FAIRFAX MEDIA LIMITED
ACN 008 663 161

APPENDIX 4E PRELIMINARY FINAL REPORT

APPENDIX 4E – PRELIMINARY FINAL REPORT

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE, 2011

The following sets out the requirements of Appendix 4E and should be cross referenced to the 2011 Consolidated Preliminary Final Report, which is attached.

Results for Announcement to the Market

Underlying				
Total revenue	down	**0.7%**	to	**$2,465.5m**
Net profit for the period attributable to members	down	**2.3%**	to	**$283.8m**

Reported				
Total revenue	down	0.7%	to	$2,465.5m
Net (loss)/profit for the period attributable to members	down	238.5%	to	($390.9m)

Refer to the attached market release for the period ended 26 June 2011 for management commentary on the results.

DIVIDENDS

	Amount per security	Franked amount per security
26 June 2011		
Interim dividend – ordinary securities	1.5¢	1.5¢
Final dividend – ordinary securities	1.5¢	1.5¢

Record date for determining entitlements to the final dividend	12 September 2011

NET TANGIBLE ASSETS PER SHARE

	26 June 2011 $	27 June 2010 $
Net tangible asset backing per ordinary share	(0.35)	(0.27)
Net asset backing per ordinary share	1.89	2.26

APPENDIX 4E – UNDERLYING TRADING PERFORMANCE

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE, 2011

		As reported		Significant items		Underlying trading performance	
	Note	26 June 2011 $'000	27 June 2010 $'000	26 June 2011 $'000	27 June 2010 $'000	26 June 2011 $'000	27 June 2010 $'000
Total revenue	(i)	2,465,541	2,482,373	–	–	2,465,541	2,482,373
Associate profits	(ii)	3,362	2,226	–	–	3,362	2,226
Expenses	(iii)	2,549,588	1,845,543	688,129	–	1,861,459	1,845,543
Operating EBITDA		(80,685)	639,056	(688,129)	–	607,444	639,056
Depreciation & amortisation		114,351	113,623	–	–	114,351	113,623
EBIT		(195,036)	525,433	(688,129)	–	493,093	525,433
Net interest expense	(iv)	108,042	127,968	–	–	108,042	127,968
Net (loss)/profit before tax		(303,078)	397,465	(688,129)	–	385,051	397,465
Tax expense/(benefit)		86,589	115,088	(13,455)	8,359	100,044	106,729
Net (loss)/profit after tax		(389,667)	282,377	(674,674)	(8,359)	285,007	290,736
Net profit attributable to non-controlling interest		1,194	262	–	–	1,194	262
Net (loss)/profit attributable to members of the Company		(390,861)	282,115	(674,674)	(8,359)	283,813	290,474
SPS dividend (net of tax)		10,034	11,780		–	10,034	11,780
Net (loss)/profit after tax and SPS dividend		(400,895)	270,335	(674,674)	(8,359)	273,779	278,694
(Loss)/earnings per share		(17.0)	11.5			11.6	11.8

Notes:

(i) Revenue from ordinary activities excluding interest income.
(ii) Share of net profits of associates and joint ventures.
(iii) Expenses from ordinary activities excluding depreciation and finance costs.
(iv) Interest income less finance costs.

APPENDIX 4E – COMPLIANCE STATEMENT

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE, 2011

The following sets out the requirements of Appendix 4E and should be cross referenced to the 2011 Consolidated Preliminary Final Report, which is attached.

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views and other standards acceptable to the ASX.

2 This report and the accounts upon which the report is based use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on accounts to which one of the following applies.

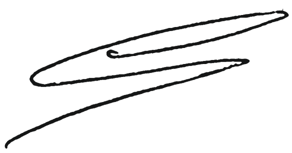
☐ The accounts have been audited.

☑ The accounts are in the process of being audited or subject to review.

☐ The accounts have been subject to review.

☐ The accounts have not yet been audited or reviewed.

5 The entity does have a formally constituted audit committee.



Gregory Hywood

Chief Executive Officer and Managing Director

Date: 26 August 2011

Commentary on Results for the Financial Year

Refer to media release.

CONSOLIDATED INCOME STATEMENT

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE, 2011

	Note	26 June 2011 $'000	27 June 2010 $'000
Revenue from operations	2(A)	**2,463,413**	2,476,775
Other revenue and income	2(B)	**13,095**	13,541
Total revenue and income		**2,476,508**	2,490,316
Share of net profits of associates and joint ventures	11(C)	**3,362**	2,226
Expenses from operations excluding impairment, depreciation, amortisation and finance costs	3(A)	**(1,894,537)**	(1,839,107)
Depreciation and amortisation	3(B)	**(114,351)**	(113,623)
Impairment of intangibles, investments and property, plant and equipment		**(655,051)**	(6,436)
Finance costs	3(C)	**(119,009)**	(135,911)
Net (loss)/profit from operations before income tax expense		**(303,078)**	397,465
Income tax expense	5	**(86,589)**	(115,088)
Net (loss)/profit from operations after income tax expense		**(389,667)**	282,377
Net (loss)/profit is attributable to:			
Non-controlling interest	25	**1,194**	262
Owners of the parent		**(390,861)**	282,115
		(389,667)	282,377
Earnings per share (cents per share)			
Basic (loss)/earnings per share (cents per share)	26	**(17.0)**	11.5
Diluted (loss)/earnings per share (cents per share)	26	**(17.0)**	11.0

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE, 2011

	26 June 2011 $'000	27 June 2010 $'000
Net (loss)/profit from operations after income tax expense	**(389,667)**	282,377
Other comprehensive income		
Changes in fair value of available for sale financial assets	**(1,606)**	2,082
Actuarial gain/(loss) on defined benefit plans	**1,385**	(986)
Changes in fair value of cash flow hedges	**(13,894)**	4,522
Changes in value of net investment hedges	**13,148**	(4,272)
Exchange differences on translation of foreign operations	**(92,043)**	34,356
Income tax on items of other comprehensive income	**(787)**	(1,302)
Other comprehensive income for the period, net of tax	**(93,797)**	34,400
Total comprehensive income for the period	**(483,464)**	316,777
Total comprehensive income is attributable to:		
Non-controlling interest	**1,194**	262
Owners of the parent	**(484,658)**	316,515
	(483,464)	316,777

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

CONSOLIDATED BALANCE SHEET

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES AS AT 26 JUNE, 2011

	Note	26 June 2011 $'000	27 June 2010 $'000
CURRENT ASSETS			
Cash and cash equivalents	36(B)	**207,137**	117,872
Trade and other receivables	7	**371,742**	390,375
Inventories	8	**38,967**	38,043
Assets held for sale	9	**4,975**	5,257
Held to maturity investments	10	**–**	11,591
Other financial assets	21	**3,686**	–
Total current assets		**626,507**	563,138
NON-CURRENT ASSETS			
Receivables	7	**2,268**	3,020
Investments accounted for using the equity method	11	**33,322**	43,585
Available for sale investments	12	**2,633**	4,239
Intangible assets	13	**5,260,108**	5,942,781
Property, plant and equipment	14	**722,346**	778,621
Derivative assets	15	**27,839**	44,352
Deferred tax assets	16(A)	**10,512**	11,774
Pension assets	20(A)	**260**	–
Other financial assets	21	**14,833**	2,575
Total non-current assets		**6,074,121**	6,830,947
Total assets		**6,700,628**	7,394,085
CURRENT LIABILITIES			
Payables	17	**279,669**	276,580
Interest bearing liabilities	18	**666,785**	269,672
Derivative liabilities	15	**80,200**	12,567
Provisions	19	**140,810**	109,948
Current tax liabilities		**46,477**	54,849
Total current liabilities		**1,213,941**	723,616
NON-CURRENT LIABILITIES			
Interest bearing liabilities	18	**865,247**	1,208,789
Derivative liabilities	15	**106,534**	85,093
Deferred tax liabilities	16(A)	**21,815**	16,374
Provisions	19	**50,396**	48,006
Pension liabilities	20(A)	**3,595**	4,800
Other non-current liabilities		**392**	669
Total non-current liabilities		**1,047,979**	1,363,731
Total liabilities		**2,261,920**	2,087,347
NET ASSETS		**4,438,708**	5,306,738
EQUITY			
Contributed equity	22	**4,646,248**	4,942,677
Reserves	23	**(226,294)**	(127,128)
Retained profits	24	**11,764**	481,978
Total parent entity interest		**4,431,718**	5,297,527
Non-controlling interest	25	**6,990**	9,211
TOTAL EQUITY		**4,438,708**	5,306,738

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

CONSOLIDATED CASH FLOW STATEMENT

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE, 2011

	Note	26 June 2011 $'000	27 June 2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**2,721,399**	2,661,927
Payments to suppliers and employees (inclusive of GST)		**(2,099,784)**	(2,089,172)
Interest received		**9,856**	7,968
Dividends and distributions received		**2,665**	2,730
Finance costs paid		**(120,761)**	(126,064)
Net income taxes paid		**(81,950)**	(7,770)
Net cash inflow from operating activities	36(A)	**431,425**	449,619
Cash flows from investing activities			
Payment for earn outs and purchase of controlled entities, associates and joint ventures (net of cash acquired)		**(11,998)**	(7,447)
Payment for purchase of businesses, including mastheads		**(15,807)**	(1,574)
Payment for property, plant, equipment and software		**(57,461)**	(80,375)
Proceeds from sale of property, plant and equipment		**3,897**	8,845
Proceeds from sale of investments and other assets		**1,820**	6,554
Loans advanced to other parties		**(20,820)**	–
Loans repaid by other parties		**2,311**	15,308
Payment for convertible notes		**–**	(1,400)
Repayment of convertible notes		**100**	–
Net cash outflow from investing activities		**(97,958)**	(60,089)
Cash flows from financing activities			
Payment for repurchase of Stapled Preference Shares		**(300,000)**	–
Payment for purchase of non-controlling interests in subsidiaries		**(7,865)**	–
Payment for shares acquired by employee share trust		**(4,666)**	–
Share issue costs		**–**	(46)
Proceeds from borrowings and other financial liabilities		**281,591**	1,631
Repayment of borrowings and other financial liabilities		**(120,335)**	(300,076)
Payment of facility fees		**(2,870)**	–
Dividends and distributions paid to shareholders including SPS*		**(85,511)**	(41,770)
Dividends paid to non-controlling interests in subsidiaries		**(1,070)**	(372)
Net cash outflow from financing activities		**(240,726)**	(340,633)
Net increase in cash and cash equivalents held		**92,741**	48,897
Cash and cash equivalents at beginning of the financial year		**117,872**	69,124
Effect of exchange rate changes on cash and cash equivalents		**(3,476)**	(149)
Cash and cash equivalents at end of the financial year	36(B)	**207,137**	117,872

* Total cash dividends for the current year totalled $85.5 million (2010: $41.8 million); this includes $17.3 million (2010: $15.9 million) made to stapled preference shareholders (SPS). Total SPS distributions during the period were $19.8 million, $2.5 million of which has been classified in finance costs paid. This is consistent with the reclassification of the SPS from equity to debt during the period, prior to being repurchased on 29 April 2011.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE, 2011

		Reserves										
	Contributed equity (Note 22) $'000	Asset revaluation reserve (Note 23) $'000	Acquisition reserve (Note 23) $'000	Foreign currency translation reserve (Note 23) $'000	Cashflow hedge reserve (Note 23) $'000	Net investment hedge reserve (Note 23) $'000	Share-based payment reserve (Note 23) $'000	General reserve (Note 23) $'000	Total reserves $'000	Retained earnings (Note 24) $'000	Non-controlling interest (Note 25) $'000	Total equity $'000
Balance at 28 June 2010	4,942,677	1,833	–	(140,969)	10,946	(4,037)	5,099	–	(127,128)	481,978	9,211	5,306,738
(Loss)/profit for the period	–	–	–	–	–	–	–	–	–	(390,861)	1,194	(389,667)
Other comprehensive income	–	(1,327)	–	(92,915)	(9,726)	9,204	–	–	(94,764)	967	–	(93,797)
Total comprehensive income for the period	–	(1,327)	–	(92,915)	(9,726)	9,204	–	–	(94,764)	(389,894)	1,194	(483,464)
Transactions with owners in their capacity as owners:												
Dividends paid to shareholders	–	–	–	–	–	–	–	–	–	(85,511)	–	(85,511)
Tax effect of SPS dividend	–	–	–	–	–	–	–	–	–	5,191	–	5,191
Dividends paid to non-controlling interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,070)	(1,070)
Acquisition of controlled entities not wholly owned	–	–	–	–	–	–	–	–	–	–	883	883
Acquisition of non-controlling interest	–	–	(4,637)	–	–	–	–	–	(4,637)	–	(3,228)	(7,865)
Recognition of put option on non-controlling interest	–	–	5,200	–	–	–	–	–	5,200	–	–	5,200
Repurchase of SPS	(300,000)	–	–	–	–	–	–	–	–	–	–	(300,000)
SPS issue costs transferred to reserves	6,837	–	–	–	–	–	–	(6,837)	(6,837)	–	–	–
Shares acquired under employee incentive scheme	(4,666)	–	–	–	–	–	–	–	–	–	–	(4,666)
Tax benefit recognised directly in equity	1,400	–	–	–	–	–	–	–	–	–	–	1,400
Share based payments, net of tax	–	–	–	–	–	–	1,872	–	1,872	–	–	1,872
Total transactions with owners	(296,429)	–	563	–	–	–	1,872	(6,837)	(4,402)	(80,320)	(3,415)	(384,566)
Balance at 26 June 2011	4,646,248	506	563	(233,884)	1,220	5,167	6,971	(6,837)	(226,294)	11,764	6,990	4,438,708

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE, 2011

		Reserves									
	Contributed equity (Note 22) $'000	Asset revaluation reserve (Note 23) $'000	Acquisition reserve (Note 23) $'000	Foreign currency translation reserve (Note 23) $'000	Cashflow hedge reserve (Note 23) $'000	Net investment hedge reserve (Note 23) $'000	Share-based payment reserve (Note 23) $'000	Total reserves $'000	Retained earnings (Note 24) $'000	Non-controlling interest (Note 25) $'000	Total equity $'000
Balance at 29 June 2009	4,928,122	32	–	(173,662)	7,286	(1,024)	3,987	(163,381)	237,604	9,445	5,011,790
Profit for the period	–	–	–	–	–	–	–	–	282,115	262	282,377
Other comprehensive income	–	1,801	–	32,693	3,660	(3,013)	–	35,141	(741)	–	34,400
Total comprehensive income for the period	–	1,801	–	32,693	3,660	(3,013)	–	35,141	281,374	262	316,777
Transactions with owners in their capacity as owners:											
Dividends paid to shareholders	–	–	–	–	–	–	–	–	(41,770)	–	(41,770)
Tax effect of SPS dividend	–	–	–	–	–	–	–	–	4,770	–	4,770
Dividends paid to non-controlling interests in subsidiaries	–	–	–	–	–	–	–	–	–	(496)	(496)
Transaction costs on share issue	(46)	–	–	–	–	–	–	–	–	–	(46)
Tax benefit/(expense) recognised directly in equity	14,601	–	–	–	–	–	(1,196)	(1,196)	–	–	13,405
Share based payments, net of tax	–	–	–	–	–	–	2,308	2,308	–	–	2,308
Total transactions with owners	14,555	–	–	–	–	–	1,112	1,112	(37,000)	(496)	(21,829)
Balance at 27 June 2010	4,942,677	1,833	–	(140,969)	10,946	(4,037)	5,099	(127,128)	481,978	9,211	5,306,738

The above Consolidated Statement of Changes in Equity 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 the consolidated entity consisting of Fairfax Media Limited and its controlled entities.

The financial report is for the period 28 June 2010 to 26 June 2011 (2010: the period 29 June 2009 to 27 June 2010). Reference in this report to 'a year' is to the period ended 26 June 2011 or 27 June 2010 respectively, unless otherwise stated.

(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, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Group has prepared the financial statements in compliance with recent amendments to the Corporations Acts 2001 in June 2010 which remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 39.

As at 26 June 2011, the consolidated entity has net current liabilities of $587 million. Both the Medium Term Notes ($167.7 million) and the Eurobonds ($472.5 million) have been classified as current due to their maturity dates of 27 June 2011 and 15 June 2012 respectively. The consolidated entity has sufficient committed but unused non-current facilities of $760 million at the balance sheet date to finance its liabilities as and when they fall due, including maturing liabilities as disclosed in Note 18. In the opinion of the directors, Fairfax Media Limited will be able to continue to pay its debts as and when they fall due. As a result, the financial report of the Company and its controlled entities has been prepared on a going concern basis.

