
ANNUAL
REPORT 2012

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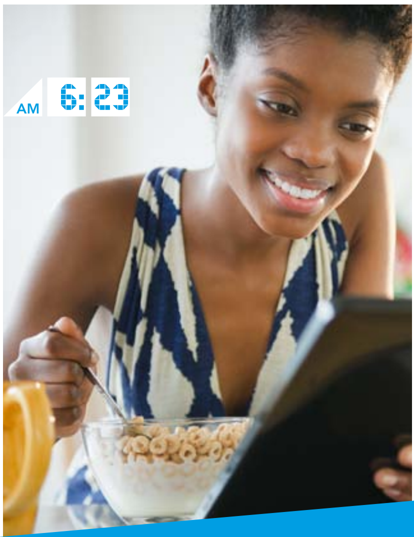
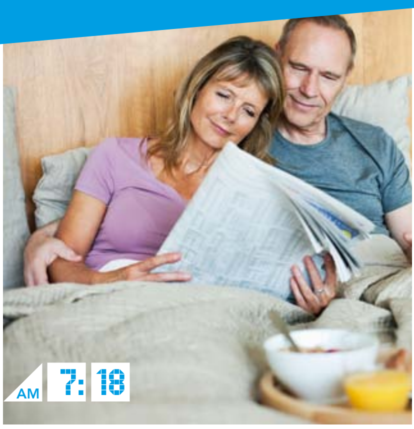
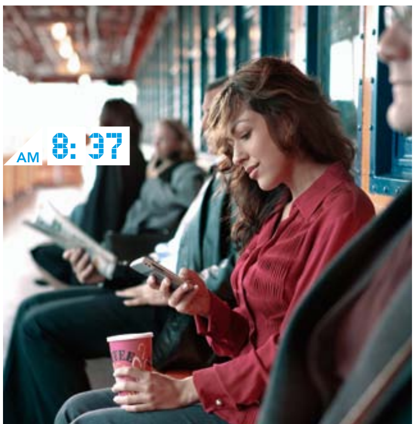


www.weatherzone.com.au



The Sun Herald

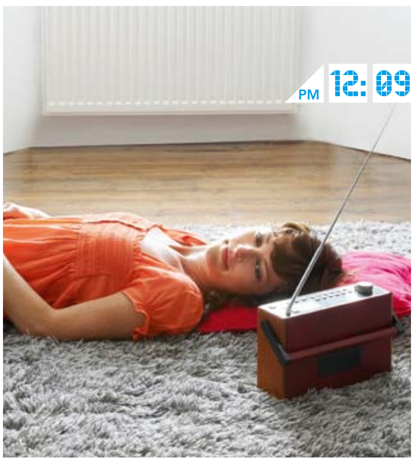


The Age – iphone

96fm Perth

The Australian Financial Review

The Sydney Morning Herald



2UE Sydney

www.penrithstar.com.au

www.brw.com.au

www.stayz.com.au

www.examiner.com.au

www.trademe.co.nz

The Age

www.brisbanetimes.com.au

www.rentahome.com.au

www.tradingroom.com.au

www.drive.com.au

Today, information and content is in demand 24/7. People want what they want, when they want it – and its transforming the media business.

Fairfax Media meets that demand like no-one else. Our audience reach across digital, print and radio – and our commitment to quality – makes us second to none.

SMH Good Food Guide

www.domain.com.au

www.essentialbaby.com.au

RSVP Dating

www.cio-asia.com

www.afr.com

CHAIRMAN'S REPORT

It has been an interesting and challenging year for your company. I am pleased to report that we have made very good progress with our strategic initiatives to reduce our cost base significantly and to transform our business to take advantage of the digital developments that allow us to compete more and more effectively in real time and multiple media.

In June we announced the acceleration of our Fairfax of the Future program and further major changes to the company and the way we do business. Your Board and management recognise our company's very considerable strengths in areas like our journalism and digital businesses – but also acknowledge the changes sweeping through the media sector around the world which require continuing flexibility and adaptability.

We are determining our company's future by making important decisions that will see us focusing on the areas of the business that have good potential for long-term results for shareholders.

I would like to recognise the hard work and enormous skill of the people in your company. Our metro business made EBITDA of $102.5 million even in some of the worst advertising markets in a very long time along with worldwide structural changes in the newspaper industry.

Our regional media business is showing great resilience in its financial performance through the economic cycle.

At the same time we have grown a digital-only business across news, classifieds and transactions that this year generated a quarter of a billion dollars of revenue for the first time, and is growing strongly.

Our radio business has new management that is vigorously engaged in growing the business.

Our balanced portfolio of businesses and our strategy aims to ensure that Fairfax Media remains one of the leading media voices in our markets and has a long and strong future.

I would like to take you through some of the big changes we are making.

- The Sydney Morning Herald and The Age will be moving to the much more user-friendly compact format in the new year. This format is the same as The Australian Financial Review. While the size is changing, there will be no change to our commitment to high-quality independent journalism. Many of you will know that a number of quality mastheads around the world have already moved to a compact format – The Times, The Independent and the Boston Herald to name a few.
- This new format is facilitating another of our major changes: the closing of our Chullora and Tullamarine print plants by the middle of 2014. This move alone will see us make cost savings of $44 million annually because we will be more efficiently utilising our network of smaller, more flexible modern plants.
- We are also making changes in our metro newsrooms to meet the changing needs of readers and advertisers. These changes achieve more nimble multimedia newsrooms with integration across print, digital and mobile platforms and better utilisation of our skills across our mastheads here and in New Zealand.
- Fairfax Media has one of the largest digital news audiences in Australia. We are increasingly able to monetise that strength. From the first quarter of 2013 we are introducing digital subscriptions to our Metro mastheads. We are doing this very thoughtfully and will be introducing a "metered" model with a base level of free access. The Australian Financial Review last year introduced its acclaimed iPad app which won the PANPA national app of the year award for 2012.

Unfortunately cost saving imperatives meant we needed to announce redundancies. Including those already announced in Fairfax of the Future and the changes outlined here, 1900 people will be leaving the company over the next three years. Every job matters and your Board and management wish these redundancies were avoidable. They are not.

REVENUE FROM OPERATIONS

$2,310.9M

Down **6.2%** from last year

UNDERLYING NET PROFIT AFTER TAX

$205.4M

Down **25%** from last year

STATUTORY NET LOSS AFTER TAX

$2,732.4M

TOTAL DIVIDENDS

3.0 CENTS

FULLY FRANKED

These changes to the company are allowing us to achieve the $170 million in annual savings that we have previously announced in two years, not three. With the introduction of additional cost saving initiatives that we have now identified, the target for cost savings has been revised up. We will achieve annual cost savings of $235 million by June 2015.

So we are working smarter and making sure the cost base of the business better suits the global media environment, an environment that is requiring all media companies, including Fairfax Media, to review the value of their assets.

At our annual results in August we announced our decision to write-down the carrying value of our mastheads by more than $2 billion. This is a non-cash decision and does not affect the company on a day-to-day basis.

Your Board has a statutory obligation to assess the carrying value of our intangible assets – mastheads, goodwill and customer relationships – based on the three-year outlook for each of our businesses. We, like the rest of the world, saw the three-year outlook worsen considerably over the course of the second half of the year as the cyclical downturn became more pronounced, and our confidence in a sustained improvement in market conditions in the near future reduced. I have no doubt we have made the right decision at the right time.

Your company is focused on the future and we are clear about what we have to do. We are making significant progress, achieving changes in the midst of unparalleled structural change and a prolonged cyclical downturn.

While we are focused on ensuring the stability and ongoing profitability of our print business, we know that our digital businesses are going to become increasingly more significant in terms of the overall revenue mix.

Our news websites, digital transaction websites and apps are amongst the most successful in Australia and while the pace of change is breath-taking for many, we are at the front of the pack and the take-up amongst our more than nine million and growing audiences (according to Roy Morgan research) is very gratifying. As ways of digital interaction increase – so do our opportunities to derive value for our shareholders. We believe we have very good reason to be confident about this fast growing part of our business.

In closing, I would like to acknowledge the significant contribution of my fellow Board members. Each and every one of them has skills and experience that have been of immense benefit to the company in this challenging environment.

First I would like to acknowledge the very important contribution made by Bob Savage who retired from the Board at the end of June this year. Bob's deep skills in the IT industry, retail and the finance industry were much appreciated during his time on the Board.

At the 2012 Annual General Meeting we will have four serving Directors standing for election or re-election. These are Michael Anderson, Sam Morgan, James Millar and Jack Cowin. Michael Anderson is a recognised leader in radio. Sam Morgan is a highly successful digital entrepreneur and the founder of TradeMe and has provided enormous insight into our digital thinking. Jack Cowin was appointed to the Board in July. Jack is well known as a successful media investor and entrepreneur and we value his years of media experience. James Millar, also appointed to the Board in July, brings expert financial and business restructuring skills to the Board as well as local and international management experience.

The Board also benefits from the contribution of our chief executive Greg Hywood, one of the most experienced media executives in the country having had commercial and editorial experience over a number of decades. These skills, in combination with the skills of our other Directors, we believe make up a Board very well suited to address the opportunities ahead and deliver long-term stakeholder value.

The entire Board is committed to ensuring Fairfax Media is run in the best interests of all shareholders. We have a strategy. We are implementing it.

Roger Corbett, AO
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Fairfax Media is being restructured to ensure its strong future in a massively changed media environment. While we have some way to go, we are getting runs on the board.

We are fixing our cost base. We are audience focused. We are taking the necessary steps to be a dominant force in what we expect will be a predominantly digital future.

We are making changes as we trade through this prolonged downturn. I have been in this industry since the 1970s and I have never seen an advertising environment of the type that we experienced during this year. I also know that cycles come and go, and inevitably this will pass and our balanced portfolio, cost disciplines and commercial creativity will position us well for the future.

I would like to take this opportunity to thank each and every Fairfax employee for their commitment and hard work through this period.

Despite challenging business conditions, in the 2012 financial year Fairfax generated operating EBITDA of $506 million. We have strong cash flows (cash flow from trading activities was $535 million) and we have a strong balance sheet.

We all want to see a marked improvement and we are committed to delivering it.

We remain committed to print for as long as it remains profitable. We are committed to delivering our journalism in the manner our audiences demand. That means we will deliver our content across a variety of platforms.

Part of getting the mix right is fine-tuning our print circulation and distribution. Our clients, our advertisers, are moving with us.

Our mastheads are going to remain in print for the foreseeable future thanks to a range of initiatives. Our regional businesses are particularly resilient, with printed papers spread over 200 mastheads Australia-wide remaining at the heart of their local communities, supplemented by a range of new and exciting digital initiatives.

Our Fairfax of the Future project involves centralising group functions, variabilising costs, outsourcing where appropriate, as well as better aligning costs with revenue generating areas.

These changes include:

- rationalising production and print functions across Australia and New Zealand, including the closure of Tullamarine and Chullora print sites;
- restructuring support services including IT and finance;
- removing ineffective circulation channels from The Sydney Morning Herald and The Age that offer no value to advertisers whilst maintaining readership market share;
- improving yield on The Sydney Morning Herald and The Age subscriptions; and
- reducing variable printing costs through production changes.

In essence, changes we are making will:

- focus on continued decisive leadership in the development and monetisation of online news platforms;
- further grow audiences – already having one of the largest news audiences in Australia;
- ensure rigorous cost discipline; and
- provide for the development of innovative and profitable products – across print and online – with a focus on accelerating our online business which is seeing strong revenue growth.

Growth and innovation are what's driving change at Fairfax.

Some people are not clear as to how our metropolitan print business is performing in the face of structural change. The financial information shows that this is a profitable business, and we're committed to maximising that profit for many years to come.

UNDERLYING EBITDA

$506M

Down **16.7%** from last year

CASH FLOW FROM TRADING

$535M

Down **15.2%** from last year

NET DEBT REDUCED BY

$574M

from last year (after SPS)

UNDERLYING EPS

8.7 CENTS

Down **25%** from last year

The advantage The Sydney Morning Herald and The Age have is that unlike most of their counterparts they have translated a healthy print audience into a far larger and even healthier digital audience.

Fairfax has not ignored the shift to digital. We had the foresight to invest in the growth of digital transaction businesses and lay a solid foundation for a profitable media model.

We have the audiences that advertisers want to reach. We are one of the key voices in our markets, with significant print, online and radio assets in Australia and community market segments – along with several leading digital transactions businesses.

Marketplaces businesses – including RSVP, Domain, Stayz and Tenderlink – reach more than 4.5 million consumers each month, producing more than 1.1 million transactions. They're helped enormously by their relationship with our digital news mastheads, creating and reinforcing awareness with our mass audiences and driving traffic.

Fairfax's greatest strength is its large-scale audience reach, which in turn underpins our ability to foster and extend transactional relationships in profitable ways. Fairfax assets attract a high-quality audience of more than nine million every week (according to Roy Morgan research). Of those, 6.8 million people a month are accessing our content through digital platforms. That's no surprise when you consider that 90 per cent of the population now accesses the internet at least once a month. Some 66 per cent of all The Sydney Morning Herald and The Age readers now access the mastheads through digital means – online, tablet or smartphone.

As we look to the future, our goal is to deliver a market-leading integrated multi-platform business with growing new revenue streams that are well leveraged to any cyclical upturn. The changes we are making will unlock real shareholder value that's embedded in our business and leverage the ingenuity of our people.

Fairfax has successfully grown a digital-only business across news, classifieds and transactions that in 2012 generated a quarter of a billion dollars of revenue for the first time and is growing strongly. These results give us confidence in the strategy we have developed for the future. We anticipate that our Metro digital revenues will be further enhanced by the introduction of digital subscriptions and continued advertising growth.

Fairfax is focused on our independent news, information and services being available across all platforms. Our strategy provides new, highly engaging ways for advertisers to reach our large-scale audiences.

Fairfax is the biggest publisher of news apps for tablets and smartphones, with more than 5 million downloaded apps in the market – across all categories including news, lifestyle and classified brands. The iPad apps for The Sydney Morning Herald and The Age have had more than 800,000 downloads so far, with more than 88,000 highly-engaged readers accessing the app on an average day.

Why are our digital businesses growing? They are growing because Fairfax has built one of the largest and most engaged audience of any news business in Australia. We are actively building our revenue by accessing this digital audience – around the clock, which is our "Follow the Sun" audience engagement model. We are making solid progress on understanding our audiences and strengthening our relationship with them, as well as creating ties to new audiences.

This model isn't just changing the way we sell or build products, it is changing the way we do journalism. Fairfax recently conducted a major review focused on the future of our Metropolitan newsrooms – and we're adopting a new way of working so that we can deliver our quality independent journalism to growing audiences across all platforms.

The new "digital first" approach we're introducing supports the delivery of journalism to our multi-platforms. It revolves around our audiences and it will help ensure the delivery of quality, independent journalism – day or night – however and wherever our audiences want to consume it. The model will enable our staff to work smart; it introduces more flexibility; more sharing; and more transparency around editorial processes. It will also encourage greater creativity and collaboration. Editorial quality remains paramount.

While we still have a lot of work to do, Fairfax is more progressed than any other media company in Australia – and most others in the world – in terms of transitioning into a truly modern world-leading, multi-platform media business.

In closing, none of us underestimates the enormity of the changes we are making. Fairfax has a strategy and is delivering on it to ensure we remain a leading independent media company.

Gregory Hywood
Chief Executive Officer and Managing Director

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY REPORT

Fairfax, together with media companies around the world, faces enormous change. There is also ongoing public debate about media regulation and the importance of independent, balanced and accountable journalism – part of the bedrock of democratic society.

Just before the end of last financial year, Fairfax announced changes to its business designed to support a sustainable cost base and to move along the journey from print to digital publishing. It is making the changes needed to secure its financial sustainability.

Fairfax's digital audiences are growing strongly. They are growing well beyond our expectations. In its 181 year history, Fairfax's audience reach has never been greater. Our newspapers' websites and tablet applications are winning awards and proving to audiences that Fairfax is committed to independent journalism, distributed through innovative, entertaining and engaging channels. Our radio, regional, agricultural and community businesses are continuing to grow and form deep connections with their local communities.

Printed newspapers and magazines remain important platforms within our mix of media assets and will continue to be as long as they enjoy reader and advertising support. Indeed, print circulation in regional and community areas is strong. However, for certain parts of the business, particularly the metro newspapers, Fairfax needs to increase efficiencies and cut costs in line with structural challenges to revenue. We can, and will, do this while maintaining Fairfax's high quality independent journalism.

We are on a three year journey towards re-shaping the business to adapt to these challenges.

Fairfax's long term financial sustainability cannot be separated from its corporate social responsibilities. Our stakeholders have an expectation that we will continue to operate the business in a way that consolidates and builds on our important intangible assets.

Fairfax has commenced a process of stakeholder engagement to help determine what matters most to them in terms of our sustainability performance and corporate social responsibilities. This process has included engagement with our people, our shareholders, financial analysts and our audiences. The feedback we have received has helped to formulate the content in this report. We will aim to continue to improve our stakeholder engagement over the next reporting year.

In last year's sustainability report, Fairfax identified four areas of focus for Fairfax's corporate social responsibilities and we are pleased to report below on our performance in each of these categories:

- **editorial integrity**
- **environment**
- **our people and culture**
- **community**

EDITORIAL INTEGRITY

Fairfax is proud of its quality independent journalism. We will continue to maintain our uncompromising approach to media ethics and integrity.

We believe that freedom of speech and a robust and independent media are fundamentally important to a strong democracy. The media should be able to act without fear or favour in carrying out its duty to inform the public and to hold Governments, business and individuals to account. Media is often referred to as the "fourth estate" of democracy – the others being Government, the public service and the judiciary. We take this role seriously and believe it serves our commercial interests, as well as serving a public good.

Fairfax's longstanding commitment to independent public interest journalism is evident in its award-winning content, produced 24 hours a day, seven days a week, across multiple platforms, including newspapers, magazines, websites, social media, mobile and tablet apps and radio.

EDITORIAL CULTURE, SYSTEMS & PROCESSES

In the past year, there has been a lot of public debate about media ethics and regulation in Australia and elsewhere. In Australia, this included the *Independent Inquiry into Media and Media Regulation*. Overseas, we have witnessed similar government inquiries.

The integrity of our journalists is more than a moral or regulatory issue. The goodwill in our brands make up some of our biggest assets. It is fundamentally important to us that we get the story right and for the public to trust that our journalists are conducting themselves in accordance with proper ethical and legal standards. We have a strong commercial imperative, as well as a public duty, to have a culture, systems and processes which uphold these standards.

As part of Fairfax's submission to the Media Inquiry (available at www.dbcde.gov.au) we included a description of our editorial processes and systems. This demonstrates the checks and balances incorporated into our editorial day to day work practices which support Fairfax's commitment to balanced, independent and accurate journalism. We will continue to review our performance in this area.

Editorial integrity is firmly embedded within Fairfax's workplace culture. As a daily reminder on *The Sydney Morning Herald* editorial floor, an excerpt from The Sydney Morning Herald's creed from 1831 is displayed (pictured above). It states:

> *"Our editorial management shall be conducted upon principles of candour, honesty and honour. We have no wish to mislead; no interests to gratify by unsparing abuse, or indiscriminate approbation."*

In addition to its regulatory obligations, Fairfax has adopted a range of voluntary codes and ethics standards. Every journalist within the group is expected to uphold these standards and is held to account if compliance is not demonstrated. The Fairfax Code of Conduct applies to every person within the Fairfax group – journalists and non journalists.

READERS' EDITOR & COMMUNITY ENGAGEMENT

In 2011 Fairfax created its first Readers' Editor for *The Sydney Morning Herald* and *The Sun Herald*. The role of the Readers' Editor is to champion readers' interests and editorial accountability and engage with a critical stakeholder group - our audiences. In the past year, the Readers' Editor published more than 30 columns, each originating from readers' ideas, complaints or concerns. The Readers' Editor has also responded to hundreds of emails, phone calls, tweets and letters, totalling over 10,000 separate communications. This is a key indicator on audience engagement and importantly, the feedback helps us to meet audience expectations on editorial content, standards and ethics.

Shortly, the Sydney Morning Herald Readers' Editor role will be merged with a range of other community focused responsibilities and will be re-named the Community Editor. This recognises the very important nexus between community issues, audience engagement and our editorial agenda.

