
Central Leader
Auckland City Harbour News
Eastern Courier
East & Bays Courier
Manukau Courier
Papakura Courier
Northern News
North Harbour News
North Shore Times
Norwest Newsbrief
Western Leader
Whangarei Leader
South Taranaki Star
North Taranaki Midweek
High Country Herald
Hamilton Press
Cambridge Edition
Franklin County News
North Waikato News
Hauraki Herald
Matamata Chronicle
East Waikato Country
Rural Delivery
Piako Post
Rotorua Review
South Waikato News
Ruapehu Press
Taupo Times
Rodney Times

FAIRFAX MAGAZINES

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Cuisine
New Zealand Gardener
NZ House & Garden
TV Guide
Boating New Zealand
New Zealand Fishing News
Fish & Game New Zealand
New Zealand Growing Today
New Zealand Horse & Pony
New Zealand Trucking
Sky Sport

RURAL PRESS PUBLICATIONS, RADIO STATIONS AND WEBSITES

(Fairfax Media merged with Rural Press Limited in May 2007)

AUSTRALIAN METRO PUBLICATIONS

ACT

ACT SeniorLifestyle
Public Sector Informant
See Canberra
The Canberra Times
The Chronicle
The Sunday Times

AUSTRALIAN REGIONAL PUBLICATIONS

NEW SOUTH WALES

The Armidale Express
Armidale Express Extra
Armidale: InTune Magazine
Armidale: MyLife Magazine
Batemans Bay Post/Moruya Examiner
Bathurst Western Advocate
Bathurst Western Times
Bega District News
Bellinger Shire Courier Sun
Blayney Chronicle
Blue Mountains Gazette
Bombala Times
Boorowa News
Bowral Highlands Post
Bowral: Property Press
Bowral: Southern Highland News
Braidwood Tallaganda Times
Canowindra News
Cessnock Advertiser
Cobar Age
Coffs Coast Independent
Coleambally: Colypoint Observer
Cooma Monaro Express/ Jindabyne Summit Sun
Cootamundra Herald
Country Leader
Cowra Guardian
Crookwell Gazette
Dubbo Daily Liberal
Dubbo Mailbox Shopper
Dungog Chronicle
Eden Imlay Magnet
Eurobodalla Shire Independent
Eurobodalla TV Guide
Forbes Advocate
Forster: Great Lakes Advocate
Forster: Mid Coast Happenings
Gilgandra Weekly
Glen Innes Examiner
Gloucester Advocate
Goulburn Post
Goulburn: The Post Weekly
Grenfell Record
Griffith: The Area News
Guyra Argus
Harden Murrumburrah Express
Hawkesbury Courier
Hawkesbury Gazette
Henty: Eastern Riverina Chronicle
Hunter Valley Town + Country
Hunter SeniorLifestyle
Hunter Valley News
Junee: Southern Cross
Inverell Times
Kempsey: Macleay Argus
Kempsey: Macleay Valley Happenings
Laurieton: Camden Haven Courier
Leeton: The Irrigator
Lightning Ridge News
Lithgow Mercury
Macksville: Midcoast Observer
Maitland: Lower Hunter Star
Maitland Mercury
Merimbula News Weekly
Moree: Border News
Moree Champion
Mudgee Guardian
Mudgee Weekly
Muswellbrook Chronicle
Muswellbrook: Hunter Valley News
Nambucca Guardian News
Nambucca Heads: Hibiscus Happynings
Narooma News
Narromine News
Newcastle Star
North Coast Lifestylefifty plus
North Coast Town + Country Magazine
Nowra: Shoalhaven + Nowra News
Nowra: South Coast Register
Nyngan Observer
Oberon Review
Orange Central Western Daily
Orange Midstate Observer
Parkes Champion Post
Port Macquarie Express
Port Macquarie News
Port Macquarie: The Happenings
Queanbeyan Age
The Scone Advocate
Singleton Argus
Snowy Times
South Coast Senior Lifestyle
South Coast Weekly
South East Town + Country
Southern Highlands + Macarthur
SeniorLifestyle
Southern Weekly Magazine
Sussex Inlet Times
Tamworth: The Northern Daily Leader
Tamworth Times
Taree: Manning Great Lakes Extra
Taree: Manning River Times
Tea Gardens/Hawks Nest: Myall Coast Nota
Tenterfield Star
The Australian Senior
Thornton: Weekend Hunter Star
Ulladulla: Milton Ulladulla Times
Ulladulla: South Coast Leisure Times
Wauchope Gazette
Wagga Wagga: Daily Advertiser
Wagga Wagga: Weekend Advertiser
Wagga Wagga: The Rural
Wagga Wagga: The Riverina Leader
Walcha News
Warren Advocate
Wellington Times
Western Magazine
Wingham Chronicle
Yass Tribune
Young Witness

VICTORIA

Ararat Advertiser
Ballarat Courier
Ballarat News
Bendigo Advertiser
Bendigo Miner
Daylesford + Hepburn Shire Advocate
Horsham: Wimmera Mail Times
Moe + Narracan Shire News
Morwell: Latrobe Valley Express
Sale: Gippsland Times
Stawell Times News
Traralgon Journal

QUEENSLAND

Bayside SeniorLifestyle
Cleveland: Bayside Bulletin
Cleveland: Redland Times
Define
Goondiwindi Argus
Mt Isa: The Northwest Star
Southern Bay News

TASMANIA

Burnie: The Advocate
Campbell Town: Northern Midlands Community News
Deloraine: Meander Valley News
Devonport Times
Explore Tasmania
In Business Tasmania
Launceston Advertiser
Launceston Examiner
Launceston: Sunday Examiner
Melbourne Style
Rosebery Western Herald
St Helens: East Coast News
Tamar Community Times
Tasmanian Farmer
Tasmanian Parent
Tasmanian Senior
Tasmanian Travelways
Xstatic Plus

SOUTH AUSTRALIA

Ceduna: West Coast Sentinel
Clare: Northern Argus
Cleve: Eyre Peninsula Tribune
Kingscote: The Islander
McLaren Vale: On The Coast
Murray Bridge: Murray Valley Standard
Port Augusta: The Transcontinental
Port Lincoln Times
Port Pirie: Flinders News
Port Pirie Recorder
Roxby Downs Sun
Tanunda: Barossa + Light Herald
Victor Harbor Times
Whyalla News

WESTERN AUSTRALIA

Augusta Margaret River Mail
Bunbury Mail
Busselton Dunsborough Mail
Collie Mail
Donnybrook Bridgetown Mail
Esperance Express
Kalgoorlie: The Golden Mail
Mandurah Mail
Merredin Wheatbelt Mercury
Moora: Central Midlands + Coastal Advocate
Northam: Avon Valley Advocate
Perth: Hype Magazine
Perth: Xpress Magazine
Seniors Post
Wagin Argus

WEBSITES

www.lifeislocal.com.au
www.ruralpress.com
www.agquip.com.au
www.autoguide.com.au
www.businessquickfind.com.au
www.buyersguide.com.au
www.canberratimes.com.au
www.examiner.com.au
www.farmonline.com.au
www.farmprogress.com
www.feedstuffs.com
www.holidaysaway.net
www.jobsguide.com.au
www.lifestyle-farmer.co.nz
www.localdirectory.com.au
www.plantorder.com
www.propertyguide.com.au
www.river949.com.au
www.rpinteractive.com.au
www.ruralbookshop.com.au
www.ruralpropertyguide.com.au
www.ruralpresssales.com
www.tacktogs.com
www.yourguide.com.au

PRINTING

Ballarat
Burnie
Canberra
Dubbo
Esperance
Launceston
North Richmond
Mandurah
Morwell
Murray Bridge
Nowra
Ormiston
Port Macquarie
Tamworth
Whyalla

BROADCASTING

5RM Berri
Magic FM Berri
Wild Country Berri
5AU Port Augusta
1332 4BU Bundaberg
93.9 HITZ FM Bundaberg
KIX FM Bundaberg
Magic FM Port Lincoln
5CC Port Lincoln
5CS Port Pirie
River 94.9 FM Ipswich

AUSTRALIAN AGRICULTURAL PUBLISHING

NEW SOUTH WALES

Farm Equipment Trader
Farming Small Areas
NSW Ag Today
The Land

QUEENSLAND

North Queensland Register
Queensland Country Life
Queensland Farmer
Queensland Grains Outlook
Queensland Smart Farmer

SOUTH AUSTRALIA

Stock Journal
The Grower
Smart Farmer

VICTORIA

Stock + Land

WESTERN AUSTRALIA

Farm Weekly
Ripe

NATIONAL

Australasian Flowers
Australian Cotton Outlook
Australian Dairyfarmer
Australian Farm Journal
Australian Horticulture
Australian Landcare
Australian Nursery Manager
Country Music Capital News
Dairy Info. Guide
Flower Register
Good Fruit + Vegetables
Grape Growers & Vignerons
Hortguide
Irrigation and Water Resources
Lotfeeding
Turfcraft

FIELD DAYS + EVENTS

Ag-Quip
FarmFest
Farming Small Areas Expo
NSW Beef Spectacular
Pro-Ag
Queensland Country Life Beef Week
Star Maker Quest
The Land Beef Weeks

USA AGRICULTURAL PUBLISHING

PUBLICATIONS

American Agriculturist
Californian Farmer
Carolina-Virginia Farmer
Dakota Farmer
The Farmer
The Farmer-Stockman
Feedstuffs
Feedstuffs Reference Issue
Indiana Prairie Farmer
Kansas Farmer
Michigan Farmer
Mid-South Farmer
Missouri Ruralist
Nebraska Farmer
Ohio Farmer
Prairie Farmer
Southern Farmer
Tack 'n' Togs
Wallaces Farmer (Iowa)
Western Farmer-Stockman
Wisconsin Agriculturist

FARM SHOWS

Farm Progress Show
Hay Expo
Husker Harvest Days
New York Farm Show
Oklahoma Farm Show

NEW ZEALAND AGRICULTURAL PUBLISHING

PUBLICATIONS

Ag Trader
The Dairyman
Horticulture News
Lifestyle Farmer
New Zealand Grapegrower
Rural Central Districts
Rural Waikato
Straight Furrow

FIELD DAYS

Central District Field Days

SOUTHERN CROSS

In July 2007, Fairfax Media joined with Macquarie Media Group Limited in a proposal to acquire Southern Cross Broadcasting (Australia) Limited pursuant to a scheme of arrangement. If the acquisition is completed later this year, Fairfax Media would acquire Southern Cross' radio business (including metropolitan radio stations 2UE here in Sydney, 3AW in Melbourne, and the talk stations in Brisbane, and Perth), and the Southern Star television production business. This is a strategic extension for Fairfax Media into metropolitan radio and video production.

AUSTRALIA'S LEADING MASTHEADS

Fairfax Metropolitan, Regional and Community newspapers include leading mastheads, The Sydney Morning Herald, The Age, and The Canberra Times

AUSTRALIA'S PRE-EMINENT BUSINESS AND FINANCE TITLES

Fairfax Business Media publishes the pre-eminent business and finance titles in Australia, including The Australian Financial Review, BRW, CFO, MIS, BOSS, AFR Smart Investor, inserted magazines AFR Magazine and AFR Sophisticated Traveller, and AFR Access. FBM readers are the most elite and influential in the country.

NZ'S LEADING INTERNET BUSINESS

Trade Me accounts for over 65% of NZ's web traffic. The Trade Me auctions and classified advertising site has 1.4 million NZ members.

NZ'S LARGEST MEDIA COMPANY.

Fairfax Media New Zealand publishes nine daily newspapers, two national Sunday papers, magazines and a news and classifieds internet operation, stuff.co.nz

AUSTRALIA'S LARGEST PUBLISHER OF REGIONAL AND AGRICULTURAL NEWS AND INFORMATION

Rural Press Limited informs on issues affecting the heartland of Australia, NZ and USA.

REACHING MORE THAN A MILLION FARMERS

Rural Press Agricultural Publishing keeps farmers in Australia, NZ and the USA abreast of primary industry trends with 50 newspapers and magazines.

Fairfax Media

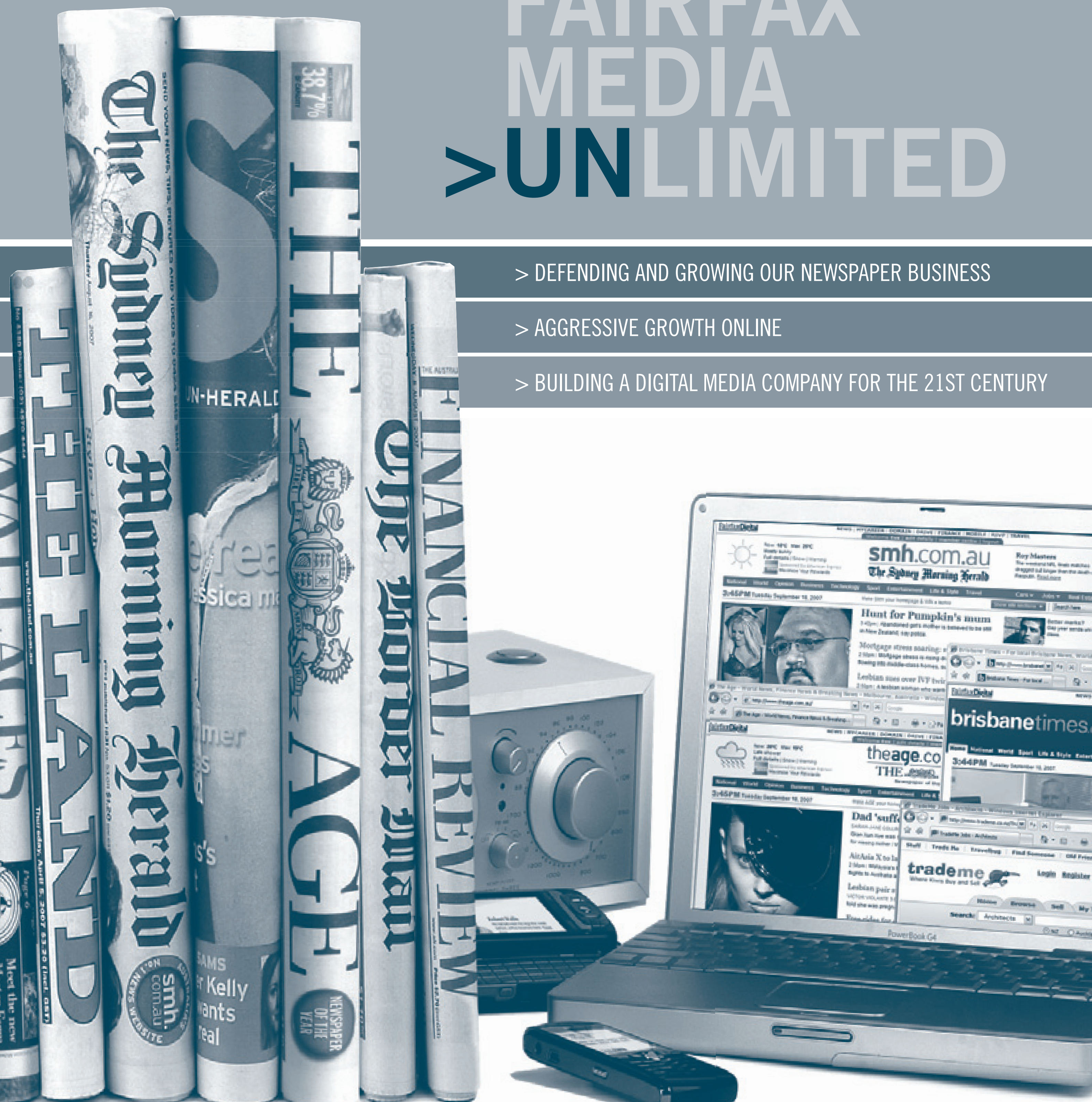
Fairfax Media Limited Annual Report 2007 – Part 2

FAIRFAX MEDIA >UNLIMITED

> DEFENDING AND GROWING OUR NEWSPAPER BUSINESS

> AGGRESSIVE GROWTH ONLINE

> BUILDING A DIGITAL MEDIA COMPANY FOR THE 21ST CENTURY



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CONTENTS

THE FINANCIAL REPORT WAS AUTHORISED FOR ISSUE BY THE DIRECTORS ON 27 SEPTEMBER 2007

FAIRFAX MEDIA
HAS SUCCESSFULLY COMBINED TRADITIONAL AND NEW MEDIA TO BECOME AUSTRALASIA'S LEADING MEDIA COMPANY

AT A GLANCE 2007

"Since we last reported to you a year ago, our company has irrevocably changed for the better, entering a dimension not seen possible in the past."

RONALD WALKER, Chairman

"This has been a successful year of achievement and growth. Our three-pronged strategy of (1) defending and growing our newspapers, (2) accelerated growth online and (3) building a digital media company is working. Fairfax Media is substantially more diversified and is growing. We are significantly stronger today than we were two years ago, and we have excellent prospects for the future."

DAVID KIRK, Chief Executive Officer

DIRECTORS' REPORT

The Board of directors presents its report together with the financial report of Fairfax Media Limited (the Company) and of the consolidated entity, being the Company and its controlled entities for the period ended 1 July 2007 and the auditor's report thereon.

Directors

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

MR RONALD WALKER, AC, CBE

Non-Executive Chairman

MR MARK BURROWS, AO

Non-Executive Deputy Chairman

MR DAVID KIRK

Executive Director and Chief Executive Officer

MR ROGER CORBETT, AM

Non-Executive Director

MR DAVID EVANS

Non-Executive Director

MR JOHN B FAIRFAX, AM

Non-Executive Director
Appointed to the Board on 9 May 2007

MR NICHOLAS FAIRFAX

Non-Executive Director
Appointed to the Board on 9 May 2007

MRS JULIA KING

Non-Executive Director

MR ROBERT SAVAGE

Non-Executive Director
Appointed to the Board on 25 June 2007

MR PETER YOUNG

Non-Executive Director

A profile of each director at the date of this report is included on pages 8-9 of part 1 of the annual report.

Company Secretary

The company secretary, Ms Gail Hambly, was appointed to the position of Group General Counsel and Company Secretary in 1993. Before joining Fairfax Media Limited she practised as a solicitor at a major law firm. She has extensive experience in commercial, media and communication law. Ms Hambly is a member of the Media and Communications Committee for the Law Council of Australia and a member of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia. She holds degrees in Law, Economics, Science and Arts.

Corporate structure

Fairfax Media Limited is a company limited by shares that is incorporated and domiciled in Australia.

Principal activities

The principal activities of the consolidated entity during the course of the financial year were news, information and entertainment publishing and advertising sales in newspaper, magazine and electronic formats.

There were no significant changes in the nature of the consolidated entity during the year other than the matters set out as significant changes in the state of affairs below.

Consolidated result

The consolidated profit attributable to the consolidated entity for the financial year was $263,510,000 (2006: $227,453,000).

DIRECTORS' REPORT

Dividends

A final fully franked dividend of 11.5 cents per ordinary share and debenture in respect of the year ended 30 June 2006 was paid on 6 October 2006. This dividend was shown as approved in the previous annual report.

An interim fully franked dividend of 10 cents per ordinary share and debenture in respect of the period ended 1 July 2007 was paid on 21 March 2007.

Since the end of the financial year, the Board has declared a final fully franked dividend of 10 cents per ordinary share and debenture in respect of the period ended 1 July 2007 payable on 27 September 2007.

Distributions to holders of Stapled Preference Securities (SPS) were paid as follows: $4.3721 per share paid 31 October 2006 and $4.0040 per share paid 30 April 2007.

Review of operations

A review of the operations of the consolidated entity for the financial year is set out in part 1 of the annual report.

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

On 25 July 2006, the consolidated entity acquired The Border Morning Mail Limited group of companies for a consideration of $142.1 million in cash and 4,858,517 ordinary shares at a price of $4.10 per share, for a net consideration of $155 million.

On 7 September 2006, the consolidated entity entered a lease from Mirvac Funds Limited to relocate the headquarters of the consolidated entity from Darling Park to One Darling Island, Pyrmont during 2007.

On 22 February 2007, the consolidated entity entered an agreement to sell and lease back the Spencer Street, Melbourne premises, headquarters of The Age newspaper, to Axiom Properties Ltd and Industry Superannuation Property Trust for $66.1 million.

On 9 May 2007, the consolidated entity finalised a merger with the Rural Press group of companies under a Scheme of Arrangement whereby Rural Press shareholders received scrip and cash from the Company in exchange for their Rural Press shares. Consideration paid for the acquisition of Rural Press consisted of $422.4 million in cash and 452,951,943 ordinary shares at an issue price of $5.09 per share pursuant to the Scheme of Arrangement.

On 15 June 2007, the consolidated entity issued €350 million guaranteed notes maturing 15 June 2012 to refinance debt and fund general corporate purposes. The notes pay a fixed coupon of 5.25% p.a. payable annually in arrears. The interest and principal on the notes are payable in Euro and were swapped into fixed rate Australian dollars via cross currency interest swap.

Likely developments and expected results

The consolidated entity's prospects and strategic direction are discussed in the Chairman's and the Chief Executive Officer's reports on pages 4-7 of part 1 of the annual report.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation and performance

The Company maintains its established practice of commissioning an independent expert to audit and report annually in respect of environmental compliance. Recommendations resulting from these annual audits and reports have been, or are being, implemented. No material non-compliance with environmental regulation has been identified relating to the 2006/07 financial year.

DIRECTORS' REPORT

Events after balance date

PROPOSED ACQUISITION OF SOUTHERN CROSS BROADCASTING

On 3 July 2007, the Company and Macquarie Media Group (MMG) announced a proposal whereby MMG would acquire all of the shares of Southern Cross Broadcasting (Australia) Limited (SCB) and subsequently the Company would acquire certain parts of the SCB business from the MMG acquiring vehicle. MMG will use a special purpose acquisition vehicle to acquire SCB through a Scheme of Arrangement. MMG and the Company have entered into an arrangement which contemplates, following completion of the Scheme of Arrangement, that the Company acquire the Southern Cross radio businesses, Southern Star, Satellite Music Australia and other associated businesses. MMG has conditionally agreed to acquire nine commercial radio broadcast licences currently majority owned by the Company. The net consideration for these sale and purchase transactions is expected to be approximately $480 million to be paid in cash by the Company. The sale and purchase transactions are conditional on the successful completion of the SCB Scheme of Arrangement and regulatory approvals.

US PRIVATE PLACEMENT

On 10 July 2007, the Company issued USD 250 million in Senior Notes in the US private placement market. The Senior Notes have a weighted average maturity of 8.2 years. The interest and principal on the Senior Notes is payable in US dollars and has been swapped into Australian dollars via cross currency swaps.

Remuneration Report

A remuneration report is set out on pages 8-16 and forms part of this Directors' Report.

Directors' Interests

The relevant interest of each director in the equity of the Company, as at the date of this report is:

	ORDINARY SHARES						
	Opening Balance	Acquisition	Disposals	Closing Balance	Post Year End Acquisitions	Post Year End Disposals	Post Year End Balance
MD Burrows	33,552	12,160	-	45,712	2,996	-	48,708
RC Corbett	21,053	8,487	-	29,540	2,542	-	32,082
D Evans	6,456	7,345	-	13,801	31,907	-	45,708
JB Fairfax	-	216,501,147	-	216,501,147	1,906	-	216,503,053
N Fairfax	-	1,210,113	-	1,210,113	2,314	-	1,212,427
JM King	39,336	7,916	-	47,252	2,042	-	49,294
DE Kirk	100,000	224,405	-	324,405	85,795	-	410,200
R Savage	-	-	-	-	13,322	-	13,322
RJ Walker	424,791	589,509	-	1,014,300	4,847	-	1,019,147
P Young	4,369	7,998	-	12,367	1,906	-	14,273
TOTAL	629,557	218,569,080	-	219,198,637	138,297	-	219,348,214

All equity transactions with directors and key senior executives have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Directors' meetings

The following table shows the number of Board and Committee meetings held during the financial period ended 1 July 2007 and the number attended by each director or Committee member.

	MEETINGS **							
			Audit & Risk		Nominations		Personnel Policy and Remuneration	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
MD Burrows	17	15	3	3	-	-	4	4
RC Corbett	17	16	3	3	-	-	4	4
D Evans	17	17	-	-	-	-	4	4
JB Fairfax	2	2	-	-	-	-	-	-
NJ Fairfax	2	2	-	-	-	-	-	-
JM King	17	15	-	-	-	-	4	4
DE Kirk*	17	17	3	3	-	-	4	4
R Savage	-	-	-	-	-	-	-	-
RJ Walker	17	17	3	3	-	-	4	4
P Young	17	15	3	1	-	-	3	3

* DE Kirk attended Audit & Risk and Personnel Policy and Remuneration Committee meetings as an invitee of the Committees.

** Relating to meetings held, the numbers in the columns refer to the number of meetings held while the director was a member of the Board or the relevant Committee.

Options

The employee share option plan ceased in March 2006. No options over unissued shares were granted during or since the end of the financial year. There were no movements in options during the financial year. There are no unissued shares under option as at the date of this report.

Indemnification and insurance of officers and auditors

The directors of the Company and such other officers as the directors determine, are entitled to receive the benefit of an indemnity contained in the Constitution of the Company to the extent allowed by the Corporations Act 2001, including against liabilities incurred by them in their respective capacities in successfully defending proceedings against them.

During or since the end of the financial year, the Company has paid premiums under contracts insuring the directors and officers of the Company and its controlled entities against liability incurred in that capacity to the extent allowed by the Corporations Act 2001. The terms of the policies prohibit disclosure of the details of the liability and the premium paid.

Each director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a director to the extent allowed by the law.

There are no indemnities given or insurance premiums paid during or since the end of the financial year for the auditors.

No officers are former auditors

No officer of the consolidated entity has been a partner of an audit firm or a director of an audit company that is the auditor of the company and the consolidated entity for the financial year.

Non-audit services

Under its Charter of Audit Independence the Company may employ the auditor on assignments additional to statutory audit duties where the type of work performed and the fee for service does not impact on the actual or perceived independence of the auditor.

Details of the amounts paid or payable to the auditor, Ernst & Young for non-audit services provided during the financial year are set out below. Details of amounts paid or payable for audit services are set out in Note 33 to the financial statements.

The Board of Directors has received advice from the Audit & Risk Committee and is satisfied that the provision of the non-audit services did not compromise the auditor independence requirements of the Corporations Act 2001 because none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7 of this report.

During the financial year, Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Subsidiary company and other contractually required audits required by regulatory or other bodies:

- Australia $268,600
- Overseas $271,641

Other assurance and non-assurance services:

- Australia $258,345
- Overseas $34,903

The Rural Press Group became part of the consolidated entity effective 9 May 2007. From 9 May 2007 to the end of the financial year, KPMG, who were the auditors of the Rural Press Group, provided assurance and non-assurance services for the consolidated entity resulting in fees paid to KPMG of $448,692 for non-audit services.

Rounding

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. Amounts contained in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed on behalf of the directors in accordance with a resolution of the directors.

Ronald Walker
Chairman

David Kirk
Chief Executive Officer and Director

27 September 2007

AUDITORS' INDEPENDENCE DECLARATION

ERNST & YOUNG

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Sydney NSW 2001

■ Tel 61 2 9248 5555
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Auditors' Independence Declaration to the Directors of Fairfax Media Limited

In relation to our audit of the financial report of Fairfax Media Limited for the financial period ended 1 July 2007, 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.

Ernst & Young

Ernst & Young

Christopher George
Partner

Sydney
27 September 2007

Liability limited by a scheme approved under Professional Standards Legislation.

REMUNERATION REPORT

1. Introduction

This report forms part of the Company's 2007 Directors' Report and describes the Fairfax remuneration arrangements for directors and prescribed senior executives. It has been prepared to comply with section 300A of the Corporations Act 2001 and accounting standard AASB 124.

Except for sections 1, 2 and the tables in section 5.2, the narrative descriptions and tables contain information required by AASB 124 'Related Party Disclosures'. This information has been audited by Ernst & Young and is included within the scope of the audit report on page 110.

The report also contains details of the equity interests of Fairfax directors and certain senior executives.

2. Personnel Policy and Remuneration Committee (PPRC)

The current members of the PPRC are Roger Corbett (Chairman), Mark Burrows, David Evans and John B Fairfax. All are independent directors. The PPRC met four times during the year.

The Committee's primary responsibilities are to:

(a) review and approve Fairfax employee remuneration strategies and frameworks and to oversee the development and implementation of employee remuneration programs, performance management processes and succession planning with the goal of attracting, motivating and retaining high quality people;

(b) review and recommend to the Board for approval the goals and objectives relevant to the remuneration of the CEO, assist the Board to evaluate the performance of the CEO in light of those goals and objectives, and to recommend to the Board the CEO's remuneration based on this evaluation;

(c) review the principles to apply to contractual terms of employment for direct reports to the CEO including base pay, incentives, superannuation arrangements, retention arrangements, termination payments, performance goals and performance based evaluation procedures and succession plans;

(d) make recommendations to the Board regarding directors' fees and review and recommend the aggregate remuneration of non-executive directors to be approved by shareholders.

The CEO, the IT & Group HR Director and the General Manager, Group HR, regularly attend PPRC meetings but not when their own remuneration arrangements are being discussed.

The Committee commissions reports from independent remuneration experts on market relativities and other matters relating to remuneration practices to assist it with setting appropriate remuneration levels and processes.

3. Remuneration of Non-Executive Directors

Under the Company's Constitution, the aggregate remuneration of non-executive directors is set by resolution of shareholders. The aggregate was last reviewed by shareholders at the 2004 Annual General Meeting and set at $1,500,000 per annum. Within this limit, the Board annually reviews directors' remuneration with advice from the PPRC. The Board also considers survey data on directors' fees paid by comparable companies, and expert advice commissioned from time to time.