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.

(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 acquisition 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.

Non-controlling interests in the earnings and equity of controlled entities are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity 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. Associates are entities over which the Group has significant influence and are neither subsidiaries or joint ventures.

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.

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

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

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

(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 post-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 Group 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 a reportable segment 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.

(ii) Other intangible assets

Mastheads and tradenames

The majority of 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 the majority of 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.

There is a small number of tradenames that have been assessed to have a definite useful life and are amortised using a straight-line method over twenty years.

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.

Websites

Internal and external costs directly incurred in the development of websites are capitalised and amortised using a straight-line method over two to four years. Capitalised website 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 to five 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).

(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 asset revaluation 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 of the borrowings designated as hedges of the 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 when 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 Group and the amount of the revenue can be reliably measured. Revenue from advertising, circulation, subscription, radio broadcasting and printing is recognised when control of the right to be compensated has been obtained and the stage of completion of the contract can be reliably measured. For newspapers, magazines and other publications the right to be compensated is on the publication date. Revenue from the provision of online advertising on websites is recognised in the period the advertisements are placed or the impression occurs. Amounts disclosed as revenue are net of commissions, rebates, discounts, returns, trade allowances, duties and taxes paid.

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Refer to Note 1(D).

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

(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 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.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable group and the same taxation authority.

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 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.

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. The current and deferred tax amounts for each member in the tax consolidated group (except for the head entity) have been allocated based on stand-alone calculations that are modified to reflect membership of the tax consolidated group.

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.

(iii) Onerous property costs

Property leases are considered to be an onerous contract if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Where a decision has been made to vacate the premises or there is excess capacity and the lease is considered to be onerous, a provision is recorded.

(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 initially recognised at fair value and subsequently measured at amortised cost which 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.

(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.

(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 quoted 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 and other financial assets 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.

(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.

Financial assets other than derivatives are recognised at fair value or amortised cost in accordance with the requirements of AASB 139 Financial Instruments: Recognition and Measurement. 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:

- Fair value hedges: hedges of the fair value of recognised assets or liabilities or a firm commitment
- Cash flow hedges: hedges of highly probable forecast transactions
- Net investment hedges: hedges of the net investment in a foreign operation

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 within finance costs. 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 within finance costs. 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.

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.

Net investment hedge

Hedges of a net investment in a foreign operation are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of such gains or losses recognised directly in equity is transferred to the income statement based on the amount calculated during the direct method of consolidation.

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.

(O) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses. 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 the Group 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

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.

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

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.

(S) EMPLOYEE BENEFITS

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

Current liabilities for wages and salaries, holiday pay, annual leave and long service 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.

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 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).

Shares purchased, but which have not yet vested to the employee as at reporting date are offset against contributed equity of the Group (refer to Note 1(T)).

(iii) Defined benefit superannuation plans

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

An asset or liability 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 Group 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.

(v) Bonus plans

The Group recognises a provision and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(T) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Stapled preference shares were classified as equity (refer Note 22(C)).

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.

If the Group reacquires its own equity instruments, e.g. under the Long Term Incentive Plan, those instruments are deducted from equity.

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.

(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

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenue and expense relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the Board of Directors, Chief Executive Officer and Chief Financial Officer.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “Other segments”.

(W) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The carrying amounts of certain assets and liabilities are 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 (CGU) to which the goodwill and intangibles with indefinite useful lives are allocated.

Key assumptions in determining recoverable amount subject to significant accounting judgement include growth rates beyond the budgeted period, discount rates relevant to individual CGU Groups and the growth rates beyond year three cash flows which form the basis of the terminal value. Management have estimated cash flows based on the annual budget for 2012 which has been built up from individual profit centres. Anticipated growth rates applied to year two and three cash flows represent print and online growth projections determined by management from historical long term averages and validated against market consensus on earnings projections to 2013. The terminal growth rate has been determined by taking a mid-point of the RBA inflation target range (2.0% – 3.0%) plus an allowance of 1.0% for real GDP/population growth (0.5% for radio, agriculture and printing).

The weighted average discount rates have been calculated using market observable data from Bloomberg and judgement has been exercised when considering premiums associated with unique CGU Groups. Inputs include a risk free rate of 5.2% and 2 year weekly beta.

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 along with a sensitivity analysis.

(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 Monte Carlo model, using the assumptions detailed 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 20.

(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

Certain new accounting standards and interpretations have been published that are not mandatory for 26 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.	1 January 2011	This is a revision to a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements.	27 June 2011

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	No major impact expected on the Group.	27 June 2011
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	No major impact expected on the Group.	27 June 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	No major impact expected on the Group.	27 June 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	No major impact expected on the Group.	27 June 2011

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 January 2011	No major impact expected on the Group.	27 June 2011
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.	1 January 2012	The Group has not yet determined the extent of the impact of the amendments.	25 June 2012
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments.	1 July 2013

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard shall be applied when AASB 9 is applied.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments.	1 July 2013
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: – The change attributable to changes in credit risk are presented in other comprehensive income (OCI) – The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments.	1 July 2013
**	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments.	1 July 2013

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
**	Joint Arrangements	IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments.	1 July 2013
**	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments.	1 July 2013
**	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments.	1 July 2013

* Designates the beginning of the applicable annual reporting period unless otherwise stated.
** The AASB has not issued this standard, which was finalised by the IASB in May 2011.

2. Revenues

	26 June 2011 $'000	27 June 2010 $'000
(A) REVENUE FROM OPERATIONS		
Total revenue from sale of goods	**487,787**	510,304
Total revenue from services	**1,975,626**	1,966,471
Total revenue from operations	**2,463,413**	2,476,775
(B) OTHER REVENUE AND INCOME		
Interest income	**10,967**	7,943
Dividend revenue	**92**	12
Gains on sale of property, plant and equipment	**1,251**	1,217
Other	**785**	4,369
Total other revenue and income	**13,095**	13,541
Total revenue and income	**2,476,508**	2,490,316

3. Expenses

	26 June 2011 $'000	27 June 2010 $'000
(A) EXPENSES BEFORE IMPAIRMENT, DEPRECIATION, AMORTISATION AND FINANCE COSTS		
Staff costs excluding staff redundancy costs	**862,561**	842,320
Redundancy and restructuring costs	**36,752**	5,076
Newsprint and paper	**243,942**	249,059
Distribution costs	**137,933**	136,956
Production costs	**188,058**	193,824
Promotion and advertising costs	**119,327**	106,626
Rent and outgoings	**58,255**	57,193
Repairs and maintenance	**29,459**	29,631
Communication costs	**22,167**	23,354
Maintenance and other computer costs	**26,777**	26,054
Fringe benefits tax, travel and entertainment	**25,138**	24,964
Other	**144,168**	144,050
Total expenses before impairment, depreciation, amortisation and finance costs	**1,894,537**	1,839,107
(B) DEPRECIATION AND AMORTISATION		
Depreciation of freehold property	**5,094**	4,990
Depreciation of plant and equipment	**74,828**	76,337
Amortisation of leasehold property/buildings	**3,677**	2,959
Amortisation of tradenames	**13**	–
Amortisation of software	**27,842**	26,077
Amortisation of customer relationships	**2,897**	3,260
Total depreciation and amortisation	**114,351**	113,623
(C) FINANCE COSTS		
External corporations/persons	**121,057**	129,541
Finance lease	**4,647**	4,778
Hedge ineffectiveness	**(6,695)**	1,592
Total finance costs	**119,009**	135,911
(D) DETAILED EXPENSE DISCLOSURES		
Operating lease rental expense	**39,019**	37,579
Defined contribution fund expense	**57,885**	55,598
Share-based payment expense	**2,675**	3,297
Net foreign exchange loss	**631**	1,597

	26 June 2011 $'000	27 June 2010 $'000

4. Significant items

The profit after tax from operations includes the following items where disclosure is relevant in explaining the financial performance of the consolidated entity.

	26 June 2011 $'000	27 June 2010 $'000
Property – Comprising:		
New Zealand income tax expense	**–**	(8,359)
Property loss, net of tax	**–**	(8,359)
Impairment of intangibles and property, plant and equipment – Comprising:		
Impairment of mastheads, goodwill and customer relationships	**(649,869)**	–
Impairment of property, plant and equipment	**(4,038)**	–
Income tax benefit	**3,188**	–
Impairment of intangibles and property, plant and equipment, net of tax	**(650,719)**	–
Restructuring and redundancy – Comprising:		
Restructuring and redundancy charges	**(34,222)**	–
Income tax benefit	**10,267**	–
Restructuring and redundancy, net of tax	**(23,955)**	–
Net significant items after income tax expense	**(674,674)**	(8,359)

Non-recurring tax expense resulting from changes in the prior year to the New Zealand tax legislation disallowing depreciation of buildings with an estimated useful life of 50 years or more. The change is applicable from the 2011–12 income year.

At balance date it has been determined that there is impairment of intangible assets arising from a subdued economic environment and lower than expected earnings in the current year. Therefore in accordance with AASB 136, management have impaired goodwill, mastheads and customer relationships in certain CGU Groups. Refer to Note 1(W)(i) and Note 13 for the method and assumptions used in estimating recoverable amount.

5. Income tax expense

	26 June 2011 $'000	27 June 2010 $'000
Income tax expense is reconciled to prima facie income tax payable as follows:		
Net (loss)/profit before income tax expense	**(303,078)**	397,465
Prima facie income tax at 30% (2010: 30%)	**(90,923)**	119,240
Tax effect of differences:		
Overseas tax rate and accounting differentials	**(14,502)**	(21,072)
Share of net profits of associates and joint ventures	**(363)**	(668)
Non-assessable dividends	**(11)**	(2)
(Over)/under provision in prior financial years	**(2,708)**	5,931
Temporary differences not recognised on intangible and other asset write-offs	**192,983**	318
Non-deductible items	**2,434**	2,781
Non-deductible depreciation and amortisation	**–**	17
New Zealand legislative changes to tax depreciation on buildings	**–**	8,359
Other	**(321)**	184
Income tax expense	**86,589**	115,088
Current income tax expense	**100,188**	112,759
Deferred income tax benefit	**(10,891)**	(3,602)
(Over)/under provision in prior financial years	**(2,708)**	5,931
Income tax expense in the income statement	**86,589**	115,088

6. Dividends paid and proposed

	Consolidated 26 June 2011 $'000	Consolidated 27 June 2010 $'000	Company 26 June 2011 $'000	Company 27 June 2010 $'000
(A) ORDINARY SHARES				
Interim 2011 franked dividend: 100% franked 1.5 cents – paid 21 March 2011 (2010: unfranked dividend 1.1 cents – paid 19 March 2010)	**35,279**	25,872	**35,279**	25,872
Final 2010 dividend: 100% franked 1.4 cents – paid 23 September 2010 (2009: nil)	**32,927**	–	**32,927**	–
Total dividends paid – ordinary shares	**68,206**	25,872	**68,206**	25,872
(B) STAPLED PREFERENCE SHARES (SPS)				
SPS dividend:				
2011: $3.2334 per share – paid 29 April 2011*	**7,355**	–	**–**	–
2011: $3.2515 per share – paid 1 November 2010	**9,950**	–	**–**	–
2010: $2.9010 per share – paid 30 April 2010	**–**	8,877	**–**	–
2010: $2.2946 per share – paid 30 October 2009	**–**	7,021	**–**	–
Total dividends paid – SPS	**17,305**	15,898	**–**	–
Total dividends paid	**85,511**	41,770	**68,206**	25,872

* The final SPS distribution totalled $9.9 million, $2.5 million of which has been classified as finance costs. This is consistent with the reclassification of the SPS from equity to debt during the period, prior to being repurchased on 29 April 2011.

(C) DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY

Since balance date the directors have declared a final dividend of 1.5 cents per fully paid ordinary share fully franked at the corporate tax rate of 30%. The aggregate amount of the final dividend to be paid on 27 September 2011 out of the retained profits at 26 June 2011, but not recognised as a liability at the end of the year is expected to be $35.3 million.

	Company 2011 $'000	Company 2010 $'000
(D) FRANKED DIVIDENDS		
Franking account balance as at balance date at 30% (2010: 30%)	**30,936**	4,095
Franking credits that will arise from the payment of income tax payable balances as at the end of the financial year	**39,532**	47,277
Total franking credits available for subsequent financial years based on a tax rate of 30%	**70,468**	51,372

On a tax-paid basis, the Company's franking account balance is approximately $30.9 million (2010: $4.1 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 $15.1 million.

7. Receivables

	26 June 2011 $'000	27 June 2010 $'000
Current		
Trade debtors*	**351,406**	373,448
Provision for doubtful debts	**(10,061)**	(9,627)
	341,345	363,821
Loans and deposits	**111**	102
Prepayments	**14,742**	11,276
Other	**15,544**	15,176
Total current receivables	**371,742**	390,375
Non-current		
Loans and deposits	**1,876**	1,880
Prepayments	**–**	83
Other	**392**	1,057
Total non-current receivables	**2,268**	3,020

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

IMPAIRED TRADE DEBTORS

As at 26 June 2011, trade debtors of the Group with a nominal value of $10.1 million (2010: $9.6m) were impaired and provided for. No individual amount within the provision for doubtful debts is material. Refer to Note 37(C) for the factors considered in determining whether trade debtors are impaired.

As at 26 June 2011, an analysis of trade debtors that are not considered as impaired is as follows:

	2011 $'000	2010 $'000
Not past due	**243,145**	230,445
Past due 0 – 30 days	**63,865**	97,690
Past due 31 – 60 days	**17,533**	19,689
Past 60 days	**16,802**	15,997
	341,345	363,821

Based on the credit history of these receivables, it is expected these amounts will be received. All other receivables do not contain impaired assets and are not past due.

Movements in the provision for doubtful debts are as follows:

	2011 $'000	2010 $'000
Balance at the beginning of the financial year	**9,627**	9,839
Additional provisions	**3,318**	9,400
Utilised	**(2,791)**	(9,640)
Exchange differences	**(93)**	28
Balance at the end of the financial year	**10,061**	9,627

8. Inventories

	26 June 2011 $'000	27 June 2010 $'000
Raw materials and stores – at net realisable value	**34,412**	34,391
Finished goods – at cost	**3,844**	3,374
Work in progress – at cost	**711**	278
Total inventories	**38,967**	38,043

9. Assets held for sale

	26 June 2011 $'000	27 June 2010 $'000
Freehold land and buildings	**4,468**	5,257
Plant and equipment	**507**	–
Total assets held for sale	**4,975**	5,257

Assets held for sale comprise properties, plant and equipment in Australia and New Zealand that are being actively marketed and for which the sale is highly probable.

Prior to being transferred to held for sale, the properties, plant and equipment were remeasured at the lower of carrying amount and fair value less costs to sell. As a result, an impairment charge of $1.4 million (2010: $1.4 million) was recognised in the income statement against the assets.

For those properties classified within held for sale, a subsequent impairment charge of $0.1m (2010: nil) was recorded due to reassessment of the property value at the lower of carrying amount and fair value less costs to sell at reporting date.

10. Held to maturity investments

	26 June 2011 $'000	27 June 2010 $'000
Current		
Bonds	**–**	11,591
Total current held to maturity investments	**–**	11,591

The annuity bonds were redeemed on 30 September 2010 for a fair value of $10.6m.