Fairfax plays a vital part in bringing together community representatives and the general public to discuss important and topical matters and in doing so, makes an important contribution to the political debate.

In July 2012, in response to concerns about increasing violence in Sydney's suburb of Kings Cross and the death of a teenage boy, Fairfax Events convened a meeting of political, academic and community representatives to discuss the issues. *The Herald, Safer Sydney Community Forum* was organised and took place at a packed Sydney Town Hall. A number of political commitments were made towards reducing violence in the area and the various stakeholder groups agreed to re-convene within 6 months to report back on progress.

Image caption: Town Hall, Sydney. Panel included from left: Doug Grand, Chief Executive of Kings Cross Licensing, Paul Nicolaou, Chief Executive of the NSW AHA, George Souris, NSW Government Minister, Malcolm Turnbull, Federal MP, SMH's Matthew Moore, Clover Moore, Lord Mayor of Sydney, Mark Murdoch, Assistant Commissioner Police, and Dr Don Weatherburn, NSW Bureau Crime Statistics.

DISTINCTIVE CONTENT & INNOVATIVE DELIVERY

We continue to connect with our audiences through innovative content delivery and at the same time illuminating important *community*, *economic*, *environmental* and *social issues*. We see this as a key community contribution and part of corporate citizenship.

Some important editorial initiatives this year include Fairfax's commissioning of the *Herald – Lateral Economics Wellbeing Index*. The initiative adjusts GDP to take into account the changes in value of the nation's stock of physical, environmental and human capital. It also adjusts for changes in health, inequality and job satisfaction to provide a better measure of national wellbeing than traditional economic measures. Historically, numerous indices and other tools have measured economic and financial performance. The *Wellbeing Index* represents an important step towards measuring the value of the less tangible elements underpinning healthy societies, economies and communities.

Another example is the WikiCurve, launched in May 2012. Developed in partnership with Futureye, the WikiCurve explores the community's views on an issue by looking at how past events impact on current thinking. Individuals log their views on the WikiCurve and those collective views are then used to map private and public acceptance and thinking of topical and controversial community concerns. Depending on the issue, this information can then be used to help inform government policy or shape organisational approach to particular issues. The first WikiCurve initiative related to drug law reform.

Our editorial coverage this year included a series of articles, focusing on important social themes, including the Sydney Morning Herald's *Healthy Habits Childhood Obesity* series, The Age's *The Drugs Dilemma* or the Australian Financial Review's special report on *Corporate Philanthropy*.

ENVIRONMENT

The media has a unique opportunity to influence others to take positive action towards reducing energy consumption, as well as the ability to responsibly manage its own carbon footprint.

Media companies make an important contribution to environmental sustainability by educating and informing the community on environmental issues and debate. Fairfax's large audiences and diverse range of multi-media communication platforms do this effectively.

Through our network of transactional websites, we encourage consumers to consider environmental impacts in their purchasing decisions by providing access to comparative data - for example, Drive's Green Motoring Guide and Trade Me's Fuel Efficiency Guide.

Fairfax also uses its business resources and networks to recognise sustainable business activity. For example, Fairfax launched the Sustainable 60 Awards in 2009 in New Zealand, together with PwC. These awards acknowledge sustainable business excellence in a range of categories and are well recognised within the New Zealand business, government and non-profit communities. We support a range of similar programs in Australia, for example, the Tomorrow Today program in Newcastle.

ENERGY AUDIT & EMISSIONS TARGET

In last year's sustainability report, we made three commitments towards environmental sustainability, each of which was completed in the past year:

- conduct an energy audit across the group;
- set an emissions reduction target for the group; and
- complete the Carbon Disclosure Project (CDP) report.

The group-wide energy audit allowed us to better understand our energy consumption, set baseline emissions and identify energy abatement opportunities.

REDUCE CARBON EMISSIONS

20-25%

against 2011 levels by 2020

Fairfax has committed to reducing its carbon emissions between **20-25%** by 2020 from 2011 levels.

We are aiming to achieve this target through office and print facility consolidation, recycling and waste minimisation programs, energy reduction through the use of efficient lighting and service equipment and changes to information technology infrastructure and usage.

In a period where energy costs are increasing, these environmental initiatives also reflect Fairfax's focus on continuous business efficiency and opportunities for cost saving.

In the past year we have improved our sustainability and environmental reporting, including Fairfax's National Greenhouse & Energy Reporting Scheme report, the Carbon Disclosure Project report, internal reporting and this annual Sustainability Report. The increased transparency regarding our environmental performance and strategy will assist us to track, measure and improve our performance and better inform our stakeholders.

ENVIRONMENTAL IMPACTS OF NEWSPAPER PRINTING

Fairfax recently announced a proposal to close two of its large metropolitan print facilities and consolidate printing more efficiently into our other plants. Print products remain an important distribution platform within Fairfax's mix of media assets and we will continue to publish printed newspapers for as long as there is ongoing demand. In this context, we are also mindful of the environmental impacts associated with print publishing and will continue our efforts to minimise those impacts.

Currently, printing comprises over 60% of Fairfax's total group carbon emissions. The closure of the large and underutilised printing plants at Chullora in Sydney and Tullamarine in Melbourne will have significant efficiency advantages and save costs, energy and other resources.

Each of our print facilities, and the print industry as a whole, has taken a pro-active approach to waste minimisation, recycling and other initiatives that reduce energy and water consumption. Each print facility monitors and sets weekly targets for the reduction of newsprint and ink-related waste. We have incentives in place to encourage our people to meet and exceed these targets. In the 2012 reporting year, Fairfax's printing plants reduced printed waste by 12.27% over the previous year. This reduction was a combination of reduced print volumes and improved efficiencies in 12 of its 20 print sites.

We have introduced environmental compliance auditing across our printing operations to ensure all sites comply or exceed environmental legislative requirements. Sites are audited to ISO 14001, with the results and follow up reported to the Fairfax Board.

As a group, the print industry invests in educating the public about recycling and newsprint recovery programs. These initiatives are funded and supported by the *Publishers National Environmental Bureau* (PNEB). The PNEB's achievements in increasing newsprint recycling is outstanding.

- 2010 newspaper recovery rate of 78% – but expected to achieve close to 80% in 2011*
- Since 1990, newspaper landfill has been reduced by almost 40%, whereas national landfill volumes have increased over the same period. Newspaper landfill now represents 0.65% of total landfill volume.

* The final PNEB figures for 2011 newsprint recovery rates were not available as at the date of this report.

PEOPLE & CULTURE

A diverse, innovative and engaged workforce is important in enhancing the quality and creativity which underpins our brands and businesses.

Over the past year, Fairfax has launched initiatives to drive performance and engagement. We are an organisation that thrives on creative minds and technological innovators. This creates a workplace where people are passionate and proud of the work they do.

Right now, our industry faces economic challenges that are both structural and cyclical. This has an impact on the company and our people. The structural changes affecting the media sector, compounded by difficult domestic trading conditions, led to Fairfax's February announcement that we will be restructuring our business over the next three years. In June we announced that over that period we are anticipating a reduction to our workforce of approximately 1900 positions, through a combination of natural attrition and redundancies. These changes impact all parts of Fairfax's business.

Restructuring and redundancies are hard. This applies for those people leaving the business and also for those who stay. But, the process is essential to securing Fairfax's financial sustainability. We are doing all we can to treat people fairly, consult appropriately and deliver back-up employee assistance, training and outplacement services.

ENGAGEMENT

Fairfax values the feedback it receives from its people.

Employee engagement measures the degree to which employees are committed to the company, share its values and feel aligned with its strategy.

Maintaining and improving employee engagement is fundamental to our ability to attract and retain talented people and ultimately deliver on our business strategy. We take this process seriously and have increased our resources in the past 12 months to support these objectives. There are a range of channels for our people to offer feedback, including annual surveys, pulse surveys, intranet feedback portals and annual reviews. Last year, Fairfax conducted its first group-wide engagement survey. The decision to conduct a group-wide survey was a first step towards benchmarking engagement and setting clear improvement objectives. These improvement objectives are outlined below.

The survey was launched in two phases:

Australia – May 2011 – 66% response rate

New Zealand and USA – November 2011 – 82% response rate.

SURVEY – ACCOUNTABILITY FOR CHANGE

Following the release of the survey results, we conducted structured results de-briefings and action planning sessions across every business unit. Managers prepared action plans for improvement and report regularly about progress to the CEO and the People and Culture Committee of the Fairfax Board.

Improvement targets for overall alignment and engagement scores were included in the short term incentive plans for all managers reporting to the CEO. The results of the 2012 survey will determine if these performance targets have been met. Specific questions were included in the 2012 engagement survey about sustainability and how Fairfax's corporate citizenship record impacts people's choices about where they work.

SURVEY – LISTENING TO OUR PEOPLE

Fairfax listened to the feedback given in the 2011 survey and has taken the following action in response.

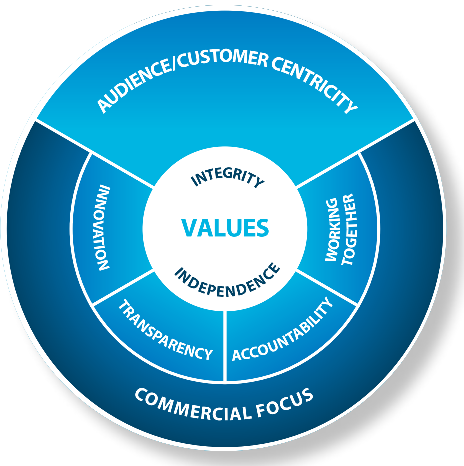
TOPIC	CONCERN	ACTION TAKEN
Group strategic direction	**More transparency and detail**	• Senior management forums coordinated across the Group • More structured communication from CEO • All managers schedule regular team briefings
Investment in People	**More training, development and leadership opportunities**	• New leadership program introduced • More effective training programs offered • Improved talent management program • Review of reward and recognition programs • Launched a Group-wide mentoring program
Communication	**More consistent and regular communication from management**	• A new intranet launched in 2012 for Metro Media and Corporate teams (to be progressively rolled out across the Group) • Business units communicating more frequently through newsletters and updates • Increased engagement about business change (eg metro editorial review process consulted with more than 300 journalists)

FAIRFAX MEDIA'S CULTURE & VALUES

In the 2011 engagement survey, we asked targeted questions about what type of organisation our people wanted Fairfax to be. These results were used to develop and create Fairfax's first *Culture & Values Story*.

Fairfax's *Culture & Values Story* is represented in the graphic to the right. It was launched to staff by the CEO in June, together with a video message explaining its context and importance towards building the future sustainability of Fairfax's business. The *Culture & Values Story* is not just a set of words on a piece of paper. It is about defining the ways in which we do things and finding practical ways to uphold our values.

To support the launch of the *Culture & Values Story*, Fairfax will be providing its people with tools and materials to enhance our workplace culture.



DIVERSITY

We recognise the value of diversity and workplace inclusion. This goes beyond gender issues and includes other differences such as race, religion and ethnicity.

Fairfax recently released its first set of Gender Diversity Guidelines in accordance with its ASX corporate governance obligations. We have implemented practical measures to improve the representation of females at the senior management level – including training, leadership & development courses, mentoring and flexible work arrangements. More information about Fairfax's approach to diversity is included in the Corporate Governance section of this Annual Report.

Some diversity figures from the past 12 months

- 12 Management Development courses delivered to 211 senior managers – 38% female participation
- 4 leadership courses delivered to 71 people – 52% female participation
- In our regional businesses, there were 2,769 training places available for sales, editorial, coaching and general management skills – 64% female participation
- New mentoring program for Metro Media included 59% female mentees and 44% female mentors
- Approximately 12% of Fairfax's total workforce work part-time

LEADERSHIP COURSES DELIVERED

71 employees

52% female

MENTORING PROGRAM

59% female mentees

44% female mentors

HEALTH, SAFETY & WELL-BEING

The health, safety and well-being of our people is more than a legal and moral obligation. It is a core business value. We also know there is a direct correlation with the engagement, retention and performance of our people.

Fairfax offers its people various programs aimed at maintaining a safe and healthy workplace.

Employees using a Fairfax subsidised gym facility	908
Free participation in community fun runs or swim events	855
Free flu vaccination	1,310
Free access to independent external employee assistance and counselling services for all Fairfax employees and their immediate families.	
Introduction of an independent external 'whistleblower' hotline, available to all employees, to report concerns about ethics and harassment.	

USE OF FAIRFAX SUBSIDISED GYM FACILITIES

908

employees in Australia

FREE FLU VACCINATION

1,310

employees in Australia

In designing its newer workplaces, Fairfax has been mindful of creating workspaces that promote employee well-being, sustainability, transparency and access to public transport. In the past year, Fairfax's Media House office building in Melbourne won a range of awards including the *Property Council of Australia's* Development of the Year, Best Office Development and Best Workplace Project.

During the next reporting year, there will be further changes to Fairfax's workspaces, which will deliver both environmental and economic benefits to the business.

WORKPLACE SAFETY

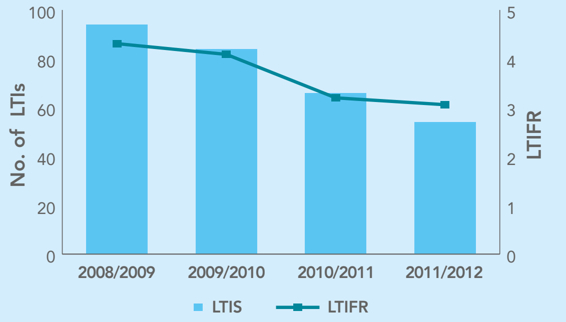
Fairfax's workplace safety record for the past 12 months has improved. We believe this improvement is directly linked to business initiatives designed for this purpose.

We allocated additional resources to the health & safety teams over the past year.

Fairfax's safety audit team reviews site safety performance on a regular cycle, depending on intrinsic risk and past performance of sites. In the past financial year, over 90 separate safety audits have been conducted.

In addition to these audits, 18 sites received specialist in-house safety training with over 400 people attending. This training was on top of the formal external training that is undertaken at all sites in areas such as first aid, fire safety/evacuation and safety committee training.

LOST TIME INJURIES AND LOST TIME INJURY FREQUENCY RATE



THE FAIRFAX FOUNDATION

The Fairfax Foundation was established in 1959 by the Fairfax family with a donation of £100,000. The Foundation operates separately to the business and exists solely for the benefit of current and former Fairfax employees and their dependants to help alleviate hardship or distress. In the past financial year, the Foundation has provided financial grants, loans and other benefits to the value of $596,637.

FAIRFAX FOUNDATION PROVIDED

$596,637

in employee assistance this year

COMMUNITY

Fairfax is a vital member of the hundreds of communities in which it operates. We are committed to being a socially responsible organisation that supports and engages with those communities. We do this through a combination of funding, resources, volunteering, sponsorships, editorial coverage and promoting charitable activities.

We recognise the shared value in building community connections. The success and prosperity of the communities in which we operate has a direct link to the economic sustainability of our business.

Fairfax enables business units to make autonomous decisions about how they engage and support their respective communities, whilst encouraging each unit to find opportunities to leverage their existing expertise and resources.

INDIGENOUS JOBS AUSTRALIA

Fairfax operates the MyCareer jobs website. Integrated with the MyCareer platform is the Indigenous Jobs Australia (IJA) jobs board at www.ija.com.au. Fairfax established IJA in 2009 in partnership with the Australian Indigenous Chamber of Commerce. The IJA site advertises dedicated jobs for indigenous Australians at heavily subsidised rates. IJA is engaged within indigenous communities, especially in schools and remote areas to promote the jobs board and support indigenous Australians in securing employment.

- 3000+ visitors every week
- 350 corporate advertisers
- 1500+ returning visitors every week
- 750-1000 roles advertised every week

INDIGENOUS JOBS AUSTRALIA

1,000

jobs advertised per week

LITERACY PROGRAMS

Fairfax also leverages its editorial and publishing resources to support a variety of literacy and education focussed programs. We know that improving literacy and education standards provides an important key to solving some of Australia's greatest social and community challenges. Of course, we also have a special interest in nurturing future readers and writers.

Fairfax is a corporate sponsor of the *Australian Literacy and Numeracy Foundation*, which is dedicated to lifting literacy and numeracy standards in remote and marginalised communities. We are the media partner for the *NSW Premier's Reading Challenge*, a school based reading program, attracting 220,000 participants last year. We also provide free newspapers and/or digital subscriptions to over 250 schools in socio-economically disadvantaged areas and conduct a number of school writing competitions, designed to improve literacy and written communications (there were 2000 participants last year in New South Wales).

ConnectPink

ConnectPink, launched by our regional division in June 2012, is a website designed to connect women living in rural, regional and remote parts of Australia. The site enables its members to chat, shop, swap items, share experiences and read stories about other inspiring women. In partnership with the McGrath Foundation ConnectPink raises money through the site to help provide breast care nurses in regional, rural and remote parts of Australia.

Image caption: Allan Browne (Fairfax Regional CEO and publisher) with Glenn McGrath and Governor General Quentin Bryce at the launch of ConnectPink on 15 June 2012.

FAIRFAX EVENTS

Fairfax either sponsors or organises several running, cycling and swimming events across Australia. These are important public events, bringing people together in a context that promotes healthy living, community spirit and philanthropy.

We have seen an enormous increase in race participants using these events to raise money for charities. Fairfax uses its resources to encourage philanthropic associations with each of its races and appoints official charity partners and charity ambassadors to the events. In the next reporting year, we will continue our efforts to further embed the philanthropic connection with each of our sporting events.

FAIRFAX EVENT PARTICIPANTS RAISED

$7.86M

In the past financial year, Fairfax has organised 8 events across Australia:

- 137,691 race participants
- 855 Fairfax participants
- $7,856,969 raised for charity

FAIRFAX EMPLOYEE RACE PARTICIPANTS

855

FAIRFAX WORKPLACE GIVING PROGRAM – 'MORE THAN WORDS'

Fairfax's Australian Metro and Regional businesses participate in a workplace giving program, *More Than Words*, which commenced in 2005. People are able to donate part of their pre-tax salary to a range of nominated charities. Through the program $662,000 has been donated since 2005.

WORKPLACE GIVING PROGRAM

$662,000

Donated since 2005

ANNUAL GENERAL MEETING

The annual general meeting will be held at:

10.30am on Wednesday 24 October 2012

Park Hyatt
1 Parliament Square
Melbourne VIC

FAIRFAX MEDIA LIMITED
ACN 008 663 161

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BOARD OF DIRECTORS

ROGER CORBETT, AO

NON-EXECUTIVE CHAIRMAN,
APPOINTED TO THE BOARD 4 FEBRUARY 2003

Mr Corbett was elected Chairman of the Board in October 2009. He has been involved in the retail industry for more than 40 years. In 1984, Mr Corbett joined the Board of David Jones Australia as Director of Operations. In 1990, he was appointed to the Board of Woolworths Limited and to the position of Managing Director of BIG W. In 1999, Mr Corbett was appointed Chief Executive Officer of Woolworths Limited. He retired from that position in 2006. Mr Corbett is a Director of the Reserve Bank of Australia, a Director of Wal-Mart Stores, Chairman of PrimeAg Australia Limited and Chairman of Mayne Pharma Group Limited. He is also Chairman of the Salvation Army Advisory Board (Australian Eastern Territory), a member of the Dean's Advisory Group of the Faculty of Medicine at the University of Sydney and Member of the Advisory Council of the Australian School of Business.

GREGORY HYWOOD

EXECUTIVE DIRECTOR,
APPOINTED TO THE BOARD (NON-EXECUTIVE) EFFECTIVE 4 OCTOBER 2010
APPOINTED AS CEO AND MANAGING DIRECTOR 7 FEBRUARY 2011

Mr Hywood has enjoyed a long career in the media and government. A Walkley Award winning journalist, he held a number of senior management positions at Fairfax including Publisher and Editor-in-Chief of each of The Australian Financial Review, The Sydney Morning Herald/Sun-Herald and The Age. He also held the position of Group Publisher Fairfax magazines. He was Executive Director Policy and Cabinet in the Victorian Premier's Department between 2004 and 2006, and from 2006 to 2010 was Chief Executive of Tourism Victoria. Mr Hywood is a Director of The Victorian Major Events Company and of Trade Me Group Limited (NZ).