Following the recent increase in the number of non-executive directors from six to nine, and the continued growth of the Company and Board responsibilities, the Board has proposed a resolution to be put to shareholders at the Company's Annual General Meeting on 30 November 2007 to increase the aggregate remuneration of non-executive directors to $2,000,000. Details of the proposed resolution are contained in the Notice of Meeting.

Fees to non-executive directors reflect the demands and the responsibilities of each director including service on Board Committees. By resolution of the Board, each non-executive director sacrifices at least 25% per annum of his or her director's fees to the Company's Employee Share Plan. Under this Plan, shares are purchased on-market by an independent trustee on behalf of directors, as well as for employees who have salary sacrificed to participate in the Plan. Share acquisition dates are pre-set by the trustee.

At the date of this report, and subject to shareholder approval, the Board has set fees as follows:

	$
Chairman *	336,000
Deputy Chairman **	180,000
Other Non-Executive Director	120,000
Chairman of Audit & Risk Committee	40,000
Member of Audit & Risk Committee	30,000
Chairman of Personnel Policy & Remuneration Committee	30,000
Members of Personnel Policy & Remuneration Committee	20,000
Chairman of the Nominations Committee	30,000
Members of Nominations Committee	20,000

* Ron Walker, as Chairman, does not receive committee fees.

** Mark Burrows, as Deputy Chairman, does not receive committee fees except as Chairman of the Audit & Risk Committee.

The fees above do not include statutory superannuation payments.

3.1 RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS

The Company makes superannuation contributions on behalf of non-executive directors in accordance with statutory requirements.

The Company has discontinued its previous retirement benefits scheme for non-executive directors. Other than superannuation contributions as outlined above, non-executive directors who did not have five years service on the Board as at 30 June 2004 are not eligible for retirement benefits. Non-executive directors who had served on the Board for at least five years as at 30 June 2004 and who therefore had already qualified for benefits under the previous scheme are, on retirement, entitled to a retirement benefit equivalent to the lesser of:

(a) three times the relevant director's annual directors fee as at 30 June 2004: or

(b) the maximum allowable without shareholder approval under the Corporations Act and the ASX Listing Rules.

4. Remuneration of the Chief Executive Officer

The remuneration details for the CEO are set out in section 5.6 of this report.

The key terms of Mr Kirk's Executive Services Agreement with the Company include a base salary, currently $1.7 million per year, and performance bonus of up to 150% of base salary depending on achievement of defined performance criteria set at the beginning of each financial year. As approved by shareholders at the 2005 AGM, one third of the bonus earned by the CEO is paid in Company shares purchased on market by the trustee of the Employee Share Plan. These shares vest three years from their issue. In addition, under his employment agreement Mr Kirk was entitled to a one-off special payment of $1.2 million in lieu of benefits forgone from previous employment. Of this amount, $400,000 was paid on commencement of employment, a further instalment of $400,000 was paid on 1 July 2006 and the final $400,000 was paid on 1 July 2007. Mr Kirk has salary sacrificed each of the instalments into the Fairfax Employee Share Plan for the purchase of Fairfax shares.

The Board has resolved that a new long-term incentive scheme for senior executives, including the CEO, will be introduced for the 2008 financial year to replace the existing equity-based incentive scheme. Details of the proposed long-term incentive scheme are set out in section 5.2(C) of this report.

On the introduction of the new long-term incentive scheme, Mr Kirk's annual performance bonus entitlement under his Executive Services Agreement has been reduced from up to 150% of base salary to up to 100% of base salary.

5. Remuneration of Senior Executives

The objectives of the Company's executive remuneration framework are to align executive remuneration with the achievement of strategic objectives, the creation of value for shareholders, and to be in line with market.

The PPRC aims to ensure that executive remuneration addresses the following criteria:

- Attract, retain and motivate talented, qualified and experienced people in light of competitive employment markets.
- Align remuneration with achievement of business strategy.
- Align interests of executives and shareholders.
- Deliver competitive cost outcomes.
- Comply with regulatory requirements.
- Be transparent and fair.

The framework provides a mix of fixed salary and performance-based incentives. Payment of performance-based incentives is determined by the financial performance of the Company, the financial performance of the business unit relevant to the executive and the performance of the individual executive against objectives set at the beginning of the year.

The PPRC discusses and approves the remuneration packages and any bonus payments to the direct reports of the CEO annually in August. On the recommendation of the CEO, it also approves key performance indicators for these executives for the following year.

The executive remuneration framework has the following components:

- A fixed remuneration package which includes base pay, superannuation and other benefits.
- Performance incentives.

The combination comprises the executive's total remuneration.

The fixed component of the remuneration package (represents the total cost to the Company and) includes all employee benefits and related Fringe Benefits Tax (FBT), for example, motor vehicle, parking and superannuation.

5.1 PERFORMANCE BASED INCENTIVES (BONUS) FOR SENIOR EXECUTIVES

Annual bonus payments for senior executives depend on achievement of annual financial performance criteria for the Group as well as specific strategic and operational criteria. The bonus criteria for the CEO are set each year by the Board and are also based heavily on achievement of financial targets.

Each senior executive has a target bonus opportunity depending on the accountabilities of the role and impact on Company or business unit performance. For most senior executives reporting directly to the CEO the on-target bonus opportunity for 2007 was 40% of the executive's fixed remuneration package and the maximum bonus opportunity was 80% of the fixed remuneration package. Generally, the bonus opportunity consists of three components: 35% of the bonus opportunity is based on EBITDA and earnings per share, 35% is based on business unit financial performance and 30% is based on other key performance indicators (KPIs). For corporate executives whose duties are not confined to one business unit, generally 60% of the bonus opportunity is based on corporate financial performance.

For the period ended 1 July 2007, the KPIs linked to the incentive plans for senior executives were based on Company performance, individual business unit performance and personal objectives (KPIs). The KPIs required performance in increasing revenue, reducing operating costs and achieving specific targets relating to other key strategic non-financial measures linked to drivers of the Company's performance, including circulation, readership and market position. Specific measures for individuals include EPS, EBITDA, revenue, circulation, readership targets and occupational health and safety targets.

The Board sets Company profit targets annually as part of the budget and strategic planning process. Using a profit target ensures reward is linked to achievement of the business plan and value creation for shareholders. Incentives are leveraged for performance above the threshold to provide incentive for executive over performance.

5.2 EQUITY-BASED INCENTIVE SCHEMES (EBIS)

(A) PRE 2006 FINANCIAL YEAR EBIS (PRE 2006 EBIS)

Participants are senior executives reporting to the CEO whose roles and skills are critical to the strategy of the Company participate in EBIS.

Under the Pre 2006 EBIS in place prior to the 2006 financial year, equity-based incentives (EBIs) were payable according to the total shareholder return (TSR) of the Company over a three year period against a comparator group of companies. The maximum reward was 25% of fixed pay plus bonus and was payable in Company shares.

Each year a target EBI amount was determined for each participating executive (the "Allocation"). At the end of three years from the Allocation date, the Allocation becomes available to the executive ("Vests") if performance hurdles have been met. If the performance hurdles are not met at the end of the third year the executive loses the Allocation.

The comparator group is the ASX 300 Industrial Accumulation Index ("Comparator"). For each Allocation to vest, the Company's TSR over the relevant three year period must outperform the Comparator (the "Hurdle"). Allocations in the EBIS were made in each July 2001, 2002, 2003, 2004 and 2005. Over the performance periods, July 2001–July 2004, July 2002–July 2005, July 2003–July 2006 and July 2004-July 2007, the Hurdle was not met and as a result, the 2001, 2002, 2003 and 2004 Allocations have now been lost. The final allocation (made in 2005) will be tested at the end of the 2008 financial year.

In 2006, the Pre 2006 EBIS was replaced by the current EBIS described below.

(B) CURRENT EBIS

In 2006, after a review of the Pre 2006 EBIS by the PPRC and consultation with an external remuneration expert, the Company replaced the Pre 2006 EBIS with the current EBIS to more closely align shareholders' interests with the Company's remuneration principles.

Under the current EBIS, which applies for bonuses earned in the 2006 and 2007 financial years, one third of the annual bonus earned on the achievement of KPIs, as detailed in Section 5.1 above, is deferred. The deferred amount is remitted to the trustee of the Employee Share Plan who purchases shares on market and allocates the shares inside the Plan to the relevant executive. Each executive's allocated shares vest three years after the allocation date subject to ongoing employment requirements.

The financial performance of the Company in key shareholder value measures over the past five years is shown below:

		AIFRS 2007	AIFRS 2006	AIFRS Restated 2005	AGAAP 2004	AGAAP 2003
Underlying operating revenue	$m	2,117.6	1,907.8	1,873.4	1,767.7	1,208.9
Net profit before significant items	$m	267.8	234.3	237.6	207.6	125.5
Earnings per share before significant items	Cents	23.2	24.5	25.8	21.4	14.4
Dividends per share	Cents	20.0	19.5	23.5	16.5	13.0
Total Shareholder Returns (TSR)*	%	34.20	(5.70)	23.20	36.64	(7.71)

* Total shareholder returns comprises share price appreciation and dividends, gross of franking credits, reinvested in the shares (source: Bloomberg)

(C) PROPOSED LONG TERM EBIS

In August 2007, the PPRC recommended and the Board has approved a new long-term EBIS (Long Term EBIS) be introduced for the CEO and other key executives for the 2008 financial year onwards, with the aim of rewarding executives for creating growth in shareholder value. Participants in the Long term EBIS will receive a percentage of their total fixed remuneration as an allocation of Company shares (Allocation), as part of the performance review process. The number of Company shares to which a participant is entitled will depend on the participant's role and responsibilities.

Company shares for the Allocations will be purchased on market by the Trustee of the Employee Share plan and held by the Trustee in trust until the Allocation vests or is forfeited.

For an Allocation to vest, there will be two performance hurdles, both linked to the Company's return to shareholders. The hurdles will be measured at the end of the three year vesting period. In addition, if an Allocation does not vest at the end of the three year period, a re-test of the performance hurdles will occur at the end of the fourth year, and if satisfied, the Allocation will vest.

Fifty percent of an Allocation will vest on achievement by the Company of the total shareholder return (TSR) target. TSR will be measured against the S&P/ASX 300 Consumer Discretionary Index and shares will vest against the capital weighted percentile thresholds set out in the table below:

TSR performance	% of allocation that vests
Under 50th percentile	Nil
50th percentile	50% of allocation
50th to 75th percentile	Straight line pro rata
Above 75th percentile	100%

The other fifty percent of the Allocation will vest on achievement of the earnings per share (EPS) target. EPS will be measured by the compound annual growth rate (CAGR) of the Company's EPS and vesting will be according to the table below:

EPS performance	% of allocation that vests
Less than 7% CAGR	Nil
7% CAGR	25%
7% to 10% CAGR	Straight line pro rata
10% CAGR or above	100%

OTHER TERMS OF LONG-TERM EBIS

On termination of a participant's employment, vesting rights will depend on the circumstances of the termination. If a participant resigns, unvested allocations will be forfeited however the Board will have a discretion to allow vesting. On termination for fraud or misconduct, allocations will be forfeited. If a participant is terminated without cause, for example made redundant or dies or is permanently disabled, then vesting will be at the Board's discretion and subject to the achievement of the performance hurdles. In the circumstances of an offer to acquire the Company, vesting will be at the Board's discretion.

5.3 RETENTION ARRANGEMENTS

In 2005, retention arrangements were put in place for two key executives to ensure their retention and successful contribution during the transition to the new CEO. The two key executives and the amounts of the retention are:

G Hambly	$300,000
S Narayan	$300,000

To facilitate this arrangement, ordinary Fairfax Media shares were purchased on market by the Trustee of the Employee Share Plan and held in the Employee Share Plan until they vest. The shares vest over a three year period. Vesting is contingent on the executive continuing to be employed by the Company on the date of vesting and also subject to the achievement of pre-set personal KPIs related to each individual's area of responsibility. These KPIs are set by the CEO and PPRC each year. The KPIs are chosen as the most appropriate to drive the successful delivery of business outcomes. The first tranche of 25% of the shares vested on 1 October 2006, the second tranche of 25% is due to vest on 1 October 2007 and the final tranche of 50% is due to vest on 1 October 2008.

5.4 RETIREMENT BENEFITS FOR EXECUTIVES

Except for a small number of long serving executives who are members of a defined benefit superannuation plan, retirement benefits are delivered through contribution superannuation plans. The defined benefit fund (which is closed to new entrants) provides defined lump sum benefits based on years of service, retirement age and the executive's remuneration at the time of retirement.

5.5 EXECUTIVE SERVICES AGREEMENTS

The terms of employment of the CEO are set out in section 4 and in the table below, Remuneration of the Chief Executive Officer.

REMUNERATION REPORT

The remuneration and other terms of employment for the highest paid executives (disclosed pursuant to section 300A of the Corporations Act) are set out in written agreements. Except for Ms Withers, these service agreements are unlimited in term but may be terminated without cause by written notice by either party or by the Company making payment in lieu of notice. They may also be terminated with cause as set out below.

Each of these agreements sets out the arrangements for total fixed remuneration, performance-related cash bonus opportunities, superannuation, termination rights and obligations and eligibility to participate in the equity-based incentive program.

As described elsewhere in this report, executive salaries are reviewed annually. The executive service agreements do not require the company to increase base salary, pay incentive bonuses or continue the participant's participation in equity-based incentive programs. The key non financial terms of the contracts for key executives are set out below. Base pay, bonus and equity payments are set out in tables below.

TERMINATION OF EMPLOYMENT WITHOUT NOTICE AND WITHOUT PAYMENT IN LIEU OF NOTICE

The Company may terminate the employment of the executive without notice and without payment in lieu of notice in some circumstances. Generally this includes if the executive:

(a) commits an act of serious misconduct;

(b) commits a material breach of the executive service agreement;

(c) is charged with any criminal offence which, in the reasonable opinion of the Company, may embarrass or bring the Fairfax Group into disrepute; or

(d) unreasonably refuses to carry out his or her duties including complying with reasonable, material and lawful directions from the Company.

TERMINATION OF EMPLOYMENT WITH NOTICE OR WITH PAYMENT IN LIEU OF NOTICE.

The Company may terminate the employment of the executive at any time by giving the executive notice of termination or payment in lieu of such notice. The amount of notice required from the Company in these circumstances is set out in the below table. If the Company elects to make payment in lieu of all or part of the required notice, payment is calculated on the basis of fixed remuneration excluding bonuses and non-cash incentives, except in the case of David Kirk, who is entitled to $2,000,000 in lieu of the full 12 months notice or a pro rata amount for part thereof.

Name of Executive	Company Termination Notice Period	Employee Termination Notice Period	Post-Employment Restraint
David Kirk	12 months	6 months	- 12 month no solicitation of employees or clients - 12 months no work for a competitor of the Fairfax Group
Don Churchill	12 months	6 months	- 12 month no solicitation of employees or clients - 6 months no work for a competitor of the Fairfax Group
Gail Hambly	18 months	3 months	- 12 month no solicitation of employees or clients - 6 months no work for a competitor of the Fairfax Group
James Hooke*	12 months	6 months	- 12 month no solicitation of employees or clients - 6 months no work for a competitor of the Fairfax Group
Jack Matthews	12 months	6 months	- 12 month no solicitation of employees or clients - 6 months no work for a competitor of the Fairfax Group
Sankar Narayan	12 months	4 months	- 12 month no solicitation of employees or clients - 6 months no work for a competitor of the Fairfax Group
Joan Withers**	6 months	6 months	- 12 month no solicitation of employees or clients - 6 months no work for a competitor of the Fairfax Group

* James Hooke ceased employment with the Company on 13 July 2007.

** Joan Withers has a 3 year fixed term contract. The contract may be terminated during the Term by either party giving 6 months notice and otherwise the provisions relating to termination without notice set out below will apply.

5.6 REMUNERATION OF DIRECTORS

		SHORT-TERM			POST EMPLOYMENT		LONG-TERM	SHARES BASED PAYMENT		
		Directors' Fees	Base Salary & Other Benefits	Cash Bonus	Super-annuation	Retirement Benefits	Cash Benefits	Shares*	Total	Performance Related Total
MD Burrows	2007	214,167	-	-	19,275	-	-	-	233,442	n/a
	2006	173,334	-	-	15,600	-	-	-	188,934	n/a
RC Corbett	2007	151,667	-	-	13,650	-	-	-	165,317	n/a
	2006	128,000	-	-	11,520	-	-	-	139,520	n/a
D Evans	2007	130,000	-	-	11,700	-	-	-	141,700	n/a
	2006	125,833	-	-	11,325	-	-	-	137,158	n/a
JB Fairfax**	2007	20,290	-	-	1,826	-	-	-	22,116	n/a
	2006	-	-	-	-	-	-	-	-	n/a
NJ Fairfax**	2007	24,638	-	-	2,217	-	-	-	26,855	n/a
	2006	-	-	-	-	-	-	-	-	n/a
DE Kirk	2007	-	1,330,192	1,166,667	143,380	-	-	116,666	2,756,905	47%
	2006	-	1,584,957	933,333	70,143	-	171,429	81,897	2,841,759	5%
JM King	2007	140,000	-	-	12,600	-	-	-	152,600	n/a
	2006	122,667	-	-	11,040	-	-	-	133,707	n/a
R Savage**	2007	-	-	-	-	-	-	-	-	n/a
	2006	-	-	-	-	-	-	-	-	n/a
RJ Walker	2007	328,000	-	-	29,520	-	-	-	357,520	n/a
	2006	270,152	-	-	24,314	-	-	-	294,466	n/a
P Young	2007	140,000	-	-	12,600	-	-	-	152,600	n/a
	2006	110,000	-	-	9,900	-	-	-	119,900	n/a
Total remuneration:										
Directors	**2007**	**1,148,762**	**1,330,192**	**1,166,667**	**246,768**	**-**	**-**	**116,666**	**4,009,055**	
	2006	929,986	1,584,957	933,333	153,842	-	171,429	81,897	3,855,444	

* Remuneration includes the fair value of rights to shares, amortised consistent with their vesting period.

** These directors have been appointed during the current financial year (refer to appointment dates above).

Group totals for 2006 are not the same as disclosed in the 2006 report as different individuals and different components of remuneration were disclosed in the 2006 financial year.

5.7 KEY MANAGEMENT PERSONNEL

The following are the key management personnel in addition to directors listed above, for the financial year in accordance with accounting standards.

	Title
David Kirk	Executive Director and Chief Executive Officer
Don Churchill	Managing Director – VIC
Gail Hambly	Group General Counsel and Company Secretary
James Hooke	Managing Director – NSW
Jack Matthews	CEO Fairfax Digital
Brian McCarthy	Deputy CEO and CEO Australia
Sankar Narayan	Chief Financial Officer
Joan Withers	CEO Fairfax New Zealand

REMUNERATION OF THE COMPANY & GROUP EXECUTIVES WHO RECEIVED THE HIGHEST REMUNERATION OR ARE KEY MANAGEMENT PERSONNEL

				SHORT-TERM		POST EMPLOYMENT		SHARES-BASED PAYMENT			
		Company	Group	Base Salary & Other Benefits	Cash Bonus	Super - annuation	Termination Benefits	Options	Shares	Total	Performance Related Total
D Churchill	2007	✓	✓	394,912	86,667	35,429	-	-	11,333	528,341	19%
	2006			403,426	90,667	33,683	-	-	6,044	533,820	17%
G Hambly	2007	✓	✓	391,600	299,638	74,474	-	-	134,937	900,649	48%
	2006			370,898	100,000	44,648	-	2,901	168,689	687,136	39%
J Hooke	2007	✓	✓	406,666	-	35,834	-	-	23,565	466,065	5%
	2006			398,270	84,000	33,938	-	-	37,450	553,658	22%
S Narayan	2007	✓	✓	571,804	442,071	78,387	-	-	151,790	1,244,05	48%
	2006			529,824	200,000	46,974	-	-	180,592	957,390	40%
J Matthews	2007	✓	✓	459,705	116,667	40,295	-	-	3,334	620,001	19%
	2006			-	-	-	-	-	-	-	n/a
J Withers	2007		✓	516,034	91,616	-	-	-	-	607,650	15%
	2006			491,810	114,828	-	-	-	-	606,638	19%
B McCarthy	2007	✓	✓	132,756	-	15,258	-	-	-	148,014	n/a
	2006			-	-	-	-	-	-	-	n/a
TOTAL	2007			**2,873,476**	**1,036,659**	**279,677**	**-**	**-**	**324,598**	**4,514,77**	
	2006			2,194,228	589,495	159,243	-	2,901	392,776	3,338,64	

Remuneration includes the fair value of options granted in a previous period, amortised on a consistent basis to vesting period.

Remuneration includes the fair value of rights to shares, amortised consistent with their vesting period.

J Hooke ceased employment on 13 July 2007.

J Matthews and B McCarthy were not key management persons for the 2006 financial year.

The key management personnel of the Company and Group are also the highest remunerated executives of the company and group with the exception of B McCarthy who only joined the Company and Group on 9 May 2007 following the acquisition of the Rural Press group.

5.8 OPTIONS

During the period ended 1 July 2007:

- no options were granted to directors or key management personnel (2006: nil);
- no options held by directors or key management personnel vested (2006: 300,000);
- no options held by directors or key management personnel lapsed (2006:nil); and
- no options held by directors or key management personnel were exercised (2006:300,000).

5.9 LOANS TO DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

During the period ended 1 July 2007 there were no loans to directors or to key management personnel (2006: nil).

CORPORATE GOVERNANCE

The Company has considered the best practice recommendations established in the ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations" (ASX Principle) and recorded its compliance with the recommendations in the following table.

	Compliance	2007 Annual Report Part 2 Page Reference
Principle 1: Lay solid foundations for management oversight		
1.1 Formalise and disclose the functions reserved to the Board and those delegated to management	✓	19
Principle 2: Structure the board to add value		
2.1 A majority of the board should be independent directors	✓	
2.2 The Chairperson should be an independent director	✓	
2.3 The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual	✓	
2.4 The board should establish a nomination committee	✓	
2.5 Provide the information indicated in *Guide to reporting on Principle 2*	✓	20-22
Principle 3: Ethical and responsible decision making		
3.1 Establish a code of conduct to guide the directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:		
3.1.1 The practices necessary to maintain confidence in the Company's integrity		
3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices	✓	
3.2 Disclose the policy concerning trading in company securities by directors, officers and employees	✓	
3.3 Provide the information indicated in *Guide to reporting on Principle 3*	✓	21-24
Principle 4: Integrity and financial reporting		
4.1 Require the Chief Executive Officer (or equivalent) to state in writing to the board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards	✓	
4.2 The Board should establish an audit committee	✓	
4.3 Structure the audit committee so that it consists of:		
• only non-executive directors	✓	
• a majority of independent directors	✓	
• an independent chairperson, who is not Chairperson of the Board	✓	
• at least three members	✓	
4.4 The audit committee should have a formal charter	✓	
4.5 Provide the information indicated in *Guide to reporting on Principle 4*	✓	21-22
Principle 5: Timely and balanced disclosure		
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	✓	
5.2 Provide the information indicated in *Guide to reporting on Principle 5*	✓	22-23

CORPORATE GOVERNANCE

	Compliance	2007 Annual Report Part 2 Page Reference
Principle 6: Respect for the rights of shareholders		
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	✓	
6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report	✓	22
Principle 7: Recognise and manage risk		
7.1 The Board or appropriate Board committee should establish policies on risk oversight and management	✓	
7.2 The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:	✓	
7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board	✓	
7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects	1	
7.3 Provide the information indicated in *Guide to reporti*ng on Principle 7	✓	21-23
Principle 8: Encourage enhanced performance		
8.1 Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.	✓	9-13, 23
Principle 9: Remunerate fairly and responsibly		
9.1 Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	2	
9.2 The Board should establish a remuneration committee.	✓	
9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	✓	
9.4 Ensure that payment of equity-based executives' remuneration is made in accordance with thresholds set in plans approved by shareholders.	3	
9.5 Provide the information indicated in *Guide to reporting on Principle 9*	✓	8-16
Principle 10: Recognise the legitimate interest of stakeholders		
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	✓	20-21

The above disclosure should be read in conjunction with the following:

1) the Company has complied with the Guide to Compliance with the ASX Principle 7: Recognise and Manage Risk prepared by the Group of 100 and endorsed by the ASX Corporate Governance Council;

2) remuneration policy and procedures are set out in Remuneration Report on pages 8-16 of this report; and

3) equity-based remuneration is not paid to directors other than the CEO. The terms of the CEO's existing equity based incentive were approved by shareholders at the 2005 Annual General Meeting. The Board has resolved to introduce a new long-term equity based incentive scheme for the CEO and key executives from the 2008 financial year. Details of the proposed plan (including hurdles) are set out on pages 11-12 of this report. The new scheme does not require shareholders approval as the shares for the scheme will be purchased on market. Equity-based remuneration paid to non-director key executives under the current Equity Based Incentive Scheme has not been approved by shareholders, as the Board considers it to be part of the total compensation package for those executives and should not be individually segregated for separate approval and all allocations made under the Schemes are fulfilled by on market acquisition of listed shares.

Set out on the following pages are the key corporate governance principles of the Company.

The Board of Directors

The Board of Directors is responsible for the long-term growth and profitability of the corporate entity.

The Board has adopted a Board Charter which sets out the responsibilities of the Board and its structure and governance requirements.

Under the Board Charter, the powers and responsibilities of the Board are to:

(a) set the strategic direction of the Fairfax Group;

(b) provide overall policy guidance and ensure that policies and procedures for corporate governance and risk management are in place to ensure shareholder funds are prudently managed and that the Group complies with its regulatory obligations and ethical standards;

(c) set and monitor performance against the financial objectives and performance targets for the Group;

(d) determine the terms of employment and review the performance of the Chief Executive Officer;

(e) set and monitor the Group's programs for succession planning and key executive development with the aim to ensure these programmes are effective;

(f) approve acquisitions and disposals of assets, businesses and expenditure above set monetary limits;

(g) approve any issues of securities, and entering into any material finance arrangements, including loans and debt issues;

Membership of the Board and its committees at the date of this report is set out in the table below.

The Board of Directors

Director	Membership Type	COMMITTEE MEMBERSHIP Audit & Risk	Nominations	Personnel policy & Remuneration
RJ Walker	Independent Chairman	-	Member	-
DE Kirk	CEO	-	-	-
MD Burrows	Independent Deputy Chairman	Chair	Member	Member
RC Corbett	Independent	Member	-	Chair
D Evans	Independent	-	-	Member
JB Fairfax	Non-Independent	-	-	Member
N Fairfax	Non-Independent	Member	Member	-
JM King	Independent	-	Chair	-
R Savage	Independent	Member	-	-
P Young	Independent	Member	-	-

The qualifications and other details of each member of the Board are set out on pages 8-9 of part 1 of the annual report.

The Constitution requires that the Board have a minimum of three directors and maximum of 12 or such lower number as the Board may determine from time to time. The Board has resolved that presently the maximum number of directors is 10.

The Constitution authorises the Board to appoint directors to vacancies and to elect the Chairman. One third of directors (excluding the Chief Executive Officer and a director appointed to fill a casual vacancy and rounded down to the nearest whole number) must retire at every Annual General Meeting. Other than the Chief Executive Officer, no director may remain in office for more than three years or the third Annual General Meeting following appointment without resigning and being re-elected.

Any director appointed by the Board must stand for election at the next general meeting of shareholders.

The Nominations Committee reviews potential Board candidates when necessary. The Committee may seek expert external advice on suitable candidates.

The Board has adopted a formal Charter for the Nominations Committee. Under the Charter, the Committee uses the following principles to recommend candidates and provide advice and other recommendations to the Board:

- A substantial majority of directors and the Chairman should be Independent.
- The Board should represent a broad range of expertise consistent with the Company's strategic focus.

Any director may seek Independent professional advice at the Company's expense. Prior approval by the Chairman is required, but approval must not be unreasonably withheld.

Independent Directors

Under the Board Charter the majority of the Board and the Chairman must be Independent.

Directors have determined that all directors except the Chief Executive Officer, Mr John B Fairfax and Mr Nicholas Fairfax, are Independent. In assessing whether a director is Independent the Board has considered directors' obligations to shareholders, and the requirements of applicable laws and regulations and the Principles of Good Corporate Governance and Best Practise Recommendations 2003 ("Recommendations"). The guidelines set out in the Recommendations suggest in summary the following criteria:

- Whether or not the director is a substantial shareholder.
- Independence from management.
- Freedom to exercise Independent judgement.

- Whether the director has any present or prior executive role with the Company or the Company's auditor or other professional advisor.
- Whether the director has any significant supplier, customer or contractual relationship with the Company other than as a non-executive director.

Mr John B Fairfax has a relevant share interest of 14.6% in the Company and Mr Nicholas Fairfax has a family relationship with Mr John B Fairfax. On this basis the Board has concluded that, given the shareholding criteria set out by the Recommendations, neither the Messrs Fairfax is classified an Independent director.

Codes of conduct

All directors, managers and employees are required to act honestly and with integrity.

The Company has developed and communicated to all employees, directors and consultants the Fairfax Codes of Conduct. The Codes assist in upholding ethical standards and conducting business in accordance with applicable laws. The Codes also set out the responsibility of individuals for reporting Code breaches.

The Fairfax Code of Conduct aims to:

- provide clear guidance on the Company's values and expectations while acting as a representative of Fairfax;
- promote a common minimum standard of ethical behaviour standards and expectations across the group, all business units and locations;
- offer guidance for shareholders, customers, readers, suppliers and the wider community on our values, standards and expectations, and what it means to work for Fairfax;
- raise employees awareness of acceptable and unacceptable behaviour and provide a means to assist in avoiding any real or perceived misconduct.

Supporting the Codes of Conduct is the Company's range of documented guidelines and policies. These policies are posted on the Company intranet, are communicated to employees at the time of employment and are reinforced by training programmes.