11. Investments accounted for using the equity method

	Note	26 June 2011 $'000	27 June 2010 $'000
Shares in associates	(A)(i)	**14,449**	14,102
Shares in joint ventures	(B)(i)	**18,873**	29,483
Total investments accounted for using the equity method		**33,322**	43,585

(A) INTERESTS IN ASSOCIATES

Name of Company	Principal Activity	Place of Incorporation	Ownership interest 26 June 2011	Ownership interest 27 June 2010
Australian Associated Press Pty Ltd	News agency business and information service	Australia	47.0%	47.0%
Autobase Limited	E-commerce: online vehicle dealer automotive website	New Zealand	25.4%	25.4%
Digital Radio Broadcasting Melbourne Pty Ltd	Digital audio broadcasting	Australia	18.0%	18.0%
Digital Radio Broadcasting Perth Pty Ltd	Digital audio broadcasting	Australia	33.4%	33.4%
Digital Radio Broadcasting Brisbane Pty Ltd	Digital audio broadcasting	Australia	25.0%	25.0%
Digital Radio Broadcasting Sydney Pty Ltd	Digital audio broadcasting	Australia	11.3%	11.3%
Earth Hour Limited	Environmental promotion	Australia	33.3%	33.3%
Homebush Transmitters Pty Ltd	Rental of a transmission facility	Australia	50.0%	50.0%
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%
NGA.net Pty Ltd	Provider of e-recruitment software to corporations	Australia	28.0%	28.0%
Perth FM Facilities Pty Ltd	Rental of a transmission facility	Australia	33.3%	33.3%
Times Newspapers Limited	Newspaper publishing	New Zealand	49.9%	49.9%
Xchange IT Newsagents Pty Ltd	Provider of EDI software	Australia	30.0%	–

	26 June 2011 $'000	27 June 2010 $'000
(i) Carrying amount of investment in associates		
Balance at the beginning of the financial year	**14,102**	14,819
Share of associates' net profit after income tax expense	**770**	685
Dividends received/receivable from associates	**(373)**	(350)
Impairment of investment in associate	**–**	(1,060)
Exchange differences	**(50)**	8
Balance at end of the financial year	**14,449**	14,102
(ii) Share of associates' profits		
Revenue	**39,541**	39,528
Profit before income tax expense	**930**	750
Income tax expense	**(160)**	(65)
Net profit after income tax expense	**770**	685
(iii) Share of associates' assets and liabilities		
Current assets	**15,641**	15,357
Non-current assets	**23,464**	22,405
Total assets	**39,105**	37,762
Current liabilities	**10,622**	10,118
Non-current liabilities	**3,216**	3,123
Total liabilities	**13,838**	13,241

(B) INTERESTS IN JOINT VENTURES

Name of Company	Principal Activity	Place of Incorporation	Ownership interest 26 June 2011	Ownership interest 27 June 2010
Fermax Distribution Company Pty Ltd	Letterbox distribution of newspapers	Australia	50.0%	50.0%
Gilgandra Newspapers Pty Ltd	Newspaper publishing and printing	Australia	50.0%	50.0%
Gippsland Regional Publications Partnership	Newspaper publishing and printing	Australia	50.0%	50.0%
Torch Publishing Company Pty Ltd	Newspaper publishing and printing	Australia	50.0%	50.0%
Online Marketing Group Pty Limited*	E-commerce: Online marketing	Australia	–	48.0%

* Investment in joint venture was increased to a controlling interest of 68.2% on 23 November 2010. As a result, this investment is now part of the consolidated group. Refer to Note 30 for further details.

	26 June 2011 $'000	27 June 2010 $'000
(i) Carrying amount of investment in joint ventures		
Balance at the beginning of the financial year	**29,483**	31,849
Share of joint ventures' net profit after income tax expense	**2,592**	1,541
Interests in joint venture acquired during the year	**–**	421
Dividends received/receivable from joint venture	**(2,200)**	(2,368)
Impairment of investment in joint venture	**–**	(460)
Investment in joint venture transferred to a controlled entity	**(11,002)**	–
Investment in joint venture disposed during the year	**–**	(1,500)
Balance at end of the financial year	**18,873**	29,483
(ii) Share of joint ventures' profits		
Revenues	**12,377**	13,869
Expenses	**(9,600)**	(12,156)
Profit before income tax expense	**2,777**	1,713
Income tax expense	**(185)**	(172)
Net profit after income tax expense	**2,592**	1,541
(iii) Share of joint ventures' assets and liabilities		
Current assets	**4,935**	5,141
Non-current assets	**17,584**	19,804
Total assets	**22,519**	24,945
Current liabilities	**1,553**	2,259
Non-current liabilities	**424**	1,720
Total liabilities	**1,977**	3,979

(C) SHARE OF NET PROFITS OF ASSOCIATES AND JOINT VENTURES

	26 June 2011 $'000	27 June 2010 $'000
Profit before income tax expense	**3,707**	2,463
Income tax expense	**(345)**	(237)
Net profit after income tax expense	**3,362**	2,226

12. Available for sale investments

	26 June 2011 $'000	27 June 2010 $'000
Listed equity securities – at fair value	**2,633**	4,239
Total available for sale investments	**2,633**	4,239

Available for sale investments consist of investments in ordinary shares at fair value and have no fixed maturity date.

13. Intangible assets

	26 June 2011 $'000	27 June 2010 $'000
Mastheads and tradenames	**3,254,396**	3,366,633
Software	**71,024**	85,981
Customer relationships	**3,453**	11,631
Radio licences	**132,217**	132,217
Goodwill	**1,799,018**	2,346,319
Total intangible assets	**5,260,108**	5,942,781

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
At 28 June 2009							
Cost		156,678	17,103	3,732,273	211,432	2,435,308	6,552,794
Accumulated amortisation and impairment		(24,461)	(4,723)	(378,640)	(149,706)	(106,717)	(664,247)
Net carrying amount		132,217	12,380	3,353,633	61,726	2,328,591	5,888,547
Period ended 27 June 2010							
Balance at beginning of the financial year		132,217	12,380	3,353,633	61,726	2,328,591	5,888,547
Additions		–	–	–	13,720	–	13,720
Capitalisations from works in progress	14	–	–	–	37,924	–	37,924
Disposals		–	–	–	(2,302)	(31)	(2,333)
Acquisition through business combinations		–	–	–	717	4,289	5,006
Amortisation charge	3(B)	–	(3,260)	–	(26,077)	–	(29,337)
Impairment		–	–	(89)	–	–	(89)
Transfer to other asset category		–	2,492	(3,400)	–	908	–
Exchange differences		–	19	16,489	273	12,562	29,343
At 27 June 2010, net of accumulated amortisation and impairment		132,217	11,631	3,366,633	85,981	2,346,319	5,942,781

	Note	Radio licences $'000	Customer relationships $'000	Mastheads & tradenames $'000	Software $'000	Goodwill $'000	Total $'000
At 27 June 2010							
Cost		156,678	19,614	3,745,362	242,066	2,453,036	6,616,756
Accumulated amortisation and impairment		(24,461)	(7,983)	(378,729)	(156,085)	(106,717)	(673,975)
Net carrying amount		132,217	11,631	3,366,633	85,981	2,346,319	5,942,781
Period ended 26 June 2011							
Balance at beginning of the financial year		132,217	11,631	3,366,633	85,981	2,346,319	5,942,781
Additions		–	–	13	1,732	–	1,745
Capitalisations from works in progress	14	–	–	–	11,275	–	11,275
Disposals		–	–	–	(179)	(2,128)	(2,307)
Acquisition through business combinations		–	1,353	20,846	1,381	48,387	71,967
Amortisation charge	3(B)	–	(2,897)	(13)	(27,842)	–	(30,752)
Impairment		–	(6,588)	(80,915)	–	(562,366)	(649,869)
Exchange differences		–	(46)	(52,168)	(1,324)	(31,194)	(84,732)
At 26 June 2011, net of accumulated amortisation and impairment		132,217	3,453	3,254,396	71,024	1,799,018	5,260,108
At 26 June 2011							
Cost		156,678	8,008	3,714,053	253,229	2,468,101	6,600,069
Accumulated amortisation and impairment		(24,461)	(4,555)	(459,657)	(182,205)	(669,083)	(1,339,961)
Net carrying amount		132,217	3,453	3,254,396	71,024	1,799,018	5,260,108

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

Goodwill is allocated to CGU Groups identified according to business segment and geographic regions. The recoverable amount of each CGU which includes goodwill or indefinite life intangibles has been tested.

The recoverable amount of each CGU is determined based on value-in-use calculations using a three year cash flow projection and a terminal value. These calculations use cash flow projections based on the risk adjusted financial budgets approved by the Directors for the 2012 financial year, after an adjustment for central overheads. Cash flows beyond the 2012 period are extrapolated using the estimated growth rates stated at (iv) below.

(iii) Allocation of goodwill, licences, mastheads and tradenames to CGUs

For the financial year ended 26 June 2011, goodwill, licences, mastheads and tradenames were allocated to the following CGU Groups:

	26 June 2011 $'000	27 June 2010 $'000
Allocation of goodwill to CGU Groups		
New South Wales Metropolitan and Community Media*	–	76,333
Victorian Metropolitan and Community Media*	–	118,946
Australian Regional Media	**404,420**	434,924
Business Media**	**8,321**	16,594
Agricultural Media**	**19,658**	21,354
Australian Online	**233,590**	185,808
New Zealand Online	**559,306**	590,174
Printing Operations	**351,713**	351,613
Broadcasting	**108,185**	173,185
New Zealand Media	**5,932**	9,932
Other	–	5,739
Total goodwill by CGU Groups	**1,691,125**	1,984,602
Metropolitan Media*	–	253,823
Specialist Media**	**107,893**	107,894
Total goodwill by reportable segment	**107,893**	361,717
Total goodwill	**1,799,018**	2,346,319
Allocation of licences, masthead and tradenames to CGU Groups		
New South Wales Metropolitan and Community Media	**431,936**	434,082
Victorian Metropolitan and Community Media	**441,565**	443,711
Australian Regional Media	**1,090,221**	1,082,339
Business Media	**162,523**	162,523
Agricultural Media	**345,744**	356,735
Australian Online	**23,525**	8,450
New Zealand Online	**25,340**	26,739
Broadcasting	**132,217**	132,217
New Zealand Media	**733,542**	852,054
Total licences, mastheads and tradenames	**3,386,613**	3,498,850
Total goodwill, licences, mastheads and tradenames	**5,185,631**	5,845,169

* The Metropolitan Media reportable segment is comprised of New South Wales Metropolitan and Community Media and Victorian Metropolitan and Community Media CGU Groups.

** The Specialist Media reportable segment is comprised of Business Media and Agricultural Media CGU Groups.

(iv) Key assumptions used for value-in-use calculations

The key assumptions on which management based its cash flow projections when determining the value-in-use calculations of the CGUs are as follows:

- growth rates of 12% to 20% for Online (2010: 12% to 15%), between 5% to 10% for Media (2010: 7.5% to 15%), 5% for Printing (2010: 5%) and 3% for Broadcasting (2010: 7% to 7.5%) for years 1 to 3.
- the weighted average growth rates used were derived from internal forecasts.
- an exchange rate of 1.29 (2010: 1.22) was applied to New Zealand mastheads.
- the post-tax discount rates applied to the CGU Groups' cash flow projections was in the range 9.4% to 14.9% producing a mid point of 10.1% for both Australian and New Zealand Media (2010: Aust: 10.3%; NZ: 10.9%), 12.3% for Australian Online (2010: 12.5%) and 12.8% for New Zealand Online (2010: 13.1%).
- terminal value growth rate of 3.5% (2010: 3.5%) was used for cash flows from year 4 onwards for all CGUs with the exception of Agricultural Media, Printing Operations, Broadcasting and a small number of Australian Regional Media and New Zealand Media CGUs which were calculated at 3.0% (2010: 3.0%).

As a result of revisions in certain key assumptions to reflect current trading conditions, the carrying value of goodwill, mastheads and customer relationships allocated to certain CGU Groups displayed in (iii) above have been reduced to their recoverable amount through the recognition of a $649.9 million impairment loss. This impairment is as a result of a number of factors, including the slower than expected recovery of the advertising market in the second half of fiscal 2011 and the ongoing impact of soft economic conditions. Restructuring programs anticipated but not approved yet by the Board have not been included in the value in use calculations.

The Directors note that the extent and duration of the current weakness is difficult to predict and have carefully considered the economic outlook and the market in which each media asset operates.

Directors consider that, despite the impairment provision recognised, the fair value of the Group's intangible assets in aggregate is in excess of carrying value.

(v) Impact of possible change in key assumptions

Holding all assumptions constant, if year 1 cash flow forecasts declined by 5%, an aggregated impairment of $145.8 million would result in all CGUs with the exception of Online and Printing Operations.

Holding all assumptions constant, if the discount rate applied to the media cash flow projections was increased by 0.25%, an aggregated impairment of $91.1 million would result in all CGUs with the exception of Online and Printing Operations. If the rate was further increased by 0.5%, an aggregated impairment of $182.1 million would result across all CGUS with the exception of Online and Printing Operations.

If terminal value growth rates of 2.75% was consistently applied across all CGUs an impairment of $196.4 million would result in all CGUs with the exception of Online and Printing Operations. Management does not consider that there are any other reasonably possible changes in any of the key assumptions which would cause the carrying amount of any of the CGU Groups to exceed its recoverable amount.

	26 June 2011 $'000	27 June 2010 $'000
14. Property, plant and equipment		
Freehold land and buildings		
At cost	**267,103**	271,799
Provision for depreciation	**(34,530)**	(31,442)
Total freehold land and buildings	**232,573**	240,357
Leasehold buildings		
At cost	**100,101**	100,306
Provision for depreciation	**(25,285)**	(22,205)
Total leasehold buildings	**74,816**	78,101
Plant and equipment		
At cost	**1,112,149**	1,115,740
Provision for depreciation	**(713,739)**	(664,580)
Total plant and equipment	**398,410**	451,160
Capital works in progress – at cost	**16,547**	9,003
Total property, plant and equipment	**722,346**	778,621

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
At 28 June 2009						
Cost		89,880	272,176	84,811	1,173,383	1,620,250
Accumulated depreciation and impairment		–	(25,895)	(20,560)	(710,076)	(756,531)
Net carrying amount		89,880	246,281	64,251	463,307	863,719
Period ended 27 June 2010						
Balance at beginning of financial year		89,880	246,281	64,251	463,307	863,719
Additions/capitalisations		(42,950)	5,189	19,755	67,200	49,194
Capitalisation to software	13	(37,924)	–	–	–	(37,924)
Disposals		–	(1,202)	(2,657)	(319)	(4,178)
Acquisition through business combinations		–	–	–	7	7
Depreciation charge	3(B)	–	(4,990)	(2,959)	(76,337)	(84,286)
Assets classified as held for sale	9	–	(5,257)	–	–	(5,257)
Impairment		–	(588)	(218)	(4,020)	(4,826)
Exchange differences		(3)	924	(71)	1,322	2,172
At 27 June 2010, net of accumulated depreciation and impairment		9,003	240,357	78,101	451,160	778,621

	Note	Capital works in progress $'000	Freehold land & buildings $'000	Leasehold buildings $'000	Plant and equipment $'000	Total $'000
At 27 June 2010						
Cost		9,003	271,799	100,306	1,115,740	1,496,848
Accumulated depreciation and impairment		–	(31,442)	(22,205)	(664,580)	(718,227)
Net carrying amount		9,003	240,357	78,101	451,160	778,621
Period ended 26 June 2011						
Balance at beginning of financial year		9,003	240,357	78,101	451,160	778,621
Additions/capitalisations		20,746	493	781	34,901	56,921
Capitalisation to software	13	(11,275)	–	–	–	(11,275)
Disposals		(13)	(38)	(325)	(6,598)	(6,974)
Acquisition through business combinations		–	398	–	662	1,060
Depreciation charge	3(B)	–	(5,094)	(3,677)	(74,828)	(83,599)
Assets classified as held for sale	9	(507)	(1,005)	–	150	(1,362)
Impairment		(1,252)	–	–	(3,808)	(5,060)
Exchange differences		(155)	(2,538)	(64)	(3,229)	(5,986)
At 26 June 2011, net of accumulated depreciation and impairment		16,547	232,573	74,816	398,410	722,346
At 26 June 2011						
Cost		16,547	267,103	100,101	1,112,149	1,495,900
Accumulated depreciation and impairment		–	(34,530)	(25,285)	(713,739)	(773,554)
Net carrying amount		16,547	232,573	74,816	398,410	722,346

During the current year, an impairment charge of $1.4 million was recorded on property, plant and equipment prior to transferring these assets to held for sale. The assets were remeasured at the lower of carrying amount and fair value less costs to sell (refer to Note 9). In addition, an impairment charge of $3.7 million was recorded on printing press equipment in New Zealand following a review of recoverable amount.

15. Derivative financial instruments

	26 June 2011 $'000	27 June 2010 $'000
Non-current assets		
Cross currency swap – cash flow hedge	–	101
Cross currency swap – fair value hedge	–	29,909
Cross currency swap – net investment hedge	**27,339**	14,342
Call option derivative	**500**	–
Total non-current derivative assets	**27,839**	44,352
Current liabilities		
Interest rate swap – cash flow hedge	**6,540**	–
Cross currency swap – cash flow hedge	**72,800**	55
Cross currency swap – fair value hedge	**860**	12,512
Total current derivative liabilities	**80,200**	12,567
Non-current liabilities		
Interest rate swap – cash flow hedge	**13,453**	23,612
Cross currency swap – fair value hedge	**74,379**	24,453
Cross currency swap – cash flow hedge	**7,481**	37,028
Obligation under put option*	**11,221**	–
Total non-current derivative liabilities	**106,534**	85,093

* Present value of exercise price of the put option over subsidiary shares. The put and the call option are 50% exercisable in the period July – October 2012 and the remaining interest is exercisable in the period July 2013 – September 2013.