MICHAEL ANDERSON

NON-EXECUTIVE DIRECTOR,
APPOINTED TO THE BOARD 2 SEPTEMBER 2010

Mr Anderson has had a long career in the radio industry including as Chief Executive of Austereo Limited from 2003 until January 2010. Prior to becoming Chief Executive he was Chief Operating Officer and from 1997 till early 2003 he was Executive Director of Sales and Marketing. He began his career in sales at Austereo in 1990. During his time as Chief Executive he focussed the company on building strong station brands and adapting the business to the changing media market including building and maintaining market leadership and developing new strategic directions, focussing on target audiences and adapting to increased competition. He launched a nationwide digital network and Australia's first digital radio station. He has been a leader in adapting radio to the digital era.

JACK COWIN

NON-EXECUTIVE DIRECTOR,
APPOINTED TO THE BOARD 19 JULY 2012

Mr Cowin is the Founder and Executive Chairman of Competitive Foods Australia Pty Ltd. The company was founded in 1969. Competitive Foods owns and operates over 350 fast food restaurants in Australia, it also operates several food manufacturing plants for the supermarket and food service industries exporting to 29 countries. Mr Cowin is a Director of Network Ten Holdings Ltd, Director of BridgeClimb and Chandler Macleod Group Ltd, and is on the Board of Directors of Sydney Olympic Park Authority.

SANDRA MCPHEE

NON-EXECUTIVE DIRECTOR,
APPOINTED TO THE BOARD 26 FEBRUARY 2010

Ms McPhee is a Director of AGL Energy Limited, Kathmandu Holdings Limited, Westfield Retail Trust and Tourism Australia. Her previous directorships include Australia Post, Coles Group Limited and Perpetual Limited. Prior to becoming a Non-Executive Director, Ms McPhee held senior executive positions in a range of consumer oriented industries including retail, tourism and aviation, most recently with Qantas Airways Limited.

JAMES MILLAR, AM

NON-EXECUTIVE DIRECTOR,
APPOINTED TO THE BOARD 1 JULY 2012

Mr Millar is an experienced Corporate Executive, Advisor and Director of a number of companies and organisations including Mirvac Ltd, Jetset Travelworld Ltd and Fantastic Holdings Ltd. He is the former Chief Executive Officer and Oceania Area Managing Partner of Ernst & Young and was a member of the Ernst & Young Global Board. His career prior to the leadership roles at Ernst & Young was as a corporate reconstruction professional. Mr Millar is a director, trustee or member of a number of not-for-profit and charitable organisations. He has qualifications in business and accounting and is a Fellow of both the Institute of Chartered Accountants and the Australian Institute of Company Directors.

BOARD OF DIRECTORS

SAM MORGAN

NON-EXECUTIVE DIRECTOR,
APPOINTED TO THE BOARD 26 FEBRUARY 2010

Mr Morgan is the founder and former CEO of New Zealand's largest online transaction site Trade Me, which was purchased by Fairfax Media in 2006. He is the Chairman of software company Visfleet and a Director of online business Xero. Mr Morgan was previously a Director of Sonar6.

LINDA NICHOLLS, AO

NON-EXECUTIVE DIRECTOR,
APPOINTED TO THE BOARD 26 FEBRUARY 2010

Ms Nicholls is a Corporate Advisor and Director of a number of leading Australian companies and organisations. She is Chair of KDR (Yarra Trams) and a Director of Sigma Pharmaceutical Group, the Walter and Eliza Hall Institute of Biomedical Science and Low Carbon Australia Pty Limited. She is also on the Harvard Business School Alumni Board. She is a former Chair of Australia Post, former Chair of Healthscope Limited and former Director of St. George Bank Limited. Prior to becoming a professional Director, Ms Nicholls held senior executive positions in the banking and finance industry.

PETER YOUNG, AM

NON-EXECUTIVE DIRECTOR,
APPOINTED TO THE BOARD 16 SEPTEMBER 2005

Over the last 30 years, Mr Young has been an investment banking Executive in Australia, New Zealand and the U.S.A. He is a member of the Royal Bank of Scotland's Advisory Council in Australia. He served as Chairman of Investment Banking for ABN AMRO in Australia and New Zealand. From 1998 to 2002, Mr Young was Executive Vice Chairman, ABN AMRO Group (Australia and New Zealand) and Head of Telecommunications, Media & Technology Client Management for Asia Pacific. He is currently the Chairman of Ratch-Australia Corporation Limited, of Queensland Investment Corporation and of NSW Cultural Management Limited. He is also Non-Executive Director of PrimeAg Australia Limited. He is involved in a number of community, environmental and artistic activities.

DIRECTORS' REPORT

The Board of Directors presents its report together with the financial report of Fairfax Media Limited (the Company) and of the consolidated entity, being the Company and its controlled entities for the period ended 24 June 2012 and the auditor's report thereon.

DIRECTORS

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

ROGER CORBETT, AO
Non-Executive Chairman

GREGORY HYWOOD
Chief Executive Officer and Managing Director

NICHOLAS FAIRFAX
Non-Executive Director

Resigned 29 November 2011

SANDRA MCPHEE
Non-Executive Director

SAM MORGAN
Non-Executive Director

LINDA NICHOLLS, AO
Non-Executive Director

ROBERT SAVAGE, AM
Non-Executive Director

Resigned 30 June 2012

PETER YOUNG, AM
Non-Executive Director

MICHAEL ANDERSON
Non-Executive Director

JAMES MILLAR, AM
Non-Executive Director

Appointed 1 July 2012

JACK COWIN
Non-Executive Director

Appointed 19 July 2012

A profile of each Director holding office at the date of this report is included on pages 16 - 17 of this report.

DIRECTORS' REPORT

COMPANY SECRETARY

Gail Hambly, was appointed to the position of Group General Counsel and Company Secretary in 1993. Before joining Fairfax Media Limited she practised as a solicitor at a major law firm. She has expertise in commercial and media and communication law. Ms Hambly is a Director of Trade Me Limited, Company B Belvoir Limited and Sydney Story Factory. She is a member of the Media and Communications Committee and the Privacy Committee for the Law Council of Australia, a member of the Advisory Board for the Centre of Media and Communications Law at the Melbourne Law School and a member of Chartered Secretaries Australia. She holds degrees in Law, Economics, Science and Arts.

CORPORATE STRUCTURE

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

PRINCIPAL ACTIVITIES

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

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

CONSOLIDATED RESULT

The loss attributable to the consolidated entity for the financial year was $2,732,397,000 (2011 Loss: $390,861,000).

DIVIDENDS

An interim fully franked dividend of 2 cents per ordinary share and debenture was paid on 21 March 2012 in respect of the year ended 24 June 2012.

Since the end of the financial year, the Board has declared a fully franked dividend of 1 cent per ordinary share and debenture. This dividend is payable on 21 September 2012.

REVIEW OF OPERATIONS

Revenue for the Group was lower than the prior year at $2,339 million (2011: $2,477 million). After significant expenses of $2,937.8 million the Group generated a net loss after tax of $2,732.4 million (2011: $390.9 million). Earnings per share decreased to a loss of $1.16 (2011: loss 17.0 cents).

Further information is provided in the Management Discussion and Analysis Report on pages 42 - 44.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

The Company completed the sale of its regional radio assets to Grant Broadcasters on 31 October 2011.

On 13 December 2011 the Initial Public Offering (IPO) of Trade Me Group Limited, a New Zealand subsidiary, was concluded with 34% of the shares held by external parties. A further 15% divestment occurred on the 21 June 2012. Trade Me's shares are listed on both the New Zealand Exchange and the Australian Stock Exchange and the consolidated entity holds a controlling interest of 51% at year end.

On 23 December 2011, the Company announced that it had entered into an agreement to merge Fairfax Community Network Limited in Victoria with MMP Holdings Pty Ltd. Following the merger, the Company will hold a 50% interest in MMP Holdings. As part of acquiring this interest, the Company is required to contribute $35 million in cash to the shareholders of MMP Holdings.

On the 15 June 2012 the consolidated entity repaid the €350 million Eurobond notes.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The consolidated entity's prospects and strategic direction are provided in the Management Discussion and Analysis Report on pages 42 - 44.

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

No material non-compliance with environmental regulation has been identified relating to the 2012 financial year.

The Company reported to the Department of Climate Change on the total carbon emissions of the Group generated in the 2011 financial year under the National Greenhouse and Energy Reporting legislation. The Group's main source of carbon emissions overall was from electricity consumption at its larger sites and total scope 1 and 2 emissions reported was 93,951 tonnes CO2-e.

EVENTS AFTER BALANCE DATE

Other than those events disclosed in Note 38, there have not been any after balance date events.

REMUNERATION REPORT

A remuneration report is set out on pages 23 - 33 and forms part of this Directors' Report.

DIRECTORS' INTERESTS

The relevant interest of each Director in the equity of the Company and related bodies corporate as at the date of this report is:

ORDINARY SHARES	OPENING BALANCE	ACQUISITION	DISPOSALS	CLOSING BALANCE	POST YEAR END ACQUISITIONS	POST YEAR END DISPOSALS	POST YEAR END BALANCE
R Corbett	99,206	–	–	99,206	–	–	99,206
G Hywood	–	1,682,834	–	1,682,834	–	–	1,682,834
M Anderson	–	–	–	–	–	–	–
J Cowin	–	–	–	–	–	–	–
NJ Fairfax	3,892,481	–	–	3,892,481	–	–	3,892,481
S McPhee	4,783	35,437	–	40,220	13,156	–	53,376
J Millar	–	–	–	–	–	–	–
S Morgan	181,500	1,908,848	–	2,090,348	–	–	2,090,348
L Nicholls	5,401	34,986	–	40,387	12,875	–	53,262
R Savage	47,899	–	–	47,899	–	–	47,899
P Young	131,117	–	–	131,117	–	–	131,117
TOTAL	4,362,387	3,662,105	–	8,024,492	26,031	–	8,050,523

In the case of retired Directors, the closing balance represents the number of shares at the date the Director retired from the Board.

No Director holds options over shares in the Company.

DIRECTORS' MEETINGS

The following table shows the number of Board and Committee meetings held during the financial year ended 24 June 2012 and the number attended by each Director or Committee member.

	MEETINGS*									
	BOARD MEETING		AUDIT AND RISK		NOMINATIONS		PEOPLE AND CULTURE#		SUSTAINABILITY AND CORPORATE RESPONSIBILITY	
	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED
R Corbett***	16	15	5	4	1	1	5	4	3	2
G Hywood**	16	16	5	5	–	–	5	5	3	3
M Anderson	14	13	–	–	–	–	4	3	3	2
NJ Fairfax	9	9	2	2	1	1	–	–	2	2
S McPhee	16	16	–	–	–	–	5	5	3	3
S Morgan	16	16	–	–	–	–	–	–	–	–
L Nicholls	16	14	5	5	–	–	–	–	–	–
R Savage	16	14	–	–	–	–	5	4	–	–
P Young	16	16	5	5	1	1	5	5	–	–

* The number of meetings held refers to the number of meetings held while the Director was a member of the Board or Committee.

** Mr Hywood attends the Audit and Risk, People and Culture and Sustainability Committee meetings as an invitee of the Committees.

*** Mr Corbett, Chairman, is an ex officio member of all Board committees.

Formerly known as Personnel Policy and Remuneration Committee until 26 October 2011.

OPTIONS

There are no unissued shares under option as at the date of this report. No options over unissued shares were granted during or since the end of the financial year. There were no movements in options during the financial year. No shares were issued during or since the end of the financial year as a result of the exercise of an option.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

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

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

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

NON-AUDIT SERVICES

Under its Charter of Audit Independence, the Company may employ the auditor to provide services additional to statutory audit duties where the type of work performed and the fees for services do not impact on the actual or perceived independence of the auditor.

Details of the amounts paid or payable to the auditor, Ernst & Young, for non-audit services provided during the financial year are set out below. Details of amounts paid or payable for audit services are set out in Note 31 to the financial statements.

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

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* is on page 22 of this report.

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

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

- Australia $238,692
- Overseas $213,515

Other assurance and non-assurance services:

- Australia $377,167
- Overseas $603,008.

ROUNDING

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

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

Roger Corbett, AO
Chairman

Greg Hywood
Chief Executive Officer and Managing Director

23 August 2012

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

In relation to our audit of the financial report of Fairfax Media Limited for the financial year ended 24 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Douglas Bain
Partner
23 August 2012

REMUNERATION REPORT

Dear Shareholder

On the following pages you will find the detail of the 2012 Fairfax Media Remuneration Report.

As shareholders will be acutely aware this has been a challenging year for Fairfax and for media companies around the world and has resulted in reduced underlying profit for the company and a decline in the share price. In these difficult circumstances the Board has made 5 key decisions relating to remuneration for directors and management:

1. There will be no increase in directors fees for 2013. Fees are set within the cap for fees approved by shareholders in 2010;
2. Fixed remuneration for executives earning an annual salary of $150,000 or above have been frozen for 2013 unless the company has pre-existing contractual commitments including in Enterprise Bargaining Agreements;
3. For the CEO and his direct reports no discretionary Short Term Incentive ("STI") bonus payments will be made. The CEO and his direct reports will receive some STI bonus but only for performance targets relating to the achievement of objectively measured cost savings over the 2012 year;
4. From the 2013 financial year onwards the Fairfax Long Term Incentive ("LTI") Plan will operate using performance right allocations rather than shares. The main reason to change from shares to rights is to remove the entitlement to the payment of dividends on unvested LTI shares allocated to employees under the Plan; and
5. From 2013 allocations of LTI rights, the test for vesting of rights will be at three years after the allocation of the rights but there will be no fourth year retest if the vesting criteria are not met at the three year test.

The STI targets set by the Board for the CEO and his direct reports for 2012 were heavily weighted toward EBIT, revenue and costs. Costs were broken out as a key target because of the importance the Board placed on the restructuring of the business for the ongoing financial health of the company. The Board judged these cost targets as critical. It recognised that achievement of the target cost savings in isolation was unlikely to result in achievement of target EBIT in 2012 because of the likely impact of one off restructure costs necessarily incurred to achieve the longer term savings.

The cost targets were all achieved at the maximum level for the year. The annualised cost savings achieved by June 2012 were $56 million. Based on this outcome Mr Hywood earned a bonus of $840,000 (35% of his maximum overall STI opportunity). Given the difficult trading environment he volunteered that the bonus be cut in half. The Board has accepted this offer. Mr Hywood therefore receives an STI bonus of $420,000 for 2012.

The Remuneration Report details the above matters and also sets out our commitments to diversity as well as important material on remuneration strategy, structure and outcomes.

The Board commends the Report to you.

In closing, on behalf of the Board I would like to take the opportunity to thank Robert Savage for his important contribution in chairing the People and Culture Committee before he retired from the Board in June this year.

Sandra McPhee
Chair, People and Culture Committee

REMUNERATION REPORT

1. INTRODUCTION

This report forms part of the Company's 2012 Directors' Report and describes the Fairfax Group's remuneration arrangements for Directors and prescribed senior executives in accordance with the requirements of the *Corporations Act 2001* and Regulations. The report also contains details of the equity interests of Fairfax Directors and prescribed senior executives.

2. REMUNERATION GOVERNANCE

In 2012 the committee changed its name from the Personnel Policy and Remuneration Committee to the People and Culture Committee ("P&CC"). The Board has a formal Charter for the P&CC which prescribes the responsibilities, composition and meeting rules of the Committee. Under the Charter, the Committee must be comprised of a majority of Non-Executive Directors who are independent. The members of the P&CC are:

- Sandra McPhee (member and Chair from 21 May 2012)
- Robert Savage (Chairman up to 20 May 2012 and member to 30 June 2012)
- Roger Corbett
- Michael Anderson
- Peter Young

The P&CC met five times during the year. The Committee's primary responsibilities are to:

(a) review and approve Fairfax employee remuneration strategies and frameworks

(b) oversee the development and implementation of employee remuneration programs, performance management and succession planning with the goal of attracting, motivating and retaining high quality people

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

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

(e) make recommendations to the Board on Directors' fees and review and recommend the aggregate remuneration of Non-Executive Directors to be approved by shareholders

(f) review the Group's framework for compliance with occupational, health, safety and environmental regulation and its performance against the framework, and

(g) review and approve measurable objectives for achieving gender diversity and assess annually both the objectives and progress.

The CEO, Group General Counsel and Company Secretary and General Manager Human Resources attend P&CC meetings as invitees except when their own performance or remuneration arrangements are being discussed.

The Committee commissions reports from independent remuneration experts on market relativities and other matters relating to remuneration practices to assist it in setting appropriate remuneration levels and processes. No recommendations were received during the year by external consultants as defined under the Corporations Act.

3. DIVERSITY

Fairfax is committed to creating a workplace that is fair and inclusive. As part our commitment, during the financial year several initiatives were undertaken:

- A Diversity policy was launched company wide by the CEO.
- Additional resources have been allocated including the recruitment of a member of the Organisation Development team who will have responsibility for driving diversity initiatives.
- The proportion of women employed by the company, in senior executive positions and on the Board is tracked by the CEO and Board People and Culture Committee and reported in the Quarterly HR report.
- Leadership development programs have been reviewed and updated. Courses are now shorter in duration and held at Metropolitan locations to enable more women with carer responsibilities to attend.
- A mentoring program has been established and implemented across the group. Forty four percent of mentors and fifty nine percent of mentees are females.

The Company is compliant with the *Equal Opportunity for Women in the Workplace Act 1999*. The workforce gender demographics were (as at 24 June 2012):

- Proportion of women on the Board: 25%
- Proportion of women in senior management: 26%
- Proportion of women across the organisation: 52%

The following diversity targets and actions have been developed to further drive gender diversity and raise awareness of diversity across the company:

- 30% female participation in senior management by 2015;
- Conduct further research to gather robust diversity metrics across the business and in individual business units. This will include conducting a pay equity audit across Fairfax Media. This information will be used to progress plans to address the identified issues;
- The recruitment process for all senior management appointments to include a senior female on the interview panel and at least one female candidate in the shortlist.

4. REMUNERATION OF NON-EXECUTIVE DIRECTORS

Under the Fairfax Constitution, the aggregate remuneration of Non-Executive Directors is set by resolution of shareholders. The aggregate was last reviewed by shareholders at the 2010 Annual General Meeting and set at $2,100,000 per annum. Within this limit, the Board annually reviews Directors' remuneration with advice from the P&CC. The Board also considers survey data on Directors' fees paid by comparable companies, and any independent expert advice commissioned.

In light of the current performance of the company and present economic climate the Board resolved that there would be no increase in Directors' fees this year nor would the Board seek shareholder approval for an increase in the cap on aggregate Directors' fees this year.

At the date of this report, the Board has set Board and committee fees as follows:

	$
Chairman of the Board*	364,000
Other Non-Executive Director	130,000
Chair of Audit and Risk Committee	44,000
Members of Audit and Risk Committee	33,000
Chair of People and Culture Committee	33,000
Members of People and Culture Committee	22,000
Chair of the Nominations Committee	30,000
Members of Nominations Committee	20,000
Chair of the Sustainability and Corporate Responsibility Committee	33,000
Members of Sustainability and Corporate Responsibility Committee	22,000

* The Chairman of the Board does not receive committee fees for membership of either of the People and Culture Committee or the Nominations Committee.

The fees above do not include statutory superannuation payments.

4.1 RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS

The Company makes superannuation contributions on behalf of Non-Executive Directors in accordance with statutory requirements. Other than superannuation, Non-Executive Directors are not entitled to any retirement benefits.

5. REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

Mr Gregory Hywood

The remuneration details for the CEO are set out in section 6.6 and 6.9 of this report.

The key terms of Mr Hywood's remuneration arrangements with the Company includes a Fixed Remuneration of $1.6 million per year. This is unchanged from last year. The Fixed Remuneration represents the total fixed cost to Fairfax including base salary, superannuation and other benefits. This will remain unchanged for next year. As well as Fixed Remuneration Mr Hywood is eligible for a performance bonus and participation in the Long-Term Equity-Based Incentive Scheme (LTI).