Audit & Risk committee

The Board has had an Audit & Risk committee since listing on the ASX in 1992. The committee operates in accordance with a written charter which sets out its role and functions which are, in summary, to advise and assist the Board on the establishment and maintenance of a framework of risk management, internal controls and ethical standards for the management of the economic entity and to monitor the quality and reliability of financial information for the Group. To carry out this role the committee:

- appoints the external auditor, reviews its performance independence and effectiveness, approves the auditor's fee arrangements and enforces the Company's Charter of Audit Independence;
- ensures that appropriate systems of control are in place to effectively safeguard the value of assets;
- ensures accounting records are maintained in accordance with statutory and accounting requirements;
- monitors systems designed to ensure financial statements and other information provided to shareholders is timely, reliable and accurate;
- formulates policy and oversees key finance and treasury functions;
- seeks to ensure there is an appropriate framework for compliance with all legal and regulatory requirements and monitors performance against these requirements;
- reviews the audit process with the external auditor, including in the absence of management to ensure full and frank discussion of audit issues;
- recommends to the Board the appointment and tenure of the Internal Audit Manager, reviews the Internal Audit Manager's performance, approves the internal audit plan, receives summaries of significant reports prepared by internal audit and meets with the Internal Audit Manager (including in the absence of management if considered necessary).

All Audit & Risk Committee members must be non executive directors. Executives may attend on invitation. The Chairman of the Committee is required to have relevant financial expertise and not be the Chairman of the Board.

The Chairman of the Committee may, at the Company's expense, obtain such external expert advice and obtain assistance and information from officers of the Group as is reasonably required from time to time.

Charter of Audit Independence

The Board has also adopted a Charter of Audit Independence, a copy of which is available on the Corporate website.

The purpose of this Charter is to provide a framework for the Board and management to aim to ensure that the statutory auditor is both independent and seen to be independent. The purpose of an independent statutory audit is to provide shareholders with reliable and clear financial reports on which to base investment decisions. The Charter sets out key commitments by the Board and procedures to be followed by the Audit & Risk Committee and management aimed to set proper framework of audit independence.

To promote audit quality, and effective audit service by suitably qualified professionals, the Board ensures that the auditor is fairly rewarded for the agreed scope of the statutory audit and audit-related services.

Restrictions are placed on non audit work performed by the auditor. Non audit fees above a fixed minimum level may not be incurred without the approval of the Chairman of the Audit and Risk Committee.

The Company requires rotation of the senior audit partner for the Company at least every five years. The Company's audit partner was changed during the financial year.

The Audit & Risk Committee requires the auditor to confirm annually that it has complied with all professional regulations and guidelines issued by the Australian accounting profession relating to auditor independence and to confirm that the auditor has no financial or material business interests in the Company outside of the supply of professional services.

Integrity in financial reporting

As well as the principles set out in the Audit and Risk Committee Charter and the Charter of Audit Independence, the Company has implemented a structure to verify and safeguard the integrity of its financial reporting.

The Chief Executive Officer and the Chief Financial Officer provide a written statement to the Board that to the best of their knowledge and belief, the Company's published financial reports present a true and fair view, in all material respects, of the Company's financial condition and that the operational results are in accordance with relevant accounting standards.

This statement to the Board is underpinned by the requirement for appropriate senior executives to provide a signed letter of representation addressed to the Chief Executive Officer and Chief Financial Officer verifying material issues relating to the executive's areas of responsibility and disclosing factors that may have a material effect on the financial results or operations of the Group.

Disclosure policy

The Company has a Market Disclosure Policy which sets out requirements aimed to ensure full and timely disclosure to the market of material issues relating to the Group to ensure that all stakeholders have an equal opportunity to access information.

The policy reflects the ASX Listing Rules and Corporations Act continuous disclosure requirements.

The Market Disclosure Policy requires that the Company notify the market, via the ASX, of any price sensitive information (subject to exceptions to disclosure under the Listing Rules). Information is price sensitive if a reasonable person would expect the information to have a material effect on the price or value of the Company's securities.

The Chief Executive Officer, the Chief Financial Officer, the Director, Corporate Affairs, General Manager Investor Relations and Group General Counsel and Company Secretary are designated as Disclosure Officers who are responsible for reviewing potential disclosures and deciding what information should be disclosed.

Only the Disclosure Officers may authorise communication on behalf of the Company to the media, analysts and investors. This safeguards the premature exposure of confidential information and aims to ensure proper disclosure is made in accordance with the law. The Disclosure Officers are also authorised to determine whether a trading halt will be requested from the ASX to prevent trading in an uninformed market.

The onus is on all staff to inform a Disclosure Officer of any price sensitive information as soon as becoming aware of it. The Executive Leadership Team is responsible for ensuring staff understand and comply with the policy.

As well as its statutory reporting obligations, the Company actively encourages timely and ongoing shareholder communications.

Company announcements, Annual Reports, Notices of Meetings, analyst and investor briefings, financial results and other information useful to investors such as press releases are placed on the Company's website as soon as practical after release to the ASX.

The Chairman's and the Chief Executive Officer's addresses and the results of resolutions of meetings of shareholders, are also posted on the Corporate Governance section of the Fairfax website.

The external auditor attends the Annual General Meeting and is available to answer shareholder questions about the audit and the audit report.

Risk management

The Board has set a risk management program (including internal control and compliance).

This policy draws upon guidance endorsed by the ASX Corporate Governance Council and seeks to provide a consistent approach to identifying, assessing, and reporting risks, whether they be related to company performance, reputation, safety, environment, internal control, compliance or other risk areas.

Key aspects of the Company's risk management system are summarised as follows:

- Risk is assessed at least annually and revised periodically for each division through the business planning, budgeting, forecasting, reporting and performance management processes.
- The Board, through the Audit & Risk Committee, receives regular reports from management (and independent advisers where appropriate) on key risk areas such as treasury, health safety and environment, regulatory compliance, taxation, finance and internal audit.
- The process for assessing and reporting on risks, internal controls and internal compliance is being standardised, enhanced and formalised across the Group in accordance with available best practice guidance. This is an ongoing process.
- An Executive Risk Committee has been established to oversee the implementation of the Board's risk management policy, including oversight and coordination of risk assessment activities, and coordination of risk reporting.
- The Company has engaged external experts to conduct a regular review of the Fairfax risk management framework (including the process for the identification of key risks across the Company) against better market practice. Improvements to the existing process will be implemented as required after consideration of the outcomes of this review.
- Formal risk assessments are required as part of business case approvals for one-off projects or initiatives of a significant nature. Project teams are responsible for managing the risks identified.
- Under the direction of the Audit and Risk Committee, Internal Audit conducts a program of internal control reviews over key areas based on their importance to the Company, and provides independent assurance over the internal control assessments undertaken by management.

Remuneration

Details of the Company's remuneration policies are set out in the Remuneration Report beginning on page 8.

Directors' dealings in Company shares

By resolution of the Board, each non-executive director sacrifices at least 25% per annum of his or her director's fees to the Company's Employee Share Plan. Under this Plan, shares are purchased on-market by an independent trustee on behalf of directors and employees who have salary sacrificed to participate in the Plan. Share acquisition dates are pre-set and determined by the trustee.

Consistent with the law, directors must not trade directly or indirectly in Fairfax securities while in possession of unpublished price sensitive information.

Price sensitive information is information, usually about the Company or its intentions, which a reasonable person would expect to have a material effect on the price or value of Fairfax securities.

The Company has a written policy on trading in the Company's securities by directors and relevant employees. The policy sets out periods when no trading is to be undertaken and a process for authorisation of trading at other times.

Notwithstanding the above, it is also the responsibility of each individual director to reasonably consider whether he or she is in possession of price sensitive information and, when in doubt, the director should not trade, thus minimising the possibility of a perception of improper trading.

A director must notify the Company Secretary of any change in the director's legal or beneficial interest in Company securities so as to ensure compliance with the disclosure requirements of the ASX Listing Rules.

Review of the Board's effectiveness

The Board conducts a review of its structure, composition and performance annually.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

“Maintaining a strong financial position while managing the significant growth and diversification of the Company has been a major highlight this year.”

Sankar Narayan, Chief Financial Officer

Overview

The net profit attributable to members of the Company increased 15.9% to $263.5 million. Excluding significant items, the underlying net profit increased to $267.8 million, an increase of 14.3% over the previous year. The underlying earnings per share declined 5.3% to 23.2 cents. This fall in earnings per share reflects in part the additional shares issued in May 2007 as part of the consideration for the merger with Rural Press.

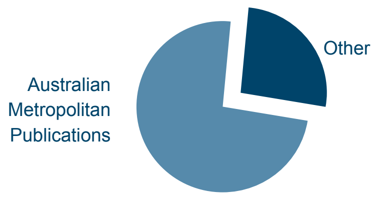
With the merger of Rural Press Limited effective from 9 May 2007, the reported operating results for the past financial year only partially reflect the strength of the combined businesses and the benefits that will be achieved from the merging of these two great companies.

The 2007 financial year has been an eventful one as the Company continued to implement its strategy. Maintaining a strong financial position while managing the significant growth and diversification of the Company has been a major highlight this year.

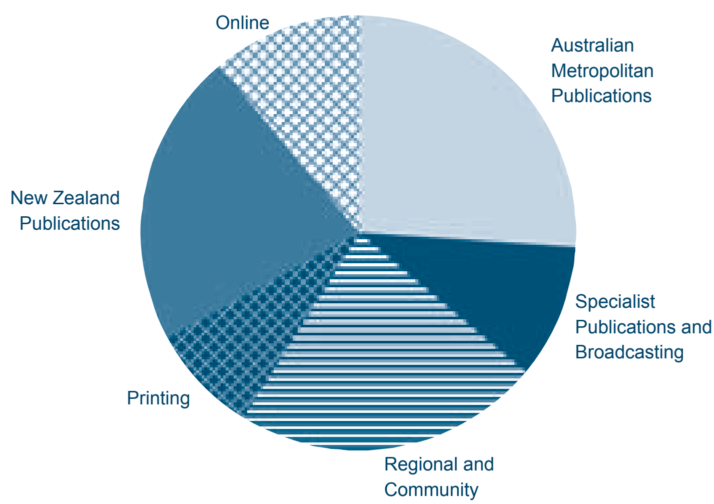
The earnings streams have been significantly diversified as can be seen in the following charts which indicate that earnings are no longer dependant upon one dominant market or publication. This diversification has greatly reduced earnings cyclicality and should provide more consistent earnings growth in the future.

FY2000 EBITDA

FY2003 EBITDA



FY2007 EBITDA*



*Includes 12 month result for Rural Press for FY07

Trading Results

(For comparison purposes, all references exclude significant items and are on an underlying trading basis.)

To better explain the trading results, the following table highlights the results of both Fairfax Media and Rural Press (excluding significant items) on a pre-merger basis and provides a more meaningful comparison of the results to the previous twelve months for each entity.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

	Fairfax Media Pro-forma (1)		Rural Press Pro-forma (1)		Statutory (2)	
	At 1 July 2007	% on pcp	At 1 July 2007	% on pcp	At 1 July	% on pcp
Revenue	2,018.1	6.0	610.0	3.7	2,117.6	11.0
EBITDA	537.6	6.4	209.4	6.9	571.4	13.1
Depreciation	90.3	(13.2)	20.7	-	94.0	(17.8)
EBIT	447.4	5.2	188.8	8.3	477.4	12.2
Interest					111.2	(14.4)
Tax					97.3	(4.2)
Minority Int.					1.1	-
NPAT					267.8	14.3
SPS Dividend[3]					16.6	(186.9)
NPAT (incl SPS)					251.1	9.9
EPS (incl SPS)					23.2	(5.3)
DPS					20.0	2.6

Notes:

1. Pro-Forma results represent the 12 month results for Fairfax Media and Rural Press businesses separately and exclude all non-recurring items.
2. Statutory results represent the consolidation of the Rural Press business into Fairfax Media Limited from the effective date of the merger being 9 May 2007 and exclude all non-recurring items.
3. The SPS dividend represents the portion of the dividend paid during the 2007 financial year after tax, applicable to the period 1 July 2006 to 1 July 2007. The actual dividend paid after tax amounted to $17.9 million.

FAIRFAX MEDIA, EXCLUDING RURAL PRESS

Total revenues grew 6.0% to $2.0 billion with earnings before interest and tax up 5.2% to $447.4 million. Strong performances from the Australian digital, regional and financial publishing businesses and the foreshadowed strong results from our key acquisitions in Trade Me and Border Morning Mail were offset by economic weaknesses in the greater Sydney metropolitan markets and New Zealand.

Trade Me contributed NZ$50.4 in EBITDA to the result, fully delivering on the expectations when the business was acquired last year. All metrics such as live to site auctions and classified listings grew strongly during 2007 and the recent launch of the new Trade Me travel site bodes well for continuing strong growth in 2008. Trade Me also exceeded its pre-acquisition earnings targets in 2007 resulting in NZ$4.8 million being paid to the original shareholders of Trade Me as part of the agreed earn-out provision of the purchase.

Fairfax Digital in Australia increased revenues by 37.8% to $132.9 million with an increase in profit at the earnings before interest, tax and depreciation level of 52.4% to $37.0 million. This business successfully increased market share during the year culminating in classified and display revenues growing strongly across all sites.

Australian publishing revenues increased 3.6% to $1.3 billion however EBITDA fell 1.2% to $294.2 million. As mentioned earlier, the weakness seen in the Sydney metropolitan markets had an adverse effect on the profitability of the publishing businesses.

The regional and community newspapers overall continued to post solid revenue and profit growth.

Both Business Media and the General Magazines businesses posted strong growth in both revenues and profits.

In New Zealand, slowly improving economic conditions led to advertising revenue growth in the second half of the year. In local currency, revenues were down 0.8% with EBITDA down 5.2% for the year.

Cost controls remained very tight across the entire company.

Australian publishing costs increased a total of 5.1% including the effects of acquisitions and new business initiatives during the year. Excluding these, costs on a like-for-like basis were up 1.7% even including a 7% increase in newsprint prices during the period.

Over the past two years, $52 million in real cost savings have been achieved in the Australian publishing businesses through several process simplification and streamlining projects.

Including both acquisitions and restructuring costs, total costs in the New Zealand publishing businesses grew only 1.5% despite strong inflationary pressures on labour costs and an increase in newsprint prices in the second half of the year.

RURAL PRESS

Total revenues grew 3.7% to $610 million with EBITDA up 6.9% to $209.4 million. This was a record result for Rural Press and achieved via a combination of organic growth and acquisitions.

All areas of the company's regional and metropolitan publishing business made a sound contribution to the result in generally reasonable trading conditions. The publications were able to grow revenues and with good cost management continued to improve margins. Earnings in the agricultural publications were a small decline on the previous year due to the adverse seasonal conditions experienced in much of rural Australia during the year.

Printing revenues suffered from a very competitive market, although the earnings contribution improved reflecting the benefits from the upgrade programme implemented over recent years.

A number of regional publishing acquisitions during the year, particularly the Riverina Media Group in Wagga Wagga and the Star, Mt Isa, further enhanced the group's footprint in regional Australia.

Performance from the US agricultural publishing business continued to improve on the solid gains made in the previous year with an earnings improvement of 32.3% on last year in US dollar terms. Some of this benefit was lost on translation with the stronger Australian dollar. New Zealand's contribution was down by a small amount with the subdued economic conditions.

In radio broadcasting, earnings improvements were posted across the group. Particularly pleasing gains were made by the Queensland stations in Bundaberg and Ipswich.

SIGNIFICANT ITEMS

During the year, significant items totalling losses after tax of $4.3 million were incurred. These items were in the three categories of Property, Investments and Impairments, and Fixed Asset Impairment and Restructuring.

Property items totalled a net after tax gain of $12.8 million and comprised the profit on the sale of the Spencer Street property in Melbourne offset by the lease surrender and additional rent costs on the move of the Sydney office from Darling Park to One Darling Island later in the 2007 calendar year. While the move from Sydney CBD to Pyrmont is financially beneficial, the accounting standards require an upfront cost recognition with the gains spread over later years.

The Investments and Impairments items totalled a gain of $1.5 million after tax with the profit on the sale of the investment in Carsales.com.au Limited offset by impairment of investments and mastheads.

The final component of significant items reported for the year comprised of fixed asset impairment and restructuring and redundancy charges driven mostly by the merger with Rural Press. These totalled a loss of $18.6 million after tax. We have increased our guidance of cost savings from the merger from our original estimate of $30m to $45m in FY09.

Balance Sheet and Capital Structure

Last year was significant as we raised over $2 billion in new debt facilities (including refinancing) and issued 541m shares to fund mergers and acquisitions and other activities. Over the past two years our Enterprise Value has increased from approximately $4.8 billion to over $10 billion when the acquisition of the assets from Southern Cross in November 2007 is completed. The key priority during this expansion phase has been to minimise EPS dilution while maintaining investment grade on our debt facilities and we are successfully executing on this.

The Border Morning Mail and Rural Press merger also had a significant impact on the balance sheet. Intangible assets increased by $3.23 billion to $6.13 billion, contributed equity increased by $2.64 billion and net debt increased $526 million to $1.98 billion.

Contributed equity increased from $1.54 billion to $4.18 billion during the year as the number of ordinary shares on issue increased to 1.480 billion from 939.1 million last year. This increase of approximately 541 million shares comprises three main transactions. Firstly, ordinary shares issued as part consideration for the acquisition of Border Morning Mail (4.9 million) and Rural Press (453.0 million), additional ordinary shares issued under the Dividend Reinvestment Plan (16.4 million) and conversion of the Presses into shares (66.3 million).

Cashflow and Capital Expenditure

Cash flow remains very strong with net cash inflows from operating activities increasing 26.6% to $364.9 million.

Spending on capital expenditure of $88.7 million during the year remained below the depreciation and amortisation charge of $94.1 million reflecting the major upgrades of printing plants in past years and the prudent spending of capital. We anticipate that our ongoing maintenance and incremental improvements capital expenditure in the next year will be around $80 million. This expenditure will be supplemented by investment capital expenditure from time to time for large projects that further enhance and generate efficiencies within the businesses with investment returns exceeding our cost of capital.

Debt

During 2007, the Company completed a major refinancing program to finance maturities and raise new debt for the Rural Press merger as well as required financing to cover the anticipated acquisition of the Southern Cross radio network and Southern Star production business scheduled for November 2007.

There were three main components to this financing. Firstly, in April 2007 the Company successfully implemented a bank syndicated facility totalling $1.2 billion. This was followed in June 2007 by the issue of €350 million of Eurobonds and finally in July 2007 the Company via a $US denominated Private Placement raised $US250 million. The interest and principal on the Eurobonds and Private Placement have been swapped into fixed and floating rate Australian dollars via cross currency interest swaps.

The average debt maturity is now 5 years and the Company faces no refinancing risk until late 2009.

Dividends

Total ordinary dividends of $218.4 million were paid during the year, an increase of $42.1 million on last year. As mentioned earlier a Dividend Reinvestment Plan was in operation for these dividends with the Company issuing 16,414,299 shares during 2007.

A fully franked final dividend of 10.0 cents per share has been declared taking the total ordinary dividends per share for 2007 to 20.0 cents per share, an increase of 2.6%. To support the investment grade rating on our debt facilities, a fully underwritten Dividend Re-investment Plan was in operation for the final dividend with a 2.0% discount applied.

FRANKING

Based upon current estimates of income tax payable in Australia as a percentage of the total income tax paid by the Company, it is anticipated that future dividends will be franked at 75%. With the anticipated future growth of the Company's earnings in Australia, we do expect higher levels of franking credits in a few years.

CONSOLIDATED INCOME STATEMENTS

Fairfax Media Limited and Controlled Entities for the period ended 1 July 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Revenue from operations	2(A)	**2,111,385**	1,907,842	**776,463**	346,195
Other revenue	2(B)	**67,155**	2,122	**26,758**	26,490
Total revenue		**2,178,540**	1,909,964	**803,221**	372,685
Share of net profits of associates and joint ventures	10(C)	**2,961**	6,919	**-**	-
Expenses from continuing operations excluding depreciation, amortisation, asset impairment and finance costs	3(A)	**(1,615,034)**	(1,421,216)	**(86,613)**	(84,766)
Depreciation, amortisation and asset impairment	3(B)	**(111,281)**	(79,775)	**(12,635)**	(13,814)
Finance costs	3(C)	**(116,964)**	(99,309)	**(2,743)**	(18,893)
Net profit from continuing operations before income tax expense		**338,222**	316,583	**701,230**	255,212
Income tax (expense)/benefit	5	**(76,601)**	(88,512)	**20,355**	19,056
Net profit from continuing operations after income tax expense		**261,621**	228,071	**721,585**	274,268
Net loss/(profit) attributable to minority interest	25	**1,889**	(618)	**-**	-
Net profit attributable to members of the Company		**263,510**	227,453	**721,585**	274,268

	Note	Consolidated 2007	Consolidated 2006
Earnings per share (cents per share)			
Basic earnings per share (cents per share)	26	**22.7**	23.8
Diluted earnings per share (cents per share)	26	**23.0**	23.8

The above Income Statements should be read in conjunction with the accompanying Notes.

CONSOLIDATED BALANCE SHEETS

Fairfax Media Limited and Controlled Entities as at 1 July 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
CURRENT ASSETS					
Cash and cash equivalents	36(B)	**366,307**	52,748	**687**	954
Trade and other receivables	7	**408,917**	281,852	**1,360,669**	1,186,438
Inventories	8	**48,527**	35,663	**-**	-
Derivative assets	15	**8**	15,305	**-**	-
Assets held for sale	9	**500**	-	**-**	-
Total current assets		**824,259**	385,568	**1,361,356**	1,187,392
NON-CURRENT ASSETS					
Receivables	7	**1,323**	217	**398,705**	398,566
Investments accounted for using the equity method	10	**18,478**	18,333	**-**	3,046
Available for sale investments	11	**1,492**	3,175	**-**	-
Held to maturity investments	12	**16,014**	16,949	**-**	-
Intangible assets	13	**6,131,043**	2,899,648	**21,417**	25,821
Property, plant and equipment	14	**860,044**	654,257	**23,163**	26,696
Derivative assets	15	**165**	15,999	**-**	
Pension asset	16(A)	**13,381**	10,676	**-**	-
Deferred tax assets	17(A)	**117,282**	78,253	**9,310**	6,646
Other financial assets	18	**17,061**	4,119	**3,142,329**	409,570
Total non-current assets		**7,176,283**	3,701,626	**3,594,924**	870,345
Total assets		**8,000,542**	4,087,194	**4,956,280**	2,057,737
CURRENT LIABILITIES					
Payables	19	**289,519**	201,730	**14,640**	15,616
Interest bearing liabilities	20	**12,237**	610,175	**-**	249,536
Derivative liabilities	15	**1,344**	246	**-**	-
Provisions	21	**147,022**	79,465	**4,889**	5,234
Current tax liabilities		**30,425**	7,656	**11,641**	7,486
Total current liabilities		**480,547**	899,272	**31,170**	277,872
NON-CURRENT LIABILITIES					
Interest bearing liabilities	20	**2,335,498**	897,757	**-**	-
Derivative liabilities	15	**90,448**	51,712	**-**	-
Deferred tax liabilities	17(A)	**89,564**	81,634	**3,943**	2,934
Provisions	21	**41,087**	17,635	**1,939**	1,137
Other non-current liabilities		**2,404**	2,375	**-**	-
Total non-current liabilities		**2,559,001**	1,051,113	**5,882**	4,071
Total liabilities		**3,039,548**	1,950,385	**37,052**	281,943
NET ASSETS		**4,960,994**	2,136,809	**4,919,228**	1,775,794
EQUITY					
Contributed equity	22	**4,184,325**	1,541,501	**4,190,440**	1,547,616
Reserves	23	**15,583**	(126,824)	**(1,943)**	595
Retained profits	24	**748,164**	717,414	**730,731**	227,583
Total parent entity interest		**4,948,072**	2,132,091	**4,919,228**	1,775,794
Minority interest	25	**12,922**	4,718	**-**	-
TOTAL EQUITY		**4,960,994**	2,136,809	**4,919,228**	1,775,794

The above Balance Sheets should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE

Fairfax Media Limited and Controlled Entities for the period ended 1 July 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Amounts recognised directly in equity				
Adjustments on adoption of IFRS, net of tax				
Retained earnings	**-**	(580)	**-**	(8,615)
Foreign currency translation reserve	**-**	(3,059)	**-**	-
Cashflow hedge reserve, net of tax	**-**	(648)	**-**	-
Cashflow hedge reserve, net of tax	**(5,425)**	(666)	**-**	-
Net investment hedge reserve, net of tax	**(20,225)**	(4,494)	**-**	-
Foreign currency translation reserve, net of tax	**178,271**	(146,386)	**-**	-
Changes in fair value of available for sale assets, net of tax	**667**	(667)	**-**	-
Actuarial gain on defined benefit plans, net of tax	**1,459**	2,911	**-**	-
Share of asset revaluation of joint venture, net of tax	**887**	-	**-**	-
Minority interest transfer	**619**	-	**-**	-
Share based payment reserve, net of tax	**(3,360)**	-	**(3,360)**	-
Income and (expense) recognised directly in equity	**152,893**	(153,589)	**(3,360)**	(8,615)
Net profit from continuing operations after income tax expense	**261,621**	228,071	**721,585**	274,268
Total recognised income and expense for the financial year	**414,514**	74,482	**718,225**	265,653
Total recognised income and expense attributable to minority interest	**1,889**	(618)	**-**	-
Total recognised income and expense attributable to members of the Company	**416,403**	73,864	**718,225**	265,653

The above Statements of Recognised Income and Expense should be read in conjunction with the accompanying Notes.

CONSOLIDATED CASH FLOW STATEMENTS

Fairfax Media Limited and Controlled Entities for the period ended 1 July 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**2,325,834**	2,114,427	**838**	4,264
Payments to suppliers and employees (inclusive of GST)		**(1,782,749)**	(1,638,467)	**(86,627)**	(95,724)
Interest received		**5,100**	10,795	**26,758**	26,490
Dividends and distributions received		**1,957**	4,972	**775,000**	344,700
Finance costs paid		**(96,132)**	(105,488)	**(2,280)**	(18,601)
Net income taxes paid		**(89,130)**	(98,054)	**(7,041)**	(55,437)
Net cash inflow from operating activities	36(A)	**364,880**	288,185	**706,648**	205,692
Cash flows from investing activities					
Payment for purchase of controlled entities, associates and joint ventures (net of cash acquired)		**(574,247)**	(663,045)	**(427,233)**	(303,046)
Payment for purchase of businesses, including mastheads		**(7,579)**	(14,216)	**-**	-
Payment for property, plant and equipment, software and mastheads		**(88,746)**	(52,554)	**(4,708)**	(16,099)
Proceeds from sale of property, plant and equipment		**64,589**	141	**-**	38
Payment for available for sale investments		**(1,125)**	(4,128)	**-**	
Payment for held to maturity investments		**-**	(16,949)	**-**	
Proceeds from sale of investments and other assets		**23,516**	47	**-**	-
Loans advanced to controlled entities		**-**	-	**(123,915)**	(49,477)
Net cash outflow from investing activities		**(583,592)**	(750,704)	**(555,856)**	(368,584)
Cash flows from financing activities					
Proceeds from issue of shares		**-**	1,913	**-**	1,913
Proceeds from issue of SPS (net of costs)	22(B)	**-**	293,167	**-**	299,282
Proceeds from borrowings and other financial liabilities		**1,256,911**	735,765	**-**	-
Repayment of borrowings and other financial liabilities		**(547,487)**	(488,046)	**-**	-
Transaction costs - debt securities		**(358)**	(375)	**(358)**	-
Dividends paid to shareholders including SPS*		**(176,332)**	(161,162)	**(150,701)**	(161,162)
Net cash inflow/(outflow) from financing activities		**532,734**	381,262	**(151,059)**	140,033
Net increase/(decrease) in cash and cash equivalents held		**314,022**	(81,257)	**(267)**	(22,859)
Cash and cash equivalents at beginning of the year		**52,748**	134,154	**954**	23,813
Effect of exchange rate changes on cash and cash equivalents		**(463)**	(149)	**-**	-
Cash and cash equivalents at end of the financial year	36(B)	**366,307**	52,748	**687**	954

* Under the terms of the DRP, $67.7 million (2006: $61.5 million) of dividends were paid via the issue of 16,414,299 ordinary shares (2006: 14,137,642 ordinary shares). A cash dividend payment of $150.7 million (2006: $161.2 million) was made to ordinary shareholders that did not elect to participate in the DRP.
Total cash dividends for the year totalled $176.3 million (2006: $161.2 million); this includes $25.6 million (2006: $0) made to stapled preference shareholders (SPS).

The above Cash Flow Statements should be read in conjunction with the accompanying Notes.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Fairfax Media Limited as an individual entity and the consolidated entity consisting of Fairfax Media Limited and its controlled entities.

The financial report is for the period 1 July 2006 to 1 July 2007 (2006: the period 1 July 2005 to 30 June 2006). Reference in this report to 'a year' is to the period ended 1 July 2007 or 30 June 2006 respectively, unless otherwise stated. Going forward the Fairfax Media Limited consolidated group will be reporting its annual results on a 52 week year basis.

During the financial year the company changed its name from John Fairfax Holdings Limited to Fairfax Media Limited.

(A) BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards, which include Australian Accounting Interpretations and other mandatory reporting requirements in Australia. The financial report also complies with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared on a going concern basis and on the basis of historical cost principles except for derivative financial instruments and certain financial assets which are measured at fair value. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

Comparatives

Certain comparative amounts have been reclassified.

(B) PRINCIPLES OF CONSOLIDATION

(i) Controlled entities

The consolidated financial statements incorporate the assets and liabilities of the Company, Fairfax Media Limited, and its controlled entities. Fairfax Media Limited and its controlled entities together are referred to in this financial report as the Group or the consolidated entity.