The Group uses derivative financial instruments to reduce the 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 semi-annual 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 over-the-counter instruments within liquid markets.

(A) HEDGING ACTIVITIES

(i) Cash flow hedges – interest rate and cross currency swaps

At 26 June 2011, the Group held interest rate swaps and 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 movements in interest rates and foreign currency exchange rates.

At 26 June 2011, the notional principal amounts and period of expiry of the swaps are as follows:

		Interest rate	
	Maturity date	2011	2010
Pay fixed, receive floating – AUD$550m	15 June 2012	7.60%	7.60%

The swaps designated to cash flow hedges cover approximately 98% of the Eurobond principal outstanding, with the remaining 2% of the Eurobond hedges designated 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 26 June 2011, the Group held cross currency swaps designated as hedges of future contracted interest payments on the USD denominated senior notes issued in July 2007. The cross currency swaps are being used to hedge a combination of future movements in interest rates and foreign currency exchange rates.

At 26 June 2011, the notional principal amounts and period of expiry of the swaps for each counterparty are as follows:

		Interest rate	
	Maturity date	2011	2010
Pay fixed, receive floating – AUD$59.5m	10 July 2017	7.52%	7.52%
Pay fixed, receive floating – AUD$59.5m	10 July 2017	7.46%	7.46%

The contracts require settlement on interest receivable semi annually and interest payable each 90 days. These dates coincide with the interest payable dates on the underlying Senior Notes.

At 26 June 2011, the Group held an interest rate swap designated as hedging the future contracted interest payments on AUD denominated bank borrowings. The interest rate swap is being used to hedge future movements in interest rates.

At 26 June 2011, the notional principal amount and period of expiry of the swap are as follows:

		Interest rate	
	Maturity date	2011	2010
Pay fixed, receive floating – AUD$125m	12 October 2015	6.52%	6.52%

The contract requires settlement on interest receivable and interest payable each 90 days. These dates coincide with the interest payable dates on the underlying AUD denominated bank borrowings.

At 26 June 2011, the above hedges were assessed to be highly effective with a combined unrealised loss in fair value of $9.7 million (2010: $4.0 million gain) recognised in equity for the period. During the period an unrealised loss of $0.1 million (2010: $3.3 million unrealised loss) was recognised in the income statement attributable to the ineffective portion of the cash flow hedges.

During the year there was no material gain or loss transferred from equity to the income statement (2010: $1.8 million unrealised loss).

(ii) Cash flow hedges – foreign exchange contracts

During the year, forward exchange contracts were used by the Group 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. At 26 June 2011, the Group did not hold any forward exchange contracts (2010: nil).

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

During the current and prior financial period there was no material ineffectiveness recognised in the income statement attributable to cash flow hedges of foreign exchange contracts.

(iii) Fair value hedges

At 26 June 2011, the Group held cross currency swap agreements designated to changes in the underlying value of USD denominated senior notes (refer to Note 18). 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.

At 26 June 2011, the Group also held cross currency swap agreements partly designated to changes in the underlying value of the EUR denominated Eurobond (refer to Note 18). The terms of the cross currency swap exchange EUR obligations into AUD obligations. This swap has been 99% designated to a cash flow hedge, as discussed in (i) above.

At 26 June 2011, the cross currency swap agreements had a combined value of $75.2 million (2010: $7.1 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 $125m	10 July 2014
Pay floating AUD receive floating USD – USD $25m	10 July 2014
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

For the Group, the remeasurement of the hedged items resulted in a gain before tax of $79.3 million (2010: $32.3 million gain) and the changes in the fair value of the hedging instruments resulted in a loss before tax of $73.8 million (2010: $33.4 million loss) resulting in a net gain before tax of $5.5 million (2010: $1.1 million loss) recorded in finance costs.

(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 the business assets of Independent News Limited in June 2003.

At 26 June 2011, the hedges were assessed to be highly effective with an unrealised gain of $9.2 million (2010: $3.0 million loss) recognised in equity. During the current financial period there was an unrealised loss of $0.1 million (2010: $0.1 million loss) recognised in the income statement attributable to the ineffective portion of the net investment hedges.

16. 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	
	26 June 2011 $'000	27 June 2010 $'000	26 June 2011 $'000	27 June 2010 $'000	26 June 2011 $'000	27 June 2010 $'000
Property, plant and equipment	**4,268**	4,551	**36,893**	27,374	**(32,625)**	(22,823)
Inventories	**–**	–	**3,155**	3,020	**(3,155)**	(3,020)
Investments	**–**	–	**10,915**	10,347	**(10,915)**	(10,347)
Intangible assets	**6,306**	6,567	**38,656**	41,935	**(32,350)**	(35,368)
Other assets	**16,039**	25,216	**17,728**	22,258	**(1,689)**	2,958
Provisions	**50,001**	48,993	**–**	–	**50,001**	48,993
Payables	**12,152**	9,504	**–**	–	**12,152**	9,504
Other liabilities	**4,771**	2,676	**241**	229	**4,530**	2,447
Other	**2,913**	4,147	**165**	1,091	**2,748**	3,056
Gross deferred tax assets/liabilities	**96,450**	101,654	**107,753**	106,254	**(11,303)**	(4,600)
Set-off of deferred tax assets/liabilities	**(85,938)**	(89,880)	**(85,938)**	(89,880)	**–**	–
Net deferred tax assets/liabilities	**10,512**	11,774	**21,815**	16,374	**(11,303)**	(4,600)

(B) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

	Balance 27 June 2010	Recognised on acquisition	Recognised in income	Recognised in equity	Balances disposed	Balance 26 June 2011
Property, plant and equipment	(22,823)	–	(9,802)	–	–	**(32,625)**
Inventories	(3,020)	–	(135)	–	–	**(3,155)**
Investments	(10,347)	–	(847)	279	–	**(10,915)**
Intangible assets	(35,369)	(576)	3,595	–	–	**(32,350)**
Other assets	2,958	–	(8,906)	4,259	–	**(1,689)**
Provisions	48,993	47	961	–	–	**50,001**
Payables	9,504	–	2,648	–	–	**12,152**
Other liabilities	2,448	–	2,082	–	–	**4,530**
Other	3,056	–	(487)	179	–	**2,748**
	(4,600)	(529)	(10,891)	4,717	–	**(11,303)**

	Balance 28 June 2009	Recognised on acquisition	Recognised in income	Recognised in equity	Balances disposed	Balance 27 June 2010
Property, plant and equipment	(13,791)	–	(9,032)	–	–	(22,823)
Inventories	(2,788)	–	(232)	–	–	(3,020)
Investments	(10,498)	–	432	(281)	–	(10,347)
Intangible assets	(37,616)	–	2,247	–	–	(35,369)
Other assets	(356)	–	2,588	726	–	2,958
Provisions	52,826	–	(3,833)	–	–	48,993
Payables	10,288	–	(784)	–	–	9,504
Other liabilities	3,202	–	(754)	–	–	2,448
Tax losses	1,510	–	(1,510)	–	–	–
Other	(4,465)	–	7,276	245	–	3,056
	(1,688)	–	(3,602)	690	–	(4,600)

(C) TAX LOSSES AND FUTURE DEDUCTIBLE TEMPORARY DIFFERENCES

The Group has realised Australian capital losses for which no deferred tax asset is recognised on the balance sheet of $213,358,421 (2010: $208,979,744) which are available indefinitely for offset against future capital gains subject to continuing to meet relevant statutory tests.

The Group has deductible temporary differences for which no deferred tax asset is recognised on the balance sheet of $299,425,782 (2010: $298,194,934).

(D) UNRECOGNISED TEMPORARY DIFFERENCES

At 26 June 2011, there are no material unrecognised temporary differences associated with the Group's investments in associates or joint ventures, as the Group has no material liability for additional taxation should unremitted earnings be remitted (2010: Nil).

17. Payables

	26 June 2011 $'000	27 June 2010 $'000
Trade and other payables*	**184,229**	188,489
Interest payable	**22,192**	18,944
Income in advance	**73,248**	69,147
Total current payables	**279,669**	276,580

* Trade payables are non-interest bearing and are generally on 30 day terms.

18. Interest bearing liabilities

	Note	26 June 2011 $'000	27 June 2010 $'000
Current interest bearing liabilities – unsecured			
Bank borrowings	(B)	**19,378**	–
Other loans			
Senior notes	(C)	**–**	58,531
Medium term notes	(E)	**167,700**	167,587
Eurobonds	(F)	**472,543**	–
Other	(D)	**3,322**	39,975
Finance lease liability	(D)	**3,842**	3,579
Total current interest bearing liabilities		**666,785**	269,672
Non-current interest bearing liabilities – unsecured			
Bank borrowings	(B)	**392,060**	145,231
Other loans			
Senior notes	(C)	**450,293**	539,431
Eurobonds	(F)	**–**	494,068
Other	(D)	**8,311**	11,634
Finance lease liability	(D)	**14,583**	18,425
Total non-current interest bearing liabilities		**865,247**	1,208,789

Net debt for financial covenant purposes

	26 June 2011 $'000	27 June 2010 $'000
Cash and cash equivalents	**(207,137)**	(117,872)
Current interest bearing liabilities	**666,785**	269,672
Non-current interest bearing liabilities	**865,247**	1,208,789
Derivative financial instruments liabilities*	**162,706**	74,413
Net debt for financial covenant purposes	**1,487,601**	1,435,002

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

(A) FINANCING ARRANGEMENTS

The Group net debt for financial covenant purposes, taking into account all debt related derivative financial instruments, was $1,488 million as at 26 June 2011 (2010: $1,435 million).

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.

(B) BANK BORROWINGS

Current

A NZ$50 million revolving committed cash advance facility is available to the Group until December 2011. At 26 June 2011, NZ$25 million was drawn down (2010: NZ$25 million).

A $1,155.6 million syndicated bank facility is available to the Group until periods ranging from April 2013 to April 2015. At 26 June 2011, $395 million was drawn (2010: $125 million). The interest rate for the drawings under this facility is the applicable bank bill rate plus a credit margin.

(C) SENIOR NOTES

The Group issued Senior Notes in the US private placement market with a principal value of US$230 million (A$289.8 million) in January 2004 with a fixed coupon of between 4.74% 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 cross-currency swaps. This issue of Senior Notes comprises maturities ranging from January 2014 to January 2019. In January 2011 Senior Notes of US$50 million were repaid. The weighted average maturity of the issue is approximately 4.7 years. The applicable cross-currency swap credit margin includes the cost of hedging all currency risk and future interest and principal repayments on a quarterly basis.

The Group issued further Senior Notes in the US private placement market with a principal value of US$250 million (A$308.2 million) in July 2007 comprising maturities ranging from July 2014 to July 2017. The weighted average maturity of this issue is approximately 4.2 years. The issued notes include fixed rate coupon notes, paying a weighted average coupon of 6.4% p.a. semi annually in arrears, and floating rate coupon notes. The interest and principal on the Senior Notes are payable in US dollars and were swapped into fixed and floating rate Australian dollars via cross-currency swaps. An additional 1.00% p.a. step up margin is payable on the coupons, effective from 10 July 2009.

(D) OTHER LOANS AND FINANCE LEASE LIABILITY

The Chullora printing facility in Sydney is partially financed by a finance lease facility and loans with a maturity date of September 2015. There is a finance lease of $18.4 million (2010: $22.0 million), which was entered into in February 1996. There is also principal and interest outstanding of $11.6 million (2010: $15.1 million) in the form of a fixed rate loan with an established repayment schedule.

The CPI indexed annuity loan of $36.6 million outstanding at June 2010 was repaid in full on 30 September 2010 in accordance with the early redemptive provisions. The finance lease facility and fixed rate loan will continue to maturity in September 2015.

(E) MEDIUM TERM NOTES (MTNs)

On 27 June 2006, the Group 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. In May 2009, the Group repurchased and cancelled $32.3 million of the outstanding MTNs.

After the Group's accounting year end on 26 June 2011, the remaining $167.7 million of MTNs were repaid on 27 June 2011.

(F) EUROBONDS

On 15 June 2007 the Group issued €350 million guaranteed notes with a maturity date of 15 June 2012. The notes pay a fixed coupon of 6.25% p.a. payable annually in arrears (2010: 6.25%). The interest and principal on the notes are payable in Euro and were swapped into fixed rate Australian dollars via cross-currency swaps.

19. Provisions

	26 June 2011 $'000	27 June 2010 $'000
Current		
Employee benefits	**103,232**	101,558
Defamation	**6,283**	3,341
Property	**346**	599
Redundancy	**30,703**	4,183
Other	**246**	267
Total current provisions	**140,810**	109,948
Non-current		
Employee benefits	**13,527**	12,812
Property	**36,821**	34,936
Other	**48**	258
Total non-current provisions	**50,396**	48,006

RECONCILIATION

Reconciliations of the carrying amount of each class of provision, other than employee benefits, during the financial year are set out below:

	Defamation $'000	Property $'000	Redundancy $'000	Other $'000
At 27 June 2010				
Current	3,341	599	4,183	267
Non-current	–	34,936	–	258
Total provisions, excluding employee benefits	3,341	35,535	4,183	525
Period ended 26 June 2011				
Balance at beginning of the financial year	3,341	35,535	4,183	525
Additional provision	3,824	3,149	33,608	545
Acquisition of controlled entities	–	23	–	–
Utilised	(873)	(1,531)	(7,126)	(776)
Exchange differences	(9)	(9)	38	–
Balance at end of the financial year	6,283	37,167	30,703	294
At 26 June 2011				
Current	6,283	346	30,703	246
Non-current	–	36,821	–	48
Total provisions, excluding employee benefits	6,283	37,167	30,703	294

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 is with respect to various 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 make good provisions, deferred lease incentives and onerous lease provisions.

The make good provisions and deferred lease incentives are amortised over the shorter of the term of the lease or the useful life of the assets, being up to 20 years.

(iv) Redundancy

The provision is in respect of amounts payable in connection with redundancy and includes termination benefits, on-costs and outplacement services.

(v) Other

Other provisions includes various other costs relating to the business.

20. Pension assets and liabilities

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. All defined benefit plans are closed to new members.

The superannuation arrangements in Australia are managed in a sub-plan of the Mercer Super Trust, called Fairfax Media 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. All New Zealand funds have defined contribution plans and the Fairfax NZ Retirement Fund has a defined benefit section.

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

The following sets out details in respect of the defined benefit plans only and in the case of the Fairfax NZ Retirement Fund, excludes $52.1 million (2010: $50.9 million) of defined contribution assets and entitlements.

	Note	26 June 2011 $'000	27 June 2010 $'000
(A) BALANCE SHEET			
The amounts recognised in the balance sheet are determined as follows:			
Pension asset		**260**	–
Pension liabilities		**(3,595)**	(4,800)
Net pension liabilities		**(3,335)**	(4,800)
Present value of the defined benefit obligation	(B)	**(22,644)**	(21,512)
Fair value of defined benefit plan assets	(C)	**19,309**	16,712
Net pension liabilities		**(3,335)**	(4,800)
(B) RECONCILIATION OF THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION			
Balance at the beginning of the financial year		**21,512**	20,560
Current service cost		**952**	954
Interest cost		**979**	944
Contributions by employees		**248**	23
Actuarial (gains)/losses		**(725)**	1,643
Benefits paid		**(56)**	(2,513)
Taxes, premiums and expenses paid		**(243)**	(106)
Exchange differences on foreign plans		**(23)**	7
Balance at the end of the financial year		**22,644**	21,512

	26 June 2011 $'000	27 June 2010 $'000
(C) RECONCILIATION OF THE FAIR VALUE OF PLAN ASSETS		
Balance at the beginning of the financial year	**16,712**	17,875
Expected return on plan assets	**1,168**	1,194
Actuarial gains	**660**	657
Contributions by Group companies and employees	**1,081**	(408)
Benefits paid	**(56)**	(2,512)
Taxes, premiums and expenses paid	**(243)**	(106)
Exchange differences on foreign plans	**(13)**	12
Balance at the end of the financial year	**19,309**	16,712
(D) AMOUNTS RECOGNISED IN INCOME STATEMENT		
The amounts recognised in the income statement are as follows:		
Current service cost	**952**	954
Interest cost	**979**	944
Expected return on plan assets	**(1,168)**	(1,194)
Total included in employee benefits expense	**763**	704
Actual return on plan assets	**1,636**	2,019

(E) CATEGORIES OF PLAN ASSETS

The major categories of plan assets as a percentage of the fair value of the total defined benefit plan assets are as follows:

	26 June 2011 %	27 June 2010 %
Cash	**9**	7
Australian equities	**20**	21
Overseas equities	**33**	31
Fixed interest securities	**28**	28
Property	**5**	8
Other	**5**	5

(F) PRINCIPAL ACTUARIAL ASSUMPTIONS

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	2011 %	2010 %
Discount rate	**5.2**	5.1
Expected return on plan assets	**5.9**	5.9
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 5.9% p.a. rate of return, net of tax and expenses (2010: 5.9% p.a).