Mr Hywood is eligible for a performance bonus of up to 150% of Fixed Remuneration depending on achievement of defined performance criteria set at the beginning of each financial year. The performance targets are recommended by the P&CC and approved by the Board each year. Fifty five percent of the Performance Bonus is determined by achievement of financial targets for the Group. The remaining incentive is based on other Key Performance Indicators (KPI) set by the Board each year depending on the operational and strategic goals of the Group. These KPIs may also include specific financial and strategic targets. A component of this incentive was (in the past) deferred in to shares (purchased on market by the Executive Share Plan Trust ("Trust")). Further details of the plan are outlined in section 6.1.

For the 2012 financial year, Mr Hywood will receive a Performance Bonus of $420,000. The elements of his performance plan are outlined in the table below. The Board resolved to pay the CEO only those elements relating to cost reduction targets. As part of the Fairfax of the Future transformation program a run rate of $56 million of savings were achieved by June 2012. Key actions taken during the year included:

- Rationalisation of production and print functions across Australia and New Zealand
- Restructure of support services including HR and IT
- Reduced unprofitable circulation channels for SMH, The Age and selected printed classified products
- Improved yield on SMH and The Age subscriptions
- Reduced variable printing costs through production changes

Based on this outcome, Mr Hywood was entitled to a bonus of $840,000, or 35% of his maximum incentive opportunity. Given the difficult trading environment, Mr Hywood volunteered to forgo 50% of his earned bonus ($420,000) which equates to 17.5% of his maximum STI opportunity. The Board accepted Mr Hywood's offer. The bonus will be paid in cash.

COMPONENT	WEIGHTING	MEASURES	PAYMENT AT "TARGET"	PAYMENT AT "MAXIMUM"	OUTCOME
Corporate and Operational	75%	• EBIT • Cost • Revenue • Employee engagement & safety performance • KPIs relating to *Transform the Metro business*	$900,000	$1,800,000	Only payments relating to achieved Cost reduction targets were paid.
Strategic	25%	• KPIs relating to *Improve Operating Performance* and *Re-shape the business*	$300,000	$600,000	Discretion was exercised to pay no bonus on this measure although target was achieved. No payment made for this measure.
Total	**100%**		**$1,200,000**	**$2,400,000**	**$420,000**

Under the LTI Mr Hywood has been entitled to an allocation of shares (purchased on market by the Trust) to the equivalent of fifty percent of his Fixed Remuneration as an allocation of Fairfax shares each year. In the 2012 financial year Mr Hywood was granted 943,063 shares. These shares vest on the terms set out in section 6.2. Subject to shareholder approval, under section 6.3, Mr Hywood will be entitled to an allocation of performance rights from the 2013 financial year onwards.

6. REMUNERATION OF OTHER SENIOR EXECUTIVES

The objectives of the Company's executive remuneration framework are to align executive remuneration with the achievement of strategic objectives, the creation of value for shareholders, and to be in line with the market so as to attract and retain key people. The P&CC aims to ensure that the executive remuneration framework addresses the following criteria:

- fairly remunerate capable and performing executives
- attract, retain and motivate talented, qualified and experienced people in light of competitive employment markets
- align remuneration with achievement of business strategy
- align interests of executives and shareholders
- deliver competitive cost outcomes
- comply with regulatory requirements, and
- be transparent and fair.

The executive remuneration framework comprises a mix of fixed and performance-based components:

- a fixed remuneration package, and
- performance incentives.

The Fixed Remuneration component includes cash, superannuation and any benefits employees choose to salary sacrifice, for example, motor vehicle and parking. It represents the total fixed cost to the Company including fringe benefits tax payable.

Payment of performance-based incentives is determined by the annual financial performance of the Company, as well as specific strategic and operational objectives set at the beginning of the year relevant to the executive. The CEO conducts performance reviews with his direct reports each year, and presents the outcomes and proposed incentive payments to the P&CC. The P&CC reviews and approves the remuneration packages and bonus payments to the CEO's direct reports. On the recommendations of the CEO, the P&CC also reviews and approves the key performance indicators for the CEO's direct reports for the following year. Performance evaluations in accordance with this framework have taken place for senior executives for the year ended 24 June 2012.

6.1 PERFORMANCE-BASED SHORT-TERM INCENTIVES ("BONUS PAYMENTS") FOR SENIOR EXECUTIVES

Annual bonus payments for senior executives place an emphasis on the achievement of annual financial performance criteria for the Group as well as specific strategic and operational criteria. For key senior executives other than the CEO, the bonus criteria were set by the P&CC. The bonus opportunity consists of three components:

- Corporate Level – drives corporate financial results (EBIT) and encourages senior management to work together for the overall benefit of the group
- Business Unit Level – drives business unit financial and other operational metrics to encourage team behaviour (e.g. EBIT, cost reductions, audience, market position and revenue)
- Strategic Level – indicators of future group, business unit and personal success (delivery against milestones and personal development) to drive the delivery of the Corporate strategy.

Each senior executive has a target bonus opportunity depending on the accountabilities of the role and impact on Company or business unit performance. There are two levels of performance:

- “on-target” performance – where the target bonus will be earned (e.g. for EBIT the “on-target” performance is typically achievement of budget or prior year) or
- “maximum” performance – where performance is such that the maximum level of incentive will be earned.

The bonus arrangement allows for a cash payment and a component deferred into shares (Deferred Component). Any amounts earned from the Strategic component and 50% of any amounts earned above “on-target” performance for Corporate and Business Unit performance are deferred into shares.

For most executives reporting directly to the CEO, the on-target bonus opportunity is 45% of the executive’s fixed remuneration package and the maximum incentive opportunity is 90% of the fixed remuneration package.

For all senior executives reporting directly to the CEO, 50% of the bonus is based on corporate measures, 25% is based on business unit financial and operational performance and 25% is based on other strategic key performance indicators (KPIs).

At the end of the financial year, actual performance is assessed against the measures set at the beginning of the year. The number of shares for the Deferred Component for each senior executive depends on their role and responsibilities, and on actual performance.

Shares purchased for the Deferred Component are valued at face value based on the Volume Weighted Opening Price over the 10 days immediately after the financial year’s results are announced to the market in August. Shares are purchased on market by the trustee of the Executive Share Plan and allocated to the senior executive.

The shares for the Deferred Component are required to be held in the Trust for two years and the senior executive receives dividends on the shares during this period.

At the end of the two year period, the ownership of the shares is transferred to the senior executive. If the senior executive resigns or is terminated with cause prior to the end of the two year period, they forfeit the shares.

The balance of the bonus is paid to the senior executive as cash.

The Deferred Component of the incentive plan was introduced for the 2012 performance year. Prior to this, any bonus payments were paid to the executives as cash.

6.2 LONG TERM EQUITY-BASED INCENTIVE SCHEME (LTI)

Senior executives whose roles and skills are critical to the strategy of the Group are eligible to participate in the Company’s equity-based LTI.

The LTI plan which has operated, up to and including, the 2012 financial year commenced operation from the 2008 financial year. It aims to reward executives for creating growth in shareholder value. For Allocations up to the 2012 financial year, participants in the LTI receive an allocation of Company shares (Allocation). The number of Company shares to which a participant is entitled depends on the participant’s role and responsibilities.

Shares for the Allocations were purchased on market by the trustee of the Executive Share Plan. The shares are allocated to the employee and held by the trustee in trust until the Allocation vests or is forfeited. Executives receive any dividends paid on the shares while they are in the Trust.

For an Allocation to vest, there are two performance hurdles, both linked to the Company’s return to shareholders. The hurdles are measured at the end of the three year vesting period. In addition, if an Allocation does not vest at the end of the three year period, a re-test of the performance hurdles will occur at the end of the fourth year, and if satisfied, the Allocation will vest. Fifty percent of an Allocation will vest on achievement by the Company of the total shareholder return (TSR) target. TSR will be measured against the S&P/ASX 300 Consumer Discretionary Index and shares will vest as described in the table below:

TSR PERFORMANCE	% OF ALLOCATION THAT VESTS
Under 50th percentile	Nil
50th percentile	50% of Allocation
50th to 75th percentile	Straight line pro rata
Above 75th percentile	100%

The other 50% of the Allocation will vest on achievement of the earnings per share (EPS) target. EPS will be measured by the compound annual growth rate (CAGR) of the Company’s EPS and vesting will be according to the table below:

EPS PERFORMANCE	% OF ALLOCATION THAT VESTS
Less than 7% CAGR	Nil
7% CAGR	25%
7% to 10% CAGR	Straight line pro rata
10% CAGR or above	100%

OTHER TERMS OF THE LTI

On termination of an executive's employment, vesting of rights depend on the circumstances of the termination. If an executive resigns, unvested allocations will generally be forfeited. Although the Board has discretion to allow vesting, generally the Board will not exercise this discretion unless there are special circumstances. On termination for misconduct, allocations will be forfeited. If an executive is terminated without cause, for example made redundant or dies or is permanently disabled, then vesting will be at the Board's discretion. In the circumstances of an offer to acquire the Company, the Board has a discretion regarding vesting.

STATUS AND KEY DATES – UNVESTED LTI SCHEME

GRANT DATE	PERFORMANCE TESTING WINDOW	EXPIRY DATE (IF HURDLE NOT MET)*	PERFORMANCE STATUS
18 January 2008	1 July 2007 – 30 June 2010	30 June 2011	Performance hurdles were not achieved. Shares for this Allocation have been forfeited and returned to the Trust.
26 August 2008	1 July 2008 – 30 June 2011	30 June 2012	Performance hurdles were not achieved. Shares for this Allocation have been forfeited and returned to the Trust.
23 June 2010	1 July 2009 – 30 June 2012	30 June 2013	Performance hurdles have not yet been exceeded. Performance hurdle is now in the retesting period.
17 November 2010	1 July 2010 – 30 June 2013	30 June 2014	Performance testing window not yet commenced.
13 September 2011	1 July 2011 – 30 June 2014	30 June 2015	Performance testing window not yet commenced.

* Retest of conditions performed in the fourth year, if performance hurdle is not met in the initial performance testing window.

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

		IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008
Underlying operating revenue	$m	**2,328**	2,466	2,482	2,600	2,909
Net profit before significant items	$m	**212.0**	285.0	290.7	241.3	395.9
Earnings per share before significant items	Cents	**8.7**	11.6	11.8	12.4	23.4
Dividends per share	Cents	**3.0**	3.0	2.5	2.0	20.0
*Total Shareholder Returns (TSR)	%	**(40.5)**	(23.9)	11.3	(52.1)	(34.7)

* TSR comprises share price appreciation and dividends, gross of franking credits, reinvested in the shares.
Source: Bloomberg.

6.3 PERFORMANCE RIGHTS PLAN (PRP)

Following a review of the instrument used in the Long-Term Equity-Based Incentive Scheme with the advice of PwC, the Board decided that future allocations will be in the form of performance rights. The terms and conditions of the scheme are the same as outlined in 6.2 including performance hurdles and termination conditions. However instead of allocating shares purchased on market, allocations are in the form of performance rights. These rights allow that the executives acquire shares at a future point in time subject to achievement of the vesting criteria. No dividends will be payable over the vesting period. The vesting period will remain at three years. There will no longer be a fourth year re-test of the performance hurdles. If the performance rights vest the Executive will acquire them for nil consideration.

6.4 RETIREMENT BENEFITS FOR EXECUTIVES

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

6.5 EXECUTIVE SERVICE AGREEMENTS

The terms of employment of the CEO are set out in section 5 and below.

The remuneration and other terms of employment for the key management personnel are set out in written agreements. These service agreements are unlimited in term but may be terminated by written notice by either party or by the Company making payment in lieu of notice. They may also be terminated with cause as set out below. Each agreement sets out the Fixed Remuneration, performance-related bonus opportunities, termination rights and obligations and eligibility to participate in the LTI.

Executive salaries are reviewed annually. Key non-financial terms in the executive service agreements are set out below. Remuneration details are set out in sections 6.8 and 6.9.

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

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

(a) commits an act of serious misconduct

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

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

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

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

The Company may terminate the employment of the executive at any time by giving the executive notice of termination or payment in lieu of such notice. The amount of notice required from the Company in these circumstances is set out in the table below. If the Company elects to make payment in lieu of all or part of the required notice, the payment is calculated on the basis of fixed remuneration excluding bonuses and non-cash incentives.

NAME OF EXECUTIVE	COMPANY TERMINATION NOTICE PERIOD	EMPLOYEE TERMINATION NOTICE PERIOD	POST-EMPLOYMENT RESTRAINT
Greg Hywood	12 months	6 months	12 month no solicitation of employees or clients 6 months no work for a competitor of the Fairfax Group
Brian Cassell	12 months	4 months	12 month no solicitation of employees or clients 6 months no work for a competitor of the Fairfax Group
Gail Hambly(1)	18 months	3 months	12 month no solicitation of employees or clients 6 months no work for a competitor of the Fairfax Group
Andrew Lam-Po-Tang(2)	24 weeks	24 weeks	12 month no solicitation of employees or clients
Christopher Maher	3 months	3 months	6 month no solicitation of employees or clients 4 months no work for a competitor of the Fairfax Group
Michelle Williams	12 months	4 months	12 month no solicitation of employees or clients 4 months no work for a competitor of the Fairfax Group

(1) Participant in the Fairfax defined benefit superannuation scheme.
(2) Maximum term contract for a 3 year period.

6.6 ACTUAL REMUNERATION OF DIRECTORS

The following table outlines the actual payments made to Directors during the performance year.

		BASE SALARY & TERMINATION	NON-EXECUTIVE DIRECTORS FEES	CASH BONUS	SUPERANNUATION	TOTAL EXCLUDING SHARES	VALUE OF SHARES VESTED	TOTAL INCLUDING SHARES
M Anderson(1)	**2012**	**279,942**	**119,296**	**–**	**35,931**	**435,169**	**–**	**435,169**
	2011	–	120,636	–	10,857	131,493	–	131,493
R Corbett	**2012**	**–**	**397,000**	**–**	**35,730**	**432,730**	**–**	**432,730**
	2011	–	378,559	–	34,070	412,629	–	412,629
JB Fairfax(2)	2011	–	55,681	–	4,620	60,301	–	60,301
NJ Fairfax(2)	**2012**	**–**	**90,000**	**–**	**8,100**	**98,100**	**–**	**98,100**
	2011	–	193,867	–	17,448	211,315	–	211,315
G Hywood(3)	**2012**	**1,551,846**	**–**	**420,000**	**48,077**	**2,019,923**	**–**	**2,019,923**
	2011	1,178,570	24,897	290,000	32,687	1,526,154	–	1,526,154
B McCarthy(4)	2011	3,084,323	–	57,952	25,000	3,167,275	–	3,167,275
S McPhee	**2012**	**–**	**175,156**	**–**	**15,764**	**190,920**	**–**	**190,920**
	2011	–	153,633	–	13,827	167,460	–	167,460
S Morgan	**2012**	**–**	**130,000**	**–**	**11,700**	**141,700**	**–**	**141,700**
	2011	–	164,513	–	14,806	179,319	–	179,319
L Nicholls	**2012**	**–**	**174,000**	**–**	**15,660**	**189,660**	**–**	**189,660**
	2011	–	165,672	–	14,910	180,582	–	180,582
R Savage(5)	**2012**	**–**	**163,000**	**–**	**14,670**	**177,670**	**–**	**177,670**
	2011	–	155,267	–	13,974	169,241	–	169,241
P Young	**2012**	**–**	**212,678**	**–**	**10,763**	**223,441**	**–**	**223,441**
	2011	–	202,027	–	18,182	220,209	–	220,209
Total remuneration:								
Directors	**2012**	**1,831,788**	**1,461,130**	**420,000**	**196,395**	**3,909,313**	**–**	**3,909,313**
	2011	4,262,893	1,614,752	347,952	200,381	6,425,978	–	6,425,978

1) M Anderson took a leave of absence from the Board and acted as Executive Chairman of Fairfax Radio from 27 October 2011 to 1 March 2012.
2) NJ Fairfax resigned from the Board effective 29 November 2011 and JB Fairfax retired on 11 November 2010.
3) G Hywood was previously a Non-Executive Director of Fairfax, was appointed in an acting capacity to CEO role on 7 December 2010. On 7 February 2011 was appointed to the role of CEO and Managing Director on an ongoing basis.
4) B McCarthy ceased to be employed by Fairfax on 6 December 2010.
5) R Savage retired from the Board effective 30 June 2012.

6.7 KEY MANAGEMENT PERSONNEL

The following are the key management personnel for the financial year in addition to the Non-Executive Directors listed above.

KMP	TITLE
Greg Hywood	Chief Executive Officer
Brian Cassell	Chief Financial Officer
Gail Hambly	Group General Counsel and Company Secretary
Andrew Lam-Po-Tang*	Chief Information and Technology Officer
Christopher Maher*	Director of Strategy and Corporate Development
Michelle Williams*	General Manager Human Resources

* Included in the definition of KMP for the first time in the 2012 financial year.

Due to a Group restructure and centralisation of corporate functions each of Andrew Lam-Po-Tang, Christopher Maher and Michelle Williams have become key management personnel in 2012.

6.8 ACTUAL REMUNERATION OF THE EXECUTIVES WHO ARE KEY MANAGEMENT PERSONNEL

The following table outlines the actual payments made to executives during the performance year.

		BASE SALARY	CASH BONUS	SUPER-ANNUATION	TOTAL EXCLUDING SHARES	VALUE OF SHARES VESTED	TOTAL INCLUDING SHARES	PERFORMANCE RELATED TOTAL
G Hywood – Chief Executive Officer(1)	**2012**	**1,551,846**	**420,000**	**48,077**	**2,019,923**	**–**	**2,019,923**	**21%**
	2011	1,203,467	290,000	32,687	1,526,154	–	1,526,154	19%
B Cassell – Chief Financial Officer	**2012**	**726,847**	**225,000**	**48,077**	**999,924**	**–**	**999,924**	**23%**
	2011	717,045	118,919	50,000	885,964	–	885,964	13%
G Hambly – Group General Counsel and Company Secretary	**2012**	**542,189**	**190,000**	**69,235**	**801,424**	**–**	**801,424**	**24%**
	2011	502,872	162,855	61,805	727,532	–	727,532	22%
A Lam-Po-Tang – Chief Information and Technology Officer(2)	**2012**	**217,361**	**150,000**	**19,562**	**386,923**	**–**	**367,361**	**39%**
C Maher – Director of Strategy and Corporate Development	**2012**	**337,174**	**110,000**	**28,916**	**476,090**	**–**	**476,090**	**23%**
M Williams – General Manager Human Resources	**2012**	**306,761**	**95,000**	**26,316**	**428,077**	**–**	**428,077**	**22%**
TOTAL	**2012**	**3,682,178**	**1,190,000**	**240,183**	**5,112,361**	**–**	**5,112,361**	
	2011	2,423,384	571,774	144,492	3,139,650	–	3,139,650	

1) G Hywood was previously a Non-Executive Director of Fairfax, was appointed in an acting capacity to CEO role on 7 December 2010. On 7 February 2011 was appointed to the role of CEO and Managing Director on an ongoing basis.
2) A Lam-Po-Tang commenced with the Company on 2 February 2012.

All executives are employees of the Company and the Group.

6.9 REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL AS DEFINED UNDER THE *CORPORATIONS ACT 2001* AND REGULATIONS (ACCOUNTING TREATMENT)

DIRECTORS

This table sets out remuneration which includes post employment and share based long-term incentive benefits granted during the financial year.