Controlled entities 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 controlled entities by the Group (refer to Note 1(C)). All inter-entity transactions, balances and unrealised gains on transactions between Group entities have been eliminated in full.

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

(ii) Associates and joint ventures

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method, after initially being recognised at cost.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses are 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 and joint ventures are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

1. Summary of significant accounting policies (continued)

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate, 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 and joint ventures are eliminated to the extent of the Group's interest in associates and joint ventures.

(C) ACCOUNTING FOR ACQUISITIONS

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. 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. The excess of the cost of acquisition over the fair value of the net identifiable assets acquired represents goodwill (refer to Note 1(E)(i)).

(D) IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash generating unit is the grouping of assets at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

At each balance date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(E) INTANGIBLES

(i) Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is allocated to cash-generating units for the purposes of impairment testing (refer Note 1(D)). Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1. Summary of significant accounting policies (continued)

(ii) Other intangible assets

Mastheads and tradenames

The newspaper mastheads and tradenames have been assessed to have indefinite useful lives. Accordingly, they are not amortised, instead they are tested for impairment annually, or whenever there is an indication that the carrying value may be impaired, and are carried at cost less accumulated impairment losses.

The Group's mastheads and tradenames operate in established markets with limited license conditions and are expected to continue to complement the Group's new media initiatives. On this basis, the directors have determined that mastheads and tradenames have indefinite lives as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group.

Radio licences

Radio licences, being commercial radio licences held by the consolidated entity under the provisions of the Broadcasting Services Act 1992, have been assessed to have indefinite useful lives. Accordingly, they are not amortised, instead they are tested for impairment annually, or whenever there is an indication that the carrying value may be impaired, and are carried at cost less accumulated impairment losses.

Web-Sites

Internal and external costs directly incurred in the development of web-sites are capitalised and amortised using a straight-line method over the assessed useful lives of the web-sites. Capitalised web-site costs are reviewed annually for potential impairment.

Computer software

Acquired computer software licences are capitalised as an intangible as are internal and external costs directly incurred in the purchase or development of computer software, including subsequent upgrades and enhancements when it is probable that they will generate future economic benefits attributable to the consolidated entity. These costs are amortised using the straight-line method over three years.

Other

Other intangibles, where applicable, are stated at cost less accumulated amortisation and impairment losses. The useful lives of the intangible assets are assessed to be either finite or indefinite and are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Other intangible assets created within the business are not capitalised and are expensed in the income statement in the period the expenditure is incurred.

Intangible assets are tested for impairment annually (refer to Note 1(D)).

(F) FOREIGN CURRENCY

(i) Currency of presentation

All amounts are expressed in Australian dollars, which is the consolidated entity’s 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).

1. Summary of significant accounting policies (continued)

(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 reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation and qualifying cash flow hedges, which are deferred in equity until disposal. Tax charges and credits attributable to exchange differences on borrowings are also recognised in equity.

Translation differences on non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Translation differences on non-monetary items, such as available for sale financial assets, are translated using the exchange rates at the date when the fair value was determined and included in the fair value reserve in equity.

(iii) Group entities

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that 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 on any net investment in foreign entities are taken directly to a separate component of equity, the net investment hedge reserve.

On disposal of a foreign entity, or borrowings that form part of the net investment are repaid, the deferred cumulative amount of the exchange differences in the net investment hedge reserve relating to that foreign operation is recognised in the income statement as part of the gain or loss on sale. 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.

(G) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the amount of the revenue can be reliably measured. Advertising and circulation revenue from the sale of newspapers, magazines and other publications is recognised on publication net of expected returns and pricing adjustments. Revenue from rendering of services is recognised when control of a right to be compensated for the services has been attained and the stage of completion of the service contract can be reliably measured. Stage of completion is measured by reference to the services performed to date as a percentage of total estimated services to be performed for each contract. If a contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Revenue from dividends and distributions from controlled entities are recognised by the Company when they are declared by the controlled entities.

Interest is recognised as it accrues, taking into account the effective yield on the financial asset.

1. Summary of significant accounting policies (continued)

(H) INCOME TAX AND OTHER TAXES

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributed to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Deferred tax assets and liabilities are recognised for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables are stated with the amount of GST included.

This net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cashflows are included in the cash flow statement on a gross basis and the GST component of cashflows arising from investing and financing activities, which are recoverable from, or payable to the taxation authority are classified as operating cashflows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

1. Summary of significant accounting policies (continued)

Tax consolidation - Australia

Fairfax Media Limited (the head entity) and its wholly-owned Australian entities have implemented the tax consolidation legislation as of 1 July 2003. Each member in the tax consolidated group continues to account for their own current and deferred tax amounts as if they continued to be a modified stand alone taxpayer in its own right.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default of the head entity, Fairfax Media Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Fairfax Media Limited for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits transferred to Fairfax Media Limited under the tax consolidation legislation. Assets or liabilities arising under tax funding arrangements with the tax consolidated entities are recognised as 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.

(I) LEASES

(i) Finance leases

Assets acquired under finance leases which result in the consolidated entity receiving substantially all the risks and rewards of ownership of the asset are capitalised at the lease’s inception at the lower of the fair value of the leased property or the estimated present value of the minimum lease payments. The corresponding finance lease obligation, net of finance charges, is included within interest bearing liabilities. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the liability for each accounting period. The leased asset is included in property, plant and equipment and is depreciated over the shorter of the estimated useful life of the asset or the lease term.

(ii) Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Net rental payments, excluding contingent payments, are recognised as an expense in the income statement on a straight-line basis over the period of the lease.

(J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term investments with original maturities of three months or less that are readily convertible to cash and subject to insignificant risk of changes in value. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

(K) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised at amortised cost, which in the case of the Group, is the original invoice amount less an allowance for any uncollectible amount. Collectability of trade receivables is reviewed on an ongoing basis and a provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts.

Interest receivable on related party loans is recognised on an accruals basis.

1. Summary of significant accounting policies (continued)

(L) INVENTORIES

Inventories including work in progress are stated at the lower of cost and net realisable value. The methods used to determine cost for the main items of inventory are:

- raw materials (comprising mainly newsprint and paper on hand) are assessed at average cost and newsprint and paper in transit by specific identification cost;
- finished goods and work-in-progress are assessed as the cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity; and
- in the case of other inventories, cost is assigned by the weighted average cost method.

A provision for diminution in value of inventories exists to cover the estimated decline in value from the effects of storage hazards.

(M) AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale financial assets are investments in listed equity securities in which the Group does not have significant influence or control. They are stated at fair value based on current prices and unrealised gains and losses arising from changes in the fair value are recognised in the asset revaluation reserve. The assets are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

(N) INVESTMENTS AND OTHER FINANCIAL ASSETS

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at each reporting date.

The consolidated entity classifies and measures its investments as follows:

(i) Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss on initial recognition. The policy of management is to designate a financial asset at fair value through profit and loss if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. These assets are measured at fair value and realised and unrealised gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are included in receivables in the balance sheet and measured at amortised cost using the effective interest method.

(iii) Other financial assets

These assets are non-derivatives that are either designated or not classified in any of the other categories and measured at fair value. Any unrealised gains and losses arising from changes in fair value are included in equity, impairment losses are included in profit and loss. Investments in partnerships are carried at cost less impairment loss.

(iv) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and ability to hold to maturity. These assets are measured at amortised cost using the effective interest method.

1. Summary of significant accounting policies (continued)

Financial assets other than derivatives are recognised at fair value or amortised cost in accordance with the requirements of AASB 139. Where they are carried at fair value, gains and losses on remeasurement are recognised directly in equity unless the financial assets have been designated as being held at fair value through profit and loss, in which case the gains and losses are recognised directly in the income statement.

All financial liabilities other than derivatives are carried at amortised cost.

The Group uses derivative financial instruments such as forward foreign currency contracts, and foreign currency and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Derivatives, including those embedded in other contractual arrangements, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The measurement of the fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Hedge accounting
For the purposes of hedge accounting, hedges are classified as either fair value hedges (hedges of the fair value of recognised assets or liabilities or a firm commitment) or cash flow hedges (hedges of highly probable forecast transactions).

Fair value hedge
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. Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument the adjustment is amortised to the income statement such that it is fully amortised by maturity.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Cash flow hedge
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 immediately in the income statement. Gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

The consolidated entity's interest rate swaps and cross currency swaps held for hedging purposes are generally accounted for as cash flow hedges.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Derivatives that do not qualify for hedge accounting
For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

1. Summary of significant accounting policies (continued)

(O) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost less depreciation. Directly attributable costs arising from the acquisition or construction of fixed assets, including internal labour and interest, are also capitalised as part of the cost.

Recoverable amount

All items of property, plant and equipment are reviewed annually to ensure carrying values are not in excess of recoverable amounts. Recoverable amounts are based upon the present value of expected future cashflows.

Depreciation and amortisation

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

Buildings	up to 60 years
Printing presses	up to 20 years
Other production equipment	up to 15 years
Other equipment	up to 40 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. Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in the income statement.

(P) TRADE AND OTHER PAYABLES

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received. Loans payable to related parties are carried at amortised cost and interest payable is recognised on an accruals basis.

(Q) PROVISIONS

Provisions are recognised when an entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to others as a result of past transactions, or past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before balance date.

(R) INTEREST-BEARING LIABILITIES

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Preferred reset securities exchangeable for shares (PRESSES) are classified as liabilities (refer to Note 20). The dividends on these shares are recognised in the income statement as a finance cost. On 27 July 2006, the PRESSES were converted into ordinary shares in accordance with the terms of the PRESSES issue (refer to Note 20).

Finance lease liabilities are determined in accordance with the requirements of AASB 117 Leases (refer to Note 1(I)).

1. Summary of significant accounting policies (continued)

Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation or ancillary costs incurred in connection with arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate. There were no borrowing costs capitalised during either of the past two financial years.

(S) EMPLOYEE BENEFITS

(i) Wages, salaries, annual leave and long service leave

Liabilities for wages and salaries, holiday pay and annual leave are recognised in the provision for employee benefits and measured at the amounts expected to be paid when the liabilities are settled.

The employee benefit liability expected to be settled within twelve months from balance date is recognised in current liabilities. The non-current provision relates to entitlements, including long service leave, which are expected to be payable after twelve months from balance date and are measured as the present value of expected future payments to be made in respect of services employee departures and periods of service. Expected future payments are discounted using market yields at balance date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

(ii) Share-based payment transactions

Share based compensation benefits can be provided to employees in the form of shares and/or options. No options have been issued by the Company since the 2001 financial year.

The cost of share based payments is recognised over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The market value of shares issued to employees for no cash consideration under the Long Term Incentive Share Plan is recognised as an employee benefits expense over the vesting period (refer to Note 32).

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in earnings per share (refer Note 26).

1. Summary of significant accounting policies (continued)

(iii) Defined benefit superannuation plans

Fairfax Media Limited and certain controlled entities participate in a number of superannuation plans.

An 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 balance 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 in retained earnings in the periods in which they arise.

Contributions made by the Company to defined contribution superannuation funds are charged to the income statement in the period the employee's service is provided.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(T) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Preferred reset securities exchangeable for shares are classified as liabilities (refer Note 1(R)). Stapled preference shares are classified as equity (refer Note 22(B)).

Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a reduction from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Debentures

Debentures have been included as equity as the rights attaching to them are in all material respects comparable to those attaching to the ordinary shares. Such debentures are unsecured non-voting securities that have interest entitlements equivalent to the dividend entitlements attaching to the ordinary voting shares and rank equally with such shares on any liquidation or winding up. These interest entitlements are treated as dividends.

The debentures are convertible into shares on a one-for-one basis at the option of the holder provided that conversion will not result in a breach of any of the following:

(i) any provision of the Foreign Acquisitions and Takeovers Act 1975;
(ii) any undertaking given by the Company to the Foreign Investment Review Board or at the request of the Foreign Investment Review Board from time to time; or
(iii) any other applicable law including, without limitation the Broadcasting Act 1942.

1. Summary of significant accounting policies (continued)

(U) EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members, adjusted to exclude costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share is calculated by dividing the basic EPS earnings adjusted by the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(V) 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. Geographical segments are the consolidated entity's primary reporting format.

(W) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are:

(i) Impairment of goodwill and intangibles with indefinite useful lives

The Group tests annually whether goodwill and intangible assets with indefinite useful lives are impaired. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are detailed in Note 13.

(ii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

(iii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in Note 32.

The Group measures the cost of share-based payments at fair value at the grant date using the Monte Carlo formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 32.

(iv) Defined benefit plans

Various actuarial assumptions are required when determining the Group's superannuation plan obligations. These assumptions and the related carrying amounts are discussed in Note 16.

1. Summary of significant accounting policies (continued)

(v) Held-to-maturity investments

The Group follows the AASB 139 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances explained in AASB 139, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost which would result in a corresponding entry in the fair value reserve in shareholders' equity. Furthermore, the entity would not be able to classify any financial assets as held-to-maturity for the following two financial years.

(X) ROUNDING OF AMOUNTS

The consolidated entity is of a kind referred to in Class Order 98/0100, 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 this report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(Y) NEW ACCOUNTING STANDARDS AND UIG INTERPRETATIONS

With the move to International Financial Reporting Standards in fiscal 2006, the Australian Accounting Standards Board announced that it would maintain a 'stable platform' of standards for the 2006 and 2007 fiscal years to allow entities to implement and 'bed down' the new IFRS standards. During the 2007 fiscal year, the Australian Accounting Standards Board has issued new standards and numerous amendments to existing standards, none of the new standards or amendments to existing standards are effective until the 2008 fiscal year.

A list of the new standards and existing standards to which amendments have been made are listed below. None of these new or updated standards are mandatory for 1 July 2007 reporting periods, and the Fairfax Group has not elected to early adopt any of these new or updated standards. It is the Group's and the parent entity's assessment that application of these standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in future annual financial reports.

Australian Accounting Standards newly released or amended in the past fiscal year: 1, 2, 3, 4, 5, 6, 7, 8, 102, 107, 108, 110, 111, 112, 114, 116, 117, 118, 119, 120, 121, 123, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023, and 1038.

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
2. Revenues				
(A) REVENUE FROM OPERATIONS				
Revenue generated from sales of:				
Newspapers	**1,631,724**	1,555,656	**-**	-
Magazines	**215,043**	201,395	**-**	-
Online and other	**221,943**	133,513	**1,463**	1,495
Total sales revenue	**2,068,710**	1,890,564	**1,463**	1,495
Revenue from printing and other services	**41,955**	16,254	**-**	-
Dividend/distribution revenue				
Wholly owned controlled entities	**-**	-	**775,000**	344,700
Other corporations	**319**	1,024	**-**	-
Partnership revenue	**401**	-	**-**	-
Total revenue from continuing operations	**2,111,385**	1,907,842	**776,463**	346,195
(B) OTHER REVENUE				
Interest income				
Wholly owned controlled entities	**-**	-	**26,557**	26,482
Other corporations	**5,760**	2,122	**201**	8
Net gain on sale of property, plant and equipment	**41,859**	-	**-**	-
Net gain on sale of investments	**13,227**	-	**-**	-
Other	**6,309**	-	**-**	-
Total other revenue	**67,155**	2,122	**26,758**	26,490
Total revenue	**2,178,540**	1,909,964	**803,221**	372,685

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000

3. Expenses

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
(A) EXPENSES BY NATURE				
Staff costs excluding staff redundancy costs	**696,852**	620,064	**40,138**	38,938
Newsprint and paper	**269,057**	242,891	**-**	-
Distribution and other production costs	**235,522**	225,156	**9**	5
Promotion and advertising costs	**88,141**	91,270	**69**	63
Staff redundancy costs	**12,862**	19,518	**832**	2,620
Rent and outgoings	**78,076**	37,773	**23,050**	20,851
Repairs and maintenance	**24,417**	21,597	**4,963**	5,022
Communication costs	**17,418**	14,980	**2,305**	2,423
News services	**12,398**	10,947	**40**	87
Computer costs	**15,135**	12,689	**5,997**	5,833
Fringe benefits tax, travel and entertainment	**23,534**	24,472	**2,105**	2,814
Other	**141,622**	99,859	**7,105**	6,110
Total expenses before depreciation, amortisation, asset impairment and finance costs	**1,615,034**	1,421,216	**86,613**	84,766
(B) DEPRECIATION, AMORTISATION AND ASSET IMPAIRMENT				
Depreciation of freehold property	**3,574**	3,188	**-**	-
Depreciation of plant and equipment	**68,594**	60,751	**4,779**	5,572
Amortisation of leasehold property/buildings	**1,504**	1,396	**144**	-
Amortisation of software	**19,447**	14,440	**7,712**	8,242
Amortisation of customer relationships	**892**	-	**-**	-
Impairment of depreciable assets	**17,270**	-	**-**	-
Total depreciation, amortisation and asset impairment	**111,281**	79,775	**12,635**	13,814
(C) FINANCE COSTS				
Finance costs				
External corporations/persons (including PRESSES)	**112,127**	94,520	**2,743**	18,893
Finance lease	**4,837**	4,789	**-**	-
Total finance costs	**116,964**	99,309	**2,743**	18,893
(D) DETAILED EXPENSE DISCLOSURES				
Costs of sales	**764,415**	736,498	**-**	-
Operating lease rental expense	**30,023**	27,869	**22,567**	20,418
Lease surrender fee & additional rent costs - Darling Park head office	**37,188**	-	**-**	-
Defined contribution fund expense	**41,685**	35,762	**3,794**	2,901
Share based payments expense	**822**	230	**822**	230
Net foreign exchange (gain)/loss	**(113)**	1,948	**205**	10

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
4. Significant items				
The profit after tax from continuing operations includes the following whose disclosure is relevant in explaining the financial performance of the consolidated entity.				
Property - Comprising:				
Profit on sale of Spencer Street property *	**41,929**	-	**-**	-
Lease surrender fee and additional rent and other costs - Darling Park to the new facility at One Darling Island, Pyrmont **	**(41,283)**	-	**(2,377)**	-
Income tax benefit	**12,184**	-	**713**	-
Property gain/(loss), net of tax	**12,830**	-	**(1,664)**	-
Investments and Impairments - Comprising:				
Share of profits from an associate's, Australian Associated Press Pty Limited, sale of one of its operating divisions	**-**	4,380	**-**	-
Profit on sale of investment in Carsales.com.au Limited ***	**13,227**	-	**-**	-
Impairment of investments and assets held for sale	**(8,538)**	-	**(3,046)**	-
Impairment of mastheads	**(6,666)**	-	**-**	-
Outside equity interest share of masthead impairment	**3,000**	-	**-**	-
Income tax benefit	**519**	-	**-**	-
Investment gains and impairment of intangibles and investments, net of tax	**1,542**	4,380	**(3,046)**	-
Fixed asset impairment and restructuring - Comprising:				
Impairment of plant, equipment and software	**(17,270)**	-	**(553)**	(1,582)
Restructuring and redundancy charges	**(9,344)**	(16,080)	**-**	-
Income tax benefit	**7,982**	4,824	**166**	475
Fixed asset impairment and restructuring, net of tax	**(18,632)**	(11,256)	**(387)**	(1,107)
Net significant and non-recurring items after income tax expense	**(4,260)**	(6,876)	**(5,097)**	(1,107)

* The consolidated entity has utilised existing capital losses and as such no income tax is payable on the disposal of the Spencer Street property

** Other property costs includes the lease surrender fee, real estate consultant fees, write-off of assets and fixtures that cannot be relocated from the Darling Park offices to the new office location

*** The consolidated entity has utilised existing capital losses and as such no income tax is payable on the disposal of the investment in Carsales.com.au Limited

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
5. Income tax expense				
Income tax expense is reconciled to prima facie income tax payable as follows:				
Net profit before income tax expense	**338,222**	316,583	**701,230**	255,212
Prima facie income tax at 30% (2006: 30%)	**101,467**	94,975	**210,369**	76,564
Tax effect of differences:				
Share of net profits of associates and joint ventures	**(638)**	(531)	**-**	-
Capital gains not taxable	**(17,597)**	-	**-**	-
Non deductible depreciation and amortisation	**-**	(46)	**-**	-
Non assessable dividends	**(590)**	(1,482)	**(232,500)**	(103,410)
(Over)/under provision in prior financial years	**(30)**	(758)	**(338)**	2,897
Overseas tax rate and accounting differentials	**(8,646)**	(5,423)	**669**	5,580
Non-deductible items	**1,679**	1,941	**272**	146
Other	**956**	(164)	**1,173**	(833)
Income tax expense/(benefit)	**76,601**	88,512	**(20,355)**	(19,056)
Current income tax expense/(benefit)	**89,503**	74,905	**(18,060)**	(22,599)
Deferred income tax (benefit)/expense	**(12,872)**	14,365	**(1,957)**	646
(Over)/under provided in prior financial years	**(30)**	(758)	**(338)**	2,897
Income tax expense/(benefit) in the income statement	**76,601**	88,512	**(20,355)**	(19,056)

6. Dividends paid and proposed and finance costs

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
(A) ORDINARY SHARES				
Interim 2007 fully franked dividend: 10 cents - paid 21 March 2007 (2006: 8 cents - paid 12 April 2006)	**102,255**	74,669	**102,255**	74,669
Final 2006 fully franked dividend: 11.5 cents - paid 6 October 2006 (final 2005: 11 cents - paid 11 October 2005)	**116,182**	101,718	**116,182**	101,718
Special dividend 2007: nil (2006: 5 cents - paid 11 October 2005)	**-**	46,235	**-**	46,235
Total dividends paid - ordinary shares	**218,437**	222,622	**218,437**	222,622
(B) PREFERRED RESET SECURITIES EXCHANGEABLE FOR SHARES (PRESSES)				
Fully franked PRESSES dividend:				
2007: $0.8921 per share - paid 4 August 2006*	**2,230**	-	**2,230**	-
2006: $3.7304 per share - paid 13 June 2006*	**-**	9,326	**-**	9,326
2006: $3.7101 per share - paid 12 December 2005*	**-**	9,275	**-**	9,275
Total finance costs paid - PRESSES	**2,230**	18,601	**2,230**	18,601

6. Dividends paid and proposed and finance costs (continued)

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
(C) STAPLED PREFERENCE SHARES (SPS)				
SPS dividend:				
2007: $4.0040 per share - paid 30 April 2007	**12,515**	-	**-**	-
2007: $4.3721 per share - paid 31 October 2006	**13,116**	-	**-**	-
Total dividends paid - SPS	**25,631**	-	**-**	-
Total dividends and PRESSES finance costs paid	**246,298**	241,223	**220,667**	241,223

* Under AIFRS, the PRESSES were reclassified as a financial liability and the dividends on the PRESSES reclassified as an interest expense from 1 July 2005 under AASB 132 Financial Instruments: Presentation and Disclosure. Of the total dividends and finance costs paid at 1 July 2007 of $246.3 million, dividends paid amounted to $244.1 million and interest expense on PRESSES totalled $2.2 million. PRESSES were redeemed on 27 July 2006.

(D) DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY

Since balance date the directors have declared a final dividend of 10 cents per fully paid ordinary share fully franked to the corporate tax rate of 30%. The aggregate amount of the final dividend to be paid on 27 September 2007 out of the retained profits at 1 July 2007, but not recognised as a liability at the end of the year is expected to be $148.0 million.

	Company 2007 $'000	Company 2006 $'000
(E) FRANKED DIVIDENDS		
Franking account balance as at balance date at 30% (2006: 30%)	**25,504**	66,167
Franking credits that will arise from the payment of income tax payable balances as at the end of the financial year	**10,756**	7,486
Total franking credits available for subsequent financial years based on a tax rate of 30%	**36,260**	73,653

On a tax-paid basis, the Company's franking account balance is approximately $25.5 million (2006: $66.2 million). The impact on the franking account of the dividend declared by the directors since balance date, will be a reduction in the franking account of approximately $63.4 million.

7. Receivables

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Current				
Trade debtors *	**372,585**	258,488	**770**	294
Provision for doubtful debts	**(5,711)**	(3,572)	**-**	-
	366,874	254,916	**770**	294
Loans to related parties **	**-**	-	**1,354,703**	1,179,774
Loans and deposits	**98**	248	**75**	(59)
Prepayments	**16,204**	15,593	**4,344**	3,924
Other	**25,741**	11,095	**777**	2,505
Total current receivables	**408,917**	281,852	**1,360,669**	1,186,438
Non-current				
Loans to related parties ***	**-**	-	**398,566**	398,566
Loans and deposits	**1,171**	199	**-**	-
Prepayments	**25**	12	**25**	-
Other	**127**	6	**114**	-
Total non-current receivables	**1,323**	217	**398,705**	398,566

* Trade debtors are non-interest bearing and are generally on 7 to 45 day terms

** Loans to related parties current are non-interest bearing and are repayable at call

*** Loans to related parties non-current are interest bearing deriving interest of 6% p.a. and are repayable on 27 June 2008, although this term may be extended upon mutual agreement of the parties

8. Inventories

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Raw materials and stores - at cost	**44,613**	35,434	**-**	-
Provision for diminution in value	**-**	(104)	**-**	-
Total raw materials and stores	**44,613**	35,330		-
Finished goods - at cost	**3,426**	132	**-**	-
Work in progress - at cost	**488**	201	**-**	-
Total inventories	**48,527**	35,663	**-**	-

9. Assets held for sale

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Mastheads	**500**	-	**-**	-
Total assets held for sale	**500**	-	**-**	-

On 9 May 2007 Fairfax acquired Rural Press Limited. In order to address specific concerns of the Australian Competition and Consumer Commission (ACCC) arising from this acquisition the Group gave an undertaking to divest two community newspapers, The Newcastle and Lake Macquarie Post and The Hunter Post. A sale is expected within six months. Based on internal valuations the Company expects to realise the carrying value of these assets (refer Note 13(vi) for further details).

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000

10. Investments accounted for using the equity method

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Shares in associates	(A)(i)	**13,545**	15,553	**-***	3,046
Shares in joint ventures	(B)(i)	**4,933**	2,780	**-**	-
Total investments accounted for using the equity method		**18,478**	18,333	**-**	3,046

(A) INTERESTS IN ASSOCIATES

Name of Company	Principal Activity	Place of Incorporation	Ownership interest 2007	Ownership interest 2006
Executive Publishing Network Pty Ltd*	Magazine Publishing	Australia	30.0%	30.0%
Australian Associated Press Pty Ltd	News agency business and information service	Australia	47.0%	44.7%
Newspaper House Limited	Property ownership	New Zealand	45.5%	45.5%
New Zealand Press Association Ltd	News agency business and financial information service	New Zealand	49.2%	49.2%
Times Newspapers Limited	Newspaper Publishing	New Zealand	49.9%	49.9%
Guardian Print Limited	Printing facility	New Zealand	25.0%	25.0%
Autobase Limited	E-commerce: online vehicle dealer automotive website	New Zealand	25.4%	25.4%

	Consolidated 2007 $'000	Consolidated 2006 $'000
(i) Carrying amount of investment in associates		
Balance at 1 July 2006	**15,553**	9,796
Investments in associates acquired during the financial year	**796**	3,269
Adjustment for foreign exchange revaluation	**203**	(82)
Share of associates' net profit after income tax expense	**333**	6,079
Dividends received/receivable from associates	**(294)**	(3,509)
Impairment of investment in associate *	**(3,046)**	-
Balance at 1 July 2007	**13,545**	15,553

* The value of the investment in Executive Publishing Network Pty Ltd was written off in the 2007 financial year following advice that a Board resolution had been passed to place the company into liquidation. The impairment charge is included within the other expenses category in Note 3(A).

10. Investments accounted for using the equity method (continued)

	Consolidated 2007 $'000	Consolidated 2006 $'000
(ii) Share of associates' profits		
Profit before income tax expense	**744**	7,193
Income tax expense	**(411)**	(1,114)
Net profit after income tax expense	**333**	6,079
(iii) Share of associates' assets and liabilities		
Current assets	**10,355**	13,074
Non-current assets	**21,393**	15,259
Total assets	**31,748**	28,333
Current liabilities	**5,652**	6,435
Non-current liabilities	**3,231**	1,484
Total liabilities	**8,883**	7,919

(B) INTERESTS IN JOINT VENTURES

Name of Company	Principal Activity	Place of Incorporation	Ownership interest 2007	Ownership interest 2006
Text Pacific Pty Limited **	Publishing	Australia	-	50.0%
Torch Publishing Company Pty Ltd	Newspaper publishing and printing	Australia	50.0%	50.0%

** The consolidated entity disposed of its 50% interest in Text Pacific Pty Limited on 30 September 2006.

	Consolidated 2007 $'000	Consolidated 2006 $'000
(i) Carrying amount of investment in joint ventures		
Balance at 1 July 2006	**2,780**	2,865
Share of joint venture's net profit after income tax expense	**2,628**	840
Dividends received/receivable from joint venture	**(1,362)**	(925)
Share of increment in joint ventures' reserves	**887**	-
Balance at 1 July 2007	**4,933**	2,780
(ii) Share of joint ventures' profits		
Revenues	**40,097**	9,130
Expenses	**(36,259)**	(7,946)
Profit before income tax expense	**3,838**	1,184
Income tax expense	**(1,210)**	(344)
Net profit after income tax expense	**2,628**	840

10. Investments accounted for using the equity method (continued)

	Consolidated 2007 $'000	Consolidated 2006 $'000
(iii) Share of joint ventures' assets and liabilities		
Current assets	**3,034**	2,782
Non-current assets	**6,162**	-
Total assets	**9,196**	2,782
Current liabilities	**1,188**	2,039
Non-current liabilities	**563**	-
Total liabilities	**1,751**	2,039
(C) SHARE OF NET PROFITS OF ASSOCIATES AND JOINT VENTURES		
Profit before income tax expense	**4,582**	8,377
Income tax expense	**(1,621)**	(1,458)
Net profit after income tax expense	**2,961**	6,919

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
11. Available for sale investments				
Listed equity securities - at fair value	**1,492**	3,175	**-**	-
Total available for sale investments	**1,492**	3,175	**-**	-

Available for sale investments consist of investments in ordinary shares and have no fixed maturity date. During the financial year, an impairment charge of $3,762,000 was recognised in the income statement in respect of these investments due to a significant decline in the share price of the investments during the financial year.