(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 three yearly intervals and the last actuarial assessment of Fairfax Super was carried out as at 1 July 2008 by Mercer Human Resource Consulting Pty Ltd. The last actuarial assessment of Fairfax NZ Retirement Fund was carried out as at 1 April 2008 by AoN Consulting New Zealand Limited. Fairfax New Zealand Superannuation Fund and Fairfax NZ Senior Executive Superannuation Scheme are defined contribution funds and do 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.

Total employer contributions expected to be paid by Group companies for the 2012 financial year are $758,000.

(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 $3.3 million at the most recent financial position of the plans, being 1 July 2008 for Australia and 1 April 2008 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 (1 July 2008 for Australia and 1 April 2008 for New Zealand), which would have a material impact on the overall financial position of the defined benefit plan.

(I) HISTORIC SUMMARY

	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000
Defined benefit plan obligation	(20,048)	(24,254)	(20,560)	(21,512)	**(22,644)**
Plan assets	33,429	29,796	17,875	16,712	**19,309**
Surplus/(deficit)	13,381	5,542	(2,685)	(4,800)	**(3,335)**
Experience adjustments arising on plan liabilities	(2,032)	7,678	(1,513)	1,551	**(490)**
Experience adjustments arising on plan assets	(1,038)	(3,132)	6,283	(756)	**(585)**

21. Other financial assets

	26 June 2011 $'000	27 June 2010 $'000
Current		
Loan receivable	**3,686**	–
Total current other financial assets	**3,686**	–
Non-current		
Shares in unlisted entities – at fair value	**73**	2,575
Loan receivable	**14,760**	–
Total non-current other financial assets	**14,833**	2,575

	Note	26 June 2011 $'000	27 June 2010 $'000
22. Contributed equity			
Ordinary Shares			
2,351,955,725 ordinary shares fully paid (2010: 2,351,955,725)	(A)	**4,667,944**	4,667,944
Unvested Employee Incentive Shares			
11,723,026 unvested employee incentive shares (2010: 8,411,794)	(B)	**(21,696)**	(18,430)
Stapled Preference Shares (SPS)			
Nil stapled preference shares (2010: 3,000,000)	(C)	**–**	293,163
Debentures			
281 debentures fully paid (2010: 281)	(D)	*****	*
Total contributed equity		**4,646,248**	4,942,677

* 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:

	Note	26 June 2011 No. of shares	27 June 2010 No. of shares	26 June 2011 $'000	27 June 2010 $'000
(A) ORDINARY SHARES					
Balance at beginning of the financial year		**2,351,955,725**	2,351,955,725	**4,667,944**	4,667,990
Share issue costs		**–**	–	**–**	(46)
Balance at end of the financial year		**2,351,955,725**	2,351,955,725	**4,667,944**	4,667,944
(B) UNVESTED EMPLOYEE INCENTIVE SHARES					
Balance at beginning of the financial year		**8,411,794**	8,411,794	**(18,430)**	(33,031)
Share acquisition – 10 December 2010		**3,311,232**	–	**(4,666)**	–
Tax benefit recognised directly in equity		**–**	–	**1,400**	14,601
Balance at end of the financial year		**11,723,026**	8,411,794	**(21,696)**	(18,430)
(C) STAPLED PREFERENCE SHARES (SPS)					
Balance at beginning of the financial year		**3,000,000**	3,000,000	**293,163**	293,163
Share repurchase – 29 April 2011		**(3,000,000)**	–	**(300,000)**	–
Share issue costs transferred to reserves	23	**–**	–	**6,837**	–
Balance at end of the financial year		**–**	3,000,000	**–**	293,163
(D) DEBENTURES					
Balance at beginning of the financial year		**281**	281	*****	*
Balance at end of the financial year		**281**	281	*****	*
Total contributed equity				**4,646,248**	**4,942,677**

* Amount is less than $1000.

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.

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. During the financial year ended 26 June 2011, no ordinary shares (2010: nil) were issued under the terms of the DRP.

(B) Unvested Employee Incentive Shares

Shares in Fairfax Media Limited are held by the Executive Employee Share Plan Trust for the purpose of issuing shares under the Long Term Incentive Plan. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings.

(C) Stapled Preference Shares (SPS)

The SPS (FXJPB), which was 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 each April and October, 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 a margin. Distributions are non-cumulative. Total distribution payments in the year to SPS holders was $19.8 million (2010: $15.8 million). Of the total distribution, $17.3 million has been classified as dividends paid (refer Note 6), with the remaining $2.5 million classified as finance costs. The classification is consistent with the reclassification of the SPS from equity to debt during the period.

On 29 April 2011, all of the SPS were repurchased in accordance with their terms of issue for a repurchase amount of $100 per share.

(D) Debentures

Debenture holders terms and conditions are disclosed in Note 1(T).

23. Reserves

	Note	26 June 2011 $'000	27 June 2010 $'000
Asset revaluation reserve, net of tax	(A)	**506**	1,833
Foreign currency translation reserve, net of tax	(B)	**(233,884)**	(140,969)
Cashflow hedge reserve, net of tax	(C)	**1,220**	10,946
Net investment hedge reserve, net of tax	(D)	**5,167**	(4,037)
Share-based payment reserve, net of tax	(E)	**6,971**	5,099
Acquisition reserve	(F)	**563**	–
General reserve	(G)	**(6,837)**	–
Total reserves		**(226,294)**	(127,128)
(A) Asset revaluation reserve			
Balance at beginning of the financial year		**1,833**	32
Revaluation of available for sale investments		**(1,606)**	2,082
Tax effect on available for sale investments		**279**	(281)
Balance at end of the financial year		**506**	1,833
(B) Foreign currency translation reserve			
Balance at beginning of the financial year		**(140,969)**	(173,662)
Net exchange differences on currency translation, net of tax		**(92,915)**	32,693
Balance at end of the financial year		**(233,884)**	(140,969)
(C) Cashflow hedge reserve			
Balance at beginning of the financial year		**10,946**	7,286
Effective portion of changes in value of cashflow hedges		**(13,894)**	4,522
Tax effect of net changes on cashflow hedges		**4,168**	(862)
Balance at end of the financial year		**1,220**	10,946
(D) Net investment hedge reserve			
Balance at beginning of the financial year		**(4,037)**	(1,024)
Effective portion of changes in value of net investment hedges		**13,148**	(4,272)
Tax effect on net investment hedges		**(3,944)**	1,259
Balance at end of the financial year		**5,167**	(4,037)
(E) Share-based payment reserve			
Balance at beginning of the financial year		**5,099**	3,987
Share-based payment expense		**2,675**	3,297
Tax effect on share-based payment expense		**(803)**	(989)
Tax expense recognised directly in reserve		**–**	(1,196)
Balance at end of the financial year		**6,971**	5,099
(F) Acquisition reserve			
Balance at beginning of the financial year		**–**	–
Acquisition of non-controlling interest		**(4,637)**	–
Recognition of put option on non-controlling interest		**5,200**	–
Balance at end of the financial year		**563**	–

	Note	26 June 2011 $'000	27 June 2010 $'000
(G) General reserve			
Balance at beginning of the financial year		**–**	–
Share issue costs transferred from contributed equity	22	**(6,837)**	–
Balance at end of the financial year		**(6,837)**	–

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) Cashflow 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). Refer to further disclosures at Note 15.

(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). Refer to further disclosures at Note 15.

(E) Share-based payment reserve

The share-based payments reserve is used to recognise the fair value of shares issued but not vested and transfers to fund the acquisition of Share Trust shares, as described in Note 1(S)(ii).

(F) Acquisition reserve

The acquisition reserve is used to record differences between the carrying value of non-controlling interests and the consideration paid/received, where there has been a transaction involving non-controlling interests that does not result in a loss of control.
The reserve is attributable to the equity of the parent.

(G) General reserve

The general reserve is used to record Stapled Preference Share (SPS) issue costs that have been transferred from contributed equity.
The SPS were repurchased on 29 April 2011.

24. Retained profits

	Note	26 June 2011 $'000	27 June 2010 $'000
Balance at beginning of the financial year		**481,978**	237,604
Net (loss)/profit for the financial year		**(390,861)**	282,115
Actuarial gain/(loss) on defined benefit plans, net of tax		**967**	(741)
Tax benefits recognised directly in equity		**5,191**	4,770
Total available for appropriation		**97,275**	523,748
Dividends paid	6	**(85,511)**	(41,770)
Balance at end of the financial year		**11,764**	481,978

25. Non-controlling interest

	26 June 2011 $'000	27 June 2010 $'000
Interest in:		
Contributed equity	**3,407**	1,783
Reserves	**4,484**	7,679
Retained profits	**(901)**	(251)
Balance at end of the financial year	**6,990**	9,211
RECONCILIATION		
Balance at beginning of the financial year	**9,211**	9,445
Acquisition of controlled entities	**883**	–
Acquisition of non-controlling interest in previously controlled entities	**(3,228)**	–
Share of profit for the period	**1,194**	262
Dividends paid to non-controlling interest	**(1,070)**	(496)
Balance at end of the financial year	**6,990**	9,211

	26 June 2011 ¢ per share	27 June 2010 ¢ per share
26. Earnings per share		
Basic (loss)/earnings per share		
After significant items less SPS dividend (net of tax)	**(17.0)**	11.5
Diluted (loss)/earnings per share		
After significant items (net of tax)	**(17.0)**	11.0

	26 June 2011 $'000	27 June 2010 $'000
Earnings reconciliation – basic		
Net (loss)/profit attributable to members of the Company	**(390,861)**	282,115
Less Dividends on SPS (net of tax)	**(10,034)**	(11,780)
Basic (loss)/earnings after significant items less SPS dividend	**(400,895)**	270,335
Earnings reconciliation – diluted		
Net (loss)/profit attributable to members of the Company	**(390,861)**	282,115

	26 June 2011 Number '000	27 June 2010 Number '000
Weighted average number of ordinary shares used in calculating basic EPS	**2,351,956**	2,351,956
SPS	**166,530**	212,128
Weighted average number of ordinary shares used in calculating diluted EPS	**2,518,486**	2,564,084

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 the period end are as follows:

	26 June 2011 $'000	27 June 2010 $'000
Within one year	**41,850**	43,238
Later than one year and not later than five years	**135,606**	129,939
Later than five years	**271,331**	313,970
Total operating lease commitments	**448,787**	487,147

The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

These non-cancellable leases have remaining terms of between five and twenty years. All property leases include a clause to enable upward revision of rental charge on an annual basis according to prevailing market conditions.

FINANCE LEASE COMMITMENTS – GROUP AS LESSEE

The Group has a finance lease for property, plant and machinery with a carrying amount of $30.1 million (2010: $31.3 million). The lease has a remaining term of four years (2010: five years) and a weighted average interest rate of 13.4% (2010: 13.4%). Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

	Note	26 June 2011 $'000	27 June 2010 $'000
Within one year		**5,076**	5,076
Later than one year and not later than five years		**16,496**	20,303
Later than five years		**–**	1,269
Minimum lease payments		**21,572**	26,648
Less future finance charges		**(3,147)**	(4,644)
Total finance lease liability		**18,425**	22,004
Classified as:			
Current interest bearing liabilities		**3,842**	3,579
Non-current interest bearing liabilities		**14,583**	18,425
Total finance lease liability	18(D)	**18,425**	22,004

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 rent payable over the remaining lease term of four years which is subject to such movements amounts to $18.3 million (2010: $21.6 million).

CAPITAL COMMITMENTS

At 26 June 2011, 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:

	26 June 2011 $'000	27 June 2010 $'000
Within one year	**2,506**	7,772
Later than one year and not later than five years	**–**	–
Later than five years	**–**	–
Total capital commitments	**2,506**	7,772

28. Contingencies

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 Group 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, other than those recognised at Note 19, 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 2011 %	2010 %
Fairfax Media Limited	(a)	Australia		
CONTROLLED ENTITIES				
5AU Broadcasters Proprietary Limited	(a)	Australia	100	100
ACN 074 162 888 Pty Ltd (in Liq)	(c)	Australia	–	100
ACN 083 365 799 Pty Ltd (in Liq)	(c)	Australia	–	100
ACN 101 806 302 Pty Ltd	(a)	Australia	100	100
Agricultural Publishers Pty Limited	(a)	Australia	100	100
Associated Newspapers Ltd	(a)	Australia	100	100
Aussie Destinations (1) Pty Ltd	(b)	Australia	68	48
Australian Property Monitors Pty Limited	(a)	Australia	100	100
AZXC Pty Ltd	(b)	Australia	68	48
Border Mail Printing Pty Ltd	(a)	Australia	100	100
Bridge Printing Office Pty Limited	(a)	Australia	100	100
Bundaberg Broadcasters Pty Ltd	(a)	Australia	100	100
Bundaberg Narrowcasters Pty Ltd		Australia	100	100
Carpentaria Newspapers Pty Ltd	(a)	Australia	100	100
Central Districts Field Days Limited		New Zealand	100	100
Commerce Australia Pty Ltd	(a)	Australia	100	75
Communication Associates Limited		New Zealand	100	100
Country Publishers Pty Ltd	(a)	Australia	100	100
CountryCars.com.au Pty Ltd	(a)	Australia	100	100
Creative House Publications Pty Ltd		Australia	60	60
Cudgegong Newspapers Pty Ltd		Australia	100	100
David Syme & Co Pty Limited	(a)	Australia	100	100
Debt Retrieval Agency Limited		New Zealand	100	100
Esperance Holdings Pty Ltd (in Liq)	(c)	Australia	–	100
Examiner Properties Pty Ltd	(a)	Australia	100	100
F@rming Online Pty Ltd (in Liq)	(c)	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	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 Group Finance New Zealand Pty Ltd		New Zealand	100	100
Fairfax Media (UK) Limited		United Kingdom	100	100
Fairfax Media Group Finance Pty Limited	(a)	Australia	100	100
Fairfax Media Management Pty Limited	(a)	Australia	100	100
Fairfax Media Operations Limited	(f)	New Zealand	100	–
Fairfax Media Operations Pty Ltd	(e)	Australia	100	100
Fairfax Media Publications Pty Limited	(a)	Australia	100	100
Fairfax New Zealand Finance Pty Ltd		Australia	100	100
Fairfax New Zealand Holdings Limited		New Zealand	100	100

	Notes	Country of Incorporation	Ownership interest 2011 %	Ownership interest 2010 %
Fairfax New Zealand Limited		New Zealand	100	100
Fairfax News Network Pty Limited	(a)	Australia	100	100
Fairfax Print Holdings Pty Limited	(a)	Australia	100	100
Fairfax Printers Pty Limited	(a)	Australia	100	100
Fairfax Radio Network Pty Limited	(a)	Australia	100	100
Fairfax Radio Syndication Pty Limited	(a)	Australia	100	100
Fairfax Regional Printers Pty Limited	(a)	Australia	100	100
Fantasports Australia Pty Ltd (in Liq)	(c)	Australia	–	100
Farm Progress Companies, Inc		United States	100	100
Farm Progress Holding Co, Inc		United States	100	100
Farm Progress Insurance Services, Inc		United States	100	100
Financial Essentials Pty Ltd	(a)	Australia	100	100
Find a Babysitter Pty Limited	(a)	Australia	100	100
Golden Mail Pty Limited		Australia	66	66
Harris and Company Pty Limited	(a)	Australia	100	100
Harris Enterprises Pty Ltd	(a)	Australia	100	100
Harris Print Pty Ltd	(a)	Australia	100	100
Harris Publications Pty Ltd (in Liq)	(c)	Australia	–	100
Hunter Distribution Network Pty Ltd	(a)	Australia	100	100
Illawarra Newspaper Holdings Pty Ltd	(a)	Australia	100	100
Indiana Prairie Farmer Insurance Services, Inc		United States	100	100
Integrated Publication Solutions Pty Ltd	(a) (d)	Australia	100	100
Internet Marketing Australia Pty Ltd	(b)	Australia	68	48
Internet Products Sales & Services Pty Ltd	(b)	Australia	68	48
InvestSMART Financial Services Pty Ltd		Australia	100	100
John Fairfax & Sons Ltd	(a)	Australia	100	100
John Fairfax (US) Limited		United States	100	100
John Fairfax Limited	(a)	Australia	100	100
Lanson Investments Pty Ltd	(a)	Australia	100	100
Leeton Newspapers Pty Ltd		Australia	100	100
Lime Digital Pty Limited		Australia	100	100
Mayas Pty Ltd		Australia	100	100
Mayas Unit Trust		Australia	100	100
Media Investments Pty Ltd	(a)	Australia	100	100
Melbourne Community Newspapers Pty Ltd (in Liq)	(c)	Australia	–	100
Merredin Advertiser Pty Ltd (in Liq)	(c)	Australia	–	100
Micosh Pty Ltd		Australia	100	100
Miller Publishing Co, Inc		United States	100	100
Milton Ulladulla Publishing Co. Pty Ltd	(a)	Australia	100	60
Mistcue Pty Limited		Australia	65	65
Mountain Press Pty Ltd		Australia	88	88
Newcastle Newspapers Pty Ltd	(a)	Australia	100	100
Newsagents Direct Distribution Pty Ltd	(a) (g)	Australia	100	–
North Australian News Pty Ltd	(a)	Australia	100	100
Northern Newspapers Pty Ltd	(a)	Australia	100	100
NZ Rural Press Limited		New Zealand	100	100
Occupancy Pty Ltd	(h)	Australia	90	–
Old Friends Limited		New Zealand	100	100
Ollority Pty Ltd	(b)	Australia	68	48
Online Marketing Group Pty Ltd	(b)	Australia	68	48