		BASE SALARY & TERMINATION	CASH BONUS	SUPERANNUATION	LONG SERVICE LEAVE	TOTAL EXCLUDING SHARES	VALUE OF SHARES[6]	TOTAL INCLUDING SHARES
M Anderson[1]	**2012**	**399,238**	**–**	**35,931**	**–**	**435,169**	**–**	**435,169**
	2011	120,636	–	10,857	–	131,493	–	131,493
R Corbett	**2012**	**397,000**	**–**	**35,730**	**–**	**432,730**	**–**	**432,730**
	2011	378,559	–	34,070	–	412,629	–	412,629
JB Fairfax[2]	2011	55,681	–	4,620	–	60,301	–	60,301
	2012	**90,000**	**–**	**8,100**	**–**	**98,100**	**–**	**98,100**
NJ Fairfax[2]	2011	193,867	–	17,448	–	211,315	–	211,315
G Hywood[3]	**2012**	**1,551,846**	**420,000**	**48,077**	**5,084**	**2,025,007**	**333,548**	**2,358,555**
	2011	1,203,467	290,000	32,687	–	1,526,154	–	1,526,154
B McCarthy[4]	2011	3,084,323	57,952	25,000	–	3,167,275	(597,556)	2,569,719
S McPhee	**2012**	**175,156**	**–**	**15,764**	**–**	**190,920**	**–**	**190,920**
	2011	153,633	–	13,827	–	167,460	–	167,460
S Morgan	**2012**	**130,000**	**–**	**11,700**	**–**	**141,700**	**–**	**141,700**
	2011	164,513	–	14,806	–	179,319	–	179,319
L Nicholls	**2012**	**174,000**	**–**	**15,660**	**–**	**189,660**	**–**	**189,660**
	2011	165,672	–	14,910	–	180,582	–	180,582
R Savage[5]	**2012**	**163,000**	**–**	**14,670**	**–**	**177,670**	**–**	**177,670**
	2011	155,267	–	13,974	–	169,241	–	169,241
P Young	**2012**	**212,678**	**–**	**10,763**	**–**	**223,441**	**–**	**223,441**
	2011	202,027	–	18,182	–	220,209	–	220,209
Total remuneration:								
Directors	**2012**	**3,292,918**	**420,000**	**196,395**	**5,084**	**3,914,397**	**333,548**	**4,247,945**
	2011	5,877,645	347,952	200,381	–	6,425,978	(597,556)	5,828,422

1) M Anderson took a leave of absence from the Board and acted as Executive Chairman of Fairfax Radio from 27 October 2011 to 1 March 2012.
2) NJ Fairfax resigned from the Board effective 29 November 2011 and JB Fairfax retired on 11 November 2010.
3) G Hywood was previously a Non-Executive Director of Fairfax, was appointed in an acting capacity to CEO role on 7 December 2010. On 7 February 2011 was appointed to the role of CEO and Managing Director on an ongoing basis.
4) B McCarthy ceased to be employed by Fairfax on 6 December 2010.
5) R Savage retired from the Board effective 30 June 2012.
6) Amount includes the amortised cost of the fair value of rights to shares issued but not yet vested. Credits relate to the reversal of the prior years amortised cost following forfeiture due to departure. No Deferred Component of the annual bonus was paid.

EXECUTIVES

This table sets out remuneration which includes post employment and share based long-term incentive benefits granted during the financial year.

		BASE SALARY	CASH BONUS	SUPER-ANNUATION	LONG SERVICE LEAVE EXPENSE	TOTAL EXCLUDING SHARES	VALUE OF SHARES[3]	TOTAL INCLUDING SHARES
G Hywood – Chief Executive Officer[1]	**2012**	**1,551,846**	**420,000**	**48,077**	**5,084**	**2,025,007**	**333,548**	**2,358,555**
	2011	1,203,467	290,000	32,687	–	1,526,154	–	1,526,154
B Cassell – Chief Financial Officer	**2012**	**726,847**	**225,000**	**48,077**	**24,167**	**1,024,091**	**138,989**	**1,163,079**
	2011	717,045	118,919	50,000	26,799	912,763	176,441	1,089,204
G Hambly – Group General Counsel and Company Secretary	**2012**	**542,189**	**190,000**	**69,235**	**29,486**	**830,910**	**107,360**	**938,270**
	2011	502,872	162,855	61,805	13,122	740,654	141,194	881,848
A Lam-Po-Tang – Chief Information and Technology Officer[2]	**2012**	**217,361**	**150,000**	**19,562**	**–**	**386,923**	**–**	**386,923**
C Maher – Director of Strategy and Corporate Development	**2012**	**337,174**	**110,000**	**28,916**	**10,910**	**487,000**	**47,483**	**534,483**
M Williams – General Manager Human Resources	**2012**	**306,768**	**95,000**	**26,316**	**18,520**	**446,597**	**38,063**	**484,659**
TOTAL	**2012**	**3,682,178**	**1,190,000**	**240,183**	**88,167**	**5,200,528**	**665,443**	**5,865,969**
	2011	2,423,384	571,774	144,492	39,921	3,179,571	317,635	3,497,206

1) G Hywood was previously a Non-Executive Director of Fairfax, was appointed in an acting capacity to CEO role on 7 December 2010. On 7 February 2011 was appointed to the role of CEO and Managing Director on an ongoing basis.
2) A Lam-Po-Tang commenced with the Company on 2 February 2012.
3) Amount includes the amortised cost of the fair value of rights to shares issued but not yet vested. Credits relate to the reversal of the prior years amortised cost following forfeiture due to departure. No Deferred Component of the annual bonus was paid.

All executives are employees of the Company and the Group.

Shares granted to Executives who are Key Management Personnel during the performance year

	PERFORMANCE CONDITION(1)	NUMBER OF SHARES GRANTED(2)	FAIR VALUE PER SHARES(3)	MAXIMUM VALUE OF GRANT(4)
G Hywood – Chief Executive Officer	TSR	471,531	$0.57	$268,773
	EPS	471,531	$0.80	$377,225
				$645,998
B Cassell – Chief Financial Officer	TSR	137,038	$0.57	$78,112
	EPS	137,038	$0.80	$109,630
				$187,742
G Hambly – Group General Counsel and Company Secretary	TSR	110,515	$0.57	$62,994
	EPS	110,515	$0.80	$88,412
				$151,406
A Lam-Po-Tang – Chief Information and Technology Officer	TSR	–	$0.57	–
	EPS	–	$0.80	–
				–
C Maher – Director of Strategy and Corporate Development	TSR	64,540	$0.57	$36,788
	EPS	64,540	$0.80	$51,632
				$88,420
M Williams – General Manager Human Resources	TSR	46,858	$0.57	$26,709
	EPS	46,858	$0.80	$37,486
				$64,195

The maximum value of unvested shares in the LTI plans for FY2009, FY2010, and FY2011 is $1,923,043. The minimum total value of all unvested shares for all plan years is nil.

(1) LTI shares are subject to performance hurdles that are outlined in section 6.2. Rights to LTI shares lapse where the applicable performance conditions are not satisfied on testing. As the LTI share rights only vest on satisfaction of performance conditions which are to be tested in future fiscal periods, fiscal 2011 LTI shares have not yet been forfeited or vested.

(2) The grants made to Executives constituted their full LTI entitlement for fiscal 2012 and were made on 13 September 2011 subject to the terms summarised in section 6.2.

(3) Fair value per LTI share was calculated by independent consultants PwC as at the grant date of 13 September 2011.

(4) The maximum value of the grant has been estimated based on the fair value per instrument. The minimum total value of the grant is nil (this assumes none of the applicable performance conditions are met). The maximum value has been calculated to be nil for Executives who have departed during the period.

6.10 OPTIONS

During the year ended 24 June 2012:

- no options were granted to Directors or key management personnel (2011: nil)
- no options held by Directors or key management personnel vested (2011: nil)
- no options held by Directors or key management personnel lapsed (2011: nil), and
- no options held by Directors or key management personnel were exercised (2011: nil).

6.11 LOANS TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

During the year ended 24 June 2012, there were no loans to Directors or to key management personnel (2011: nil).

6.12 HEDGING RISK ON SECURITIES FORMING PART OF REMUNERATION

The rules of the Fairfax Employee Share Plans prohibit employees from creating any encumbrance on unvested share rights. Under the Board approved Fairfax Securities Trading Policy, the Directors and certain senior employees are not permitted to enter a financial transaction (whether through a derivative, hedge or other arrangement) which would operate to limit the economic risk of an employee's holding of unvested Company securities which have been allocated to the employee as part of his or her remuneration. Employees who are found not to have complied with the Securities Trading Policy risk disciplinary sanctions which may include termination of employment.

The Company's compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, ("ASX Recommendations") is set out in the following table.

		COMPLIANCE	PAGES
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	✔	35
1.2	Disclose the process for evaluating the performance of senior executives	✔	23 - 33
1.3	Provide the information indicated in the Guide to reporting on Principle 1	✔	26, 35
Principle 2:	**Structure the Board to add value**		
2.1	A majority of the Board should be independent Directors	✔	37
2.2	The chair should be an independent Director	✔	37
2.3	The roles of chair and Chief Executive Officer should not be exercised by the same individual	✔	37
2.4	The Board should establish a nomination committee	✔	36
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors	✔	36
2.6	Provide the information indicated in Guide to reporting on Principle 2	✔	16 - 17, 20, 36 - 37
Principle 3:	**Promote ethical and responsible decision making**		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of shareholders, and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✔	37
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy	✔	24 - 25
3.3	Disclose the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them	✔	24 - 25
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board	✔	24 - 25
3.5	Provide the information indicated in the Guide to reporting on Principle 3	✔	24, 37
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee	✔	38
4.2	Structure the audit committee so that it: • consists of only Non-Executive Directors • consists of a majority of independent Directors • is chaired by an independent chair, who is not chair of the Board, and • has at least three members.	✔	36
4.3	The audit committee should have a formal charter	✔	38
4.4	Provide the information indicated in Guide to reporting on Principle 4	✔	16 - 17, 20, 38
Principle 5:	Make timely and balanced disclosure		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	✔	39
5.2	Provide the information indicated in Guide to reporting on Principle 5	✔	39

CORPORATE GOVERNANCE

		COMPLIANCE	PAGES
Principle 6:	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy	✔	39
6.2	Provide the information indicated in Guide to reporting on Principle 6	✔	39
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	✔	40
7.2	Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks	✔	40
7.3	Board should disclose whether it has received assurance from the Chief Executive (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	✔	40
7.4	Provide the information indicated in Guide to reporting on Principle 7	✔	40
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee	✔	23 - 33
8.2	The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent director and has at least three members	✔	23 - 33
8.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executive Directors and senior executives	✔	23 - 33
8.4	Provide the information indicated in Guide to reporting on Principle 8	✔	23 - 33

The key corporate governance principles of the Fairfax Group are set out below. This section of the Annual Report, which is publicly available on the Company's website at www.fairfaxmedia.com.au, contains summaries of the Fairfax Board Charter, Nomination Committee Charter, Code of Conduct, Sustainability and Corporate Responsibility Committee Charter, Audit and Risk Committee Charter, Charter of Audit Independence, policy on market disclosure and shareholder communications, risk management policy and securities trading policy (including policy on hedging unvested securities issued as part of remuneration). The People and Culture Committee Charter and the Diversity Policy are summarised in the Remuneration Report.

BOARD OF DIRECTORS

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

The Board has adopted a Board Charter which sets out the responsibilities of the Board and its structure and governance requirements. Under the Board Charter, the responsibilities of the Board are to:

(a) set the strategic direction of the Fairfax Group

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

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

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

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

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

(g) approve the issue of securities and entry into material finance arrangements, including loans and debt issues.

Subject to the specific authorities reserved to the Board under the Board Charter, and to the authorities delegated to the Board committees, the Board has delegated to the CEO responsibility for the management and operation of the Fairfax Group. The CEO is responsible for the day-to-day operations, financial performance and administration of the Fairfax Group within the powers authorised to him from time-to-time by the Board. The CEO may make further delegation within the delegations specified by the Board and is accountable to the Board for the exercise of these delegated powers.

Membership of the Board and its committees at the date of this report is set out below:

		COMMITTEE MEMBERSHIP			
DIRECTOR	MEMBERSHIP TYPE	AUDIT AND RISK	NOMINATIONS	PEOPLE AND CULTURE	SUSTAINABILITY AND CORPORATE RESPONSIBILITY
R Corbett	Independent Chair	Member	Chair	Member	Member
G Hywood	CEO/Managing Director	–	–	–	–
M Anderson	Independent	–	–	Member	Chair
J Cowin	Independent	–	–	–	–
S McPhee	Independent	–	–	Chair	Member
S Morgan	Independent	–	–	–	–
L Nicholls	Independent	Chair	–	–	–
J Millar	Independent	–	–	–	–
P Young	Independent	Member	Member	Member	–

The qualifications and other details of each member of the Board are set out on pages 16 - 17 of this report.

Except for the Chief Executive Officer, all Directors (including the Chair) are considered by the Board to be independent, Non-Executive Directors.

The Constitution authorises the Board to appoint Directors to vacancies and to elect the Chair. One third of Directors (excluding the Chief Executive Officer and a Director appointed to fill a casual vacancy and rounded down to the nearest whole number) must retire at every Annual General Meeting. Other than the Chief Executive Officer, no Director may remain in office for more than three years or the third annual general meeting following appointment without resigning and being re-elected. Any Director appointed by the Board must stand for election at the next general meeting of shareholders.

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

The Board has a Nominations Committee which reviews potential Board candidates as required. The Committee is comprised of Non-Executive independent Directors. The Committee may seek expert external advice on suitable candidates.

The Board has adopted a formal Nominations Committee Charter. Under the Charter, the purpose of the Committee is to identify individuals qualified to become Board members and recommend them for nomination to the Board and its Committees; to ensure Board members' performance is reviewed regularly and to recommend changes from time to time to ensure the Board has an appropriate mix of skills and experience.

The Committee uses the following principles to recommend candidates and provide advice and other recommendations to the Board:

- a majority of the Directors and the Chair should be independent, and
- the Board should represent a broad range of expertise consistent with the Company's strategic focus.

Duties of the Nominations Committee include:

- making recommendations to the Board on the size and composition of the Board
- identifying and recommending individuals qualified to be Board members, taking into account such factors as it deems appropriate
- identifying Board members qualified to fill vacancies on the Committees
- recommending the appropriate process for the evaluation of the performance of each Director and the Board, and
- other duties delegated to it from time to time relating to nomination of Board or Committee members or corporate governance.

The Board conducts a review of its structure, composition and performance annually. The Board may seek external advice to assist in the review process. During this financial year a review of Board performance was conducted by the Chairman.

INDEPENDENT DIRECTORS

Under the Board Charter, the majority of the Board and the Chair must be independent. A Director must notify the Company about any conflict of interest, potential material relationship with the Company or circumstance relevant to his/her independence.

Directors have determined that all Directors except the Chief Executive Officer are independent. In assessing whether a Director is independent, the Board has considered Directors' obligations to shareholders, the requirements of applicable laws and regulations, criteria set out in the Board Charter and the ASX Recommendations. The Board has not set specific materiality thresholds, considering it more effective to assess any relationship on its merits on a case-by-case basis, and where appropriate, with the assistance of external advice.

The ASX Recommendations, in summary, state that the Board should consider whether the Director:

- is a substantial shareholder or officer or associated with a substantial shareholder of the Company
- was employed in an executive capacity by the Group within the last three years
- within the last three years, was a principal of a material professional adviser or a material consultant or an employee materially associated with a service
- is, or is associated with a material supplier or customer of the Group, and
- has a material contractual relationship with the Group other than as a Director.

CODE OF CONDUCT

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

The Company has developed and communicated to all employees and Directors the Fairfax Code of Conduct. The Code assists in upholding ethical standards and conducting business in accordance with applicable laws. The Code also sets out the responsibility of individuals for reporting Code breaches.

The Fairfax Code of Conduct aims to:

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

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

The Code of Conduct is a set of general principles relating to employment with Fairfax, covering the following areas:

- business integrity – conducting business with honesty, integrity and fairness; reporting concerns without fear of punishment; making public comments about the Company and disclosing real or potential conflicts of interest
- professional practice – dealings in Fairfax shares; disclosing financial interests; protecting Company assets and property; maintaining privacy and confidentiality; undertaking employment outside Fairfax; personal advantage, gifts and inducements, recruitment and selection; and Company reporting
- health, safety and environment
- equal employment opportunity and anti-harassment
- compliance with Company policies, and
- implementation of and compliance with the Code of Conduct.

The Code of Conduct is to be read in conjunction with the codes of ethics for each masthead and the other Fairfax policies as amended from time to time.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee operates in accordance with a Charter which sets out its role and functions. In summary, the Committee's role is to advise and assist the Board on the establishment and maintenance of a framework of risk management, internal controls and ethical standards for the management of the Fairfax Group and to monitor the quality and reliability of financial information for the Group. To carry out this role, the Committee:

- recommends to the Board the appointment of the external auditor, reviews its performance, independence and effectiveness, approves the auditor's fee arrangements and enforces the Company's Charter of Audit Independence
- ensures that appropriate systems of control are in place to effectively safeguard assets
- ensures accounting records are maintained in accordance with statutory and accounting requirements
- monitors systems designed to ensure financial statements and other information provided to shareholders is timely, reliable and accurate
- formulates policy for Board approval and oversees key finance and treasury functions
- formulates and oversees an effective business risk plan
- ensures appropriate policies and procedures are in place for compliance with all legal, regulatory and ASX requirements
- monitors compliance with regulatory and ethical requirements
- reviews the external audit process with the external auditor, including in the absence of management
- reviews the performance of internal audit
- reviews and approves the internal audit plan and receives summaries of significant reports by internal audit
- meets with the Internal Audit Manager including in the absence of management if considered necessary, and
- does anything else it considers necessary to carry out the above functions.

Under its Charter, all members of the Committee must be Non-Executive Directors. Executives may attend by invitation. The Chair of the Committee is required to be independent and have relevant financial expertise and may not be the Chair of the Board. The members of the Audit and Risk Committee and details of their attendance at Committee meetings are set out on page 20. The Chair of the Committee may, at the Company's expense, obtain external advice, or obtain assistance and information from officers of the Group, or engage other support as reasonably required from time to time.

CHARTER OF AUDIT INDEPENDENCE

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

To promote audit quality and effective audit service by suitably qualified professionals, the Board ensures that the auditor is fairly rewarded for the agreed scope of the statutory audit and audit-related services. The auditor is required to have regular communications with the Committee, at times without management present. Audit personnel must be appropriately trained, meet the required technical standards and maintain confidentiality.

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

The Company requires the rotation of the lead audit partner and the independent review partner for the Company at least every five years. The Committee requires the auditor to confirm annually that it has complied with all professional regulations and guidelines issued by the Australian accounting profession relating to auditor independence. The auditor must also confirm that neither it nor its partners has any financial or material business interests in the Company outside of the supply of professional services.

MARKET DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

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

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

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

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

Only the Disclosure Officers may authorise communications on behalf of the Company to the ASX, media, analysts and investors. This safeguards the premature exposure of confidential information and aims to ensure proper disclosure is made in accordance with the law. ASX and press releases of a material nature must be approved by a Disclosure Officer.

The Disclosure Officers, in conjunction with the Chair of the Board are authorised to determine whether a trading halt will be requested from the ASX to prevent trading in an uninformed market.

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

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

To ensure ready access for shareholders to information about the Company, Company announcements, annual reports, analyst and investor briefings, financial results and other information useful to investors such as press releases are placed on the Company's website at www.fairfaxmedia.com.au as soon as practical after their release to the ASX. Several years' worth of historical financial information is available on the website. The results briefings given to analysts by senior management are webcast on the website.

The full text of notices of meetings and the accompanying explanatory materials are posted on the website for each Annual General Meeting. The Chair's and the Chief Executive Officer's addresses, proxy counts and results of shareholder resolutions at the meeting are also posted on the website.

At the Annual General Meeting, shareholders are encouraged to ask questions and are given a reasonable opportunity to comment on matters relevant to the Company. The external auditor attends the Annual General Meeting and is available to answer shareholder questions about the audit and the audit report.

RISK MANAGEMENT AND INTEGRITY OF FINANCIAL REPORTING

The Board oversees the risk management and internal compliance and control system.

The system seeks to provide a consistent approach to identifying, assessing, and reporting risks, whether they are related to Company performance, reputation, safety, environment, internal control, compliance or other risk areas.

Key aspects of the Company's risk management and internal compliance and control system are summarised as follows:

- risks are assessed at least annually and revised periodically for each division through the business planning, budgeting, forecasting, reporting, internal audit and performance management processes
- the Board, through the Audit and Risk Committee, receives regular reports from management (and independent advisers where appropriate) on key risk areas such as treasury, health safety and environment, regulatory compliance, taxation, finance and internal audit and the effectiveness of the risk management system
- formal risk assessments are required as part of business case approvals for one-off projects or initiatives of a significant nature. Project teams are responsible for managing the risks identified
- under the direction of the Audit and Risk Committee, Internal Audit conducts a program of internal process control reviews over key areas, based on their importance to the Company, and provides assurance over the internal control assessments undertaken by management.