12. Held to maturity investments

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Bonds	**16,014**	16,949	**-**	-
Total held to maturity investments	**16,014**	16,949	**-**	-

The annuity bonds issued by Paperbonds Limited, which were acquired on 8 March 2006 and are to be held to maturity in September 2015, have a face value of $20.0 million. They are indexed to the consumer price index (CPI) and have an effective interest rate for the period ended 1 July 2007 of 5.64% (2006: 5.64%)

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
13. Intangible assets				
Mastheads and tradenames	**3,788,983**	2,200,270	**-**	-
Software	**53,136**	44,236	**21,417**	25,821
Customer relationships	**16,411**	1,000	**-**	-
Radio licences	**17,000**	-	**-**	-
Goodwill	**2,255,513**	654,142	**-**	-
Total intangible assets	**6,131,043**	2,899,648	**21,417**	25,821

RECONCILIATIONS

Reconciliations of the carrying amount of each class of intangible at the beginning and end of the current financial year are set out below:

	Note	Radio licences $'000	Customer relationships $'000	Mastheads & tradenames $'000	Software $'000	Goodwill $'000	Total $'000
(i) Consolidated							
At 1 July 2005							
Cost		-	-	2,258,305	105,446	56,246	2,419,997
Accumulated amortisation and impairment		-	-	-	(68,640)	-	(68,640)
Net carrying amount		-	-	2,258,305	36,806	56,246	2,351,357
Year ended 30 June 2006							
Balance at beginning of the financial year		-	-	2,258,305	36,806	56,246	2,351,357
Additions		-	-	9,622	22,492	3,724	35,838
Acquisition of controlled entities		-	1,000	35,263	3,598	623,142	663,003
Amortisation charge	3(B)	-	-	-	(14,440)	-	(14,440)
Exchange differences		-	-	(102,920)	(4,220)	(28,970)	(136,110)
At 30 June 2006, net of accumulated amortisation and impairment		-	1,000	2,200,270	44,236	654,142	2,899,648
At 30 June 2006							
Cost		-	1,000	2,200,270	127,316	654,142	2,982,728
Accumulated amortisation and impairment		-	-	-	(83,080)	-	(83,080)
Net carrying amount		-	1,000	2,200,270	44,236	654,142	2,899,648

13. Intangible assets (continued)

	Note	Radio licences $'000	Customer relationships $'000	Mastheads & tradenames $'000	Software $'000	Goodwill $'000	Total $'000
Period ended 1 July 2007							
Balance at beginning of the financial year		-	1,000	2,200,270	44,236	654,142	2,899,648
Additions		-	-	1,428	26,218	12,261	39,907
Disposals		-	-	-	(586)	-	(586)
Acquisition of controlled entities		17,000	16,303	1,494,780	2,131	1,528,213	3,058,427
Impairment charge	(vi)	-	-	(8,396)	(8,530)	-	(16,926)
Amortisation charge	3(B)	-	(892)	-	(19,447)	-	(20,339)
Assets classified as held for sale	9	-	-	(500)	-	-	(500)
Transfers from plant & equipment	14(i)	-	-	-	8,401	-	8,401
Exchange differences		-	-	101,401	713	60,897	163,011
At 1 July 2007, net of accumulated amortisation and impairment		17,000	16,411	3,788,983	53,136	2,255,513	6,131,043
At 1 July 2007							
Cost		17,000	17,303	3,795,649	163,421	2,255,513	6,248,886
Accumulated amortisation and impairment		-	(892)	(6,666)	(110,285)	-	(117,843)
Net carrying amount		17,000	16,411	3,788,983	53,136	2,255,513	6,131,043
(ii) Company							
At 1 July 2005							
Cost		-	-	201	39,937	-	40,138
Accumulated amortisation and impairment		-	-	-	(19,287)	-	(19,287)
Net carrying amount		-	-	201	20,650	-	20,851
Year ended 30 June 2006							
Balance at beginning of the financial year		-	-	201	20,650	-	20,851
Additions		-	-	-	13,413	-	13,413
Disposal		-	-	(201)	-	-	(201)
Amortisation charge	3(B)	-	-	-	(8,242)	-	(8,242)
At 30 June 2006, net of accumulated amortisation and impairment		-	-	-	25,821	-	25,821
At 30 June 2006							
Cost		-	-	-	53,350	-	53,350
Accumulated amortisation and impairment		-	-	-	(27,529)	-	(27,529)
Net carrying amount		-	-	-	25,821	-	25,821

13. Intangible assets (continued)

	Note	Radio licences $'000	Customer relationships $'000	Mastheads & tradenames $'000	Software $'000	Goodwill $'000	Total $'000
Period ended 1 July 2007							
Balance at beginning of the financial year		-	-	-	25,821	-	25,821
Additions		-	-	-	2,253	-	2,253
Disposals		-	-	-	(3)	-	(3)
Amortisation charge	3(B)	-	-	-	(7,712)	-	(7,712)
Transfers from plant & equipment	14(ii)	-	-	-	1,058	-	1,058
At 1 July 2007, net of accumulated amortisation and impairment		-	-	-	21,417	-	21,417
At 1 July 2007							
Cost		-	-	-	56,466	-	56,466
Accumulated amortisation and impairment		-	-	-	(35,049)	-	(35,049)
Net carrying amount		-	-	-	21,417	-	21,417

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

Goodwill is allocated to CGU groups which represent the economic entity's main operational groups within geographic segments. The recoverable amount of each CGU which includes goodwill or indefinite life intangibles has been reviewed.

The recoverable amount of each CGU is determined based on fair value less costs to sell. These calculations use cashflow projections based on financial budgets approved by the Directors for the 2008 financial year, after an adjustment for central overheads and synergy benefits. Management then apply a masthead multiple, based on recent market transactions, independent valuations or directors' assessment, to the CGU's resulting cashflow projection.

13. Intangible assets (continued)

(iv) Allocation of goodwill and non-amortising intangibles to CGUs

	Consolidated 2007 $'000	Consolidated 2006 $'000
Allocation of goodwill to CGU Groups		
New South Wales General Publications	**724,369**	1,605
Victoria General Publications	**307,632**	45,247
Queensland, South Australia, Western Australia and Tasmania General Publications	**352,630**	-
Fairfax Business Media	**14,253**	10,267
Agricultural Publications	**177,058**	-
Australian Digital	**67,743**	50,036
New Zealand Publishing	**-**	-
New Zealand Digital	**611,828**	546,987
Total goodwill	**2,255,513**	654,142
Allocation of non-amortising intangibles to CGU Groups		
New South Wales General Publications	**1,319,628**	651,148
Victoria General Publications	**564,805**	444,225
Queensland, South Australia, Western Australia and Tasmania General Publications	**332,000**	-
Fairfax Business Media	**167,050**	167,050
Agricultural Publications	**380,650**	-
Australian Digital	**8,450**	8,450
New Zealand Publishing	**1,003,624**	902,584
New Zealand Digital	**29,776**	26,813
Total indefinite life intangibles	**3,805,983**	2,200,270
Total goodwill and indefinite life intangibles	**6,061,496**	2,854,412

General publications excludes national and specialist publishing.

No goodwill or indefinite life intangibles are allocated to a CGU in the Company.

(v) Key assumptions used for fair value less costs to sell calculations

The key assumptions on which management has based its cashflow projections when determining the fair value less costs to sell of the CGUs are as follows:

- no significant increase in budgeted gross margin or growth rate from the 1 July 2007 financial year for non-digital CGUs. This is based on past performance and expected efficiency improvements.
- growth rates of between 40% to 65% for digital CGUs.
- masthead multiples ranging between 8 to 12, excluding NZ digital which has applied a 26 multiple.
- the spot exchange rate prevailing at balance date is used when converting foreign cashflows on foreign mastheads. The exchange rate of 0.9108 has been applied to New Zealand mastheads for the current financial year.

13. Intangible assets (continued)

(vi) Impairment charge

An impairment charge of $8.4 million has been recognised against mastheads and tradenames to write down the assets to fair value less costs to sell. This impairment charge is comprised of the following:

- An impairment charge of $6.7 million has been recognised against mastheads within the New South Wales General Publications CGU Group; this charge was recorded following management's annual review of intangible asset balances (refer Note 1(D) and (E)) and reflects the assessed fair value of these mastheads following a deterioration of earnings of these mastheads. This impairment charge has been included within the Other expenses category Note 3(A).
- On 9 May 2007 Fairfax acquired Rural Press Limited. In order to address specific concerns of the Australian Competition and Consumer Commission (ACCC) arising from this acquisition the Group gave an undertaking to divest two community newspapers, the Newcastle and Lake Macquarie Post and The Hunter Post (the "Post mastheads"). As a result of this decision, management reviewed the carrying value of the Post masthead assets. This review resulted in a decision to writedown the carrying value of the Post masthead assets by $1.7 million to $0.5 million. This writedown was based on internal management valuations and the Company expects to realise this adjusted carrying value for these assets. At the end of the 2007 fiscal year the Post mastheads are included in the consolidated balance sheet as assets held for sale (refer to Note 9).

An impairment charge of $8.5 million has been recognised against software. This charge represents accelerated depreciation due to the writedown or write off of certain assets resulting from the acquisition of the Rural Press Group and reflects the assessed value in use of these assets. This accelerated depreciation charge has been included within the depreciation, amortisation and asset impairment line in the Income Statement (refer to Note 3B).

No impairment charges have been reversed against a class of asset or goodwill during the financial year.

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
14. Property, plant and equipment				
Freehold land and buildings				
At cost	**253,719**	184,784	**-**	-
Provision for depreciation	**(17,491)**	(14,220)	**-**	-
Total freehold land and buildings	**236,228**	170,564	**-**	-
Leasehold buildings				
At cost	**80,887**	57,015	**582**	473
Provision for depreciation	**(15,793)**	(13,643)	**(144)**	-
Total leasehold buildings	**65,094**	43,372	**438**	473
Plant and equipment				
At cost	**1,127,646**	1,026,976	**44,959**	43,808
Provision for depreciation	**(608,035)**	(610,144)	**(27,566)**	(23,484)
Total plant and equipment	**519,611**	416,832	**17,393**	20,324
Capital works in progress - at cost	**39,111**	23,489	**5,332**	5,899
Total property, plant and equipment	**860,044**	654,257	**23,163**	26,696

14. Property, plant and equipment (continued)

RECONCILIATIONS

Reconciliations of the carrying amount of each class of property, plant and equipment during the financial year are set out below:

	Note	Capital works in progress $'000	Freehold land & buildings $'000	Leasehold buildings $'000	Plant and equipment $'000	Total $'000
(i) Consolidated						
At 1 July 2005						
Cost		34,190	183,685	53,654	998,682	1,270,211
Accumulated depreciation and impairment		-	(11,032)	(12,247)	(549,393)	(572,672)
Net carrying amount		34,190	172,653	41,407	449,289	697,539
Year ended 30 June 2006						
Balance at beginning of financial year		34,190	172,653	41,407	449,289	697,539
Additions/capitalisations		(9,323)	1,099	3,816	31,309	26,901
Disposals		(630)	-	-	(262)	(892)
Acquisition of controlled entities		-	-	-	1,530	1,530
Depreciation charge	3(B)	-	(3,188)	(1,396)	(60,751)	(65,335)
Exchange differences		(748)	-	(455)	(4,283)	(5,486)
At 30 June 2006, net of accumulated depreciation and impairment		23,489	170,564	43,372	416,832	654,257
At 30 June 2006						
Cost		23,489	184,784	57,015	1,026,976	1,292,264
Accumulated depreciation and impairment		-	(14,220)	(13,643)	(610,144)	(638,007)
Net carrying amount		23,489	170,564	43,372	416,832	654,257
Period ended 1 July 2007						
Balance at beginning of financial year		23,489	170,564	43,372	416,832	654,257
Additions/capitalisations		14,751	306	5,508	43,237	63,802
Disposals		-	(18,532)	-	(4,590)	(23,122)
Acquisition of controlled entities		-	97,909	20,264	129,103	247,276
Impairment charge	(iii)	-	-	-	(10,740)	(10,740)
Depreciation charge	3(B)	-	(3,574)	(1,504)	(68,594)	(73,672)
Transfers to software	13(i)	-	-	-	(8,401)	(8,401)
Transfers to other asset categories		-	(15,354)	(2,548)	17,902	-
Exchange differences		871	4,909	2	4,862	10,644
At 1 July 2007, net of accumulated depreciation and impairment		39,111	236,228	65,094	519,611	860,044
At 1 July 2007						
Cost		39,111	253,719	80,887	1,127,646	1,501,363
Accumulated depreciation and impairment		-	(17,491)	(15,793)	(608,035)	(641,319)
Net carrying amount		39,111	236,228	65,094	519,611	860,044

14. Property, plant and equipment (continued)

	Note	Capital works in progress $'000	Freehold land & buildings $'000	Leasehold buildings $'000	Plant and equipment $'000	Total $'000
(ii) Company						
At 1 July 2005						
Cost		12,450	-	-	35,080	47,530
Accumulated depreciation and impairment		-	-	-	(17,912)	(17,912)
Net carrying amount		12,450	-	-	17,168	29,618
Year ended 30 June 2006						
Balance at beginning of financial year		12,450	-	-	17,168	29,618
Additions/capitalisations		(6,551)	-	473	8,728	2,650
Depreciation charge	3(B)	-	-	-	(5,572)	(5,572)
At 30 June 2006, net of accumulated depreciation and impairment		5,899	-	473	20,324	26,696
At 30 June 2006						
Cost		5,899	-	473	43,808	50,180
Accumulated depreciation and impairment		-	-	-	(23,484)	(23,484)
Net carrying amount		5,899	-	473	20,324	26,696
Period ended 1 July 2007						
Balance at beginning of financial year		5,899	-	473	20,324	26,696
Additions/capitalisations		(567)	-	109	2,913	2,455
Disposals		-	-	-	(7)	(7)
Transfers to software	13(ii)	-	-	-	(1,058)	(1,058)
Depreciation charge	3(B)	-	-	(144)	(4,779)	(4,923)
At 1 July 2007, net of accumulated depreciation and impairment		5,332	-	438	17,393	23,163
At 1 July 2007						
Cost		5,332	-	582	44,959	50,873
Accumulated depreciation and impairment		-	-	(144)	(27,566)	(27,710)
Net carrying amount		5,332	-	438	17,393	23,163

(iii) Impairment charge

An impairment charge of $10.7 million has been recognised against plant and equipment. The impairment charge is comprised of:

- A $2.0 million impairment charge against assets that will be written off when the Group exits its current Darling Park, Sydney, offices and relocates to new offices at One Darling Island, Pyrmont (announced September 2006). This impairment charge has been included within the Other expenses category in Note 3(A).
- A $8.7 million accelerated depreciation charge relating to the writedown or write off of certain assets resulting from the acquisition of the Rural Press Group and reflects the assessed value in use of these assets. The accelerated depreciation charge has been included within the depreciation, amortisation and asset impairment line in the Income Statement (refer to Note 3B).

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
15. Derivative financial instruments				
Current assets				
Cross currency swap - fair value hedge	-	14,642	-	-
Interest rate swap - fair value to profit and loss	-	393	-	-
Forward contracts - fair value to profit and loss	8	270	-	-
Total current derivative assets	8	15,305	-	-
Non-current assets				
Interest rate swap - cashflow hedge	165	134	-	-
Cross currency swap - net investment hedge	-	15,865	-	-
Total non-current derivative assets	165	15,999	-	-
Current liabilities				
Interest rate swap - cashflow hedge	-	9	-	-
Interest rate swap - fair value to profit and loss	-	236	-	-
Forward contracts - fair value to profit and loss	-	1	-	-
Forward contracts - cash flow hedges	1,344	-	-	-
Total current derivative liabilities	1,344	246	-	-
Non-current liabilities				
Cross currency swap - fair value hedge	69,688	31,059	-	-
Cross currency swap - net investment hedge	12,538	20,653	-	-
Cross currency swap - cash flow hedge	5,175	-	-	-
Cross currency swap - fair value to profit and loss	3,047	-	-	-
Total non current derivative liabilities	90,448	51,712	-	-

The Group uses derivative financial instruments to reduce the Company's exposure to fluctuations in interest rates and foreign currency rates.

The Group formally designates hedging instruments to an underlying exposure and details the risk management objectives and strategies for undertaking hedge transactions. The Group assesses at inception and on a quarterly basis thereafter, as to whether the derivative financial instruments used in the hedging transactions are effective at offsetting the risks they are designed to hedge. Due to the high effectiveness between the hedging instrument and underlying exposure being hedged, value changes in the derivatives are generally offset by changes in the fair value or cash flows of the underlying exposure. Any derivatives not formally designated as part of a hedging relationship are fair valued with any changes in fair value recognised in the income statement.

The derivatives entered into are straight forward over-the-counter instruments with liquid markets.

15. Derivative financial instruments (continued)

(A) HEDGING ACTIVITIES

(i) Cashflow hedges - interest rate and cross currency swaps

At 1 July 2007, the Group held two interest rate swaps and two cross currency swaps designated as hedges of future contracted interest payments on the EUR denominated Eurobonds. The combined swaps are being used to hedge a combination of future unfavourable movements in interest rates and foreign currency exchange rates.

At 1 July 2007, the notional principal amounts and period of expiry of the swaps are as follows:

	Maturity date	Interest rate
Pay fixed, receive floating - AUD$550m	15 June 2012	7.60%

The swaps in place cover approximately 98% of the Eurobond principal outstanding, 2% of the Eurobond hedges have been classed as fair value hedges. The contracts require settlement on interest receivable annually and interest payable each 90 days. These dates coincide with the interest payable dates on the underlying Eurobond.

At 1 July 2007, the hedges were assessed to be highly effective with an unrealised loss in fair value of $5.1 million recognised in equity.

In addition, during the year amounts transferred from equity to the income statement totalled $1.3 million as income.

(ii) Cashflow hedges - foreign exchange contracts

At 1 July 2007, the Group held eleven forward exchange contracts to hedge future foreign capital purchase commitments across the Australian and New Zealand business. The contracts are timed to mature as payments are scheduled to be made to suppliers.

The cash flows are expected to occur over the next twelve months. At 1 July 2007, the details of the outstanding contracts are:

	2007	2006	Weighted average exchange rate	
	$'000	$'000	2007	2006
Buy CHF/Sell AUD - Maturity 0 - 12 months	1,547	-	0.9157	-
Buy USD/Sell AUD - Maturity 0 - 12 months	2,223	-	0.7455	-
Buy EUR/Sell NZD - Maturity 0 - 12 months	3,990	-	0.5049	-
Buy GBP/Sell NZD - Maturity 0 - 12 months	160	-	0.3570	-

The foreign currency contracts are considered to be fully effective hedges as they are matched exactly against the foreign capital purchases and any gain or loss on the contracts is taken directly to equity. When the contract is delivered, the Group will adjust the initial measurement of the component recognised on the balance sheet by the related amount deferred in equity.

At 1 July 2007, the hedges were assessed to be highly effective with an unrealised loss of $1.3 million recognised in equity.

(iii) Fair value hedges

At 1 July 2007, the Group held four cross currency swap agreements designated to changes in the underlying value of USD denominated senior notes (refer to Note 20). The terms of certain cross currency swap agreements exchange USD obligations into AUD obligations and other agreements exchange USD obligations into NZD obligations. The latter are also designated to hedge value changes in the Group's New Zealand controlled entities (excluding Trade Me Limited), as discussed in Note (iv) below.

15. Derivative financial instruments (continued)

At 1 July 2007, the Group also held one cross currency swap agreement partly designated to changes in the underlying value of the EUR denominated Eurobond (refer to Note 20). The terms of the cross currency swap exchange EUR obligations into AUD obligations. This swap has been 98% designated to a cash flow hedge, as discussed in (i) above.

At 1 July 2007, the cross currency swap agreements had a combined value of $69.7 million.

The cross currency swaps are designated based on matched terms to the debt and also have the same maturity profile as the USD denominated senior notes and the EUR denominated Eurobonds.

The terms of these cross currency swaps are as follows:

	Maturity date
Pay floating AUD receive fixed USD - USD $50m	15 January 2011
Pay floating NZD receive fixed USD - USD $40m	15 January 2019
Pay floating NZD receive fixed USD - USD $90m	15 January 2016
Pay floating NZD receive fixed USD - USD $50m	15 January 2014
Pay floating AUD receive fixed EUR - EUR $4m	15 June 2012

(iv) Net investment hedges

The NZD/USD cross currency swap agreements have also been designated to hedge the net investment in New Zealand controlled entities acquired as part of the acquisition of Independent News Limited in June 2003.

At 1 July 2007, the hedges were assessed to be highly effective with an unrealised gain of $12.7 million recognised in equity.

16. Pension asset

SUPERANNUATION PLAN

The Group contributes to defined contribution and defined benefit plans, which provide benefits to employees and their dependants on retirement, disability or death.

The superannuation arrangements in Australia are managed in a sub-plan of the Mercer Super Trust, called Fairfax Super. The Trustee of the Trust is Mercer Investment Nominees Limited. The superannuation arrangements in New Zealand are managed by AoN Consulting New Zealand Limited in three funds - Fairfax NZ Retirement Fund , Fairfax New Zealand Superannuation Fund and Fairfax NZ Senior Executive Superannuation Scheme. The Trustees of the Trusts are executives and staff of Fairfax New Zealand Limited. All New Zealand funds are defined contribution plans with the exception of the Fairfax NZ Retirement Fund which also has a defined benefit section, this defined benefit section is closed to new members. The Fairfax New Zealand Superannuation Fund is closed to new members and the Fairfax NZ Retirement Fund is the main provider of staff superannuation benefits.

The defined contribution plans receive fixed contributions from Group companies and the Group’s legally enforceable obligation is limited to these contributions. The defined benefit plans receive employee contributions and the Group also contributes to the defined benefit plans at rates recommended by the plans’ actuaries.

The NZ Retirement Fund includes investments in respect of members of the NZ Defined Benefit Plan and investments in respect of the NZ Defined Contribution Plan.

16. Pension asset (continued)

The following sets out details in respect of the defined benefit plans only and in the case of the Fairfax NZ Retirement Fund, excludes $67.7m of defined contribution assets and entitlements.

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
(A) BALANCE SHEET				
The amounts recognised in the balance sheet are determined as follows:				
Present value of the defined benefit obligation	**(20,048)**	(19,424)	**-**	-
Fair value of defined benefit plan assets	**33,429**	30,100	**-**	-
Net pension asset	**13,381**	10,676	**-**	-
Unrecognised actuarial (losses)/gains	**-**	-	**-**	-
Unrecognised past service costs	**-**	-	**-**	-
Net pension asset in the balance sheet	**13,381**	10,676	**-**	-

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

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
(B) RECONCILIATION OF THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION				
Balance at the beginning of the financial year	**19,424**	21,836	**-**	-
Current service cost	**1,294**	1,079	**-**	-
Interest cost	**969**	929	**-**	-
Contributions by employees	**2,557**	824	**-**	-
Actuarial (gains) and losses	**2,854**	(1,796)	**-**	-
Benefits paid	**(4,760)**	(2,120)	**-**	-
Taxes, premiums and expenses paid	**(630)**	(458)	**-**	-
Exchange differences on foreign plans	**130**	-	**-**	-
Transfers in/(out)	**(1,790)**	(870)	**-**	-
Balance at the end of the financial year defined benefit obligations	**20,048**	19,424	**-**	-
(C) RECONCILIATION OF THE FAIR VALUE OF PLAN ASSETS				
Balance at the beginning of the financial year	**30,100**	28,652	**-**	-
Expected return on plan assets	**1,943**	1,780	**-**	-
Actuarial gains	**4,938**	2,296	**-**	-
Contributions by Group companies and employees	**3,032**	1,277	**-**	-
Benefits paid	**(4,760)**	(2,120)	**-**	-
Taxes, premiums & expenses paid	**(630)**	(915)	**-**	-
Exchange differences on foreign plans	**596**	-	**-**	-
Transfers in/(out)	**(1,790)**	(870)	**-**	-
Balance at the end of the financial year defined benefit assets	**33,429**	30,100	**-**	-

16. Pension asset (continued)

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
(D) AMOUNTS RECOGNISED IN INCOME STATEMENT				
The amounts recognised in the income statement are as follows:				
Current service cost	**1,294**	1,079	**-**	-
Interest cost	**969**	929	**-**	-
Expected return on plan assets	**(1,943)**	(1,780)	**-**	-
Total included in employee benefits expense	**320**	228	**-**	-
Actual return on plan assets	**6,881**	4,076	**-**	-

(E) CATEGORIES OF PLAN ASSETS

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	Consolidated 2007 %	Consolidated 2006 %	Company 2007 %	Company 2006 %
Cash	**9**	10	**-**	-
Australian equities	**25**	24	**-**	-
Overseas equities	**34**	34	**-**	-
Fixed interest securities	**24**	22	**-**	-
Property	**8**	10	**-**	-

(F) PRINCIPAL ACTUARIAL ASSUMPTIONS

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated 2007 %	Consolidated 2006 %	Company 2007 %	Company 2006 %
Discount rate	**4.9**	4.7	**-**	-
Expected return on plan assets	**6.3**	6.3	**-**	-
Future salary increases	**4.0**	4.0	**-**	-

The expected rate of return on assets has been determined by weighting the expected long term return for each class by the target allocation of assets to each asset class. This resulted in a 6.25% p.a. rate of return, net of tax and expenses (2006: 6.25% p.a).

16. Pension asset (continued)

(G) EMPLOYER CONTRIBUTIONS

Employer contributions to the defined benefit section of the plans are based on recommendations by the plans' actuaries. Actuarial assessments are made at no more than three yearly intervals and the last actuarial assessment of Fairfax Super was carried out as at 1 July 2006 by Mercer Human Resource Consulting Pty Ltd. The last actuarial assessments of Fairfax NZ Retirement Fund and Fairfax NZ Senior Executive Superannuation Scheme were carried out as at 31 March 2005 by AoN Consulting New Zealand Limited. Fairfax New Zealand Superannuation Fund is a defined contribution fund and does not require an actuarial assessment.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the aggregate funding method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their working lifetimes.

Using the funding method described above and particular actuarial assumptions as to the plan's future experience (as detailed below), the actuary recommended in the actuarial review as at 1 July 2006 (for Australia) and 31 March 2005 (for New Zealand) that a contribution holiday be taken until the next actuarial review is performed. This recommendation has been adopted by the Group from 2 July 2007.

Total employer contributions expected to be paid by Group companies for the 2008 financial year are nil (parent entity: $nil).

The economic assumptions used by the actuary to make the funding recommendations for the Australian plans were a long-term investment earning rate of 6.5% p.a. (net of fees and taxes) and a salary increase rate of 4%.

(H) NET FINANCIAL POSITION OF PLAN

In accordance with AAS 25 Financial Reporting by Superannuation Plans the plans' net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as a surplus of $8.2 million at the most recent financial position of the plans, being 1 July 2006 for Australia and 1 April 2005 for New Zealand. As such, the assets of each of the plans are sufficient to satisfy all benefits that would have vested under the plans in the event of termination of the plans and voluntary or compulsory termination of employment of each employee.

The directors, based on the advice of the trustees of the plan, are not aware of any changes in circumstances since the date of the most recent financial statements of the plans (30 June 2006 for Australia and 31 March 2006 for New Zealand), which would have a material impact on the overall financial position of the defined benefit plan.

(I) HISTORIC SUMMARY

	2005 $'000	2006 $'000	2007 $'000
Defined benefit plan obligation	(21,836)	(19,424)	**(20,048)**
Plan assets	28,652	30,100	**33,429**
Surplus	6,816	10,676	**13,381**
Experience adjustments arising on plan liabilities	(1,457)	(2,152)	**(5,292)**
Experience adjustments arising on plan assets	644	(892)	**2,911**

17. Deferred tax assets and liabilities

(A) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000
(i) Consolidated						
Property, plant & equipment	**16,525**	9,470	**25,186**	13,086	**(8,661)**	(3,616)
Inventories	**-**	-	**3,875**	2,535	**(3,875)**	(2,535)
Investments	**-**	286	**3,310**	677	**(3,310)**	(391)
Intangible assets	**4,837**	5,853	**35,824**	31,667	**(30,987)**	(25,814)
Other assets	**36,181**	16,200	**16,196**	17,357	**19,985**	(1,157)
Provisions	**45,371**	29,157	**-**	-	**45,371**	29,157
Payables	**7,432**	3,568	**-**	-	**7,432**	3,568
Other liabilities	**1,519**	12,990	**216**	12,587	**1,303**	403
Tax losses	**4,656**	-	**-**	-	**4,656**	-
Other	**761**	729	**4,957**	3,725	**(4,196)**	(2,996)
Net deferred tax assets/liabilities	**117,282**	78,253	**89,564**	81,634	**27,718**	(3,381)
(ii) Company						
Property, plant & equipment	**4**	-	**3,943**	2,729	**(3,939)**	(2,729)
Intangible assets	**4,459**	3,692	**-**	-	**4,459**	3,692
Other assets	**-**	3	**-**	205	**-**	(202)
Employee provisions	**1,976**	1,911	**-**	-	**1,976**	1,911
Accruals	**2,232**	550	**-**	-	**2,232**	550
Other liabilities	**-**	-	**-**	-	**-**	-
Other	**639**	490	**-**	-	**639**	490
Net deferred tax assets/liabilities	**9,310**	6,646	**3,943**	2,934	**5,367**	3,712

There are no unrecognised deferred tax assets or liabilities and no unused tax losses for which no deferred tax asset has been recognised.