	Notes	Country of Incorporation	Ownership interest 2011 %	2010 %
Online Services International Limited		New Zealand	100	100
OSF Australia Pty Limited		Australia	100	100
Fairfax Media Productions UK Limited	(i)	United Kingdom	100	100
Personal Investment Direct Access Pty Limited		Australia	100	100
Port Lincoln Times Pty Ltd	(a)	Australia	100	100
Port Stephens Publishers Pty Ltd	(a)	Australia	100	100
Port Stephens Publishers Trust		Australia	100	100
Queensland Community Newspapers Pty Limited	(a)	Australia	100	100
Radio 1278 Melbourne Pty Limited	(a)	Australia	100	100
Radio 2UE Sydney Pty Ltd	(a)	Australia	100	100
Radio 3AW Melbourne Pty Limited	(a)	Australia	100	100
Radio 4BC Brisbane Pty Limited	(a)	Australia	100	100
Radio 4BH Brisbane Pty Limited	(a)	Australia	100	100
Radio 6PR Perth Pty Limited	(a)	Australia	100	100
Radio 96FM Perth Pty Limited	(a)	Australia	100	100
Regional Press Australia Pty Limited		Australia	100	100
Regional Printers Pty Limited	(a)	Australia	100	100
Regional Publishers (Tasmania) Pty Ltd	(a)	Australia	100	100
Regional Publishers (Victoria) Pty Limited	(a)	Australia	100	100
Regional Publishers (Western Victoria) Pty Limited	(a)	Australia	100	100
Regional Publishers Pty Ltd	(a)	Australia	100	100
Riverina Newspapers (Griffith) Pty Ltd		Australia	100	100
RP Interactive Pty Ltd (in Liq)	(c)	Australia	–	100
RSVP.com.au Pty Limited	(a)	Australia	100	100
Rural Press (North Queensland) Pty Limited (in Liq)	(c)	Australia	–	100
Rural Press (USA) Inc		United States	100	100
Rural Press (USA) Limited		United States	100	100
Rural Press Pty Ltd	(a)	Australia	100	100
Rural Press Printing (Victoria) Pty Limited	(a)	Australia	100	100
Rural Press Printing Pty Limited	(a)	Australia	100	100
Rural Press Queensland Pty Ltd	(a)	Australia	100	100
Rural Press Regional Media (WA) Pty Limited	(a)	Australia	100	100
Rural Press Share Plan Pty Limited (in Liq)	(c)	Australia	–	100
Rural Publishers Pty Limited	(a)	Australia	100	100
Southern Weekly Partnership		Australia	51	51
S.A. Regional Media Pty Limited	(a)	Australia	100	100
Satellite Interactive Marketing Pty Limited (in Liq)	(c)	Australia	–	100
Satellite Music Australia Pty Limited	(a)	Australia	100	100
Stayz Limited		New Zealand	90	100
Stayz Pty Limited		Australia	90	100
Stock Journal Publishers Pty Ltd	(a)	Australia	100	100
Suzannenic Pty Limited	(a)	Australia	100	100
The Advocate Newspaper Proprietary Limited	(a)	Australia	100	100
The Age Company Pty Ltd	(a)	Australia	100	100
The Age Print Company Pty Ltd	(a)	Australia	100	100
The Barossa News Pty Limited	(a)	Australia	100	100
The Border Morning Mail Pty Ltd	(a)	Australia	100	100
The Border News Partnership		Australia	63	63
The Examiner Newspaper Pty Ltd	(a)	Australia	100	100
The Federal Capital Press of Australia Pty Limited	(a)	Australia	100	100

	Notes	Country of Incorporation	Ownership interest 2011 %	Ownership interest 2010 %
The Independent News Pty Ltd	(a)	Australia	100	100
The Murrumbidgee Irrigator Pty Ltd		Australia	100	100
The Printing Press Pty Limited (in Liq)	(c)	Australia	–	100
TheVine.com.au Pty Ltd		Australia	70	70
The Wagga Daily Advertiser Pty Ltd	(a)	Australia	100	100
The Warrnambool Standard Pty Ltd	(a)	Australia	100	100
The Weather Company Pty Limited		Australia	75	75
Trade Me Limited		New Zealand	100	100
Tricom Group Pty Ltd		Australia	100	100
Trade Me Travel Trustees Limited		New Zealand	100	100
West Australian Rural Media Pty Ltd	(a)	Australia	100	100
West Australian Primary Industry Press Pty Ltd	(a)	Australia	100	100
Western Magazine Pty Ltd		Australia	75	75
Western Magazine Settlement Trust		Australia	75	75
Whyalla News Properties Pty Ltd	(a)	Australia	100	100
Winbourne Pty Limited	(a)	Australia	100	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 (as varied from time to time) 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) The ownership interest in these entities was increased from 48% to 68% on 23 November 2010. As a result, these entities are now controlled by the Group.

(c) These entities were liquidated or amalgamated and subsequently deregistered during the financial year.

(d) This company was formerly called Digital Radio Australia Pty Limited.

(e) This company was formerly called Go East Furniture Company Pty Ltd.

(f) Incorporated on 22 November 2010.

(g) Acquired on 9 December 2010.

(h) Acquired on 11 March 2011.

(i) This company was formerly called Oxford Scientific Films Limited.

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 26 June 2011 and consolidated balance sheet as at 26 June 2011, comprising the members of the Closed Group after eliminating all transactions between members are set out below:

(A) BALANCE SHEET

	26 June 2011 $'000	27 June 2010 $'000
Current assets		
Cash and cash equivalents	**136,644**	59,430
Trade and other receivables	**296,131**	310,909
Inventories	**33,642**	32,502
Held to maturity investments	**–**	11,591
Assets held for sale	**2,342**	3,176
Other financial assets	**3,686**	–
Total current assets	**472,445**	417,608
Non-current assets		
Receivables	**647,574**	720,233
Investments accounted for using the equity method	**32,377**	42,734
Available for sale investments	**2,633**	4,239
Intangible assets	**3,768,533**	3,962,668
Property, plant and equipment	**626,056**	663,629
Derivative assets	**27,839**	28,065
Deferred tax assets	**8,362**	23,604
Other financial assets	**1,052,167**	1,397,236
Total non-current assets	**6,165,541**	6,842,408
Total assets	**6,637,986**	7,260,016
Current liabilities		
Payables	**202,998**	205,777
Interest bearing liabilities	**647,407**	269,672
Derivative liabilities	**80,200**	12,567
Provisions	**120,964**	96,874
Current tax liabilities	**39,828**	43,425
Total current liabilities	**1,091,397**	628,315
Non-current liabilities		
Interest bearing liabilities	**865,295**	1,194,713
Derivative liabilities	**100,513**	85,093
Provisions	**47,486**	45,864
Pension liabilities	**3,595**	4,779
Total non-current liabilities	**1,016,889**	1,330,449
Total liabilities	**2,108,286**	1,958,764
Net assets	**4,529,700**	5,301,252
Equity		
Contributed equity	**4,646,248**	4,942,677
Reserves	**(30,958)**	(46,640)
Retained profits	**(85,590)**	405,215
Total equity	**4,529,700**	5,301,252

	26 June 2011 $'000	27 June 2010 $'000
(B) INCOME STATEMENT		
Total revenue	**1,989,258**	1,901,430
Share of net profits of associates and joint ventures	**2,845**	1,709
Expenses before finance costs	**(2,256,837)**	(1,494,106)
Finance costs	**(39,552)**	(52,760)
Net (loss)/profit from operations before income tax expense	**(304,286)**	356,273
Income tax expense	**(64,045)**	(84,562)
Net (loss)/profit from operations after income tax expense	**(368,331)**	271,711

30. Acquisition and disposal of controlled entities

(A) ACQUISITIONS

The Group gained control over the following entities or businesses during the year:

Entity or business acquired	Principal activity	Date of Acquisition	Ownership Interest
Country Connect Pty Limited	Web design and livestock marketing	20 September 2010	(i)
Naracoorte Herald Pty Limited	Newspaper publishing	1 October 2010	(ii)
South East Coastal Leader Pty Limited	Newspaper publishing	1 October 2010	(iii)
Border Chronicle Pty Limited	Newspaper publishing	1 October 2010	(iv)
Commerce Australia Pty Ltd	Online real estate website	20 October 2010	(v)
Online Marketing Group Pty Limited	E-commerce: Online marketing	23 November 2010	68.2% (vi)
AZXC Pty Ltd	E-commerce: Online marketing	23 November 2010	(vii)
Internet Products Sales & Services Pty Ltd	E-commerce: Online marketing	23 November 2010	(vii)
Ollority Pty Ltd	E-commerce: Online marketing	23 November 2010	(vii)
Internet Marketing Australia Pty Ltd	E-commerce: Online marketing	23 November 2010	(vii)
Aussie Destinations (1) Pty Ltd	E-commerce: Online marketing	23 November 2010	(vii)
Newsagents Direct Distribution Pty Ltd	Distribution	9 December 2010	100%
TenderLink.com Limited	Online tender notification service	31 January 2011	(viii)
Kiama Independent	Newspaper publishing	28 February 2011	(ix)
Lake Times	Newspaper publishing	28 February 2011	(x)
Occupancy Pty Limited	Online accommodation advertising	11 March 2011	100%
Milton Ulladulla Publishing Co Pty Limited	Newspaper publishing	23 June 2011	(xi)

(i) The business of Country Connect Pty Limited was acquired including the Country Connect trademark and the www.countryconnect.com.au domain name.

(ii) The business of Naracoorte Herald Pty Limited was acquired including the Naracoorte Herald and Naracoorte Herald Extra mastheads.

(iii) The business of South East Coastal Leader Pty Limited was acquired including the South East Coastal Leader and Summer Holiday Guide mastheads.

(iv) The business of Border Chronicle Pty Limited was acquired including the Border Chronicle masthead.

(v) On 14 March 2007, the Group gained control over Commerce Australia Pty Ltd via the acquisition of a 75% interest in this company. On 20 October 2010, the Group acquired the remaining 25% interest in this company resulting in an ownership interest of 100%.

(vi) The Group acquired an additional 20.2% interest in this company during the period, by way of a convertible note settlement. An interest of 48% had previously been acquired in October 2008. As a result the company is now controlled by the Group and is no longer accounted for as a joint venture (refer Note 11).

(vii) This is a 100% owned subsidiary of Online Marketing Group Pty Limited. Refer (vi) above.

(viii) The business of TenderLink.com Limited was acquired including the www.tenderlink.com domain name.

(ix) The business of Kiama Independent was acquired including the Kiama Independent masthead and the www.kiamaindependent.com.au domain name.

(x) The business of Lake Times was acquired including the Lake Times masthead and www.laketimes.com.au domain name.

(xi) The Group acquired the remaining 40% interest in this company resulting in an ownership interest of 100%.

For additional information refer to Note 31.

(B) DISPOSALS

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

Entity or business disposed	Principal activity	Date of Disposal	Ownership Interest
Connect 4	Financial information services	1 September 2010	(i)
OSF Limited	Television production	8 June 2011	(ii)

(i) The business assets of Connect 4 were disposed, including the Connect 4 trademark and the www.connect4.com.au domain name.
(ii) The business assets of OSF Limited were disposed.

31. Business combinations

ACQUISITIONS DURING THE PERIOD

Acquisitions, none of which were individually significant to the consolidated entity, are listed in Note 30(A).

The fair values of the identifiable assets and liabilities acquired were:

	Recognised on acquisition $'000
Value of net assets acquired	
Cash and cash equivalents	2,256
Receivables	1,542
Inventories	50
Property, plant and equipment	1,060
Intangible assets*	23,580
Deferred tax assets	47
Total assets	28,535
Payables	6,454
Provisions	534
Current tax liabilities	177
Deferred tax liabilities	576
Total liabilities	7,741
Value of identifiable net assets	20,795
Non-controlling interest in net assets**	(883)
Goodwill arising on acquisition	48,387
Total identifiable net assets and goodwill attributable to the group	68,299
Purchase consideration	
Cash paid	30,061
Contingent consideration liability	8,727
Shares issued at fair value	11,221
Fair value of equity interest in joint venture prior to acquisition of controlling interest	11,002
Fair value of derivatives (call and put options) issued	4,700
Conversion of convertible notes to shares	2,588
Total purchase consideration	68,299
Net cash outflow on acquisition	
Net cash acquired with subsidiary	2,256
Cash paid	(30,061)
Net cash outflow	(27,805)

* The fair values of intangible assets acquired for Occupancy Pty Limited have been determined provisionally and based upon the best information available as initial accounting was not complete at the reporting date.

** The value of the non-controlling interest was determined based on the 20.2% interest in the fair value of the identifiable net assets of Online Marketing Group Pty Ltd as at the acquisition date.

Direct costs of $559,050 were incurred in relation to the above acquisitions. These costs are included in other expenses in the consolidated income statement.

The consolidated income statement includes sales revenue and net profit for the year ended 26 June 2011 of $9,487,490 and $536,478 respectively, as a result of acquisitions of business combinations made during the reporting period. Had the acquisitions occurred at the beginning of the reporting period, the consolidated income statement would have included revenue and profit of $19,779,803 and $964,656 respectively.

Goodwill of $48,387,057 includes synergies expected to be achieved as a result of combining the acquired businesses with the rest of the Group. The acquired workforces and future growth opportunities are also key factors contributing to the goodwill acquired during the reporting period.

Customer relationships with various suppliers have been acquired as part of the business acquisitions made during the reporting period. These have been subject to an external third party valuation and the fair value has been recognised in the net assets acquired and will be subject to annual impairment testing in future periods.

Included in the business acquisitions made during the reporting period were mastheads, brand, trade and domain names.

Under the terms of a number of the purchase agreements, the Group must pay former owners of the acquired businesses additional cash payments based upon various performance metrics including specific revenue targets for the 2011 fiscal year. The potential undiscounted amounts of all future payments that may be required is $8,727,164, which is recorded in trade and other payables in Note 17. Future changes in estimates of the contingent consideration will be recorded directly in the consolidated income statement in the periods in which they occur.

Under the terms of one of the purchase agreements, call and put options have been issued to the vendors by the Group. The fair value of the call and put options as at 26 June 2011 was $4,700,000 which is recorded in derivative financial instruments in Note 15.

32. Employee benefits

(A) NUMBER OF EMPLOYEES

As at 26 June 2011 the consolidated entity employed 8,806 full-time employees (2010: 8,778) and 1,825 part-time and casual employees (2010: 1,801). This includes 2,117 (2010: 2,164) full-time employees and 378 (2010: 378) part-time and casual employees in New Zealand.

(B) EMPLOYEE SHARE PLANS

The Company had three employee share plans during the period. The plans have been reopened with some changes after a suspension now that the new tax rules for employee share plans have been finalised. The terms of each plan are set out below:

1. Fairfax Exempt Employee Share Plan

This plan is open to all Australian employees with at least twelve months service with the consolidated entity in Australia, whose adjusted taxable income is $180,000 per annum or less. Under this Plan, participants may salary sacrifice up to $1,000 of pre tax salary per annum for the 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 predetermined dates.

2. Fairfax Deferred Employee Share Plan

This plan is open to all Australian employees with at least twelve months service with the consolidated entity in Australia. Under this Plan, participants may salary sacrifice a minimum of $1,000 and up to a maximum of $5,000 of salary per annum for the 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 predetermined dates. Participants must nominate a 'lock' period of either 3, 5 or 7 years during which their shares must remain in the plan, unless they leave the consolidated entity in Australia.