The Company's risk framework is overseen and monitored by both the Board and the Audit and Risk Committee.

As part of the risk framework, specific policies and approval processes have been developed to cover key risk areas such as material investments and contracts, treasury, capital expenditure approval, occupational health and safety and environmental processes.

The Company's Internal Audit function comprises the Internal Audit Manager and a team of professionals who work through a schedule of prioritised risk areas across all the major business units to provide an independent risk assessment and evaluation of operating and financial controls. The Internal Audit function is independent from the external auditor and the Internal Audit Managers may meet with the Audit and Risk Committee in the absence of management. Internal Audit reports its results to each meeting of the Audit and Risk Committee and the Internal Audit Manager attends the meetings.

The Board has received written assurances from the Chief Executive and the Chief Financial Officer that in their opinion:

(a) the financial statements and associated notes comply in all material respects with the accounting standards as required by the *Corporations Act 2001*

(b) the financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at the end of the financial year and performance of the Company and Consolidated Entity for the period then ended as required by the *Corporations Act 2001*

(c) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable

(d) the financial records of the Company have been properly maintained in accordance with the *Corporations Act 2001*

(e) the statements made above regarding the integrity of the financial statements are founded on a sound system of financial risk management and internal compliance and control which, in all material respects, implements the policies adopted by the Board

(f) the risk management and internal compliance and control systems of the Company and Consolidated Entity relating to financial reporting compliance and operations objectives are operating efficiently and effectively, in all material respects. Management has reported to the Board as to the effectiveness of the Company's management of its material business risks

(g) subsequent to the end of the financial year, no changes or other matters have arisen that would have a material effect on the operation of the risk management and internal compliance and control systems of the Company and Consolidated Entity.

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

REMUNERATION

Information about the Board's People and Culture Committee , its Charter, the Company's remuneration policies for Non-Executive Directors and the remuneration of the CEO and senior executives is set out in the Remuneration Report beginning on page 23.

TRADING IN COMPANY SECURITIES

Directors must not trade directly or indirectly in Fairfax securities while in possession of price sensitive information. Price sensitive information is information which has not been made public, usually about the Group or its intentions, which a reasonable person would expect to have a material effect on the price or value of Fairfax securities or which would be likely to influence an investment decision in relation to the securities.

The Fairfax Securities Trading Policy regulates dealings by Directors and certain senior employees ("Designated People") in Fairfax securities (including shares, convertible notes derivatives and options). The purpose of the Policy is to ensure that Designated People comply with the legal and company-imposed restrictions on trading in securities whilst in possession of unpublished price sensitive information. The Policy sets out blackout periods when no trading is to be undertaken and a process for authorisation of trading at other times. Designated People means the Directors, CEO, Company Secretary, those employees who report directly to the CEO and those employees who are notified that they are subject to the Policy.

A Designated Person must not trade in breach of the Policy either directly or indirectly through another entity, such as a partner, child, nominee or controlled company acting on his/her behalf. Under the Policy, Designated People are prohibited from trading in Fairfax securities without approval under the Policy or when in possession of price-sensitive information about Fairfax. In addition, Designated People must not tip anyone else on Fairfax securities, engage in short term speculative trading in Fairfax securities or trade in Fairfax derivatives.

Black-out periods occur before the announcement of the half-yearly and annual results, other trading updates and the Annual General Meeting. During black-out periods Designated People will not be authorised to trade. Outside of the trading black-out periods, Directors must obtain approval from the Chair (or the chairman of the Audit and Risk Committee for approvals for the Chair to trade). Other Designated People must obtain approval from the Company Secretary who will consult with the Chair.

Each Director must notify the Company Secretary of any change in the Director's interest in Fairfax securities so as to ensure compliance with the disclosure requirements of the ASX Listing Rules.

The Policy prohibits Designated People from entering into any financial transactions that operate to limit the economic risk of unvested Fairfax securities which have been allocated to an employee as part of his/her remuneration, prior to the securities vesting. Any breach of this prohibition risks disciplinary sanctions.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY COMMITTEE

In 2011, the Board established a Sustainability and Corporate Responsibility Committee and adopted a supporting Charter.

The primary purpose of the Committee is to advise and assist the Board in setting an overall direction for the Company's commitment to building a long term future, which includes operating its business responsibly, ethically and sustainably (financially and otherwise). To fulfil this purpose, the Committee's role includes:

1. providing strategic leadership to the Board and management in overseeing the development and implementation of a sustainability and corporate social responsibility (CSR) strategy and related policies
2. fostering a workplace culture which values sustainable and socially responsible business practices
3. identifying and monitoring current and emerging CSR trends, risks and opportunities and ensuring that the Board is kept up to date with market and investor expectations on CSR activities
4. considering and endorsing proposals by management to enhance the Group's CSR profile, reputation and activities
5. ensuring the Board, employees, the investment community and other stakeholders are kept properly informed of the Group's CSR initiatives and performance
6. overseeing the Group's compliance with corporate governance and legal requirements in relation to CSR issues and related reporting
7. monitoring that executives are remunerated having regard to performance metrics that recognise both tangible and intangible value creation
8. dealing with such matters as the Committee deems necessary to carry out the functions set out above including interaction with other Board Committees where appropriate, and
9. reviewing the adequacy of this Charter in light of emerging CSR trends and obligations and making recommendations to the Board for approval.

The Committee's membership and Chair are determined by the Board from time to time and must consist of at least three Directors, no more than one member may be an executive Director. Other Directors are entitled to attend the Committee meetings. The members of the Sustainability and Corporate Responsibility Committee, and details of their attendance at Committee meetings, are set out on page 20. In order to carry out the Committee's duties, the Chair of the Committee is authorised (at the Company's expense) to engage external advice, obtain assistance and information from officers of the Group and engage such other support as is reasonably required from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

TRADING OVERVIEW

Trading during the 2012 financial year continued to be impacted by subdued levels of consumer confidence and both structural and cyclical challenges. Overall revenue of $2.3 billion was down 6 per cent on the prior year. Weakness in the Company's key Australian advertising markets saw advertising revenue decline 5 per cent in the first half and 7 per cent in the second half.

The performance of print publishing businesses, particularly the Company's main metropolitan titles, reflected moves by various advertisers to cut advertising spend in response to difficult trading conditions. Retail, financial services, government, motoring and employment advertising categories accounted for much of the revenue deterioration. The Company's digital revenue streams continued to grow, up 20 per cent in 2012, as advertisers allocated more of their advertising spend to digital.

These revenue conditions resulted in underlying earnings before interest, tax, depreciation and amortisation (EBITDA) of $506 million, down 17% on the prior year. Accordingly, the annual asset impairment assessment conducted each year in accordance with Accounting Standards produced a $2.8 billion non-cash intangible asset impairment charge. This together with other restructuring and redundancy costs resulted in a net reported loss after tax of $2.7 billion. The asset impairment outcome is the result of a further write down of the carrying values of mastheads, goodwill and other intangible assets to reflect current trading levels and future expectations. The charge does not impact the underlying earnings position of the Company or borrowing arrangements.

Excluding this significant charge, the underlying net profit from trading after tax of $212 million was down by 26% on the prior year. See page 44 for a reconciliation to reported net profit after tax.

In February, the Company announced a three-year Fairfax of the Future program to fundamentally restructure the business through a series of strategic operational changes that will reshape the Company and reset its cost base. A $21 million EBITDA benefit was realised during the year as a result of this program's 2012 initiatives and will provide a full year benefit of $56 million in 2013.

The Fairfax of the Future program has three key objectives:

- Positioning the Metro Media business to address further structural decline in print advertising and accelerate its readiness to move to a digital-only model if it makes commercial sense to do so in the future;
- Reducing group-wide costs and corporate overhead in line with the revised business structure; and
- Strengthening the Fairfax Media balance sheet during a period when restructuring costs will be incurred.

As part of these changes, the Company announced in June that two of 15 print facilities, Chullora and Tullamarine, would close in 2014. The Chullora and Tullamarine plants were built at a time when almost all of Metro Media’s content, including large weekend classified sections, were delivered via printed daily newspapers. The rising popularity of digital delivery alternatives has seen a reduction in print volumes and caused surplus capacity in these plants which have significant overheads. The Chullora and Tullamarine printing work will be channelled to other parts of Fairfax print network to ensure optimal use of our facilities.

Total savings from the Fairfax of the Future program are expected to be $235 million on an annualised basis by June 2015. The one-off costs associated with achieving these cost savings are projected to be approximately $248 million on a net basis after allowing for proceeds from sale of the print sites. Of these one off costs, restructure and redundancy costs of $140 million were accounted for in fiscal 2012.

FINANCIAL POSITION

Fairfax Media continues to generate strong free cash flows with net cash inflow from trading activities of $496 million. The Company reduced its net debt by $574 million after $57 million of capital expenditure on software, plant and equipment and acquisition expenditure; $83 million in dividend payments; $228 million income tax and net interest obligations; and surplus cash flow plus proceeds from the Trade Me divestment.

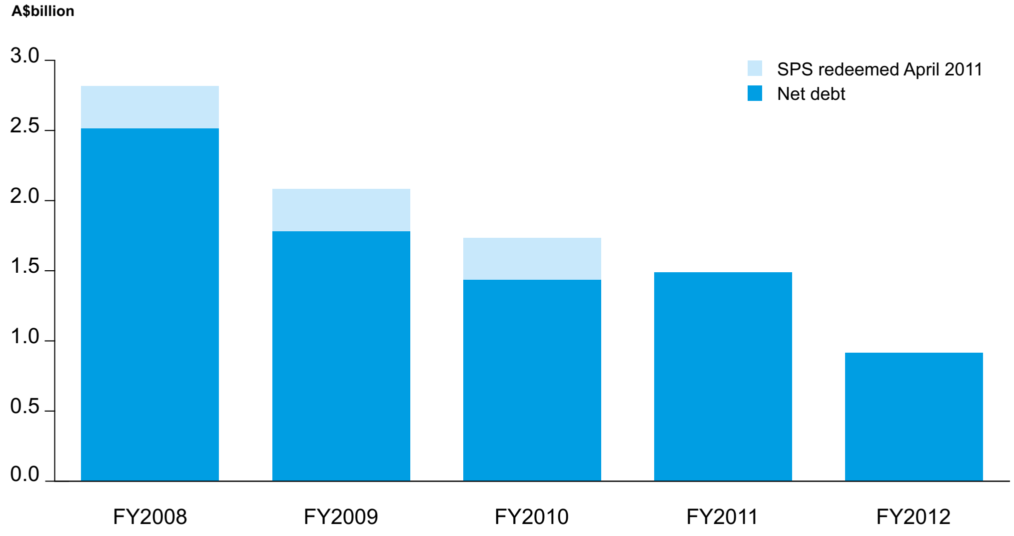
Following the successful IPO of Trade Me in December 2011, Fairfax executed a fully underwritten share placement for the sale of a further 15% of Trade Me in June 2012 to reduce its holding from 66% to 51%. This transaction provided Fairfax with $422 million of proceeds net of transaction costs.

The sell down of Fairfax’s Trade Me interest strengthened Fairfax’s balance sheet and was prudent in the context of the current trading and announced restructuring activities. Repayment of the $557 million Eurobond facility was effected during June 2012 from cash reserves and other undrawn facilities.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Since June 2008, the company has reduced its net debt position substantially.

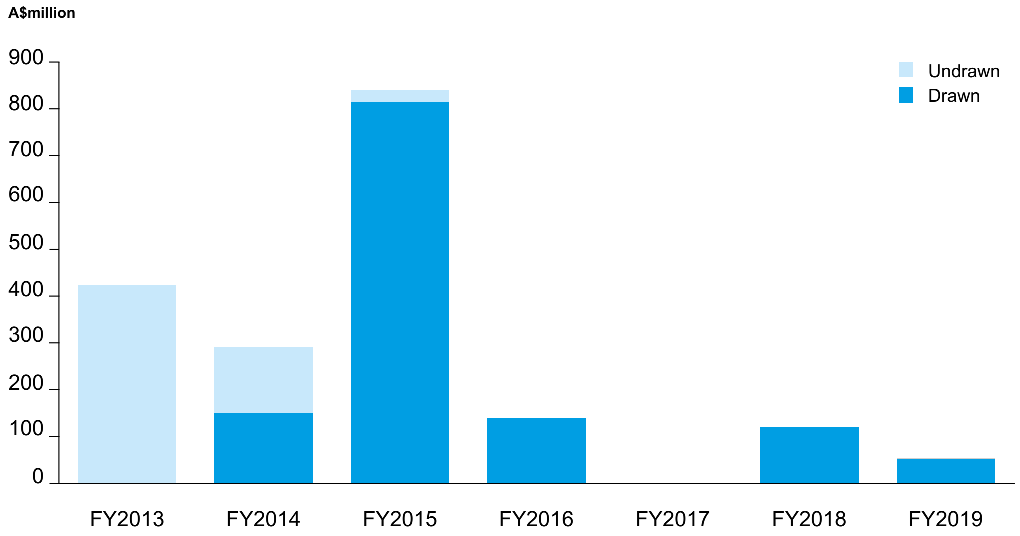
NET DEBT SIGNIFICANTLY REDUCED



Net debt was well within all covenant limits at year end. Total net debt of $914 million includes $99 million of net debt within Trade Me. The Company's debt repayments in fiscal 2013 are minimal and maturing facilities will remain undrawn.

The following table shows the maturity of existing funding facilities the company has in place.

FACILITIES MATURING IN 2013 ARE UNDRAWN



Following balance date, directors have declared a dividend of 1 cent per ordinary share, fully franked. Combined with the interim dividend of 2 cents, this brings the total dividend paid to 3 cents for the year and represents a dividend payout ratio of 35%. The Dividend Reinvestment Plan was not in operation for the payment of these dividends.

The Board continually assesses the level of the dividend payout ratio in light of trading conditions, restructuring costs and capital requirements.

RECONCILIATION OF STATUTORY TO UNDERLYING PERFORMANCE

	AS REPORTED		SIGNIFICANT ITEMS		UNDERLYING TRADING PERFORMANCE	
	24 JUNE 2012 $'000	26 JUNE 2011 $'000	24 JUNE 2012 $'000	26 JUNE 2011 $'000	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Total revenue	**2,328,066**	2,465,541	**–**	–	**2,328,066**	2,465,541
Associate profits	**1,746**	3,362	**–**	–	**1,746**	3,362
Expenses	**4,888,418**	2,549,588	**3,064,628**	688,129	**1,823,790**	1,861,459
Operating EBITDA	**(2,558,606)**	(80,685)	**(3,064,628)**	(688,129)	**506,022**	607,444
Net (loss)/profit attributable to members of the Company	**(2,732,397)**	(390,861)	**(3,064,628)**	(674,674)	**205,424**	283,813
SPS dividend (net of tax)	**–**	10,034	**–**	–	**–**	10,034
Net (loss)/profit after tax and SPS dividend	**(2,732,397)**	(400,895)	**(2,937,821)**	(674,674)	**205,424**	273,779
(Loss)/earnings per share	**(116.2)**	(17.0)			**8.7**	11.6

Refer to Note 4 of the Financial Statements for further breakdown of the significant items reported during the year.

RECONCILIATION OF TRADING TO OPERATING CASH FLOW

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Cash flow from trading activities	**495,997**	624,280
Interest received	**9,986**	9,856
Finance costs and income tax paid	**(238,334)**	(202,711)
Net cash flow from operating activities	**267,649**	431,425

FAIRFAX MEDIA LIMITED
ACN 008 663 161

ANNUAL FINANCIAL REPORT

Notes to the Financial Statements

CONSOLIDATED INCOME STATEMENT

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2012

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Revenue from operations	2(A)	**2,310,919**	2,463,413
Other revenue and income	2(B)	**28,269**	13,095
Total revenue and income		**2,339,188**	2,476,508
Share of net profits of associates and joint ventures	11(C)	**1,746**	3,362
Expenses from operations excluding impairment, depreciation, amortisation and finance costs	3(A)	**(2,023,358)**	(1,894,537)
Depreciation and amortisation	3(B)	**(107,503)**	(114,351)
Impairment of intangibles, investments and property, plant and equipment		**(2,865,060)**	(655,051)
Finance costs	3(C)	**(122,857)**	(119,009)
Net loss from operations before income tax expense		**(2,777,844)**	(303,078)
Income tax benefit/(expense)	5	**52,041**	(86,589)
Net loss from operations after income tax expense		**(2,725,803)**	(389,667)
Net (loss)/profit is attributable to:			
Non-controlling interest		**6,594**	1,194
Owners of the parent		**(2,732,397)**	(390,861)
		(2,725,803)	(389,667)
Earnings per share (cents per share)			
Basic loss per share (cents per share)	24	**(116.2)**	(17.0)
Diluted loss per share (cents per share)	24	**(116.2)**	(17.0)

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 24 JUNE 2012

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Net loss from operations after income tax expense		**(2,725,803)**	(389,667)
Other comprehensive income			
Changes in fair value of available for sale financial assets		**(675)**	(1,606)
Actuarial (loss)/gain on defined benefit plans		**(3,732)**	1,385
Changes in fair value of cash flow hedges		**(11,869)**	(13,894)
Changes in value of net investment hedges		**(3,568)**	13,148
Exchange differences on translation of foreign operations		**14,352**	(92,043)
Income tax on items of other comprehensive income	5	**5,662**	(787)
Other comprehensive income for the period, net of tax		**170**	(93,797)
Total comprehensive income for the period		**(2,725,633)**	(483,464)
Total comprehensive income is attributable to:			
Non-controlling interest		**6,594**	1,194
Owners of the parent		**(2,732,227)**	(484,658)
		(2,725,633)	(483,464)

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 24 JUNE 2012

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
CURRENT ASSETS			
Cash and cash equivalents	34(B)	**358,364**	207,137
Trade and other receivables	7	**334,466**	371,742
Inventories	8	**36,622**	38,967
Derivative assets	15	**123**	–
Assets held for sale	9(A)	**25,674**	4,975
Income tax receivable		**2,592**	–
Other financial assets	10	**3,914**	3,686
Total current assets		**761,755**	626,507
NON-CURRENT ASSETS			
Receivables	7	**2,479**	2,268
Investments accounted for using the equity method	11	**30,811**	33,322
Available for sale investments	12	**1,991**	2,633
Intangible assets	13	**2,502,045**	5,260,108
Property, plant and equipment	14	**547,004**	722,346
Derivative assets	15	**27,040**	27,839
Deferred tax assets	16(A)	**122,530**	10,512
Pension assets	20(A)	**149**	260
Other financial assets	10	**10,768**	14,833
Total non-current assets		**3,244,817**	6,074,121
Total assets		**4,006,572**	6,700,628
CURRENT LIABILITIES			
Payables	17	**282,637**	279,669
Interest bearing liabilities	18	**6,439**	666,785
Derivative liabilities	15	**–**	80,200
Liabilities directly associated with held for sale assets	9(B)	**4,956**	–
Provisions	19	**193,887**	140,810
Current tax liabilities		**10,680**	46,477
Total current liabilities		**498,599**	1,213,941
NON-CURRENT LIABILITIES			
Interest bearing liabilities	18	**1,200,934**	865,247
Derivative liabilities	15	**95,628**	106,534
Deferred tax liabilities	16(A)	**15,225**	21,815
Provisions	19	**149,305**	50,396
Pension liabilities	20(A)	**3,933**	3,595
Other non-current liabilities		**271**	392
Total non-current liabilities		**1,465,296**	1,047,979
Total liabilities		**1,963,895**	2,261,920
NET ASSETS		**2,042,677**	4,438,708
EQUITY			
Contributed equity	21	**4,646,248**	4,646,248
Reserves	22	**(45,520)**	(226,294)
Retained profits	23	**(2,805,566)**	11,764
Total parent entity interest		**1,795,162**	4,431,718
Non-controlling interest		**247,515**	6,990
TOTAL EQUITY		**2,042,677**	4,438,708

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 24 JUNE 2012

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**2,564,435**	2,721,399
Payments to suppliers and employees (inclusive of GST)		**(2,029,532)**	(2,090,813)
Redundancy payments		**(42,511)**	(8,971)
Interest received		**9,986**	9,856
Dividends and distributions received		**3,605**	2,665
Finance costs paid		**(127,633)**	(120,761)
Net income taxes paid		**(110,701)**	(81,950)
Net cash inflow from operating activities	34(A)	**267,649**	431,425
Cash flows from investing activities			
Payment for purchase of controlled entities, associates and joint ventures (net of cash acquired)		**(13,232)**	(11,998)
Payment for purchase of businesses, including mastheads		**(1,443)**	(15,807)
Payment for property, plant, equipment and software		**(42,788)**	(57,461)
Proceeds from sale of property, plant and equipment		**3,315**	3,897
Proceeds from sale of investments and other assets		**18,237**	1,820
Loans advanced to other parties		**–**	(20,820)
Loans repaid by other parties		**4,750**	2,311
Repayment of convertible notes		**–**	100
Net cash outflow from investing activities		**(31,161)**	(97,958)
Cash flows from financing activities			
Payment for repurchase of Stapled Preference Shares		**–**	(300,000)
Payment for purchase of non-controlling interests in subsidiaries		**(92)**	(7,865)
Payment for shares acquired by employee share trust		**–**	(4,666)
Proceeds from disposal of non-controlling interest in subsidiary (net of transaction costs)*		**421,885**	–
Proceeds from borrowings and other financial liabilities		**321,270**	281,591
Repayment of borrowings and other financial liabilities		**(756,933)**	(120,335)
Payment of facility fees		**–**	(2,870)
Dividends and distributions paid to shareholders including SPS**		**(82,318)**	(85,511)
Dividends paid to non-controlling interests in subsidiaries		**(491)**	(1,070)
Net cash outflow from financing activities		**(96,679)**	(240,726)
Net increase in cash and cash equivalents held		**139,809**	92,741
Cash and cash equivalents at beginning of the financial year		**207,137**	117,872
Effect of exchange rate changes on cash and cash equivalents		**11,418**	(3,476)
Cash and cash equivalents at end of the financial year	34(B)	**358,364**	207,137

* The proceeds relate to the sale of 34% of Trade Me Group Limited on 13 December 2011 and the further 15% divestment on 21 June 2012. This entity is still controlled by the Group.