17. Deferred tax assets and liabilities (continued)

(B) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

	Balance 2005	Recognised in income	Recognised in equity	Balance 2006	Recognised on acquisition	Recognised in income	Recognised in equity	Balance 2007
(i) Consolidated								
Property, plant & equipment	1,256	(4,872)	-	(3,616)	(6,283)	1,238	-	**(8,661)**
Inventories	(2,425)	(110)	-	(2,535)	(100)	(1,240)	-	**(3,875)**
Investments	(677)	-	286	(391)	(2,633)	-	(286)	**(3,310)**
Intangible assets	(26,741)	927	-	(25,814)	(4,891)	(282)	-	**(30,987)**
Other assets	4,073	(5,084)	(146)	(1,157)	(459)	19,392	2,209	**19,985**
Provisions	29,285	(128)	-	29,157	9,040	7,174	-	**45,371**
Payables	4,383	(815)	-	3,568	2,015	1,849	-	**7,432**
Other liabilities	201	202	-	403	(10)	910	-	**1,303**
Tax losses	-	-	-	-	-	4,656	-	**4,656**
Other	1,626	(4,485)	(137)	(2,996)	8	(443)	(765)	**(4,196)**
	10,981	(14,365)	3	(3,381)	(3,313)	33,254	1,158	**27,718**
(ii) Company								
Property, plant & equipment	(3,175)	446	-	(2,729)	-	(1,210)	-	**(3,939)**
Intangible assets	2,919	773	-	3,692	-	767	-	**4,459**
Other financial assets	13	(459)	244	(202)	-	202	-	**-**
Provisions	2,234	(323)	-	1,911	-	65	-	**1,976**
Payables	1,757	(1,207)	-	550	-	1,682	-	**2,232**
Other liabilities	59	(59)	-	-	-	-	-	**-**
Other	307	183	-	490	-	914	(765)	**639**
	4,114	(646)	244	3,712	-	2,420	(765)	**5,367**

		Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
18. Other financial assets					
Shares in controlled entities - at cost		**-**	-	**3,142,329**	409,570
Shares in unlisted entities		**1,492**	4,119	**-**	-
Shares in listed entities		**939**	-	**-**	-
Interests in partnerships		**14,630**	-	**-**	-
Total other financial assets		**17,061**	4,119	**3,142,329**	409,570
19. Payables					
Trade and other payables *		**209,489**	148,956	**14,640**	15,616
Interest payable		**24,436**	6,174	**-**	-
Income in advance		**55,594**	46,600	**-**	-
Total current payables		**289,519**	201,730	**14,640**	15,616

* Trade payables are non-interest bearing and are generally on 30 day terms

		Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
20. Interest bearing liabilities					
Current - unsecured					
Bank borrowings	(A)	**2,060**	185,732	**-**	-
Preferred Reset Securities Exchangeable for Shares	(B)	**-**	249,536	**-**	249,536
Other loans					
Senior notes	(C)	**-**	165,331	**-**	-
Other	(D)	**7,297**	6,889	**-**	-
Current - secured					
Finance lease liability	(D)	**2,880**	2,687	**-**	-
Total current interest bearing liabilities		**12,237**	610,175	**-**	249,536
Non-current - unsecured					
Bank borrowings	(A)	**1,058,435**	145,000	**-**	-
Redeemable Preference Shares	(E)	**166,282**	148,395	**-**	-
Other loans					
Senior notes	(C)	**257,434**	295,635	**-**	-
Medium term notes	(F)	**199,589**	199,765	**-**	-
Eurobond	(G)	**554,976**	-	**-**	-
Other	(D)	**70,345**	77,644	**-**	-
Non-current - secured					
Finance lease liability	(D)	**28,437**	31,318	**-**	-
Total non-current interest bearing liabilities		**2,335,498**	897,757	**-**	-

20. Interest bearing liabilities (continued)

(A) BANK BORROWINGS

Current

A bank loan of $95 million established in September 2001 matured on 19 December 2006. During the 2006 financial year, the Company also entered into a bridge facility of $300 million to partially fund the acquisition of Trade Me Limited. At 30 June 2006, this facility was drawn to $100 million which matured on 28 February 2007.

On 25 July 2006, the Border Morning Mail entities (BMM) were acquired (refer Note 31(B)). As part of this acquisition, the consolidated entity acquired $15.4 million of existing BMM debt which matures in June 2009. During the 2007 financial year, $2.0 million was repaid and $2.0 million is payable in the 2008 financial year. The interest rate for this facility is the applicable bank bill rate plus a credit margin.

Non-current

A $1,200 million syndicated bank facility is available to the Group until periods ranging from April 2010 to April 2012. This facility replaced the $550 million facility that was available to the Group at 30 June 2006. At 1 July 2007, $850 million has been drawn down (2006: $145 million). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

A bank loan of $200 million was established in September 2006 and matures in September 2009. The interest rate for this facility is the applicable bank bill rate plus a credit margin.

(B) PREFERRED SECURITIES EXCHANGEABLE FOR SHARES (PRESSES)

The Company issued 2,500,000 PRESSES during the financial year ended 30 June 2002, each having a face value of $100 for a total value of $250 million. On 27 July 2006, the PRESSES were converted into 66,348,490 ordinary shares in accordance with the terms of the PRESSES issue. The final fully franked PRESSES dividend of $0.8921 per share for the period 12 June 2006 to 26 July 2006 was paid on 4 August 2006. The dividend paid totalled $2.2 million. The PRESSES (FXJPA) were suspended from quotation on the Australian Stock Exchange on 19 July 2006.

(C) SENIOR NOTES

Senior Notes issued in December 1996 with a principal of US$120 million (2006: A$165.3 million) matured on 19 December 2006.

The Company issued Senior Notes in the US private placement market with a principal value of US$230 million (A$257.4 million) in January 2004 with a fixed coupon of between 4.74% p.a. and 5.85% 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 a cross-currency swap. This issue of Senior Notes comprises maturities ranging from January 2011 to January 2019. The weighted average maturity of the issue is approximately seven and a half 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.

(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 September 2015. There is a CPI indexed annuity loan with principal and interest outstanding of $49.0 million (2006: $52.2 million) and a finance lease of $31.3 million (2006: $34 million), which was entered into in February 1996. There is also principal and interest outstanding of $28.5 million (2006: $32.3 million) in the form of a fixed rate loan with an established drawdown and repayment schedule.

20. Interest bearing liabilities (continued)

(E) REDEEMABLE PREFERENCE SHARES (RPS)

The Company issued Redeemable Preference Shares in New Zealand in May 2005 with a principal value of NZ$186.5 million (A$166.3 million) with a fixed one year coupon of 9.47% p.a. payable quarterly in arrears and thereafter set at 1% over the applicable one year swap rate. The Redeemable Preference Shares mature in June 2010. The interest and principal on the Redeemable Preference Shares are payable in New Zealand dollars and were swapped into fixed rate Australian dollars via a cross-currency swap. 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.

(F) MEDIUM TERM NOTES (MTNs)

On 27 June 2006, the Company issued $200 million of MTNs with a maturity date of 27 June 2011. The MTNs were issued at a fixed coupon of 6.865% p.a.

(G) EUROBONDS

On 15 June 2007 the Company issued €350 million guaranteed notes with a maturity date of 15 June 2012. The notes pay a fixed coupon of 5.25% p.a. payable annually in arrears. The interest and principal on the notes are payable in Euro and were swapped into fixed rate Australian dollars via cross currency interest swap. The proceeds of the issue were used to refinance existing debt and general corporate purposes.

(H) FINANCING ARRANGEMENTS

A NZ$50 million revolving committed cash advance facility is available to the Group until 10 June 2008. At 1 July 2007 this facility was not drawn down (2006: nil).

The Group has sufficient unused committed facilities at the balance sheet date to finance maturing current interest bearing liabilities.

The Group has a number of financing facilities which are guaranteed by Fairfax Media Limited and are covered by Deeds of negative pledge.

21. Provisions

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Current				
Employee benefits	**102,068**	75,439	**4,649**	5,179
Defamation	**1,311**	2,482	**-**	-
Property	**37,888**	-	**-**	-
Other	**5,755**	1,544	**240**	55
Total current provisions	**147,022**	79,465	**4,889**	5,234
Non-current				
Employee benefits	**14,224**	10,496	**1,939**	1,137
Other	**26,863**	7,139	**-**	-
Total non-current provisions	**41,087**	17,635	**1,939**	1,137

21. Provisions (continued)

RECONCILIATION

Reconciliations of the carrying amount of each class of provision, other than employee benefits, during the financial year are set out below:

	Consolidated Defamation 2007 $'000	Consolidated Property 2007 $'000	Consolidated Other 2007 $'000	Company Other 2007 $'000
Current				
Carrying amount at beginning of the financial year	2,482	-	1,544	55
Additional provision	5,715	37,888	8,126	832
Utilised	(6,904)	-	(3,915)	(647)
Exchange differences	18	-	-	-
Carrying amount at end of the financial year	**1,311**	**37,888**	**5,755**	**240**
Non-current				
Carrying amount at beginning of the financial year	-	-	7,139	-
Acquisition of controlled entities	-	-	30	-
Additional provision	-	-	25,753	-
Utilised	-	-	(6,055)	-
Exchange differences	-	-	(4)	-
Carrying amount at end of the financial year	**-**	**-**	**26,863**	**-**

NATURE AND TIMING OF PROVISIONS

(i) Employee benefits

Provisions for employee benefits include liabilities for annual leave and long service leave and are measured at the amounts expected to be paid when the liabilities are settled, refer to Note 1(S)(i).

(ii) Defamation

From time to time, entities in the Group are sued for defamation and similar matters in the ordinary course of business. The defamation provision maintained in the consolidated entity's accounts is with respect to various insignificant matters across the Group, at the date of this report there were no legal actions against the consolidated entity that have not been adequately provided for or that are expected to have a material impact on the Group.

(iii) Property

The provision for property costs is in respect of the move of the Sydney office from Darling Park to One Darling Island, Pyrmont. Costs include a lease surrender fee and rent penalties for Darling Park and additional costs associated with the move.

(iv) Other

Other provisions includes redundancy costs and various other costs relating to the business.

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
22. Contributed equity					
Ordinary shares					
1,479,640,401 ordinary shares fully paid (2006: 939,067,152)	(A)	**3,891,162**	1,248,334	**3,891,162**	1,248,334
Stapled Preference Shares (SPS)					
3,000,000 stapled preference shares (2006: 3,000,000)	(B)	**293,163**	293,167	**299,278**	299,282
Preferred Reset Securities Exchangeable for Shares (PRESSES)					
Nil (2006: 2,500,000 shares)	(C)	**-**	-	**-**	-
Debentures					
281 debentures fully paid (2006: 281)	(D)	*****	*	*****	*
Total contributed equity		**4,184,325**	1,541,501	**4,190,440**	1,547,616

* Amount is less than $1000

RECONCILIATIONS

Reconciliations of each class of contributed equity at the beginning and end of the current financial year are set out below:

	2007 No. of shares	2006 No. of shares	2007 $'000	2006 $'000
Consolidated				
(A) ORDINARY SHARES				
Balance at beginning of the financial year	**939,067,152**	924,463,510	**1,248,334**	1,183,596
Dividend reinvestment plan issue - 21 March 2007	**4,135,813**	-	**19,728**	-
Dividend reinvestment plan issue - 6 October 2006	**12,278,486**	-	**48,008**	-
Dividend reinvestment plan issue - 12 April 2006	**-**	5,535,530	**-**	21,977
Dividend reinvestment plan issue - 11 October 2005	**-**	8,602,112	**-**	39,483
Exercise of options - 30 March 2006	**-**	66,000	**-**	236
Exercise of options - 12 March 2006	**-**	100,000	**-**	369
Exercise of options - 19 September 2005	**-**	60,000	**-**	262
Exercise of options - 19 September 2005	**-**	240,000	**-**	1,046
Conversion of PRESSES - 27 July 2006	**66,348,490**	-	**250,000**	-
Share issue - 25 July 2006 Acquisition of Border Mail	**4,858,517**	-	**19,920**	-
Share issue - 9 May 2007 Acquisition of Rural Press	**452,951,943**	-	**2,305,525**	-
Share issue costs	**-**	-	**(353)**	-
Reclassification of share issue costs from equity to debt	**-**	-	**-**	1,365
Balance at end of the financial year	**1,479,640,401**	939,067,152	**3,891,162**	1,248,334

22. Contributed equity (continued)

	2007 No. of shares	2006 No. of shares	2007 $'000	2006 $'000
(B) STAPLED PREFERENCE SHARES (SPS)				
Balance at beginning of the financial year	**3,000,000**	-	**293,167**	-
Share issue - 23 March 2006	**-**	3,000,000	**-**	300,000
Share issue costs	**-**	-	**(4)**	(6,833)
Balance at end of the financial year	**3,000,000**	3,000,000	**293,163**	293,167
(C) PREFERRED RESET SECURITIES EXCHANGEABLE FOR SHARES (PRESSES)				
Balance at beginning of the financial year	**-**	2,500,000	**-**	241,951
Reclassification of PRESSES from equity to debt	**-**	(2,500,000)	**-**	(241,951)
Balance at end of the financial year	**-**	-	**-**	-
(D) DEBENTURES				
Balance at beginning of the financial year	**281**	281	*****	*
Balance at end of the financial year	**281**	281	*****	*
Total contributed equity			**4,184,325**	1,541,501

TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

(A) Ordinary shares

Ordinary shares entitle the holder to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

Dividend Reinvestment Plan

Fairfax Media Limited introduced a Dividend Reinvestment Plan (DRP) to eligible shareholders during the financial year ended 30 June 2004.

The DRP will apply to the payment of the final dividend for the year ended 1 July 2007 to be paid on 27 September 2007. The last date for the receipt of an election notice for participation in the plan for the final dividend is 4 September 2007.

Under the terms of the DRP eligible shareholders are able to elect to reinvest their dividends in additional Fairfax shares, free of any brokerage or other transaction costs. Shares are issued and/or transferred to DRP participants at a predetermined price, less any discount that the directors may elect to apply from time to time. The DRP issue price in relation to the final dividend for the financial year ended 1 July 2007 will be based on the arithmetic average of the daily volume weighted average sale price of Fairfax Media Limited shares traded on the Australia Securities Exchange during the period 4 September 2007 to 17 September 2007 inclusive, excluding any trades that do not qualify under the terms of the DRP, less a 2.0% discount rounded to the nearest cent. The dividend will be fully underwritten.

During the financial year ended 1 July 2007, 16,414,299 ordinary shares (2006: 14,137,642 ordinary shares) were issued under the terms of the DRP.

22. Contributed equity (continued)

(B) Stapled Preference Shares (SPS)

The SPS (FXJPB), which were issued on 23 March 2006 for a face value of $100 per share, is a stapled security comprising a fully paid SPS Preference Share issued by the Company, Fairfax Media Limited and a fully paid unsecured note issued by Fairfax Group Finance New Zealand Limited, a wholly owned entity of the Company. Holders of the SPS are not entitled to vote.

Distribution payments are at the discretion of directors however distributions, in the form of interest on the notes, are expected to be paid semi-annually in arrears with the first distribution paid on 31 October 2006, and rank in preference to ordinary shareholders and equally with preference shareholders. The distribution rate is calculated as the sum of the six month bank bill swap rate and the margin, which is determined by the issuers or adjusted to the step-up margin. Distributions are non-cumulative. Total dividend payment in the year to SPS holders was $25,630,749.

The SPS are perpetual however Fairfax has the right to repurchase the SPS for cash or convert the SPS into a variable number of ordinary shares from April 2011 or earlier in certain circumstances (an assignment event). In the event an assignment event occurs, the SPS are ‘unstapled’ and the unsecured notes assigned to a wholly owned Fairfax subsidiary. The SPS holders would continue to hold a listed SPS preference share issued by the Company and discretionary dividends on the preference shares, which may be franked.

The two securities may not be traded separately prior to an Assignment event and an assignment event does not itself give the Company the right to repurchase or convert the SPS. Holders are never entitled to both interest on the unsecured notes and dividends on the SPS preference shares at the same time.

(C) Preferred Reset Securities Exchangeable for Shares (PRESSES)

The PRESSES were converted into 66,348,490 ordinary shares on 27 July 2006 in accordance with the terms of the PRESSES issue. The final fully franked PRESSES dividend of $0.8291 per share for the period 12 June 2006 to 26 July 2006 was paid on 4 August 2006. The dividend paid totalled $2,230,250.

(D) Debentures

Debenture holders terms and conditions are disclosed in Note 1(T).

(E) Options

Information relating to the option plans, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, are detailed in Note 32.

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
23. Reserves					
Asset revaluation reserve, net of tax	(A)	**-**	7,676	**-**	-
Foreign currency translation reserve, net of tax	(B)	**48,984**	(129,287)	**-**	-
Cashflow hedge reserve, net of tax	(C)	**(6,739)**	(1,314)	**-**	-
Net investment hedge reserve, net of tax	(D)	**(24,719)**	(4,494)	**-**	-
Share-based payment reserve, net of tax	(E)	**(1,943)**	595	**(1,943)**	595
Total reserves		**15,583**	(126,824)	**(1,943)**	595
(A) Asset revaluation reserve					
Balance at beginning of the financial year		**7,676**	7,336	**-**	-
Net unrealised gains/(losses) on available for sale investment		**953**	(953)	**-**	-
Transfer to retained earnings		**(9,230)**	(723)	**-**	-
Other		**-**	1,730	**-**	-
Revaluation - joint venture		**887**	-	**-**	-
Tax effect of net loss on available for sale investment		**(286)**	286	**-**	-
Balance at end of the financial year		**-**	7,676	**-**	-
(B) Foreign currency translation reserve					
Balance at beginning of the financial year		**(129,287)**	20,158	**-**	-
Net exchange differences on currency translation, net of tax		**178,271**	(149,445)	**-**	-
Balance at end of the financial year		**48,984**	(129,287)	**-**	-
(C) Cashflow hedge reserve					
Balance at beginning of the financial year		**(1,314)**	-	**-**	-
Application of AASB 132 and 139 at 1 July 2005, net of tax		**-**	(648)	**-**	-
Effective portion of changes in value of cashflow hedges		**(7,755)**	(65)	**-**	-
Tax effect of net changes on cashflow hedges		**2,330**	(601)	**-**	-
Balance at end of the financial year		**(6,739)**	(1,314)	**-**	-
(D) Net investment hedge reserve					
Balance at beginning of the financial year		**(4,494)**	-	**-**	-
Application of AASB 132 and 139 at 1 July 2005, net of tax		**-**	(13,599)	**-**	-
Effective portion of changes in value of net investment hedges		**(28,893)**	7,179	**-**	-
Tax effect on net investment hedges		**8,668**	1,926	**-**	-
Balance at end of the financial year		**(24,719)**	(4,494)	**-**	-
(E) Share-based payment reserve					
Balance at beginning of the financial year		**595**	595	**595**	595
Share-based payment expense		**822**	-	**822**	-
Transfer to Share Trust to fund acquisition of shares		**(3,360)**	-	**(3,360)**	-
Balance at end of the financial year		**(1,943)**	595	**(1,943)**	595

23. Reserves (continued)

NATURE AND PURPOSE OF RESERVES

(A) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. From 1 July 2004, changes in the fair value of investments classified as available for sale investments are recognised in the asset revaluation reserve, as described in Note 1(M).

(B) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising on translation of foreign controlled entities and associated funding of foreign controlled entities, as described in Note 1(F).

(C) Cash flow hedge reserve

The hedging reserve is used to record the portion of gains and losses on a hedging instrument in a cash flow hedge that is determined to be an effective hedge, as described in Note 1(N).

(D) Net investment hedge reserve

The net investment hedge reserve is used to record gains and losses on a hedging instruments in a fair value hedge, as described in Note 1(F).

(E) Share-based payment reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised, as described in Note 1(S)(ii).

24. Retained profits

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Balance at beginning of the financial year		**717,414**	710,975	**227,583**	184,552
Application of AASB 132 and AASB 139, net of tax		**-**	(580)	**-**	(8,615)
Transfer from asset revaluation reserve		**9,230**	(723)	**-**	-
Net profit for the financial year		**263,510**	227,453	**721,585**	274,268
Transfer to minority interest		**619**	-	**-**	-
Actuarial gain on defined benefit plans, net of tax		**1,459**	2,911	**-**	-
Total available for appropriation		**992,232**	940,036	**949,168**	450,205
Dividends paid	6	**(244,068)**	(222,622)	**(218,437)**	(222,622)
Balance at end of the financial year		**748,164**	717,414	**730,731**	227,583

25. Minority interest

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Interest in:				
Contributed equity	**5,692**	3,195	**-**	-
Reserves	**8,438**	905	**-**	-
Retained profits	**(1,208)**	618	**-**	-
Balance at end of the financial year	**12,922**	4,718	**-**	-

RECONCILIATION

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Carrying amount at beginning of the financial year	**4,718**	4,100	**-**	-
Acquisition of controlled entities	**10,836**	-	**-**	-
Transfer to retained earnings	**(619)**	-	**-**	-
Share of profit/(loss) for the period	**(1,889)**	618	**-**	-
Distribution to minority interest	**(124)**	-	**-**	-
Carrying amount at end of the financial year	**12,922**	4,718	**-**	**-**

26. Earnings per share

	Consolidated 2007 ¢ per share	Consolidated 2006 ¢ per share
Basic earnings per share		
After significant and non-recurring items and including SPS dividend, net of tax	**22.7**	23.8
Diluted earnings per share		
After significant and non-recurring items, net of tax	**23.0**	23.8

	Consolidated 2007 $'000	Consolidated 2006 $'000
Earnings reconciliation - basic		
Net profit attributable to members of the Company	**263,510**	227,453
Less Dividends paid on SPS, net of tax (notional in 2006) *	**(17,942)**	(5,844)
Basic earnings after significant and non-recurring items and including SPS dividend	**245,568**	221,609
Earnings reconciliation - diluted		
Net profit attributable to members of the Company	**263,510**	227,453

26. Earnings per share (continued)

	Consolidated 2007 Number '000	Consolidated 2006 Number '000
Weighted average number of ordinary shares used in calculating basic EPS before significant and non-recurring items	**1,082,093**	931,650
SPS	**64,670**	22,498
Weighted average number of ordinary shares used in calculating diluted EPS before and after significant and non-recurring items	**1,146,763**	954,148

* SPS dividends are paid at the end of October and April each year. In the previous financial year no dividends were paid and hence a notional dividend was included in calculating the earnings per share.

27. Commitments

OPERATING LEASE COMMITMENTS - GROUP AS LESSEE

The Group has entered into commercial leases on office and warehouse premises, motor vehicles and office equipment.

Future minimum rentals payable under non-cancellable operating leases as at 1 July are as follows:

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Within one year		**46,895**	26,050	**-**	-
Later than one year and not later than five years		**163,383**	95,160	**-**	-
Later than five years		**378,737**	130,152	**-**	-
Total operating lease commitments		**589,015**	251,362	**-**	-

The Group is currently leasing the Spencer Street premises for the period 15 June 2007 to 31 March 2010. There are two six month extensions available. Election to renew twelve months prior to the end of the term will not have an additional cost associated with it. Election to renew the lease six and three months prior to the end of the term will cost $150,000 and $200,000 respectively, payable in six equal instalments.

27. Commitments (continued)

FINANCE LEASE COMMITMENTS - GROUP AS LESSEE

The Group has a finance lease for plant and machinery with a carrying amount of $35.0m (2006: $36.2m). The lease has an average lease term of eight years (2006: nine years) and a weighted average interest rate of 13.4% (2006: 12.5%).

Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Within one year		**5,076**	5,076	**-**	-
Later than one year and not later than five years		**20,303**	30,454	**-**	-
Later than five years		**16,495**	11,420	**-**	-
Minimum lease payments		**41,874**	46,950	**-**	-
Less future finance charges		**(10,557)**	(12,945)	**-**	-
Total finance lease liability		**31,317**	34,005	**-**	-
Classified as:					
Current interest bearing liabilities		**2,880**	2,687	**-**	-
Non-current interest bearing liabilities		**28,437**	31,318	**-**	-
Total finance lease liability	20(D)	**31,317**	34,005	**-**	-

CONTINGENT RENTALS UNDER FINANCE LEASE

A component of the finance lease payments are contingent on movements in the consumer price index. At balance date, the contingent rent payable over the remaining lease term of eight years is $30.9 million (2006: $35.0 million).

CAPITAL COMMITMENTS

At 1 July 2007, the Group has commitments principally relating to the purchase of property, plant and equipment. Commitments contracted for at reporting date but not recognised as liabilities are as follows:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Within one year	**21,783**	12,407	**-**	357
Later than one year and not later than five years	**10,711**	1,232	**-**	-
Later than five years	**-**	2,275	**-**	-
Total capital commitments	**32,494**	15,914	**-**	357

28. Contingencies

EARN OUT AGREEMENT - TRADE ME LIMITED

The consolidated entity has entered into an earn out agreement as part of the condition of purchase of Trade Me Limited. In the current financial year, NZD$4.76 million (AUD$4.26 million) was paid to Trade Me Limited as part of the first year of the earn out agreement.

Additional cash consideration of up to NZD$45.24 million (AUD$41.21 million) will be payable by the consolidated entity if Trade Me Limited achieve specified financial performance criteria in the second year of the earn out agreement.

The amount of the earn out is based on the Trade Me Group's earnings before interest, tax, depreciation and amortisation (EBITDA) for the twelve months ended 31 March 2008.

The liability for the second year of the earn out agreement has not been recognised at 1 July 2007 as the amount of the earn out is subject to a variety of factors including market behaviour, competition, auction volumes and activity and cannot be reliably determined at this stage.

Should the performance criteria be achieved and the earn out paid, the payment will be accounted for as an additional acquisition cost and added to the carrying amount of the investment in Trade Me Limited as goodwill.

EARN OUT AGREEMENT - COUNTRYCARS.COM.AU PTY LTD

The consolidated entity has entered into an earn out agreement as part of the condition of purchase of CountryCars.com.au Pty Ltd. Additional cash consideration of up to $33.4 million will be payable by the consolidated entity if CountryCars.com.au Pty Ltd achieve specified financial performance criteria.

The amount of the earn out is based on Country Car's earnings before interest, tax, depreciation and amortisation (EBITDA) for the twelve months ended 31 December 2008.

The liability for earn out has not been recognised at 1 July 2007 as the amount of the earn out is subject to a variety of factors including market behaviour, competition, trading volumes and activity and cannot be reliably determined at this stage.

Should the performance criteria be achieved and the earn out paid, the payment will be accounted for as an additional acquisition cost and added to the carrying amount of the investment in CountryCars.com.au Pty Ltd as goodwill.

GUARANTEES

Under the terms of ASIC Class Order 98/1418 (as amended), the Company and certain controlled entities (refer Note 29), have guaranteed any deficiency of funds if any entity to the class order is wound-up. No such deficiency exists at balance date.

DEFAMATION

From time to time, entities in the consolidated entity are sued for defamation and similar matters in the ordinary course of business. At the date of this report, there were no legal actions against the consolidated entity that are expected to result in a material impact.