3. Long Term Equity Based Incentive Scheme

The long term incentive plan is available to certain permanent full-time and part-time employees of the consolidated entity. Under this plan, the cash value of a percentage of an eligible employee's annual total fixed remuneration will be in the form of nominally allocated Fairfax shares, which are beneficially held in a trust. The shares will vest if the eligible employee remains in employment three years from the date the nominal shares are allocated and certain performance hurdles are satisfied. If the allocation does not vest at the end of year three, a re-test of the performance hurdles occurs in the fourth year. 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.

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:

	26 June 2011 $	27 June 2010 $
Audit services		
Ernst & Young Australia		
Audit and review of financial reports	**1,174,200**	1,435,000
Affiliates of Ernst & Young Australia		
Audit and review of financial reports	**231,750**	329,000
Non Ernst & Young Firms		
Audit and review of financial reports	**27,256**	–
Total audit services	**1,433,206**	1,764,000
Other assurance services		
Ernst & Young Australia		
Regulatory and contractually required audits	**276,510**	337,834
Other	**111,182**	8,240
Affiliates of Ernst & Young Australia		
Regulatory and contractually required audits	**170,030**	316,386
Other	**–**	8,929
Non Ernst & Young Firms		
Regulatory and contractually required audit	**20,703**	–
Other	**2,200**	–
Total other assurance services	**580,625**	671,389
Total remuneration for assurance services	**2,013,831**	2,435,389
Non assurance services		
Ernst & Young Australia		
Other services	**–**	–
Affiliates of Ernst & Young Australia		
Other services	**–**	14,132
Non Ernst & Young Firms		
Other services	**–**	–
Total non assurance services	**–**	14,132
Total remuneration of auditors	**2,013,831**	2,449,521

34. Director and executive disclosures

(A) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

(i) Shareholdings

2011	Balance 27 June 2010	Net change Other	Balance 26 June 2011	Post year-end acquisitions	Post year-end disposals	Post year-end balance
Directors						
RC Corbett	99,206	–	99,206	–	–	99,206
JB Fairfax*	235,426,781	–	235,426,781	–	–	235,426,781
N Fairfax	3,892,481	–	3,892,481	–	–	3,892,481
B McCarthy*	1,200,462	–	1,200,462	–	–	1,200,462
G Hywood	–	–	–	–	–	–
S McPhee	–	4,783	4,783	7,712	–	12,495
S Morgan	–	181,500	181,500	–	–	181,500
L Nicholls	–	5,401	5,401	7,261	–	12,662
R Savage	47,899	–	47,899	–	–	47,899
P Young	131,117	–	131,117	–	–	131,117
M Anderson	–	–	–	–	–	–
Key management personnel						
B Cassell	1,061,014	–	1,061,014	–	–	1,061,014
G Hambly	178,581	–	178,581	–	–	178,581
Total	242,037,541	191,684	242,229,225	14,973	–	242,244,198

2010	Balance 28 June 2009	Net change Other	Balance 27 June 2010	Post year-end acquisitions	Post year-end disposals	Post year-end balance
Directors						
RC Corbett	99,206	–	99,206	–	–	99,206
JB Fairfax	235,426,781	–	235,426,781	–	–	235,426,781
N Fairfax	3,892,481	–	3,892,481	–	–	3,892,481
B McCarthy	1,664,043	(463,581)	1,200,462	–	–	1,200,462
S McPhee	–	–	–	–	–	–
S Morgan	–	–	–	–	–	–
L Nicholls	–	–	–	–	–	–
R Savage	47,899	–	47,899	–	–	47,899
P Young	131,747	(630)	131,117	–	–	131,117
Key management personnel						
B Cassell	1,061,014	–	1,061,014	–	–	1,061,014
G Hambly	178,581	–	178,581	–	–	178,581
Total	242,501,752	(464,211)	242,037,541	–	–	242,037,541

* In the case of retired directors, the closing balance represents the number of shares at the date the director retired from the Board. For KMP, the closing balance represents the number of shares at the date of resignation.

Stapled Preference Shares (SPS)

SPS held, acquired or disposed of in the financial year ended 26 June 2011 by directors or key management personnel have been disclosed in the table above.

(B) RIGHTS OVER SHARE HOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Details of equity-based incentive schemes are included in section 5.2 of the remuneration report.

	Opening Balance 27 June 2010	Granted as remuneration	Net change Other**	Closing Balance 26 June 2011
Directors				
B McCarthy*	950,399	–	–	950,399
G Hywood	–	–	–	–
Key management personnel				
B Cassell	284,792	315,097	–	599,889
G Hambly	270,560	234,194	–	504,754
Total	1,505,751	549,291	–	2,055,042

	Opening Balance 28 June 2009	Granted as remuneration	Net change Other**	Closing Balance 27 June 2010
Directors				
B McCarthy	694,479	255,920	–	950,399
G Hywood	–	–	–	–
Key management personnel				
B Cassell	209,040	75,752	–	284,792
G Hambly	214,072	56,488	–	270,560
Total	1,117,591	388,160	–	1,505,751

* The closing balance represents the number of shares at the date of departure following resignation. For KMP, closing balance represents the number of shares at the date of resignation.

** Net change movements include forfeitures.

(C) LOANS TO KEY MANAGEMENT PERSONNEL

(i) Aggregates for key management personnel

There were no loans made 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 26 June 2011 (2010: 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 26 June 2011 and 27 June 2010.

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

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. 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.

(D) TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties and director-related entities on normal market terms and conditions:

	Sales to related parties $'000	Purchases from related parties $'000	Amount owed by related parties $'000	Amount owed to related parties $'000
26 June 2011	3,313	18,864	2,804	69
27 June 2010	4,507	19,556	2,539	104

36. Notes to the cash flow statement

	Note	26 June 2011 $'000	27 June 2010 $'000
(A) RECONCILIATION OF NET (LOSS)/PROFIT AFTER INCOME TAX EXPENSE TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Net (loss)/profit for the financial year		**(389,667)**	282,377
Non-cash items			
Depreciation and amortisation	3(B)	**114,351**	113,623
Impairment of property, plant and equipment, intangibles and investments		**655,051**	6,436
Amortisation of borrowing costs		**1,568**	4,422
Share of profits of associates and joint ventures not received as dividends		**(789)**	491
Straight-line rent adjustment		**909**	1,290
Net loss on disposal of property, plant and equipment		**1,526**	1,732
Net gain on disposal of investments and other assets		**(785)**	(322)
Fair value adjustment to derivatives		**(6,695)**	(2,360)
Net foreign currency loss		**807**	843
Share-based payment expense		**2,675**	3,297
Non-cash superannuation expense		**(70)**	1,136
Changes in operating assets and liabilities, net of effects from acquisitions			
Decrease/(increase) in trade receivables		**18,725**	(45,410)
(Increase)/decrease in other receivables		**(2,194)**	76
(Increase)/decrease in inventories		**(1,592)**	1,584
Increase in other assets		**(1,113)**	–
Increase/(decrease) in payables		**1,777**	(9,826)
Increase/(decrease) in provisions		**32,303**	(16,760)
Increase in tax balances		**4,638**	106,990
Net cash inflow from operating activities		**431,425**	449,619

(B) RECONCILIATION OF CASH AND CASH EQUIVALENTS

Reconciliation of cash at end of the financial year (as shown in the Statement of Cash Flow) to the related items in the financial statements is as follows:

Cash on hand and at bank	**207,137**	117,872
Total cash at end of the financial year	**207,137**	117,872

37. Financial and capital risk management

Financial risk management

The Group's principal financial instruments, other than derivatives, comprise cash, short term deposits, bills of exchange, bank loans and capital markets issues. The main purpose of these financial instruments is to manage liquidity and to raise finance for the Group's operations. The Group has various other financial instruments, such as trade and other receivables and trade and other payables, which arise directly from its operations.

The Group uses derivatives in accordance with Board approved policies to reduce the Group's exposure to fluctuations in interest rates and foreign exchange rates. These derivatives create an obligation or right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation. Derivative instruments that the Group uses to hedge risks such as interest rate and foreign currency movements include:

- cross currency swaps;
- interest rate swaps;
- forward foreign currency contracts;
- forward rate agreements; and
- interest rate option contracts.

The Group's risk management activities for interest rate and foreign exchange exposures are carried out centrally by Fairfax Media Group Treasury department. The Group Treasury department operates under policies as approved by the Board. The Group Treasury department operates in co-operation with the Group's operating units so as to maximise the benefits associated with centralised management of Group risk factors.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of net debt and total equity balances.

The capital structure of Group entities is monitored using net debt to EBITDA (earnings before interest, tax, depreciation and amortisation) ratio. The ratio is calculated as net debt divided by underlying EBITDA. Net debt is calculated as total interest bearing liabilities less cash and cash equivalents. Where interest bearing liabilities are denominated in a currency other than the Australian dollar functional currency, and the liability is hedged into an Australian dollar obligation, the liability is measured for financial covenant purposes as the hedged Australian dollar amount.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt. The Group continuously reviews the capital structure to ensure:

- sufficient finance for the business is maintained at a reasonable cost; and
- sufficient funds are available for the business to implement its capital expenditure and business acquisition strategies.

Where excess funds arise with respect to the funds required to enact the Group's business strategies, consideration is given to possible increased dividends or returns of equity to shareholders.

The Group's financial strategy is to target the net debt to underlying EBITDA ratio at around 2 times. The Group's S&P credit rating is currently BB+.

The net debt to EBITDA ratio for the Group at 26 June 2011 and 27 June 2010 is as follows:

	Note	2011 $'000	2010 $'000
Net debt for financial covenant purposes	18	**1,487,601**	1,435,002
EBITDA*		**608,837**	644,586
Net debt to EBITDA ratio		**2.44**	2.23

* For the purposes of the debt to EBITDA ratio, underlying EBITDA is adjusted for specific items of a non-recurring nature and excludes any unrealised profit/(loss) arising from mark to market revaluations of financial instruments. In respect of the first 12 month period after the acquisition of any acquired business, EBITDA will include acquired EBITDA in respect of the acquired business for any period not covered in the consolidated EBITDA of the Group.

Risk factors

The key financial risk factors that arise from the Group's activities, including the Group's policies for managing these risks are outlined below.

Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. The market risk factors to which the Group is exposed to are discussed in further detail below.

(A) INTEREST RATE RISK

Interest rate risk refers to the risks that the value of a financial instrument or future cash flows associated with the instrument will fluctuate due to movements in market interest rates.

Interest rate risk arises from interest bearing financial assets and liabilities that the Group utilises. Non-derivative interest bearing assets are predominantly short term liquid assets. Long term debt issued at fixed rates exposes the Group to fair value interest rate risk. The Group's borrowings which have a variable interest rate attached give rise to cash flow interest rate risk.

The Group's risk management policy for interest rate risk seeks to reduce the effects of interest rate movements on its asset and liability portfolio through management of the exposures.

The Group maintains a mix of foreign and local currency fixed rate and variable rate debt, as well as a mix of long term debt versus short term debt. The Group primarily enters into interest rate swap, interest rate option and cross currency swap agreements to manage these risks. The Group designates which of its financial assets and financial liabilities are exposed to a fair value or cash flow interest rate risk, such as financial assets and liabilities with a fixed interest rate or financial assets and financial liabilities with a floating interest rate that is reset as market rates change.

The Group hedges the currency risk on all foreign currency borrowings by entering into cross currency swaps, which have the economic effect of converting foreign currency borrowings to local currency borrowings. Over the counter derivative contracts are carried at fair value, which are estimated using valuation techniques based wherever possible on assumptions supported by observable market prices or rates prevailing at the balance sheet date. For other financial instruments for which quoted prices in an active market are available, fair value is determined directly from those quoted market prices.

Refer to Note 15 for further details of the Group's derivative financial instruments and details of hedging activities.

At balance date, the Group had the following mix of financial assets and financial liabilities exposed to interest rate risks:

As at 26 June 2011

	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Financial assets				
Cash and cash equivalents	207,137	–	–	207,137
Trade and other receivables	–	–	358,876	358,876
Available for sale investments	–	–	2,633	2,633
Other financial assets	18,446	–	73	18,519
Derivatives	27,339	–	500	27,839
Total financial assets	252,922	–	362,082	615,004
Financial liabilities				
Payables	–	–	279,669	279,669
Interest bearing liabilities:				
Bank borrowings and loans	411,438	11,633	–	423,071
Senior notes	23,815	426,478	–	450,293
Eurobonds	–	472,543	–	472,543
Medium term notes	–	167,700	–	167,700
Finance lease liability	18,425	–	–	18,425
Total interest bearing liabilities	453,678	1,078,354	–	1,532,032
Derivatives	120,668	54,845	11,221	186,734
Total financial liabilities	574,346	1,133,199	290,890	1,998,435

As at 27 June 2010

	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Financial assets				
Cash and cash equivalents	117,872	–	–	117,872
Trade and other receivables	–	–	380,979	380,979
Available for sale investments	–	–	4,239	4,239
Held to maturity investments	11,591	–	–	11,591
Other financial assets	–	–	2,575	2,575
Derivatives	28,970	15,382	–	44,352
Total financial assets	158,433	15,382	387,793	561,608
Financial liabilities				
Payables	–	–	276,580	276,580
Interest bearing liabilities:				
Bank borrowings and loans	181,782	15,058	–	196,840
Senior notes	28,574	569,388	–	597,962
Eurobonds	–	494,068	–	494,068
Medium term notes	–	167,587	–	167,587
Finance lease liability	22,004	–	–	22,004
Total interest bearing liabilities	232,360	1,246,101	–	1,478,461
Derivatives	56,277	41,383	–	97,660
Total financial liabilities	288,637	1,287,484	276,580	1,852,701

Sensitivity analysis

The table below shows the effect on net profit and equity after income tax if interest rates at balance date had been 30% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges. Concurrent movements in interest rates and parallel shifts in the yield curves are assumed.

A sensitivity of 30% (2010: 30%) has been selected as this is considered reasonable given the current level of both short term and long term Australian interest rates. A 30% sensitivity would move short term interest rates at 26 June 2011 from around 5.02% to 6.53% representing a 151 basis point shift (2010: 149 basis point shift).

In 2011, 86% (2010: 84%) of the Group's debt, taking into account all underlying exposures and related hedges was denominated in Australian Dollars; therefore, only the movement in Australian interest rates is used in this sensitivity analysis.

Based on the sensitivity analysis, if interest rates were 30% higher, net profit would be impacted by the interest expense being higher on the Group's net floating rate Australian Dollar positions during the year.

	Impact on post-tax profit		Impact on equity	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
If interest rates were 30% higher with all other variables held constant – increase/(decrease)	**(3,725)**	(3,969)	**4,888**	2,906
If interest rates were 30% lower with all other variables held constant – increase/(decrease)	**3,725**	3,969	**(5,181)**	(3,262)

(B) FOREIGN CURRENCY RISK

Foreign currency risk refers to the risk that the value or the cash flows arising from a financial commitment, or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group's foreign currency exchange risk arises primarily from:

- borrowings denominated in foreign currency; and
- firm commitments and/or highly probable forecast transactions for receipts and payments settled in foreign currencies and prices dependent on foreign currencies respectively.

The Group is exposed to foreign exchange risk from various currency exposures, primarily with respect to:

- United States Dollars;
- New Zealand Dollars;
- Euro;
- British Pounds Sterling;
- Swiss Francs;
- Singapore Dollars; and
- Malaysian Ringgit.

Forward foreign exchange contracts are used to hedge the Group's known non-debt related foreign currency risks. These contracts generally have maturities of less than twelve months after the balance sheet date and consequently the net fair value of the gains and losses on these contracts will be transferred from the cash flow hedging reserve to the income statement at various dates during this period when the underlying exposure impacts earnings. The derivative contracts are carried at fair value, being the market value as quoted in an active market.

The Group's risk management policy for foreign exchange is to only hedge known or highly probable future transactions. The policy only permits hedging of the Group's underlying foreign exchange exposures.

Benefits or costs arising from currency hedges for revenue and expense transactions that are designated and documented in a hedge relationship are brought to account in the income statement over the lives of the hedge transactions depending on the effectiveness testing outcomes and when the underlying exposure impacts earnings. For transactions entered into that hedge specific capital or borrowing commitments, any cost or benefit resulting from the hedge forms part of the initial asset or liability carrying value.