** Total cash dividends for the prior year totalled $85.5 million; this included $17.3 million made to stapled preference shareholders (SPS). Total SPS distributions during the prior period were $19.8 million, $2.5 million of which was classified in finance costs paid. This is consistent with the reclassification of the SPS from equity to debt during the previous 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 24 JUNE 2012

		RESERVES										
	CONTRIBUTED EQUITY (NOTE 21) $'000	ASSET REVALUATION RESERVE (NOTE 22) $'000	ACQUISITION RESERVE (NOTE 22) $'000	FOREIGN CURRENCY TRANSLATION RESERVE (NOTE 22) $'000	CASHFLOW HEDGE RESERVE (NOTE 22) $'000	NET INVESTMENT HEDGE RESERVE (NOTE 22) $'000	SHARE-BASED PAYMENT RESERVE (NOTE 22) $'000	GENERAL RESERVE (NOTE 22) $'000	TOTAL RESERVES $'000	RETAINED PROFITS (NOTE 23) $'000	NON-CONTROLLING INTEREST $'000	TOTAL EQUITY $'000
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**
Loss for the period	–	–	–	–	–	–	–	–	–	(2,732,397)	6,594	(2,725,803)
Other comprehensive income	–	(765)	–	14,356	(8,308)	(2,498)	–	–	2,785	(2,615)	–	170
Total comprehensive income for the period	–	(765)	–	14,356	(8,308)	(2,498)	-	-	2,785	(2,735,012)	6,594	(2,725,633)
Transactions with owners in their capacity as owners:												
Dividends paid to shareholders	–	–	–	–	–	–	–	–	–	(82,318)	–	(82,318)
Dividends paid to non-controlling interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(354)	(354)
Disposal of non-controlling interest in subsidiary, net of tax *	–	–	176,479	–	–	–	–	–	176,479	–	235,094	411,573
Acquisition of non-controlling interest	–	–	717	–	–	–	–	–	717	–	(809)	(92)
Share-based payments, net of tax	–	–	–	–	–	–	793	–	793	–	–	793
Total transactions with owners	–	–	177,196	–	–	–	793	–	177,989	(82,318)	233,931	329,602
Balance at 24 June 2012	4,646,248	(259)	177,759	(219,528)	(7,088)	2,669	7,764	(6,837)	(45,520)	(2,805,566)	247,515	2,042,677

* This relates to the sale of 34% of Trade Me Group Limited on 13 December 2011 and the further 15% divestment on 21 June 2012. This entity is still controlled by the Group.

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 24 JUNE 2012

		RESERVES										
	CONTRIBUTED EQUITY (NOTE 21) $'000	ASSET REVALUATION RESERVE (NOTE 22) $'000	ACQUISITION RESERVE (NOTE 22) $'000	FOREIGN CURRENCY TRANSLATION RESERVE (NOTE 22) $'000	CASHFLOW HEDGE RESERVE (NOTE 22) $'000	NET INVESTMENT HEDGE RESERVE (NOTE 22) $'000	SHARE-BASED PAYMENT RESERVE (NOTE 22) $'000	GENERAL RESERVE (NOTE 22) $'000	TOTAL RESERVES $'000	RETAINED PROFITS (NOTE 23) $'000	NON-CONTROLLING INTEREST $'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 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.

01 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 27 June 2011 to 24 June 2012 (2011: the period 28 June 2010 to 26 June 2011). Reference in this report to 'a year' is to the period ended 24 June 2012 or 26 June 2011 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 amendments to the *Corporations Acts 2001* in June 2010 which removed 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 37.

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 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

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash generating units' (CGU) recoverable amount is the higher of it's fair value less costs to sell and value in use and is determined for an individual asset or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement until the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(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 cash generating unit for the purposes of impairment testing (refer Note 1(D)). Goodwill is not amortised. Instead, goodwill is tested for impairment annually, and at each reporting period if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Impairment losses relating to goodwill cannot be reversed in future periods.

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, and at each reporting period where 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.

Taxation of financial arrangements (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Group has assessed the potential impact of these changes on the Group's tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 24 June 2012 (2011: Nil).

(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; or
- 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 10 years
Other production equipment	up to 15 years
Other equipment	up to 20 years
Computer equipment	up to 6 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(l)).

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 30).

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 to Note 21(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, and are disclosed in Note 36.

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 or at each reporting period where there is an indication of impairment, 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), using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated.

The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives, along with a sensitivity analysis, are detailed in Note 13.

(ii) Income taxes

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

(iii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Monte Carlo model, using the assumptions detailed in Note 30.

(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.

(v) Redundancy provision

A provision for redundancy has been disclosed in Note 19 as a result of the Group having a constructive obligation and a detailed formal plan for restructuring.

(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 24 June 2012 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 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	No major impact on the Group.	25 June 2012

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cashflows. (b) 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. (d) Where the fair value option is used for financial liabilities the change in fair value is to be 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. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 January 2013**	The Group has not yet determined the extent of the impact of the amendments.	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 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. Consequential amendments were also made to other standards via AASB 2011-7.	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 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it 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. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured 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
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 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. Consequential amendments were also made to other standards via AASB 2011-12.	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 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments.	1 July 2013
Annual Improvements 2009–2011 Cycle***	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards • Repeated application of IFRS 1 • Borrowing costs IAS 1 Presentation of Financial Statements • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment • Classification of servicing equipment IAS 32 Financial Instruments: Presentation • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting • Interim financial reporting and segment information for total assets and liabilities	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.

** AASB ED 215 Mandatory effective date of IFRS 9 proposes to defer the mandatory effective date of AASB 9 to annual periods beginning on or after 1 January 2015, with early application permitted. At the time of preparation, finalisation of ED 215 is still pending by the AASB. However, the IASB has deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

*** These IFRS amendments have not yet been adopted by the AASB. In order to claim compliance with IFRS, these amendments should be noted in the financial statements.

02 REVENUES

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
(A) REVENUE FROM OPERATIONS		
Total revenue from sale of goods	**453,931**	487,787
Total revenue from services	**1,856,988**	1,975,626
Total revenue from operations	**2,310,919**	2,463,413
(B) OTHER REVENUE AND INCOME		
Interest income	**11,122**	10,967
Dividend revenue	**142**	92
Foreign exchange gains	**8,767**	–
Gains on sale of property, plant and equipment	**135**	1,251
Gain on revaluation of investment in associate	**2,541**	–
Gain on derivative at fair value through profit and loss	**3,900**	–
Other	**1,662**	785
Total other revenue and income	**28,269**	13,095
Total revenue and income	**2,339,188**	2,476,508

03 EXPENSES

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
(A) EXPENSES BEFORE IMPAIRMENT, DEPRECIATION, AMORTISATION AND FINANCE COSTS		
Staff costs excluding staff redundancy costs	**857,950**	862,561
Redundancy costs	**199,547**	36,752
Newsprint and paper	**209,988**	243,942
Distribution costs	**138,320**	137,933
Production costs	**183,368**	188,058
Promotion and advertising costs	**111,565**	119,327
Rent and outgoings	**60,717**	58,255
Repairs and maintenance	**29,844**	29,459
Communication costs	**22,469**	22,167
Maintenance and other computer costs	**26,597**	26,777
Fringe benefits tax, travel and entertainment	**26,213**	25,138
Other	**156,780**	144,168
Total expenses before impairment, depreciation, amortisation and finance costs	**2,023,358**	1,894,537
(B) DEPRECIATION AND AMORTISATION		
Depreciation of freehold property	**5,109**	5,094
Depreciation of plant and equipment	**67,432**	74,828
Amortisation of leasehold buildings	**4,287**	3,677
Amortisation of tradenames	**28**	13
Amortisation of software	**28,268**	27,842
Amortisation of customer relationships	**2,379**	2,897
Total depreciation and amortisation	**107,503**	114,351
(C) FINANCE COSTS		
External corporations/persons	**121,622**	121,057
Finance lease	**3,896**	4,647
Hedge ineffectiveness	**(2,661)**	(6,695)
Total finance costs	**122,857**	119,009
(D) DETAILED EXPENSE DISCLOSURES		
Operating lease rental expense	**41,213**	39,019
Defined contribution fund expense	**57,689**	57,885
Share-based payment expense	**1,068**	2,675
Net foreign exchange loss	**–**	631

04 SIGNIFICANT ITEMS

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

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Impairment of intangibles, property, plant and equipment, and investments – Comprising:			
Impairment of mastheads, goodwill, customer relationships and software	(A)	**(2,758,061)**	(649,869)
Impairment of property, plant and equipment, and investments	(B)	**(106,120)**	(4,038)
Income tax benefit		**66,689**	3,188
Impairment of intangibles, property, plant and equipment, and investments, net of tax		**(2,797,492)**	(650,719)
Restructuring and redundancy – Comprising:			
Restructuring and redundancy charges	(C)	**(200,447)**	(34,222)
Income tax benefit		**60,118**	10,267
Restructuring and redundancy, net of tax		**(140,329)**	(23,955)
Net significant items after income tax expense		**(2,937,821)**	(674,674)

(A) The value in use calculations performed as part of the annual impairment test has resulted in an impairment charge of $2,758 million (2011: $650 million). The impairment is a consequence of:

- the deterioration of the Group's results in the second half of the 2012 financial year;
- the lower than budgeted year to date results in financial year 2013;
- the increasing pace of structural change in the publishing industry; and
- higher discount rates across the industry.

Refer to Note 13 for the method and assumptions used in the value in use calculations.

(B) As part of the Fairfax of the Future restructuring program, the company has announced it will close the Chullora and Tullamarine print operations by June 2014. As a result, an impairment charge has been recognised where the carrying amount of the print assets was in excess of recoverable amount.

(C) Restructuring and redundancy charges associated with the Fairfax of the Future program have been recognised in the current period. Refer to Note 1(W)(v).

05 INCOME TAX EXPENSE

CONSOLIDATED INCOME STATEMENT

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Income tax expense is reconciled to prima facie income tax payable as follows:		
Net loss before income tax expense	**(2,777,844)**	(303,078)
Prima facie income tax at 30% (2011: 30%)	**(833,353)**	(90,923)
Tax effect of differences:		
Overseas tax rate and accounting differentials	**4,289**	(14,502)
Share of net profits of associates and joint ventures	**(442)**	(363)
Capital gains not taxable	**(552)**	–
Non assessable dividends	**(11)**	(11)
Over provision in respect of current tax in prior financial years	**3,420**	6,120
Under provision in respect of deferred tax in prior financial years	**(5,475)**	(8,828)
Temporary differences not recognised on intangible and other asset write-offs	**780,269**	192,983
Non-deductible items	**2,861**	2,434
Impact of tax consolidation	**(2,612)**	–
Other	**(435)**	(321)
Income tax (benefit)/expense	**(52,041)**	86,589
Current income tax expense	**61,003**	69,578
Deferred income tax (benefit)/expense	**(116,464)**	10,891
Over provision in respect of current tax in prior financial years	**3,420**	6,120
Income tax (benefit)/expense in the income statement	**(52,041)**	86,589

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Deferred tax related to items charged or credited directly to other comprehensive income during the year:		
Unrealised (loss)/gain on available for sale financial assets	**(90)**	279
Net gain/(loss) on actuarial gains and losses	**1,117**	(418)
Net gain on revaluation of cash flow hedges	**3,561**	4,168
Net gain/(loss) on hedge of net investment	**1,070**	(3,944)
Net gain/(loss) on exchange differences on translation of foreign operations	**4**	(872)
Income tax on items of other comprehensive income	**5,662**	(787)

06 DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED 24 JUNE 2012 $'000	CONSOLIDATED 26 JUNE 2011 $'000	COMPANY 24 JUNE 2012 $'000	COMPANY 26 JUNE 2011 $'000
(A) ORDINARY SHARES				
Interim 2012 dividend: 100% franked 2.0 cents – paid 21 March 2012 (2011: 100% franked dividend 1.5 cents – paid 21 March 2011)	**47,039**	35,279	**47,039**	35,279
Final 2011 dividend: 100% franked 1.5 cents – paid 27 September 2011 (2010: 100% franked dividend 1.4 cents – paid 23 September 2010)	**35,279**	32,927	**35,279**	32,927
Total dividends paid – ordinary shares	**82,318**	68,206	**82,318**	68,206
(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	**–**	–
Total dividends paid – SPS	**–**	17,305	**–**	–
Total dividends paid	**82,318**	85,511	**82,318**	68,206

* The final SPS distribution totalled $9.9 million, $2.5 million of which was classified as finance costs. This is consistent with the reclassification of the SPS from equity to debt during the previous 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 dividend of 1 cent per fully paid ordinary share fully franked at the corporate tax rate of 30%. The aggregate amount of the dividend to be paid on 21 September 2012 out of profits but not recognised as a liability at the end of the year is expected to be $23.5 million.

	COMPANY 2012 $'000	COMPANY 2011 $'000
(D) FRANKED DIVIDENDS		
Franking account balance as at balance date at 30% (2011: 30%)	**74,182**	30,936
Reduction in franking credits that will arise from the receipt of income tax receivable balances as at the end of the financial year	**(778)**	–
Franking credits that will arise from the payment of income tax payable balances as at the end of the financial year	**–**	39,532
Total franking credits available for subsequent financial years based on a tax rate of 30%	**73,404**	70,468

On a tax-paid basis, the Company's franking account balance is approximately $74.2 million (2011: $30.9 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 $10.1 million.

07 RECEIVABLES

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Current		
Trade debtors*	**316,940**	351,406
Provision for doubtful debts	**(10,059)**	(10,061)
	306,881	341,345
Loans and deposits	**52**	111
Prepayments	**12,763**	14,742
Other	**14,770**	15,544
Total current receivables	**334,466**	371,742
Non-current		
Loans and deposits	**1,539**	1,876
Other	**940**	392
Total non-current receivables	**2,479**	2,268

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

IMPAIRED TRADE DEBTORS

As at 24 June 2012, trade debtors of the Group with a nominal value of $10.1 million (2011: $10.1 million) were impaired and provided for. No individual amount within the provision for doubtful debts is material. Refer to Note 35(C) for the factors considered in determining whether trade debtors are impaired.

As at 24 June 2012, an analysis of trade debtors that are not considered impaired is as follows:

	2012 $'000	2011 $'000
Not past due	**224,013**	243,145
Past due 0 – 30 days	**64,103**	63,865
Past due 31 – 60 days	**11,633**	17,533
Past 60 days	**7,132**	16,802
	306,881	341,345

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:

	2012 $'000	2011 $'000
Balance at the beginning of the financial year	**10,061**	9,627
Additional provisions	**3,576**	3,318
Acquisition of controlled entities	**5**	–
Disposal of controlled entities	**(318)**	–
Utilised	**(3,290)**	(2,791)
Exchange differences	**25**	(93)
Balance at the end of the financial year	**10,059**	10,061

08 INVENTORIES

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Raw materials and stores – at net realisable value	**31,815**	34,412
Finished goods – at cost	**4,242**	3,844
Work in progress – at cost	**565**	711
Total inventories	**36,622**	38,967

During the year, newsprint and paper expense (excluding cartage) of $208.6 million (2011: $242.4 million) was recognised.

09 ASSETS AND LIABILITIES HELD FOR SALE

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
(A) ASSETS HELD FOR SALE		
Freehold land and buildings	**8,949**	4,468
Plant and equipment	**514**	507
Fairfax Community Network Limited disposal group		
Intangible assets	**15,262**	–
Other assets	**949**	–
Total assets held for sale	**25,674**	4,975
(B) LIABILITIES DIRECTLY ASSOCIATED WITH HELD FOR SALE ASSETS		
Fairfax Community Network Limited disposal group		
Provisions	**3,918**	–
Other liabilities	**1,038**	–
Total liabilities directly associated with held for sale assets	**4,956**	–

Freehold land and buildings, plant and equipment

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. During the current year, two of these properties were sold.

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. In the prior year, a $1.4 million impairment charge was recognised in the income statement against the assets.

Fairfax Community Network Limited disposal group

On 23 December 2011, an agreement for the sale of Fairfax Community Network Limited was signed with the sale being completed subsequent to the reporting date. As a result, the assets and liabilities of this company have been transferred to held for sale.

On remeasure of the disposal group at the lower of carrying amount and fair value less cost to sell, an impairment of $20.0 million was recorded against mastheads.

10 OTHER FINANCIAL ASSETS

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Current		
Loan receivable	**3,914**	3,686
Total current other financial assets	**3,914**	3,686
Non-current		
Shares in unlisted entities – at fair value	**67**	73
Loan receivable	**10,701**	14,760
Total non-current other financial assets	**10,768**	14,833

The loan receivable has quarterly repayments, consisting of both interest and principal, and matures on 30 September 2015.

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Shares in associates	(A)(i)	**12,671**	14,449
Shares in joint ventures	(B)(i)	**18,140**	18,873
Total investments accounted for using the equity method		**30,811**	33,322

(A) INTERESTS IN ASSOCIATES

NAME OF COMPANY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION	OWNERSHIP INTEREST 24 JUNE 2012	OWNERSHIP INTEREST 26 JUNE 2011
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%
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	24.6%	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 Software Pty Ltd	Provider of EDI software	Australia	33.3%	33.3%
Xchange IT Newsagents Pty Ltd	Provider of EDI software	Australia	25.0%	25.0%

* The business assets of Autobase Limited were acquired by the Group on 30 April 2012 (refer Note 28(A)). This entity was then placed into liquidation on 1 May 2012.