29. Controlled entities

The following entities were controlled as at the end of the financial year:

	Notes	Country of Incorporation	Ownership interest 2007 %	Ownership interest 2006 %
Fairfax Media Limited	(a)	Australia		
CONTROLLED ENTITIES				
5AU Broadcasters Proprietary Limited	(b)	Australia	93	-
ACN 101 806 302 Pty Ltd	(a)	Australia	100	-
Agricultural Publishers Pty Limited	(a),(b)	Australia	100	-
AIPD Pty Limited		Australia	100	100
Associated Newspapers Ltd	(a)	Australia	100	100
Australian Property Monitors Pty Limited	(a)	Australia	100	100
Border Mail Printing Pty Ltd		Australia	76	-
Bridge Printing Office Pty Limited	(a),(b)	Australia	100	-
Bundaberg Broadcasters Pty Limited	(b)	Australia	93	-
Canweb Printing Pty Limited	(b)	Australia	100	-
Carpentaria Newspapers Pty Limited	(a),(b)	Australia	100	-
Central Districts Field Days Limited	(b)	New Zealand	100	-
Commerce Australia Pty Ltd		Australia	75	-
Communication Associates Limited	(b)	New Zealand	100	-
Constellar Press & Printing Pty Limited	(a),(b)	Australia	100	-
Country Publishers Pty Limited	(a),(b)	Australia	100	-
CountryCars.com.au Pty Ltd	(a)	Australia	100	-
Cudgegong Newspapers Pty Limited	(b)	Australia	100	-
David Syme & Co Pty Limited	(a)	Australia	100	100
Debt Retrieval Agency Limited		New Zealand	100	100
Esperance Holdings Pty Limited	(b)	Australia	100	-
Examiner Properties Pty Limited	(b)	Australia	100	-
F@rming Online Pty Limited	(a),(b)	Australia	100	-
Fairfax Business Media (South Asia) Pte Limited		Singapore	100	100
Fairfax Business Media Pte Limited		Singapore	100	100
Fairfax Business Media Sdn. Bhd.		Malaysia	100	-
Fairfax Business Publications (Hong Kong) Ltd		Hong Kong	100	100
Fairfax Community Network Limited	(a)	Australia	100	100
Fairfax Community Newspapers Pty Limited	(a)	Australia	100	100
Fairfax Corporation Pty Limited	(a)	Australia	100	100
Fairfax Digital Australia & New Zealand Pty Ltd	(a)	Australia	100	100
Fairfax Digital Limited	(a)	Australia	100	100
Fairfax EEC Limited		United Kingdom	100	100
Fairfax Group Finance New Zealand Limited		New Zealand	100	100
Fairfax Media BCS Pty Limited		Australia	100	-
Fairfax Media Group Finance Pty Limited	(a)	Australia	100	100
Fairfax Media Management Pty Limited	(a)	Australia	100	-
Fairfax New Zealand Finance Limited		Australia	100	100
Fairfax New Zealand Holdings Limited		New Zealand	100	100

29. Controlled entities (continued)

	Notes	Country of Incorporation	Ownership interest 2007 %	Ownership interest 2006 %
Fairfax New Zealand Limited		New Zealand	100	100
Fairfax Print Holdings Pty Limited	(a)	Australia	100	100
Fairfax Printers Pty Limited	(a)	Australia	100	100
Fairfax Regional Printers Pty Limited	(a)	Australia	100	100
Farm Progress Companies, Inc	(b)	United States	100	-
Farm Progress Holding Co, Inc	(b)	United States	100	-
Farm Progress Insurance Services, Inc	(b)	United States	100	-
Golden Mail Pty Limited	(b)	Australia	66	-
Harris and Company Pty Limited	(b)	Australia	100	-
Harris Enterprises Pty Limited	(b)	Australia	100	-
Harris Print Pty Limited	(b)	Australia	100	-
Harris Publications Pty Limited	(b)	Australia	100	-
Hunter Distribution Network Pty Limited	(a),(b)	Australia	100	-
Illawarra Newspaper Holdings Pty Limited	(a)	Australia	100	100
Indiana Prairie Farmer Insurance Services, Inc	(b)	United States	100	-
J&R Graphics Pty Limited	(b)	Australia	100	-
John Fairfax & Sons Limited	(a)	Australia	100	100
John Fairfax (UK) Limited		United Kingdom	100	100
John Fairfax (US) Limited		United States	100	100
John Fairfax Limited	(a)	Australia	100	100
John Fairfax Publications Pty Limited	(a)	Australia	100	100
Lanson Investments Pty Limited	(b)	Australia	93	-
Large Publications Pty Ltd		Australia	79	79
Leeton Newspapers Pty Ltd	(b)	Australia	100	-
Lime Digital Pty Limited		Australia	100	100
Macleay Valley Happynings Pty Limited	(b)	Australia	100	-
Mayas Pty Limited	(b)	Australia	100	-
Mayas Unit Trust	(b)	Australia	100	-
Media Investments Pty Limited	(a),(b)	Australia	100	-
Melbourne Community Newspapers Pty Ltd		Australia	100	-
Merredin Advertiser Pty Limited	(b)	Australia	100	-
Metropolis Media Pty Ltd		Australia	100	100
Micosh Pty Ltd	(b)	Australia	100	-
Milton Ulladulla Publishing Co. Pty Limited	(b)	Australia	60	-
Mistcue Pty Limited		Australia	65	65
Mountain Press Pty Limited	(b)	Australia	88	-
NE Investments Pty Ltd		Australia	100	-
Newcastle Newspapers Pty Ltd	(a)	Australia	100	100
North Australian News Pty Limited	(a),(b)	Australia	100	-
Northern Newspapers Pty Limited	(a),(b)	Australia	100	-
NZ Rural Press Limited	(b)	New Zealand	100	-
Old Friends Limited		New Zealand	100	100
Online Services International Limited		New Zealand	100	100
Personal Investment Direct Access Pty Limited		Australia	100	100

29. Controlled entities (continued)

	Notes	Country of Incorporation	Ownership interest 2007 %	Ownership interest 2006 %
Port Lincoln Times Pty Limited	(a),(b)	Australia	100	-
Port Stephens Publishers Pty Ltd		Australia	100	100
Port Stephens Publishers Trust		Australia	100	100
Pro-Ag Pty Limited	(b)	Australia	100	-
Propaganda Print Pty Ltd		Australia	100	100
Queensland Community Newspapers Pty Limited	(a),(b)	Australia	100	-
Real Estate Publications Australasia Pty Limited		Australia	55	55
Real Estate Publications Australasia Trust		Australia	55	55
Regional Printers Pty Limited	(a),(b)	Australia	100	-
Regional Publishers (Tasmania) Pty Limited	(a),(b)	Australia	100	-
Regional Publishers (Victoria) Pty Limited	(a),(b)	Australia	100	-
Regional Publishers (Western Victoria) Pty Ltd	(a),(b)	Australia	100	-
Regional Publishers Pty Limited	(a),(b)	Australia	100	-
Riverina Newspapers (Griffith) Pty Ltd	(b)	Australia	100	-
RP Interactive Pty Limited	(a),(b)	Australia	100	-
RPL Technology Pty Limited	(a),(b)	Australia	100	-
RSVP.com.au Pty Limited	(a)	Australia	100	100
Rural Press (North Queensland) Pty Limited	(b)	Australia	100	-
Rural Press (USA) Limited	(b)	United States	100	-
Rural Press Ltd	(a),(b)	Australia	100	-
Rural Press Printing (Victoria) Pty Limited	(a),(b)	Australia	100	-
Rural Press Printing Pty Limited	(a),(b)	Australia	100	-
Rural Press Queensland Pty Limited	(a),(b)	Australia	100	-
Rural Press Regional Media (WA) Pty Limited	(a),(b)	Australia	100	-
Rural Press Share Plan Pty Limited	(b)	Australia	100	-
Rural Press USA Inc	(b)	United States	100	-
Rural Publishers Pty Limited	(a),(b)	Australia	100	-
S.A. Regional Media Pty Limited	(a),(b)	Australia	100	-
Snowy Mountains Publications Pty Limited	(b)	Australia	100	-
Star Broadcasting Network Pty Limited	(b)	Australia	93	-
Stayz Limited		New Zealand	100	100
Stayz Pty Limited	(a)	Australia	100	100
Stock Journal Publishers Pty Limited	(a),(b)	Australia	100	-
Suzannenic Pty Limited		Australia	100	100
The Advocate Newspaper Proprietary Limited	(b)	Australia	100	-
The Age Company Ltd	(a)	Australia	100	100
The Age Print Company Pty Ltd	(a)	Australia	100	100
The Barossa News Pty Limited	(a),(b)	Australia	100	-
The Border Morning Mail Ltd	(a)	Australia	100	-
The Examiner Newspaper Pty Limited	(b)	Australia	100	-
The Federal Capital Press of Australia Pty Limited	(a),(b)	Australia	100	-
The Independent News Pty Ltd	(a)	Australia	100	-
The Miller Publishing Co, Inc	(b)	United States	100	-
The Murrumbidgee Irrigator Pty Ltd	(b)	Australia	100	-

29. Controlled entities (continued)

	Notes	Country of Incorporation	Ownership interest 2007 %	2006 %
The Printing Press Pty Limited	(b)	Australia	100	-
The Queanbeyan Age Pty Limited	(b)	Australia	100	-
The Text Media Group Pty Ltd		Australia	100	100
The Text Newspaper Company Pty Limited		Australia	100	100
The Wagga Daily Advertiser Pty Ltd	(b)	Australia	100	-
The Warrnambool Standard Pty Ltd	(a)	Australia	100	100
Tofua Holdings Pty Limited	(b)	Australia	100	-
Trade Me Limited		New Zealand	100	100
Victorian Lifestyle Property Pty Limited		Australia	100	100
West Australian Rural Media Pty Limited	(a),(b)	Australia	100	-
Western Australian Primary Industry Press Pty Ltd	(a),(b)	Australia	100	-
Western Magazine Pty Limited	(b)	Australia	75	-
Western Magazine Settlement Trust	(b)	Australia	75	-
Whyalla News Properties Pty Limited	(a),(b)	Australia	100	-
Winbourne Pty Limited	(a),(b)	Australia	100	-

(a) The Company and the controlled entities incorporated within Australia are party to Class Order 98/1418 (as amended) issued by the Australian Securities & Investment Commission. These entities have entered into a Deed of Cross Guarantee dated June 2007 under which each entity guarantees the debts of the others. These companies represent a 'Closed Group' for the purposes of the Class Order and there are no other members of the 'Extended Closed Group'. Under the Class Order, these entities have been relieved from the requirements of the Corporations Act 2001 with regard to the preparation, audit and publication of accounts.

(b) These companies were acquired as part of the Rural Press acquisition. Refer to Note 31 for further details.

DEED OF CROSS GUARANTEE

Fairfax Media Limited and certain wholly-owned entities (the "Closed Group") identified at (a) above are parties to a Deed of Cross Guarantee under ASIC Class Order 98/1418 (as amended). Pursuant to the requirements of that Class Order, a summarised consolidated income statement for the period ended 1 July 2007 and consolidated balance sheet as at 1 July 2007, comprising the members of the Closed Group after eliminating all transactions between members are set out below:

(A) BALANCE SHEET

	2007 $'000	2006 $'000
Current assets		
Cash and cash equivalents	**323,885**	30,705
Trade and other receivables	**331,919**	259,562
Inventories	**38,928**	29,163
Derivative assets	**8**	15,305
Assets held for sale	**500**	-
Total current assets	**695,240**	334,735

29. Controlled entities (continued)

	2007 $'000	2006 $'000
Non-current assets		
Receivables	**636,584**	582,154
Investments accounted for using the equity method	**15,536**	14,399
Available for sale investments	**-**	3,175
Held to maturity investments	**16,014**	16,949
Intangible assets	**3,957,807**	1,377,986
Property, plant and equipment	**692,256**	557,042
Derivative assets	**165**	15,999
Pension asset	**9,292**	6,831
Deferred tax assets	**97,402**	68,421
Other financial assets	**1,484,297**	975,454
Total non-current assets	**6,909,353**	3,618,410
Total assets	**7,604,593**	3,953,145
Current liabilities		
Payables	**224,307**	183,735
Interest bearing liabilities	**10,178**	610,175
Derivative liabilities	**1,344**	246
Provisions	**131,596**	69,883
Current tax liabilities	**20,353**	4,640
Total current liabilities	**387,778**	868,679
Non-current liabilities		
Interest bearing liabilities	**2,160,827**	897,757
Derivative liabilities	**90,448**	51,712
Deferred tax liabilities	**79,972**	67,965
Provisions	**37,986**	15,871
Other	**335**	-
Total non-current liabilities	**2,369,568**	1,033,305
Total liabilities	**2,757,346**	1,901,984
Net assets	**4,847,247**	2,051,161
Equity		
Contributed equity	**4,184,325**	1,541,501
Reserves	**(25,988)**	(59,060)
Retained profits	**688,910**	568,720
Total equity	**4,847,247**	2,051,161
(B) INCOME STATEMENT		
Total revenue	**1,589,096**	1,416,639
Share of net profits of associates and joint ventures	**2,577**	6,769
Expenses before finance costs	**(1,238,551)**	(1,185,814)
Finance costs	**(41,420)**	(18,740)
Net profit from continuing operations before income tax expense	**311,702**	218,854
Income tax expense	**(49,322)**	(57,274)
Net profit from continuing operations after income tax expense	**262,380**	161,580

30. Acquisition and disposal of controlled entities

The consolidated entity gained control over the following entities in Australia and New Zealand during the financial year:

Entity or business acquired	Principal activity	Date of Acquisition	Ownership Interest
The Border Morning Mail Limited	Newspaper Publishing	25 July 2006	100%
Border Mail Printing Pty Limited	Printing facility	25 July 2006	75.5%
Melbourne Community Newspapers Pty Ltd	Newspaper Publishing	25 July 2006	100%
The Independent News Pty Limited	Newspaper Publishing	25 July 2006	100%
NE Investments Pty Limited	Dormant	25 July 2006	100%
International Data Group, Inc. ("IDG")	Technology publisher	7 August 2006	*
Essential Baby	Online parenting website	20 December 2006	**
Commerce Australia Pty Limited	Online real estate website	14 March 2007	75%
Rural Press Limited and controlled entities	Newspaper, magazine and electronic publishing, printing, radio broadcasting and event management	9 May 2007	100%
Countrycars.com.au Pty Limited	Online car sales	11 May 2007	100%
A.C.N. 101 806 302 Pty Limited	Online car sales	11 May 2007	100%

* The business assets of IDG's operations in Singapore and New Zealand were acquired.

** The website www.essentialbaby.com.au and related domain names were acquired.

Consideration paid for the acquisition of The Border Morning Mail Limited, including 51% of Border Mail Printing Pty Limited, consisted of $142.1 million in cash and 4,858,517 ordinary shares at an issue price of $4.10 per share, pursuant to the Scheme of Arrangement. The Independent News Pty Limited, including 24.5% of Border Mail Printing Pty Limited held by Melbourne Community Newspapers Pty Limited, was acquired for a total consideration of $15.1 million cash. Including costs directly attributed to the acquisition, the total value of the business combination was $178.3 million.

Consideration paid for the acquisition of Rural Press Limited consisted of $422.4 million in cash and 452,951,943 ordinary shares at an issue price of $5.09 per share, pursuant to the Scheme of Arrangement.

For additional information refer to Note 31.

The consolidated entity disposed of its 50% interest in Text Pacific Pty Limited on 30 September 2006.

31. Business combinations

(A) RURAL PRESS

On 9 May 2007 Fairfax Media Limited acquired 100% of the issued share capital of Rural Press Limited. For a full listing of entities acquired as part of the Rural Press acquisition, refer to Note 29.

The fair value of the identifiable assets and liabilities of the Rural Press entities as at the date of acquisition were:

	Recognised on acquisition $'000	Acquiree's carrying amounts $'000
Fair value of net assets acquired		
Cash and cash equivalents	8,438	8,438
Receivables	95,530	95,530
Inventories	14,693	14,693
Investments - equity accounted	17,781	9,006
Property, plant and equipment	217,772	192,803
Intangible assets	1,512,382	445,642
Deferred income tax asset	12,595	15,412
Total assets	1,879,191	781,524
Payables	51,614	51,700
Current tax liabilities	12,640	6,240
Interest bearing liabilities	413,307	413,307
Provisions	25,285	24,300
Deferred tax liability	15,537	4,699
Total liabilities	518,383	500,246
Fair value of identifiable net assets	1,360,808	281,278
Outside equity interest in net assets	(8,836)	-
Goodwill arising on acquisition *	1,380,787	-
Total identifiable net assets and goodwill	2,732,759	281,278
Consideration		
Purchase consideration - cash	422,426	
Purchase consideration - shares	2,305,525	
Costs directly attributable to the acquisition	4,808	
Total consideration	2,732,759	
Net cash outflow on acquisition		
Net cash acquired with subsidiary	8,438	
Cash paid	(427,233)	
Net cash outflow	(418,795)	

* Included in the $1,380.8 million of goodwill are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature, or which do not have a material value. Assets included in this balance consist of uncontracted customer relationships, order backlog and workforce in place.

For further details of the purchase consideration for Rural Press Limited refer to Note 30.

31. Business combinations (continued)

For the period since acquisition, being 9 May 2007 to 1 July 2007, the Rural Press entities have contributed net profit after income tax expense of $22.9 million. Synergies derived in other parts of the Group as a result of the Rural Press Limited acquisition have not been incorporated into the above result. The total revenue for Rural Press Limited had the acquisition instead taken place on 1 July 2006, would have been $610.0 million. The total net profit after income tax expense, had the acquisition instead taken place on 1 July 2006, would have been $127.9 million.

The purchase price allocation for this business combination is based on provisional information at 1 July 2007.

For a description of mastheads to be sold as a result of this merger, refer to Note 9.

(B) BORDER MORNING MAIL

On 25 July 2006 The Age Co Limited, a wholly-owned subsidiary of Fairfax Media limited, acquired the issued share capital of the following entities:

Entity or business acquired	Principal activity	Date of Acquisition	Ownership Interest
The Border Morning Mail Limited	Newspaper Publishing	25 July 2006	100%
Border Mail Printing Pty Limited	Printing facility	25 July 2006	75.5%
Melbourne Community Newspapers Pty Ltd	Newspaper Publishing	25 July 2006	100%
The Independent News Pty Limited	Newspaper Publishing	25 July 2006	100%
NE Investments Pty Limited	Dormant	25 July 2006	100%

The fair value of the identifiable assets and liabilities of the Border Morning Mail entities as at the date of acquisition were:

	Recognised on acquisition $'000	Acquiree's carrying amounts $'000
Fair value of net assets acquired		
Cash and cash equivalents	16,489	16,489
Receivables	8,891	8,891
Inventories	313	313
Property, plant and equipment	29,429	27,504
Intangible assets	20,288	1,611
Deferred income tax asset	1,045	1,045
Total assets	76,455	55,853
Payables	6,120	6,120
Current tax liabilities	1,557	1,557
Interest bearing liabilities	15,395	15,395
Provisions	2,965	2,965
Deferred tax liability	1,415	454
Total liabilities	27,452	26,491
Fair value of identifiable net assets	49,003	29,362
Outside equity interest in net assets	(2,133)	-
Goodwill arising on acquisition **	131,537	-
Total identifiable net assets and goodwill	178,407	29,362

31. Business combinations (continued)

	Recognised on acquisition $'000
Consideration	
Purchase consideration - cash	157,239
Purchase consideration - shares	19,920
Costs directly attributable to the acquisition	1,248
Total consideration	178,407
Net cash outflow on acquisition	
Net cash acquired with subsidiary	16,489
Cash paid	(158,487)
Net cash outflow	(141,998)

** Included in the $131.5 million of goodwill are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature, or which do not have a material value. Assets included in this balance consist of uncontracted customer relationships, order backlog and workforce in place.

For further details of the purchase consideration for the Border Morning Mail entities refer to Note 30.

For the period since acquisition, being 25 July 2006 to 1 July 2007, the Border Morning Mail entities have contributed net profit after income tax expense of $14.86 million. Synergies derived in other parts of the Group as a result of the BMM acquisition have not been incorporated into the above result. As the acquisition occurred on 25 July 2006, the impact on the consolidated net profit after income tax expense, had the acquisition instead taken place on 1 July 2006, is not material.

(C) OTHER ACQUISITIONS DURING THE FINANCIAL YEAR

The consolidated entity gained control over the following entities in Australia and New Zealand during the financial year, none of which were individually significant to the consolidated entity:

Entity or business acquired	Principal activity	Date of Acquisition	Ownership Interest
International Data Group, Inc.	Technology publisher	7 August 2006	(i)
Essential Baby	Online parenting website	20 December 2006	(ii)
Commerce Australia Pty Limited	Online real estate website	14 March 2007	75%
Countrycars.com.au Pty Limited	Online car sales	11 May 2007	100%
A.C.N. 101 806 302 Pty Limited	Online car sales	11 May 2007	100%

(i) The business assets of IDG's operations in Singapore and New Zealand were acquired.
(ii) The website www.essentialbaby.com.au and related domain names were acquired.

31. Business combinations (continued)

	Recognised on acquisition $'000	Acquiree's carrying amounts $'000
Fair value of net assets acquired		
Cash and cash equivalents	298	298
Receivables	260	260
Inventories	-	-
Investments - equity accounted	-	-
Property, plant and equipment	93	93
Intangible assets	2,653	2,477
Deferred income tax asset	-	-
Total assets	3,304	3,128
Payables	818	818
Current tax liabilities	7	7
Provisions	169	169
Deferred tax liability	-	-
Total liabilities	994	994
Fair value of identifiable net assets	2,310	2,134
Goodwill arising on acquisition ***	19,041	-
Total identifiable net assets and goodwill	21,351	2,134
Consideration		
Purchase consideration	20,914	
Working capital payment - non cash	20	
Costs directly attributable to the acquisition	417	
Total consideration	21,351	
Net cash outflow on acquisition		
Net cash acquired with subsidiary	298	
Cash paid	(21,331)	
Net cash outflow	(21,033)	

*** Included in the $19.0 million of goodwill are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature, or which do not have a material value. Assets included in this balance consist of uncontracted customer relationships, order backlog and workforce in place.

Due to the timing of certain business combinations and audits which were incomplete at the date of this report, certain business combinations were determined using provisional information.

The consolidated entity gained control over a number of entities in Australia and New Zealand during the previous financial year. The only individual significant acquisition was Trade Me Limited, a company based in New Zealand which operates an online auction website.

32. Employee benefits

(A) NUMBER OF EMPLOYEES

As at 1 July 2007 the consolidated entity employed 9,474 full time employees (2006: 6,468) and 1,942 part-time and casual employees (2006: 2,168). This includes 2,348 (2006: 2,363) full-time employees and 299 (2006: 286) part-time and casual employees in New Zealand.

(B) EMPLOYEE SHARE/SHARE OPTION PLANS

The Company has four employee share/share option plans at balance date. Information relating to each plan is set out below:

1. Fairfax Exempt Employee Share Plan

This plan is open to all permanent full-time and part-time Australian employees with more than twelve months service with the consolidate entity in Australia. Under this Plan, participants may salary sacrifice up to $1,000 of pre tax salary per annum for purchase of issued Fairfax shares at the market price on the open market of the ASX. The shares are purchased by an independent trustee company on pre-fixed dates.

2. Fairfax Deferred Employee Share Plan

This plan is open to all permanent full-time and part-time Australian employees with more than twelve months service with the consolidate entity in Australia. Under this Plan, participants may salary sacrifice a minimum of $3,000 and up to a maximum of 25% of salary per annum for purchase of issued Fairfax shares at the market price on the open market of the ASX. The shares are purchased by an independent trustee company on pre-fixed dates.

3. Long Term Deferred Incentive Plan

The long term deferred incentive plan is available to certain permanent Australian full-time and part-time employees of the consolidated entity who are not directors of the Company. Under this plan, the cash value of one-third of an eligible employee's annual incentive payment will be in the form of rights to Fairfax shares, which are beneficially held in a Trust. The shares will vest if the eligible employee remains in employment three calendar years from the date the rights are allocated and are otherwise forfeited. There are currently no cash settlement alternatives. Dividends on the allocated shares during the vesting period are paid directly to the eligible employee and the Company does not have any recourse to dividends paid.

4. Employee Share Option Plan

An Employee Share Option Plan ceased in March 2006 and there were no options held by employees at 1 July 2007 (2006: nil)

(C) MOVEMENT IN SHARE OPTIONS DURING THE FINANCIAL YEAR

	2007 Number of options	2007 Weighted average exercise price	2006 Number of options	2006 Weighted average exercise price
Balance at the beginning of the financial year	-	-	496,000	4.08
Exercised	-	-	(466,000)	4.11
Forfeited	-	-	(30,000)	3.69
Balance at the end of the financial year	-	-	-	-

There were no options exercisable at the end of the financial year.

The consolidated entity did not grant any share options during the financial years ended 2007 or 2006.

There were no options exercised or forfeited during the financial year.

32. Employee benefits (continued)

The exercise price of options granted in previous years was equivalent to the Company's average market share price on the ASX, at the date the options were issued. At balance date, the Company's closing share price was $4.70 (2006: $3.75).

(i) Fair values of options and rights over shares

The fair value of options and rights over shares are estimated on grant date using the Black-Scholes and Monte Carlo option pricing models respectively taking into account the terms and conditions upon which they were granted. The Inputs to these models used for the financial years are as below:

	2007 Range*	2006 Range
Dividend yield	-	1.92% - 3.47%
Expected volatility	-	10%
Risk-free discount rate	-	4.5% - 5.5%
Expected life of option	-	3 yrs
Option exercise price	-	$3.88
Weighted average share price at grant date	-	$1.79

The dividend yield reflects the assumption that the current dividend payout will continue with no material anticipated increases. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

* No data is shown for the 2007 financial year as all options expired or were exercised in the 2006 financial year with the result being that there were no options to value for the 2007 financial year.

33. Remuneration of auditors

During the financial year the following amounts were paid or payable for services provided by the auditor of the Company and its related parties:

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Audit services				
Ernst & Young Australia				
Audit and review of financial reports	**991,000**	784,540	**991,000**	784,540
Affiliates of Ernst & Young Australia				
Audit and review of financial reports	**358,000**	371,000	**358,000**	371,000
KPMG Australia				
Audit and review of financial reports	**683,229**	-	**683,229**	-
Affiliates of KPMG Australia				
Audit and review of financial reports	**19,454**	-	**19,454**	-
Total audit services	**2,051,683**	1,155,540	**2,051,683**	1,155,540
Other assurance services				
Ernst & Young Australia				
Regulatory and contractually required audits	**268,600**	125,270	**-**	-
Other	**242,895**	-	**175,425**	-
Affiliates of Ernst & Young Australia				
Regulatory and contractually required audits	**271,641**	151,000	**-**	-
Other	**30,000**	-	**-**	-
KPMG Australia				
Other	**50,000**	-	**-**	-
Total other assurance services	**863,136**	276,270	**175,425**	-
Total remuneration for assurance services	**2,914,819**	1,431,810	**2,227,108**	1,155,540
Non assurance services				
Ernst & Young Australia				
Due diligence	**-**	33,990	**-**	7,500
Other services	**15,450**	-	**-**	-
Affiliates of Ernst & Young Australia				
Other services	**4,903**	-	**-**	-
KPMG Australia				
Other services	**398,692**	-	**287,337**	-
Total non assurance services	**419,045**	33,990	**287,337**	7,500
Total remuneration of auditors	**3,333,864**	1,465,800	**2,514,445**	1,163,040

For the 2007 financial year KPMG performed audit services at legacy Rural Press Limited entities in the Group. Fees for audit services provided to the legacy Rural Press companies are included in this note to provide a comprehensive disclosure regarding fees paid to audit firms for audit services in the 2007 financial year.

34. Director and executive disclosures

(A) DETAILS OF KEY MANAGEMENT PERSONNEL

(i) Directors

The following persons were directors of Fairfax Media Limited during the financial year and up to the date of this report:

RJ Walker	Non Executive Chairman
MD Burrows	Non Executive Deputy Chairman
RC Corbett	Non Executive Director
D Evans	Non Executive Director
DE Kirk	Chief Executive Officer
JM King	Non Executive Director
P Young	Non Executive Director
JB Fairfax	Non Executive Director (from 9 May 2007)
N Fairfax	Non Executive Director (from 9 May 2007)
R Savage	Non Executive Director (from 25 June 2007)

(ii) Executives

The following executives were the key management personnel during the financial year:

D Churchill	Managing Director – Victoria
G Hambly	Group General Counsel and Company Secretary
J Hooke	Managing Director – New South Wales
S Narayan	Chief Financial Officer
J Withers*	Chief Executive Officer – New Zealand
J Matthews	Chief Executive Officer – Fairfax Digital
B McCarthy**	Group Deputy Chief Executive Officer, Chief Executive Officer Australia

* J Withers was a key management executive of the Group during the financial year, however was not a key executive of the Company during the financial year.

** B McCarthy joined the Company and the Group on 9 May 2007 following the acquisition of Rural Press Limited.

(B) KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Short-term employment benefits	**7,555,757**	6,231,999	**6,948,107**	5,625,361
Post-employment benefits	**526,445**	313,085	**526,445**	313,085
Other long-term benefits	**-**	171,429	**-**	171,429
Termination benefits	**-**	-	**-**	-
Share-based payments	**441,626**	477,573	**441,626**	477,573
	8,523,828	7,194,086	**7,916,178**	6,587,448

The Company has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures, designated as audited, are provided in the Directors' Report on pages 2 to 6.

34. Director and executive disclosures (continued)

(C) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section 5.8 of the remuneration report on pages 16.

(ii) Option holdings

Options of directors and key management personnel granted and vested during the financial year

During the financial year there were no options granted (2006: nil).
During the financial year there were no options that vested (2006: 300,000).

Option holdings of directors and key management personnel

Directors

During the financial period ended 1 July 2007, there were no options issued to or exercised by directors, nor were there any options held by directors that lapsed during the financial year (2006: nil).

Key Management Personnel

During the financial period ended 1 July 2007, there were no options issued to or exercised by key management personnel, nor were there any options held by key management personnel that lapsed during the financial year (2006: 300,000 options exercised).

(iii) Shareholdings

	Balance 2006	Granted as remuneration	On exercise of option	Net change Other	Balance 2007*	Post year-end acquisitions	Post year-end disposals	Post year-end balance
Directors								
RJ Walker	424,791	-	-	589,509	1,014,300	4,847	-	1,019,147
MD Burrows	33,552	-	-	12,160	45,712	2,996	-	48,708
RC Corbett	21,053	-	-	8,487	29,540	2,542	-	32,082
D Evans	6,456	-	-	7,345	13,801	31,907	-	45,708
JB Fairfax	-	-	-	216,501,147	216,501,147	1,906	-	216,503,053
N Fairfax	-	-	-	1,210,113	1,210,113	2,314	-	1,212,427
JM King	39,336	-	-	7,916	47,252	2,042	-	49,294
DE Kirk	100,000	-	-	224,405	324,405	85,795	-	410,200
R Savage	-	-	-	-	-	13,322	-	13,322
P Young	4,369	-	-	7,998	12,367	1,906	-	14,273
Key management personnel								
D Churchill	-	-	-	-	-	-	-	-
G Hambly	96,415	-	-	18,204	114,619	-	-	114,619
J Hooke	-	-	-	-	-	-	-	-
S Narayan	2,247	-	-	20,734	22,981	263	-	23,244
J Withers	3,296	-	-	-	3,296	-	-	3,296
J Matthews	-	-	-	-	-	-	-	-
B McCarthy**	-	-	-	1,074,384	1,074,384	-	-	1,074,384
Total	731,515	-	-	219,682,402	220,413,917	149,840	-	220,563,757

34. Director and executive disclosures (continued)

	Balance 2005	Granted as remuneration	On exercise of option	Net change Other	Balance 2006*
Directors					
RJ Walker	312,605	-	-	112,186	424,791
MD Burrows	24,205	-	-	9,347	33,552
RC Corbett	13,748	-	-	7,305	21,053
D Evans	-	-	-	6,456	6,456
JM King	32,230	-	-	7,106	39,336
DE Kirk	-	-	-	100,000	100,000
P Young	-	-	-	4,369	4,369
Key Management Personnel					
D Churchill	-	-	-	-	-
G Hambly	96,415	-	300,000	(300,000)	96,415
J Hooke	-	-	-	-	-
S Narayan	-	-	-	2,247	2,247
J Withers	3,296	-	-	-	3,296
Total	482,499	-	300,000	(50,984)	731,515

* In the case of retired directors, the closing balance represents the number of shares at the date the director retired from the Board.