When entered into, the Group formally designates and documents the financial instrument as a hedge of the underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. The Group formally assesses both at the inception and at least semi-annually thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument's change in fair value is immediately recognised in the income statement and this is mainly attributable to financial instruments in a fair value hedge relationship. Derivatives entered into and not documented in a hedge relationship are revalued with the changes in fair value recognised in the income statement. All of the Group's derivatives are straight forward over-the-counter instruments with liquid markets.

Refer to Note 15 for further details of the Group's derivative financial instruments and details of hedging activities.

Sensitivity analysis

The tables below show the effect on net profit and equity after income tax as at balance date from a 15% weaker/stronger base currency movement in exchange rates at that date on a total derivative portfolio with all other variables held constant.

A sensitivity of 15% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for potential future movement. The Group's foreign currency risk from the Group's long term borrowings denominated in foreign currencies has no significant impact on profit from foreign currency movements as they are effectively hedged.

(a) AUD / NZD

Comparing the Australian Dollar exchange rate against the New Zealand Dollar, a 15% weaker Australian Dollar would result in an exchange rate of 1.0966 and a 15% stronger Australian Dollar in an exchange rate of 1.4836 based on the year end rate of 1.2901. This range is considered reasonable given over the last five years, the Australian Dollar exchange rate against the New Zealand Dollar has traded in the range of 1.0781 to 1.3746.

	Impact on post-tax profit		Impact on equity (hedging reserves) *	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
If the AUD exchange rate was 15% weaker against the NZD with all other variables held constant – increase/(decrease)	**1,232**	4,497	**(29,147)**	(30,927)
If the AUD exchange rate was 15% stronger against the NZD with all other variables held constant – increase/(decrease)	**(2,086)**	(3,862)	**21,543**	22,859

* Hedging reserves includes both the cash flow hedge reserve and net investment hedge reserve.

(b) AUD / USD

Comparing the Australian Dollar exchange rate against the United States Dollar, a 15% weaker Australian Dollar would result in an exchange rate of 0.8912 and a 15% stronger Australian Dollar in an exchange rate of 1.2058 based on the year end rate of 1.0485. This range is considered reasonable given over the last five years, the Australian Dollar exchange rate against the United States Dollar has traded in the range of 0.6120 to 1.0966.

	Impact on post-tax profit		Impact on equity (cash flow hedge reserve)	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
If the AUD exchange rate was 15% weaker against the USD with all other variables held constant – increase/(decrease)	**612**	(32)	**(2,468)**	3,067
If the AUD exchange rate was 15% stronger against the USD with all other variables held constant – increase/(decrease)	**(145)**	(1,313)	**2,902**	(1,896)

(c) AUD / EUR

Comparing the Australian Dollar exchange rate against the Euro, a 15% weaker Australian Dollar would result in an exchange rate of 0.6276 and a 15% stronger Australian Dollar in an exchange rate of 0.8492 based on the year end rate of 0.7384. This range is considered reasonable given over the last five years, the Australian Dollar exchange rate against the Euro has traded in the range of 0.4795 to 0.7706.

	Impact on post-tax profit		Impact on equity (cash flow hedge reserve)	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
If the AUD exchange rate was 15% weaker against the Euro with all other variables held constant – increase/(decrease)	**(467)**	3,348	**1,735**	(1,163)
If the AUD exchange rate was 15% stronger against the Euro with all other variables held constant – increase/(decrease)	**387**	3,338	**(868)**	(4,228)

(C) CREDIT RISK

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Group to make a financial loss. The Group has exposure to credit risk on all financial assets included in the Group's balance sheet. To help manage this risk, the Group:

- has a policy for establishing credit limits for the entities it deals with;
- may require collateral where appropriate; and
- manages exposures to individual entities it either transacts with or enters into derivative contracts with (through a system of credit limits).

The Group is exposed to credit risk on financial instruments and derivatives. For credit purposes, there is only a credit risk where the contracting entity is liable to pay the Group in the event of a closeout. The Group has policies that limit the amount of credit exposure to any financial institution. Derivative counterparties and cash transactions are limited to financial institutions that meet minimum credit rating criteria in accordance with the Group's policy requirements. At 26 June 2011 counterparty credit risk was limited to financial institutions with credit ratings ranging from A- to AA.

The Group's credit risk is mainly concentrated across a number of customers and financial institutions. The Group does not have any significant credit risk exposure to a single or group of customers or individual institutions.

Financial assets are considered impaired where there is objective evidence that the Group will not be able to collect all amounts due according to the original trade and other receivable terms. Factors considered when determining if an impairment exists include ageing and timing of expected receipts and the credit worthiness of counterparties. A provision for doubtful debts is created for the difference between the assets carrying value and the present value of estimated future cash flows. The Group's trading terms do not generally include the requirement for customers to provide collateral as security for financial assets.

Refer to Note 7 for an ageing analysis of trade receivables and the movement in the provision for doubtful debts. All other financial assets are not impaired and are not past due. Based on the credit history of these classes, it is expected that these amounts will be received when due.

(D) LIQUIDITY RISK

Liquidity risk is the risk that the Group cannot meet its financial commitments as and when they fall due.

To help reduce this risk the Group:

- has a liquidity policy which targets a minimum level of committed facilities and cash relative to EBITDA;
- has readily accessible funding arrangements in place; and
- staggers maturities of financial instruments.

Refer to Note 18(B) for details of the Group's unused credit facilities at 26 June 2011.

The contractual maturity of the Group's fixed and floating rate derivatives, other financial assets and other financial liabilities are shown in the tables below. The amounts represent the future undiscounted principal and interest cash flows and therefore may not equate to the values disclosed in the balance sheet.

As at 26 June 2011

	(Nominal cash flows)			
	1 year or less $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
Financial liabilities*				
Payables	(279,669)	–	–	–
Bank borrowings and loans	(34,099)	(156,700)	(296,456)	–
Notes and bonds	(708,797)	(25,961)	(334,158)	(150,920)
Finance lease liability	(10,766)	(9,130)	(21,984)	–
Derivatives – inflows*				
Cross currency swaps – foreign leg (fixed)**	529,122	25,499	311,945	155,704
Cross currency swaps – foreign leg (variable)**	462	462	24,768	–
Derivatives – outflows*				
Cross currency swaps – AUD leg (fixed)**	(224,110)	(8,911)	(26,734)	(136,800)
Cross currency swaps – AUD leg (variable)**	(382,702)	(7,007)	(192,479)	–
Cross currency swaps – NZD leg (variable)**	(9,056)	(9,056)	(85,503)	(169,970)
Interest rate swaps ***	(366,846)	(129,219)	(10,547)	–
Put option	–	(5,611)	(5,610)	–

As at 27 June 2010

	(Nominal cash flows)			
	1 year or less $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
Financial liabilities*				
Payables	(276,580)	–	–	–
Bank borrowings and loans	(59,321)	(136,213)	(10,930)	–
Notes and bonds	(300,100)	(558,052)	(313,846)	(301,206)
Finance lease liability	(8,354)	(8,678)	(33,303)	–
Derivatives – inflows*				
Cross currency swaps – foreign leg (fixed)**	120,134	556,064	283,383	301,659
Cross currency swaps – foreign leg (variable)**	335	335	29,628	–
Derivatives – outflows*				
Cross currency swaps – AUD leg (fixed)**	(24,110)	(224,110)	(26,734)	(145,711)
Cross currency swaps – AUD leg (variable)**	(94,843)	(378,220)	(199,486)	–
Cross currency swaps – NZD leg (variable)**	(9,556)	(9,556)	(92,900)	(186,234)
Interest rate swaps ***	(16,846)	(16,846)	(12,656)	(2,109)

* For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last repricing date.

** Contractual amounts to be exchanged representing gross cash flows to be exchanged.

*** Net amount for interest rate swaps for which net cash flows are exchanged.

(E) FAIR VALUE

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

	Carrying value 2011 $'000	Fair value 2011 $'000	Carrying value 2010 $'000	Fair value 2010 $'000
Financial assets				
Cash and cash equivalents	**207,137**	**207,137**	117,872	117,872
Receivables	**358,876**	**358,876**	380,979	380,979
Derivative assets	**27,839**	**27,839**	44,352	44,352
Available for sale investments	**2,633**	**2,633**	4,239	4,239
Held to maturity investments	**–**	**–**	11,591	10,351
Other financial assets	**18,519**	**18,519**	2,575	2,575
	615,004	**615,004**	561,608	560,368
Financial liabilities				
Payables	**279,669**	**279,669**	276,580	276,580
Interest bearing liabilities:				
Bank borrowings	**423,071**	**423,071**	196,840	196,840
Eurobonds	**472,543**	**473,331**	494,068	495,589
Senior notes	**450,293**	**451,689**	597,962	599,764
Medium term notes	**167,700**	**167,700**	167,587	167,700
Finance lease liability	**18,425**	**28,887**	22,004	32,845
Derivative liabilities	**186,734**	**186,734**	97,660	97,660
	1,998,435	**2,011,081**	1,852,701	1,866,978

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 1.94% to 13.35% (2010: 2.66% to 13.37%).

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

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

As at 26 June 2011

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Derivative assets	**–**	**27,839**	**–**	**27,839**
Available for sale investments	**2,633**	**–**	**–**	**2,633**
Other financial assets	**–**	**–**	**18,519**	**18,519**
	2,633	**27,839**	**18,519**	**48,991**
Financial liabilities				
Derivative liabilities	**–**	**186,734**	**–**	**186,734**
	–	**186,734**	**–**	**186,734**

As at 27 June 2010

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Derivative assets	–	44,352	–	44,352
Available for sale investments	4,239	–	–	4,239
Other financial assets	–	2,575	–	2,575
	4,239	46,927	–	51,166
Financial liabilities				
Derivative liabilities	–	97,660	–	97,660
	–	97,660	–	97,660

38. Segment reporting

(A) DESCRIPTION OF SEGMENTS

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

The consolidated entity is organised into seven reportable segments based on aggregated operating segments determined by the similarity of products and services provided, economic characteristics and geographical considerations.

Reportable Segment	Products and Services
Australian Regional Media	Newspaper publishing and online for all Australian regional publications
Metropolitan Media	Newspaper and magazine publishing, print and online classifieds for Sydney and Melbourne metropolitan and community publications
Specialist Media	Financial Review Group print and online plus Australian, NZ and USA agricultural publications
New Zealand Media	Newspaper, magazine and general publishing and online for all New Zealand publications
Printing Operations	Australian and New Zealand printing operations
Online	Online news sites and transactional businesses including Trade Me (New Zealand)
Broadcasting	Metropolitan radio networks, regional radio stations and narrowcast licences
Other	Comprises corporate, Satellite Music Australia and Oxford Scientific Films

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

(B) RESULTS BY OPERATING SEGMENT

The segment information provided to the Board of Directors, CEO and CFO for the reportable segments for the year ended 26 June 2011 is as follows:

	Segment revenue $'000	Intersegment revenue $'000	Revenue from external customers $'000	Underlying EBITDA $'000	Depreciation amortisation $'000	Underlying EBIT $'000
26 June 2011						
Australian Regional Media	521,309	(2,145)	**519,164**	149,492	(6,444)	**143,048**
Metropolitan Media	874,464	(1,159)	**873,305**	83,319	(12,663)	**70,656**
Specialist Media	274,888	(80)	**274,808**	55,017	(4,268)	**50,749**
New Zealand Media	361,405	(901)	**360,504**	67,615	(9,085)	**58,530**
Printing Operations	539,332	(456,164)	**83,168**	103,504	(62,161)	**41,343**
Online	234,299	(109)	**234,190**	118,315	(16,329)	**101,986**
Broadcasting	111,723	–	**111,723**	26,835	(2,668)	**24,167**
Other	12,041	–	**12,041**	3,347	(733)	**2,614**
Consolidated entity	2,929,461	(460,558)	**2,468,903**	607,444	(114,351)	**493,093**

	Segment revenue $'000	Intersegment revenue $'000	Revenue from external customers $'000	Underlying EBITDA $'000	Depreciation amortisation $'000	Underlying EBIT $'000
27 June 2010						
Australian Regional Media	519,272	(12,626)	**506,646**	147,976	(7,165)	**140,811**
Metropolitan Media	896,669	(1,062)	**895,607**	102,513	(12,141)	**90,372**
Specialist Media	279,750	(65)	**279,685**	67,238	(3,327)	**63,911**
New Zealand Media	383,324	(1,029)	**382,295**	75,969	(9,431)	**66,538**
Printing Operations	535,961	(452,946)	**83,015**	111,016	(66,956)	**44,060**
Online	212,568	(123)	**212,445**	111,075	(11,640)	**99,435**
Broadcasting	109,536	–	**109,536**	28,664	(1,912)	**26,752**
Other	15,370	–	**15,370**	(5,395)	(1,051)	**(6,446)**
Consolidated entity	2,952,450	(467,851)	**2,484,599**	639,056	(113,623)	**525,433**

(C) OTHER SEGMENT INFORMATION

(i) Segment revenue

Segment revenue reconciles to total revenue and income as follows:

	26 June 2011 $'000	27 June 2010 $'000
Total segment revenue from external customers	**2,468,903**	2,484,599
Interest income	**10,967**	7,943
Share of net profits of associates and joint ventures	**(3,362)**	(2,226)
Total revenue and income	**2,476,508**	2,490,316

Revenue from external customers includes the operating segments share of net profits from associates and joint ventures.

The consolidated entity operates predominantly in two geographic segments, Australia and New Zealand. The amount of its revenue from external customers in Australia is $2,011.4 million (2010: $2,010.8 million) and the amount of revenue from external customers in New Zealand is $465.1 million (2010: $479.5 million). Segment revenues are allocated based on the country in which the customer is located.

(ii) EBIT

The Board of Directors, CEO and CFO assess the performance of the operating segments based on a measure of underlying EBIT. This measurement basis excludes the effects of non-recurring items from the operating segments such as restructuring costs and goodwill, masthead or radio licence impairments when the impairment is the result of an isolated, non-recurring event.

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

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

	26 June 2011 $'000	27 June 2010 $'000
Underlying EBIT	**493,093**	525,433
Interest income	**10,967**	7,943
Finance costs	**(119,009)**	(135,911)
Impairment of mastheads, goodwill and customer relationships	**(649,869)**	–
Impairment of property, plant and equipment	**(4,038)**	–
Restructuring and redundancy charges	**(34,222)**	–
Net (loss)/profit before tax	**(303,078)**	397,465

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

A summary of non-recurring items by operating segments is provided for the period ended 26 June 2011. There were no non-recurring items included in EBIT in the previous period.

	Impairment of mastheads, goodwill and customer relationships $'000	Impairment of property, plant and equipment $'000	Restructuring and redundancy charges $'000	Total $'000
26 June 2011				
Australian Regional Media	30,500	–	1,674	32,174
Metropolitan Media	453,395	–	17,963	471,358
Specialist Media	11,341	–	1,020	12,361
New Zealand Media	77,306	4,038	7,136	88,480
Printing Operations	6,588	–	3,623	10,211
Online	–	–	–	–
Broadcasting	65,000	–	–	65,000
Other	5,739	–	2,806	8,545
Consolidated entity	649,869	4,038	34,222	688,129

(iii) Segment assets

The total of non-current assets other than financial instruments, deferred tax assets and employment benefit assets (there are no rights arising under insurance contracts) located in Australia is $5,125.8 million (2010: $6,079.0 million) and the total of these non-current assets located in New Zealand is $894.9 million (2010: $693.2 million). Segment assets are allocated to countries based on where the assets are located.

39. Parent entity information

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

	26 June 2011 $'000	27 June 2010 $'000
Financial position of parent entity		
Current assets	**1,457,808**	1,675,897
Total assets	**4,456,159**	5,011,984
Current liabilities	**17,587**	20,841
Total liabilities	**17,877**	21,063
Total equity of parent entity		
Contributed equity	**4,646,248**	4,948,792
General reserve	**(722)**	–
Share-based payment reserve	**6,971**	5,099
Retained (losses)/profits	**(214,216)**	37,030
Total equity	**4,438,281**	4,990,921
Result of parent entity		
(Loss)/profit for the period	**(183,040)**	(722)
Other comprehensive income	**–**	–
Total comprehensive income for the period	**(183,040)**	(722)

Fairfax Media Limited has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries within the Closed Group. Further details regarding the deed are set out in Note 29.

Operating lease commitments – parent entity as lessee

Fairfax Media Limited has entered into commercial leases on office premises.

Future minimum rentals payable under non-cancellable operating leases as at the period end are as follows:

	26 June 2011 $'000	27 June 2010 $'000
Within one year	**157**	74
Later than one year and not later than five years	**243**	–
Later than five years	**–**	–
Total operating lease commitments	**400**	74

40. Events subsequent to balance sheet date

On 27 June 2011 the medium term notes were repaid in full for $167.7 million.