** The McCarthy Family Superannuation Fund in which B McCarthy has an an interest, holds 410,550 shares in the Company.

Stapled Preference Shares (SPS)

There were no SPS held, acquired or disposed of in the financial year ended 1 July 2007 by directors or key management personnel.

(D) RIGHTS OVER SHARE HOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Details of shares provided as remuneration is in section 5.2 of the remuneration report on page 11.

	Opening Balance 2006	Granted as remuneration	Net change Other ***	Closing Balance 2007
Directors				
DE Kirk	-	116,297	-	116,297
Key management personnel				
D Churchill	-	11,297	-	11,297
G Hambly	139,915	12,460	(52,929)	99,446
J Hooke	53,355	10,467	(27,226)	36,596
S Narayan	149,901	24,921	(54,209)	120,613
J Withers	-	-	-	-
J Matthews	-	3,323	-	3,323
B McCarthy	-	-	-	-
Total	343,171	178,765	(134,364)	387,572

*** Includes forfeitures

34. Director and executive disclosures (continued)

	Opening Balance 2005	Granted as remuneration	Net change Other ***	Closing Balance 2006
Directors				
No directors had rights over shares in the financial period ended 2006.				
Key management personnel				
D Churchill	-	-	-	-
G Hambly	80,431	105,190	(45,706)	139,915
J Hooke	53,986	26,129	(26,760)	53,355
S Narayan	48,638	113,896	(12,633)	149,901
J Withers	-	-	-	-
Total	183,055	245,215	(85,099)	343,171

*** includes forfeitures

(E) LOANS TO KEY MANAGEMENT PERSONNEL

(i) Aggregates for key management personnel

There were no loans issued to directors of Fairfax Media Limited or to other key management personnel of the Group, including their personally related parties, during the financial period ended 1 July 2007 (2006: nil).

(ii) Individuals with loans above $100,000 during the financial year

There are no outstanding loans above $100,000 for the financial years ended 1 July 2007 and 30 June 2006.

(F) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

A number of directors of Fairfax Media Limited also hold directorships with other corporations which provide and receive goods or services to and from the Fairfax Group in the ordinary course of business on normal terms and conditions and are considered to be minor in nature. None of these directors derive any direct personal benefit from the transactions between the Fairfax Group and these corporations.

Transactions were entered into during the financial year with the directors of Fairfax Media Limited and its controlled entities or with director-related entities, which:

- occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the director or director-related entity at arm’s length in the same circumstances;
- do not have the potential to adversely affect decisions about the allocation of scarce resources or discharge the responsibility of the directors; or
- are minor or domestic in nature.

During the year Fairfax Media Limited entered into arms length transactions with Lazard LLC resulting in fees paid to Lazard for the year of $3.3 million. Mr Mark Burrows, Fairfax Group Deputy Chairman, is Managing Director of Lazard LLC and Chairman of Lazard Australia.

35. Related party transactions

(A) ULTIMATE PARENT
Fairfax Media Limited is the ultimate parent company.

(B) CONTROLLED ENTITIES
Interests in controlled entities are set out in Note 29.

(C) KEY MANAGEMENT PERSONNEL
Disclosures relating to key management personnel are set out in Note 34.

(D) TRANSACTIONS WITH RELATED PARTIES
The following transactions occurred with related parties on normal market terms and conditions:

	Year	Sales to related parties $'000	Purchases from related parties $'000	Amount owed by related parties $'000	Amount owed to related parties $'000
Consolidated					
Associates and joint ventures	2007	100	10,578	198	311
	2006	12	10,340	15	399
Company					
Associates and joint ventures	2007	-	-	-	-
	2006	-	201	-	3

Fairfax Media Limited has undertaken transactions with its controlled entities during the year including the issue and receipt of loans and management fees. On consolidation, all such transactions have been eliminated in full.

36. Notes to the Cash Flow Statements

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
(A) RECONCILIATION OF NET PROFIT AFTER INCOME TAX EXPENSE TO NET CASH INFLOW FROM OPERATING ACTIVITIES					
Net profit for the financial year		**263,510**	227,453	**721,585**	274,268
Non-cash items					
Depreciation and amortisation and asset impairment	3(B)	**111,281**	79,775	**12,635**	13,814
Amortisation of PRESSES issue costs		**464**	292	**464**	292
Share of profits of associates and joint ventures not received as dividends or distributions		**(1,723)**	(2,924)	**-**	-
Straight-line rent adjustment		**169**	3,920	**-**	-
Net (gain)/loss on disposal of property, plant and equipment		**(41,859)**	168	**5**	(3)
Net gain on disposal of investments		**(13,227)**	-	**-**	-
Net (gain)/loss on disposal of other assets		**(6,310)**	4,120	**-**	-
Fair value adjustment to derivatives		**(892)**	188	**-**	-
Net foreign currency loss/(gain)		**214**	(860)	**-**	-
Share based payment expense		**822**	230	**822**	230
Non-cash superannuation income		**(156)**	(226)	**-**	-
Impairment of non-current assets		**17,204**	-	**3,046**	-
Changes in operating assets and liabilities, net of effects from acquisitions					
(Increase)/decrease in trade receivables		**(4,939)**	3,315	**(477)**	22
(Increase)/decrease in other receivables		**(9,848)**	4,502	**(158)**	(53,860)
Decrease/(increase) in inventories		**3,472**	(6,066)	**-**	-
Increase/(decrease) in payables		**4,910**	(9,083)	**(4,335)**	(7,377)
Increase/(decrease) in provisions		**64,869**	(6,106)	**457**	(2,247)
Decrease in tax balances		**(23,081)**	(10,513)	**(27,396)**	(19,447)
Net cash inflow from operating activities		**364,880**	288,185	**706,648**	205,692

(B) RECONCILIATION OF CASH AND CASH EQUIVALENTS

Reconciliation of cash at end of the financial year (as shown in the Statement of Cash Flows) to the related items in the financial statements is as follows:

Cash on hand and at bank	**366,307**	52,748	**687**	954
Bank overdraft	**-**	-	**-**	-
Total cash at end of the financial year	**366,307**	52,748	**687**	954

(C) NON-CASH INVESTING AND FINANCING ACTIVITIES

Dividends satisfied by the issue of shares under the dividend reinvestment plan are shown in Note 22(A) and options and shares issued to employees under the Employee Share Option Plan for no cash consideration are shown in Note 32(C).

37. Financial risk management and financial instrument disclosures

Hedging transactions and derivative financial instruments

The consolidated entity's principal financial instruments, other than derivatives, comprise bank loans, senior notes, Eurobonds stapled preference shares, finance leases, cash and short term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The consolidated entity also enters into derivative transactions to manage principally interest rate and currency risks arising from their operations and its sources of finance (refer to Note 15) in accordance with a Treasury Policy approved by the Board of Fairfax Media Limited.
The consolidated entity does not use derivative instruments for speculative or trading purposes.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

(A) INTEREST RATE RISK

Interest rate risk arises on the consolidated entity's long term borrowings which are denominated in various currencies as well at floating and fixed rates of interest. The consolidated entity manages its interest rate risk through a range of derivative financial instruments, primarily interest rate swaps and cross currency swaps. The objective of entering into these derivatives is to reduce the risk of profitability and cash flows being affected by interest rate risk. Group Treasury Policy requires the portion of fixed and variable interest rate risk as well as the maturity of fixed interest rate risk to be maintained within defined limits.

The following table summarises the consolidated entity's exposure to interest rate risks:

Consolidated
As at 1 July 2007

		Fixed interest maturing in					
	Floating interest rate $'000	1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-Interest bearing $'000	Total $'000	Weighted average effective interest rate %
Financial assets							
Cash and cash equivalents	366,307	-	-	-	-	366,307	6.2%
Trade and other receivables	-	-	-	-	392,713	392,713	-
Available for sale investments	-	-	-	-	1,492	1,492	-
Held to maturity investments	16,014	-	-	-	-	16,014	5.6%
Other financial assets	-	-	-	-	17,061	17,061	-
Derivatives	-	-	165	-	-	165	6.9%
Total financial assets	382,321	-	165	-	411,266	793,752	
Financial liabilities							
Payables	-	-	-	-	289,519	289,519	-
Bank Borrowings and loans	1,112,449	3,659	16,573	8,312	-	1,140,993	7.2%
Senior Notes	-	-	58,304	200,618	-	258,922	6.5%
Eurobonds	-	-	554,976	-	-	554,976	7.6%
Medium Term Notes	-	-	199,589	-	-	199,589	6.9%
Finance lease liability	31,317	-	-	-	-	31,317	7.8%
PRESSES	-	-	-	-	-	-	-
Redeemable Preference Shares (RPS)	-	-	166,282	-	-	166,282	5.0%
Derivatives	86,360	-	4,088	-	-	90,448	7.1%
Total financial liabilities	1,230,126	3,659	999,812	208,930	289,519	2,732,046	

37. Financial risk management and financial instrument disclosures (continued)

As at 30 June 2006

	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-Interest bearing $'000	Total $'000	Weighted average effective interest rate %
Financial assets							
Cash and cash equivalents	52,748	-	-	-	-	52,748	5.7%
Trade and other receivables	-	-	-	-	266,463	266,463	-
Available for sale investments	-	-	-	-	3,175	3,175	-
Held to maturity investments	16,949	-	-	-	-	16,949	5.6%
Other financial assets	-	-	-	-	6,119	6,119	-
Derivatives	30,777	393	134	-	-	31,304	5.9%
Total financial assets	100,474	393	134	-	275,757	376,758	
Financial liabilities							
Payables	-	-	-	-	201,730	201,730	-
Bank Borrowings and loans	383,002	3,719	16,910	11,634	-	415,265	7.4%
Senior Notes	-	165,331	66,838	228,797	-	460,966	7.3%
Eurobonds	-	-	-	-	-	-	-
Medium Term Notes	-	-	199,765	-	-	199,765	6.9%
Finance lease liability	34,005	-	-	-	-	34,005	7.2%
PRESSES	-	249,536	-	-	-	249,536	7.4%
Redeemable Preference Shares (RPS)	-	-	148,395	-	-	148,395	4.4%
Derivatives	51,949	9	-	-	-	51,958	6.2%
Total financial liabilities	468,956	418,595	431,908	240,431	201,730	1,761,620	

(B) FOREIGN CURRENCY RISK

The consolidated entity enters into a range of derivative financial instruments to manage foreign exchange risk with the objectives of reducing the risk to profitability and cashflow. The principal balance sheet risk arises from the issue of senior notes denominated in USD (refer Note 20), the issue of Eurobonds denominated in EUR (refer Note 20), and the underlying assets and liabilities of the New Zealand business. The exposure to USD payments for principal and interest under the senior notes was fully hedged into AUD and NZD by cross currency swap transactions. The exposure to EUR payments for principal and interest under the Eurobond has also been fully hedged into AUD by cross currency swap transactions.

The consolidated entity also enters into foreign exchange contracts to hedge foreign currency denominated payments (principally USD, NZD and EUR) mainly for purchases of capital equipment, newsprint, paper, other materials, and hedging of loan receivables and dividend payments from overseas controlled entities. It is Group policy to adopt hedge accounting for all external foreign exchange contracts.

37. Financial risk management and financial instrument disclosures (continued)

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity at balance date, where hedge accounting has not been adopted. From the 2007 financial year forward the company has adopted hedge accounting for all foreign exchange contracts (refer Note 15):

	Less than 1 year		1 to 5 years		Weighted average exchange rate	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007	2006
USD	**10,692**	6,184	**-**	-	**0.8134**	0.7610
EUR	**-**	2,977	**-**	-	**-**	0.5942
NZD	**-**	-	**-**	-	**-**	-

(C) CREDIT RISK

The consolidated entity is exposed to credit risk representing the loss in the event of non-performance by the financial instrument counterparties which are investment grade rated financial institutions. Credit risk is managed through the use of credit ratings and monitoring the usage of predetermined credit limits with approved counterparties.

Credit risk arising on receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

As at 1 July 2007, the consolidated entity had no significant concentration of credit risk with any single counterparty or group of counterparties.

(D) LIQUIDITY RISK

The Group's objective is to maintain adequate liquidity to meet its financial obligations as and when they fall due through the use of bank overdrafts, bank loans and facilities, preference shares, finance leases and the issue of notes. The consolidated entity's policy is that no more than 30% of the borrowings should mature in any twelve month period.

37. Financial risk management and financial instrument disclosures (continued)

(E) FAIR VALUE

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

	Consolidated Carrying value 2007 $'000	Consolidated Fair value 2007 $'000	Consolidated Carrying value 2006 $'000	Consolidated Fair value 2006 $'000
Financial assets				
Cash and cash equivalents	366,307	366,307	52,748	52,748
Receivables	392,713	392,713	266,464	266,464
Derivative assets	173	173	31,304	31,304
Available for sale investments	1,492	1,492	3,175	3,175
Held to maturity investments	16,014	16,014	16,949	16,949
Other financial assets	17,061	17,061	6,119	6,119
	793,760	793,760	376,759	376,759
Financial liabilities				
Payables	289,519	289,519	201,730	201,730
Interest bearing liabilities				
- bank borrowings	1,138,136	1,138,136	415,265	413,257
- Eurobonds	554,976	557,295	-	-
- senior notes	257,434	257,434	460,966	460,966
- medium term notes	199,589	200,000	199,765	200,000
- lease liability	31,317	41,398	34,005	48,134
- PRESSES	-	-	249,536	250,000
- Redeemable Preference Shares (RPS)	166,282	169,496	148,395	152,189
Derivatives	91,792	91,792	51,958	51,958
	2,729,045	2,745,070	1,761,620	1,778,234

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 6.13% to 13.42%. The fair value of RPS and Eurobond have been calculated after an adjustment for the transaction costs. PRESSES have been calculated using the face value upon redemption.

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

38. Segment reporting

The economic entity operates predominantly in two geographic segments, Australia and New Zealand, and in one business segment, publishing.

The publishing business comprises news, information and entertainment publishing and advertising sales in newspaper, magazine and electronic formats.

(A) RESULTS BY GEOGRAPHIC SEGMENT

	Australia $'000	New Zealand $'000	Unallocated $'000	Consolidated entity $'000
1 July 2007				
Segment revenue	1,614,488	558,292	5,760	2,178,540
Total revenue	1,614,488	558,292	5,760	2,178,540
Share of net profits of associates and joint ventures	2,659	302	-	2,961
Total segment revenue	1,617,147	558,594	5,760	2,181,501
Segment profit from continuing operations before income tax expense	255,731	193,696	5,759	455,186
Unallocated expenses (including PRESSES)	-	-	(116,964)	(116,964)
Net profit from continuing operations before income tax expense	255,731	193,696	(111,205)	338,222
Income tax expense	-	-	(76,601)	(76,601)
Net profit after income tax expense	255,731	193,696	(187,806)	261,621
Significant items, net of tax*	7,260	-	-	7,260
Net profit after income tax expense excluding significant items	262,991	193,696	(187,806)	268,881
30 June 2006				
Segment revenue	1,373,637	534,205	2,122	1,909,964
Total revenue	1,373,637	534,205	2,122	1,909,964
Share of net profits of associates and joint ventures	6,769	150	-	6,919
Total segment revenue	1,380,406	534,355	2,122	1,916,883
Segment profit from continuing operations before income tax expense	240,443	173,327	2,122	415,892
Unallocated expenses (including PRESSES)	-	-	(99,309)	(99,309)
Net profit from continuing operations before tax	240,443	173,327	(97,187)	316,583
Income tax expense	-	-	(88,512)	(88,512)
Net profit after income tax expense	240,443	173,327	(185,699)	228,071
Significant items, net of tax	6,876	-	-	6,876
Net profit after income tax expense excluding significant items	247,319	173,327	(185,699)	234,947

* Significant items include minority interest share of $3.0 million.

38. Segment reporting (continued)

(B) ASSETS AND LIABILITIES BY GEOGRAPHICAL SEGMENT

1 July 2007

	Australia $'000	New Zealand $'000	Consolidated entity $'000
Assets			
Segment assets	6,014,016	1,869,244	7,883,260
Unallocated assets			117,282
Total assets			8,000,542
Liabilities			
Segment liabilities	487,250	84,573	571,823
Unallocated liabilities			2,467,725
Total liabilities			3,039,548
Net assets			4,960,994

30 June 2006

	Australia $'000	New Zealand $'000	Consolidated entity $'000
Assets			
Segment assets	2,367,903	1,641,038	4,008,941
Unallocated assets			78,253
Total assets			4,087,194
Liabilities			
Segment liabilities	287,318	65,845	353,163
Unallocated liabilities			1,597,222
Total liabilities			1,950,385
Net assets			2,136,809

(C) OTHER DETAILED SEGMENT DISCLOSURES

	Australia 2007 $'000	New Zealand 2007 $'000	Australia 2006 $'000	New Zealand 2006 $'000
Equity method investments included in segment assets	**16,332**	**2,146**	16,399	1,934
Acquisition of property, plant and equipment, intangible assets and other non-current assets	**68,251**	**36,583**	67,010	20,243
Depreciation	**62,072**	**10,096**	54,249	8,619
Amortisation	**19,650**	**2,193**	15,579	1,328
Non-cash expenses other than depreciation and amortisation	**167,083**	**10,559**	45,162	10,795

39. Events subsequent to balance sheet date

ACQUISITION OF SOUTHERN CROSS BROADCASTING

On 3 July 2007, the Company and Macquarie Media Group ("MMG") announced a proposal whereby MMG would acquire all of the shares of Southern Cross Broadcasting (Australia) Limited ("SCB") and subsequently the Company would acquire certain parts of the SCB business from the MMG acquiring vehicle. MMG will use a special purpose acquisition vehicle, to acquire SCB through a Scheme of Arrangement. MMG and the Company have entered into an arrangement which contemplates, following completion of the Scheme of Arrangement, that the Company acquire the Southern Cross radio businesses, Southern Star, Satellite Music Australia and other associated businesses.

In addition, MMG has conditionally agreed to acquire nine commercial radio broadcast licences currently majority owned by the Company.

The net consideration for these sale and purchase transactions is expected to be approximately $480 million to be paid in cash by the Company. The sale and purchase transactions are conditional on the successful completion of the SCB Scheme of Arrangement and regulatory approvals.

US PRIVATE PLACEMENT

On 10 July 2007 the Company issued US$250 million in Senior Notes in the US private placement market. The Senior Notes have a weighted average maturity of 8.2 years. The interest and principal on the senior notes is payable in US dollars and has been swapped into Australian dollars via cross currency swaps.

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:
   (a) The financial report and the additional disclosures included in the Directors' Report Designated as audited, of the Company and of the consolidated entity are in accordance with the Corporate Act 2001, including:
      (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 1 July 2007 and of their performance for the period ended on the date; and
      (ii) complying with Accounting Standards and 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

2. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for financial period ended 1 July 2007.
3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 29 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Ronald Walker

Ronald Walker
Chairman

David Kirk

David Kirk
Chief Executive Officer and Director

27 September 2007

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FAIRFAX MEDIA LIMITED

ERNST & YOUNG

■ Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

■ Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

Independent audit report to the members of Fairfax Media Limited

Scope

We have audited the accompanying financial report of Fairfax Media Limited, which comprises the balance sheet as at 1 July 2007, and the income statement, statement of recognised income and expense and cash flow statement for the period 1 July 2006 to 1 July 2007, a summary of significant accounting policies, other explanatory notes 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 financial year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04. The remuneration disclosures are identified in the director's report as being subject to audit. The remuneration report also contains information not subject to audit, which has been identified as such.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(A), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *"Related Party Disclosures"*.

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

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

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FAIRFAX MEDIA LIMITED

ERNST & YOUNG

Independence

In conducting our audit we have met 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 in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Fairfax Media Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of Fairfax Media Limited and the consolidated entity at 1 July 2007 and of their performance for the period ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations);

(b) other mandatory financial reporting requirements in Australia;

2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(A);

3. the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*. The remuneration disclosures are identified in the director's report as being subject to audit. The remuneration report also contains information not subject to audit, which has been identified as such.

Ernst & Young

Christopher George
Partner

Sydney
27 September 2007

TWENTY LARGEST HOLDERS OF SECURITIES AT 31 AUGUST 2007

	Number of securities	%
ORDINARY SHARES (FXJ)		
Marinya Media Pty Limited	211,632,469	14.30
HSBC Custody Nominees (Australia) Limited	180,752,127	12.22
National Nominees Limited	179,553,870	12.13
JP Morgan Nominees Australia Ltd	152,650,892	10.32
Citicorp Nominees Pty Limited	146,570,091	9.91
RBC Dexia Investor Services Australia Nominees Pty Limited	74,352,159	5.03
Cogent Nominees Pty Limited	39,342,715	2.66
ANZ Nominees Limited	25,529,149	1.73
UBS Nominees Pty Ltd	25,077,703	1.69
AMP Life Limited	16,803,888	1.14
Australian Reward Investment	14,380,922	0.97
Australian Foundation Investment Company Limited	9,704,628	0.66
UBS Wealth Management Australia Nominees Pty Ltd	9,631,755	0.65
Queensland Investment Corporation	8,008,223	0.54
Warbont Nominees Pty Ltd	5,380,973	0.36
Argo Investments Limited	5,216,341	0.35
Cambooya Pty Limited	4,850,789	0.33
Fairfax Employee Share Plans P/L	4,650,167	0.31
Bond Street Custodians Limited	4,127,193	0.28
M F Custodians Ltd	4,035,790	0.27
	1,122,251,844	75.85

	Number of securities	%
STAPLED PREFERENCE SECURITIES (SPS) (FXJPB)		
JP Morgan Nominees Australia Limited	745,875	24.86
Citicorp Nominees Pty Limited	344,123	11.47
National Nominees Limited	271,136	9.04
PAN Australian Nominees Pty Limited	227,536	7.58
ANZ Nominees Limited	158,930	5.30
Goldman Sachs JB Were Pty Ltd	150,000	5.00
RBC Dexia Investor Services Australia Nominees Pty Limited	123,000	4.10
HSBC Custody Nominees (Australia) Limited	120,000	4.00
Elise Nominees Pty Limited	119,596	3.99
Invia Custodian Pty Limited	95,587	3.19
Questor Financial Services Limited	63,004	2.10
ANZ Executors & Trustee Company Limited	49,532	1.65
Cogent Nominees Pty Limited	42,316	1.41
Equity Trustees Limited	35,750	1.19
Clinuvel Pharmaceuticals Ltd	15,000	0.50
UBS Nominees Pty Ltd	14,917	0.50
Australian Executor Trustees	14,236	0.47
Executor Trustee Australia Limited	13,865	0.46
Perpetual Trustees Consolidated Limited	13,230	0.44
JMB Pty Limited	10,000	0.33
	2,627,633	87.58

SHAREHOLDER INFORMATION

Fairfax Media Limited

	Number of securities	%
DEBENTURES		
National Financial Services Corp.	281	100

OPTIONS

There were no options exercisable at the end of the financial year.

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as shown in substantial shareholder notices received by the company as at 31 August 2007 are:

	Ordinary Shares
Marinya Media Pty Ltd	216,519,035
Commonwealth Bank of Australia	160,411,876
Perpetual Limited	94,449,253
UBS Nominees Pty Ltd	87,684,432
Maple Brown-Abbott Ltd	85,352,284
Portfolio Partners Limited and Aviva Group entities	47,144,759

DISTRIBUTION SCHEDULE OF HOLDINGS AT 31 AUGUST 2007

No. of securities	No. of ordinary shareholders	No. of SPS holders	No. of debenture holders	No. of option holders
1 - 1,000	12,347	670	1	-
1,001 - 5,000	25,281	73	-	-
5,001 - 10,000	7,566	15	-	-
10,001 - 100,000	5,277	11	-	-
100,001 and over	398	9	-	-
Total number of holders	50,869	778	1	-
Number of holders holding less than a marketable parcel	785	-	-	-

VOTING RIGHTS

Voting rights of ordinary shareholders are governed by Rules 5.8 and 5.9 of the Company's Constitution which provide that every member present personally or by proxy, attorney or representative shall on a show of hands have one vote and on a poll, shall have one vote for every share held. SPS, debentures and options do not carry any voting rights.

FIVE YEAR PERFORMANCE SUMMARY

Fairfax Media Limited and Controlled Entities

		AIFRS 2007	AIFRS 2006	AIFRS Restated 2005	AGAAP 2004	AGAAP 2003
Total revenue	$m	2,178.5	1,909.9	1,880.2	1,783.0	1,226.0
Revenues from operations	$m	2,111.4	1,907.8	1,873.4	1,767.7	1,208.9
Earnings before depreciation, interest and tax (EBITDA)	$m	560.7	493.8	511.4	433.0	270.5
Depreciation	$m	111.3	79.8	80.1	85.3	69.2
Earning before interest and tax	$m	449.4	413.7	431.3	347.7	201.3
Net interest expense	$m	111.2	97.1	76.6	71.9	23.5
Profit before tax	$m	338.2	316.6	354.7	275.8	177.8
Income tax (benefit) / expense	$m	76.6	88.5	90.8	(1.0)	52.0
Net profit attributable to members of the Company	$m	263.5	227.5	263.2	276.0	125.5
Net profit before significant items	$m	267.8	234.3	237.6	207.6	125.5
Total equity	$m	4,961.0	2,136.8	2,168.7	2,068.7	1,781.8
Total assets	$m	8,000.5	4,087.1	3,592.8	3,531.2	3,426.2
Total borrowings	$m	2,347.7	1,507.9	1,048.4	1,117.6	1,219.8
Number of shares and debentures	m	1,479.6	939.1	924.5	906.9	867.5
Number of shareholders		50,843	40,301	38,089	37,899	45,455
Number of PRESSES holders		-	-	5,835	5,984	6,285
Number of SPS holders		733	564	-	-	-
EBITDA to operating revenue	%	26.6	26.0	27.5	24.5	22.4
Basic earnings per share	cents	22.7	24.4	26.6	29.1	14.4
Basic earnings per share before significant items	cents	23.2	24.5	25.8	21.4	14.4
Operating cash flow per share	cents	24.7	30.7	37.2	24.1	29.3
Dividend per share	cents	20.0	19.5	23.5	16.5	13.0
Dividend payout ratio	%	88.1	79.9	88.3	56.7	90.3
Interest cover based on EBITDA before significant items	Times	5.3	5.1	6.5	6.3	11.5
Gearing	%	47.3	70.6	42.2	52.7	67.4
Return on equity	%	5.4	11.0	11.0	13.3	7.0

DIRECTORY

Fairfax Media Limited

ANNUAL GENERAL MEETING

The annual general meeting will be held at 10.30am on Friday, 30 November 2007 at the Sheraton on the Park, 161 Elizabeth Street, Sydney.

FINANCIAL CALENDAR

For Financial Year 2006-2007

Books close for final dividend	4 September 2007
Final dividend mailed	27 September 2007
Stapled Preference Share dividend	31 October 2007
Annual general meeting	30 November 2007

Estimated for Financial Year 2007-2008

Interim result and dividend announcement	February 2008
Books close for interim dividend	March 2008
Interim dividend mailed	April 2008
Stapled preference share dividend	April 2008
Preliminary final result and dividend announcement	August 2008
Final dividend mailed	October 2008
Stapled preference share dividend	October 2008
Annual general meeting	November 2008

COMPANY SECRETARY

Gail Hambly

REGISTERED OFFICE

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Ph: +61 2 9282 2833
Fax: +61 2 9282 3065

SHARE REGISTRY

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Ph: 1300 888 062 (toll free within Australia)
Ph: +61 2 8280 7670
Fax: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

STOCK EXCHANGE LISTING

The Company's ordinary shares are listed on the Australian Stock Exchange Limited – "FXJ". The Stapled Preference Securities (Fairfax SPS) are listed on the Australian Stock Exchange Limited – "FXJPB".

The NZ redeemable preference shares are listed on the New Zealand Debt Exchange – "FXFFA".

WEBSITE

Corporate information and the Fairfax Annual Report can be found via the Company's website at **www.fxj.com.au**. The Company's family of websites can be accessed through **www.fairfax.com.au**.

IMPORTANT INFORMATION ABOUT THE FAIRFAX ANNUAL REPORT

To obtain a free copy of this report, contact Link Market Services – see contact details under Share Registry.

REMOVAL FROM ANNUAL REPORT MAILING LIST

Shareholders who do not wish to receive a copy of the annual report should advise Link Market Services Limited in writing, fax or email to the address, fax or email address set out on the opposite page.

CONSOLIDATION OF SHAREHOLDINGS

Shareholders who wish to consolidate their separate shareholdings into one account should advise the Share Registry in writing.

DIRECT PAYMENT TO SHAREHOLDERS' ACCOUNTS

The Company pays dividends by Direct Credit to shareholders' bank accounts or participation in the Dividend Reinvestment Plan. The Company no longer issues cheques except in exceptional circumstances. A Direct Credit form can be downloaded from the Fairfax website, **www.fxj.com.au**, or obtained from the Share Registry.

To download a Direct Credit form from **www.fxj.com.au** please click on **Shareholder Info Service** and follow the prompts.

Payments are electronically credited on the dividend date and confirmed by a mailed payment advice. Shareholders are advised to notify the Share Registry (although it is not obligatory) of their tax file number so that dividends can be paid without tax being withheld.

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Help us protect the environment...

Fairfax Media advises all its shareholders that, as a result of changes in the Corporations Act, this will be the last year that those shareholders who have not elected to receive an electronic copy of the Annual Report will automatically receive a printed version.

Next year's annual report will of course be posted on the internet and easily accessible. www.fxj.com.au

While full provision will be made for shareholders to elect to continue to receive a printed copy of future annual reports, Fairfax Media strongly encourages shareholders to help the Company save extensive printing and distribution costs – and help protect the environment as well.

FAIRFAX IS A PROUD SUPPORTER OF EARTH HOUR

60 EARTH HOUR

www.fxj.com.au

Fairfax Media