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
(i) Carrying amount of investment in associates		
Balance at the beginning of the financial year	**14,449**	14,102
Share of associates' net (loss)/profit after income tax expense	**(565)**	770
Dividends received/receivable from associates	**(393)**	(373)
Investments in associates disposed during the year	**(518)**	–
Impairment of investment in associate	**(292)**	–
Exchange differences	**(10)**	(50)
Balance at end of the financial year	**12,671**	14,449
(ii) Share of associates' profits		
Revenue	**45,425**	39,541
(Loss)/profit before income tax expense	**(593)**	930
Income tax benefit/(expense)	**28**	(160)
Net (loss)/profit after income tax expense	**(565)**	770
(iii) Share of associates' assets and liabilities		
Current assets	**15,136**	15,641
Non-current assets	**24,158**	23,464
Total assets	**39,294**	39,105
Current liabilities	**11,057**	10,622
Non-current liabilities	**4,315**	3,216
Total liabilities	**15,372**	13,838

(B) INTERESTS IN JOINT VENTURES

NAME OF COMPANY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION	OWNERSHIP INTEREST 24 JUNE 2012	OWNERSHIP INTEREST 26 JUNE 2011
Dog Lovers Show Pty Limited*	Organisation of canine industry exhibitions	Australia	50.0%	–
Farm Progress/VX LLC**	Organisation of agricultural events	USA	50.0%	–
Fermax Distribution Company Pty Ltd	Letterbox distribution of newspapers	Australia	50.0%	50.0%
Gilgandra Newspapers Pty Ltd	Newspaper publishing and printing	Australia	50.0%	50.0%
Gippsland Regional Publications Partnership	Newspaper publishing and printing	Australia	50.0%	50.0%
Torch Publishing Company Pty Ltd	Newspaper publishing and printing	Australia	50.0%	50.0%

* Company was incorporated and investment was acquired on 12 June 2012.
** Investment was acquired on 27 September 2011.

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
(i) Carrying amount of investment in joint ventures		
Balance at the beginning of the financial year	**18,873**	29,483
Share of joint ventures' net profit after income tax expense	**2,311**	2,592
Interests in joint venture acquired during the year	**26**	–
Dividends received/receivable from joint venture	**(3,070)**	(2,200)
Investment in joint venture transferred to a controlled entity	**–**	(11,002)
Balance at end of the financial year	**18,140**	18,873
(ii) Share of joint ventures' profits		
Revenues	**11,274**	12,377
Expenses	**(8,812)**	(9,600)
Profit before income tax expense	**2,462**	2,777
Income tax expense	**(151)**	(185)
Net profit after income tax expense	**2,311**	2,592
(iii) Share of joint ventures' assets and liabilities		
Current assets	**4,107**	4,935
Non-current assets	**16,990**	17,584
Total assets	**21,097**	22,519
Current liabilities	**1,198**	1,553
Non-current liabilities	**339**	424
Total liabilities	**1,537**	1,977

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

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Profit before income tax expense	**1,869**	3,707
Income tax expense	**(123)**	(345)
Net profit after income tax expense	**1,746**	3,362

12 AVAILABLE FOR SALE INVESTMENTS

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Listed equity securities – at fair value	**1,991**	2,633
Total available for sale investments	**1,991**	2,633

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

13 INTANGIBLE ASSETS

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Radio licences	**121,637**	132,217
Customer relationships	**8,474**	3,453
Mastheads and tradenames	**1,286,843**	3,254,396
Software	**76,006**	71,024
Goodwill	**1,009,085**	1,799,018
Total intangible assets	**2,502,045**	5,260,108

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 & TRADEMARKS $'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

	NOTE	RADIO LICENCES $'000	CUSTOMER RELATIONSHIPS $'000	MASTHEADS & TRADEMARKS $'000	SOFTWARE $'000	GOODWILL $'000	TOTAL $'000
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
Period ended 24 June 2012							
Balance at beginning of the financial year		**132,217**	**3,453**	**3,254,396**	**71,024**	**1,799,018**	**5,260,108**
Additions		**–**	**–**	**1,443**	**17,011**	**46**	**18,500**
Capitalisations from works in progress	14	**–**	**–**	**–**	**7,843**	**–**	**7,843**
Reallocation from purchase price accounting *		**–**	**7,384**	**–**	**2,899**	**(8,263)**	**2,020**
Disposals		**(10,580)**	**–**	**–**	**(134)**	**(2,000)**	**(12,714)**
Assets classified as held for sale		**–**	**–**	**(15,211)**	**(40)**	**(11)**	**(15,262)**
Acquisition through business combinations		**–**	**–**	**2,895**	**5,675**	**6,518**	**15,088**
Amortisation charge	3(B)	**–**	**(2,379)**	**(28)**	**(28,268)**	**–**	**(30,675)**
Impairment		**–**	**–**	**(1,963,624)**	**(251)**	**(794,295)**	**(2,758,170)**
Exchange differences		**–**	**16**	**6,972**	**247**	**8,072**	**15,307**
At 24 June 2012, net of accumulated amortisation and impairment		**121,637**	**8,474**	**1,286,843**	**76,006**	**1,009,085**	**2,502,045**
At 24 June 2012							
Cost		**143,700**	**15,417**	**3,692,719**	**269,976**	**2,455,250**	**6,577,062**
Accumulated amortisation and impairment		**(22,063)**	**(6,943)**	**(2,405,876)**	**(193,970)**	**(1,446,165)**	**(4,075,017)**
Net carrying amount		**121,637**	**8,474**	**1,286,843**	**76,006**	**1,009,085**	**2,502,045**

* Reallocation from purchase price accounting relates to the identification of customer relationships ($7.4 million), software ($2.9 million) and the recording of a deferred tax liability ($2.0 million) relating to these assets. The current year amortisation charge for these assets includes $0.4 million relating to the 2011 financial year as part of the reallocation from goodwill to amortising intangibles.

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

A CGU is the grouping of assets at the lowest level for which there are separately identifiable cash flows. CGU Groups are an aggregation of CGUs which have similar characteristics. The recoverable amount of each CGU which includes goodwill or indefinite life intangibles has been tested.

The value in use calculations prepared by the company use discounted cash flow methodology. Key components of the calculation and the basis for each component are set out below:

Year 1 cash flows
This is based upon the annual budget for 2013, which includes the impact of the Fairfax of the Future program together with adjustments to account for lower current trading results.

Year 2 and 3 cash flows
These cash flows are forecast using year 1 as a base and a growth or decline factor applied to revenue and expenses in years 2 and 3. The rate of change takes account of management's best estimate of the likely results in these periods, industry forecasts, historical actual rates and the impact of the Fairfax of the Future restructure. Revenue declines of between 2.5% and 7.5% have been used in publishing where management expect the cyclical downturn and structural change to continue. In the digital businesses, revenue growth of 12% reflecting experience, has been adopted including the introduction of digital subscription models. Expenses have been adjusted to account for the revenue growth or decline, Fairfax of the Future restructuring and other committed management initiatives.

Terminal growth factor
A terminal growth factor that estimates the long term average growth for that CGU is applied to the year 3 cash flows into perpetuity. A rate of 3.5% (2011: 3.5%) has been used for digital cash flows. Metropolitan publishing and Printing Operations were calculated at no growth (2011: 3-3.5%) and Australian Regional Media, Broadcasting and New Zealand Media calculated at 2.5% (2011:3-3.5%).

Discount rate
The discount rate is an estimate of the post tax rate that reflects current market assessment of the time value of money and the risks specific to the CGU. The post-tax discount rates applied to the CGU Groups' cash flow projections were in a range producing a mid point of 11.5% for Australian and 11.2% for New Zealand Media (2011: Aust and NZ: 10.1%), 12.8% for Australian Online (2011: 12.3%) and 12.6% for New Zealand Online (2011: 12.8%).

Each of the above factors is subject to significant judgement about future economic conditions and the ongoing structure of the publishing and digital industries. Specifically, the Directors note that the extent and duration of the current cyclical downturn in advertising is difficult to predict. The Directors have applied their best estimates to each of these variables but cannot warrant their outcome. To assess the impact of this significant uncertainty, and the range of possible outcomes, sensitivity analysis is disclosed below.

(ii) Impact of possible change in key assumptions

Holding all assumptions constant, if year 1 cash flow forecasts declined by 5%, an additional impairment in aggregate, of $206 million would arise for all CGU Groups. If year 1 cash flow forecasts increased by 5%, in aggregate, the impairment would be reduced by $190 million.

Holding all assumptions constant, if years 2 and 3 cash flow forecasts declined by 5%, an additional impairment in aggregate, of $265 million would arise for all CGU Groups. If years 2 and 3 cash flow forecast increased by 5%, in aggregate, the impairment would be reduced by $241 million.

Holding all assumptions constant, if the discount rate applied to the media cash flow projections was increased by 0.5%, an additional impairment of $106 million would arise. If the rate was decreased by 0.5%, the impairment would be reduced by $97 million.

Holding all assumptions constant, if terminal growth factors were reduced by a further 1% across all CGU's then a further impairment of $190 million would arise. If terminal growth factors were increased by 1% across all CGU's then the impairment would be reduced by $235 million.

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

For the financial year ended 24 June 2012, goodwill, licences, mastheads and tradenames were allocated to the CGU Groups below. The table below also indicates which operating segment each CGU Group belongs to. Operating segments are defined at Note 1(V) and Note 36 with further disclosure on the results for each operating segment.

At 24 June 2012

	OPERATING SEGMENT	GOODWILL $'000	LICENCES, MASTHEADS AND TRADENAMES $'000	TOTAL $'000
Allocation to CGU Groups				
New South Wales Metropolitan and Community Media	Metropolitan Media	**–**	**178,813**	**178,813**
Victorian Metropolitan and Community Media	Metropolitan Media	**–**	**137,446**	**137,446**
Business Media	Metropolitan Media	**7,290**	**67,097**	**74,387**
Australian Digital	Metropolitan Media	**217,808**	**23,750**	**241,558**
Australian Regional Media	Fairfax Regional Media	**4,518**	**483,487**	**488,005**
Agricultural Media	Fairfax Regional Media	**23,019**	**232,747**	**255,766**
Trade Me	Trade Me	**573,954**	**25,713**	**599,667**
Printing Operations	Printing Operations	**126,311**	**–**	**126,311**
Broadcasting	Broadcasting	**56,185**	**121,637**	**177,822**
New Zealand Media	New Zealand Media	**–**	**137,790**	**137,790**
Total goodwill, licences, mastheads and tradenames		**1,009,085**	**1,408,480**	**2,417,565**

At 26 June 2011

	OPERATING SEGMENT	GOODWILL $'000	LICENCES, MASTHEADS AND TRADENAMES $'000	TOTAL $'000
Allocation to CGU Groups				
New South Wales Metropolitan and Community Media	Metropolitan Media	–	431,936	431,936
Victorian Metropolitan and Community Media	Metropolitan Media	–	441,565	441,565
Business Media	Metropolitan Media	77,804	162,523	240,327
Australian Online	Metropolitan Media	233,590	23,525	257,115
Australian Regional Media	Fairfax Regional Media	404,420	1,090,221	1,494,641
Agricultural Media	Fairfax Regional Media	58,068	345,744	403,812
Trade Me	Trade Me	559,306	25,340	584,646
Printing Operations	Printing Operations	351,713	–	351,713
Broadcasting	Broadcasting	108,185	132,217	240,402
New Zealand Media	New Zealand Media	5,932	733,542	739,474
Total goodwill, licences, mastheads and tradenames		1,799,018	3,386,613	5,185,631

14 PROPERTY, PLANT AND EQUIPMENT

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Freehold land and buildings		
At cost	**257,582**	267,103
Accumulated depreciation and impairment	**(38,220)**	(34,530)
Total freehold land and buildings	**219,362**	232,573
Leasehold buildings		
At cost	**103,904**	100,101
Accumulated depreciation and impairment	**(36,166)**	(25,285)
Total leasehold buildings	**67,738**	74,816
Plant and equipment		
At cost	**1,083,690**	1,112,149
Accumulated depreciation and impairment	**(831,535)**	(713,739)
Total plant and equipment	**252,155**	398,410
Capital works in progress – at cost	**7,749**	16,547
Total property, plant and equipment	**547,004**	722,346

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 AND 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

	NOTE	CAPITAL WORKS IN PROGRESS $'000	FREEHOLD LAND AND BUILDINGS $'000	LEASEHOLD BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
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
Period ended 24 June 2012						
Balance at beginning of financial year		16,547	232,573	74,816	398,410	722,346
Additions/capitalisations		(936)	781	3,274	23,917	27,036
Capitalisation to software	13	(7,843)	–	–	–	(7,843)
Disposals		(38)	(2,654)	(181)	(2,044)	(4,917)
Acquisition through business combinations		–	–	11	185	196
Depreciation charge	3(B)	–	(5,109)	(4,287)	(67,432)	(76,828)
Assets classified as held for sale	9	–	(6,881)	(96)	(783)	(7,760)
Impairment		–	–	(6,039)	(100,559)	(106,598)
Exchange differences		19	652	240	461	1,372
At 24 June 2012, net of accumulated depreciation and impairment		7,749	219,362	67,738	252,155	547,004
At 24 June 2012						
Cost		7,749	257,582	103,904	1,083,690	1,452,925
Accumulated depreciation and impairment		–	(38,220)	(36,166)	(831,535)	(905,921)
Net carrying amount		7,749	219,362	67,738	252,155	547,004

During the current year, an impairment charge of $106.6 million was recorded on property, plant and equipment. This impairment primarily relates to printing press equipment at the Chullora and Tullamarine sites following the announcement of the expected closure of these sites in the 2014 financial year.

The useful life of printing press equipment has been reassessed to be no more than ten years. The depreciation rates for the 2013 financial year will be adjusted to reflect this change in useful life.

15 DERIVATIVE FINANCIAL INSTRUMENTS

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Current assets		
Forward contracts	**123**	–
Total current derivative assets	**123**	–
Non-current assets		
Cross currency swap – cash flow hedge	**2,464**	–
Cross currency swap – net investment hedge	**23,976**	27,339
Call option derivative	**600**	500
Total non-current derivative assets	**27,040**	27,839
Current liabilities		
Interest rate swap – cash flow hedge	**–**	6,540
Cross currency swap – cash flow hedge	**–**	72,800
Cross currency swap – fair value hedge	**–**	860
Total current derivative liabilities	**–**	80,200
Non-current liabilities		
Interest rate swap – cash flow hedge	**27,243**	13,453
Cross currency swap – fair value hedge	**59,172**	74,379
Cross currency swap – cash flow hedge	**1,792**	7,481
Obligation under put option*	**7,421**	11,221
Total non-current derivative liabilities	**95,628**	106,534

* 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 2012 – 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.

HEDGING ACTIVITIES

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

On 15 June 2012, the Group settled the Eurobond and the interest rate swaps and cross currency swaps designated as hedges of the future contracted interest payments on the EUR denominated Eurobonds. The combined swaps were being used to hedge a combination of future movements in interest rates and foreign currency exchange rates.

At 24 June 2012, 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 24 June 2012, the notional principal amounts and period of expiry of the swaps for each counterparty are as follows:

		INTEREST RATE	
	MATURITY DATE	2012	2011
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 24 June 2012, 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 24 June 2012, the notional principal amount and period of expiry of the swap is as follows:

		INTEREST RATE	
	MATURITY DATE	2012	2011
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 24 June 2012, the above hedges were assessed to be highly effective with a combined unrealised loss in fair value of $8.3 million (2011: $9.7 million loss) recognised in equity for the period. During the period an unrealised gain of $0.1 million (2011: $0.1 million unrealised loss) was recognised in the income statement attributable to the ineffective portion of the cash flow hedges.

During the year there was a gain transferred from equity to the income statement of $1.2 million (2011: nil).

(ii) Cash flow hedges – foreign exchange contracts

During the year, forward exchange contracts were used by the Group to hedge future foreign capital and non-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 24 June 2012, the Group held forward exchange contracts of $0.1 million (2011: nil).

The foreign currency contracts are considered to be fully effective hedges as they are matched against the highly probable foreign capital and non-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 24 June 2012, 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.

On 15 June 2012, the Group settled the 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 24 June 2012, the cross currency swap agreements had a combined derivative liability position of $59.2 million (2011: $75.2 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.

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$50m	15 January 2014
Pay floating NZD receive fixed USD – USD$90m	15 January 2016
Pay floating NZD receive fixed USD – USD$40m	15 January 2019

For the Group, the remeasurement of the hedged items resulted in a loss before tax of $11.0 million (2011: $79.3 million gain) and the changes in the fair value of the hedging instruments resulted in a gain before tax of $14.6 million (2011: $73.8 million loss) resulting in a net gain before tax of $3.6 million (2011: $5.5 million gain) 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 24 June 2012, the hedges were assessed to be highly effective with an unrealised loss of $2.5 million (2011: $9.2 million gain) recognised in equity. During the current financial period there was an unrealised gain of $0.2 million (2011: $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	
	24 JUNE 2012 $'000	26 JUNE 2011 $'000	24 JUNE 2012 $'000	26 JUNE 2011 $'000	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Property, plant and equipment	**16,117**	4,268	**22,275**	36,893	**(6,158)**	(32,625)
Inventories	**–**	–	**3,121**	3,155	**(3,121)**	(3,155)
Investments	**–**	–	**1,133**	10,915	**(1,133)**	(10,915)
Intangible assets	**6,278**	6,306	**13,018**	38,656	**(6,740)**	(32,350)
Other assets	**18,792**	16,039	**17,487**	17,728	**1,305**	(1,689)
Provisions	**100,620**	50,001	**–**	–	**100,620**	50,001
Payables	**15,004**	12,152	**–**	–	**15,004**	12,152
Other liabilities	**4,917**	4,771	**393**	241	**4,524**	4,530
Other	**2,853**	2,913	**(151)**	165	**3,004**	2,748
Gross deferred tax assets/liabilities	**164,581**	96,450	**57,276**	107,753	**107,305**	(11,303)
Set-off of deferred tax assets/liabilities	**(42,051)**	(85,938)	**(42,051)**	(85,938)	**–**	–
Net deferred tax assets/liabilities	**122,530**	10,512	**15,225**	21,815	**107,305**	(11,303)

(B) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

	BALANCE 26 JUNE 2011	RECOGNISED ON ACQUISITION	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCES DISPOSED	BALANCE 24 JUNE 2012
Property, plant and equipment	(32,625)	7	26,410	–	50	**(6,158)**
Inventories	(3,155)	–	34	–	–	**(3,121)**
Investments	(10,915)	–	9,872	(90)	–	**(1,133)**
Intangible assets	(32,350)	(2,215)	27,825	–	–	**(6,740)**
Other assets	(1,689)	–	(567)	3,561	–	**1,305**
Provisions	50,001	240	50,618	–	(239)	**100,620**
Payables	12,152	9	2,865	–	(22)	**15,004**
Other liabilities	4,530	–	(6)	–	–	**4,524**
Other	2,748	–	(587)	843	–	**3,004**
	(11,303)	(1,959)	116,464	4,314	(211)	**107,305**

	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)

(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 $216.5 million (2011: $213.4 million) 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 $684.7 million (2011: $299.4 million).

(D) FUTURE ASSESSABLE TEMPORARY DIFFERENCES

At 24 June 2012, there are no material unrecognised future assessable 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 (2011: Nil).

17 PAYABLES

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Trade and other payables*	**204,233**	184,229
Interest payable	**12,038**	22,192
Income in advance	**66,366**	73,248
Total current payables	**282,637**	279,669

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

18 INTEREST BEARING LIABILITIES

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Current interest bearing liabilities – unsecured			
Bank borrowings	(B)	**–**	19,378
Other loans			
Medium term notes	(E)	**–**	167,700
Eurobonds	(F)	**–**	472,543
Other	(D)	**2,308**	3,322
Finance lease liability	(D)	**4,131**	3,842
Total current interest bearing liabilities		**6,439**	666,785
Non-current interest bearing liabilities – unsecured			
Bank borrowings	(B)	**718,177**	392,060
Other loans			
Senior notes	(C)	**466,302**	450,293
Other	(D)	**6,003**	8,311
Finance lease liability	(D)	**10,452**	14,583
Total non-current interest bearing liabilities		**1,200,934**	865,247
NET DEBT FOR FINANCIAL COVENANT PURPOSES			
Cash and cash equivalents		**(358,364)**	(207,137)
Current interest bearing liabilities		**6,439**	666,785
Non-current interest bearing liabilities		**1,200,934**	865,247
Derivative financial instruments liabilities*		**65,089**	162,706
Net debt for financial covenant purposes		**914,098**	1,487,601

* 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 $914 million as at 24 June 2012 (2011: $1,488 million).

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 was available to the Group until 23 December 2011. On 19 December 2011, this facility was repaid (2011: NZ$25 million).

Non-current
A $1,155.6 million syndicated bank facility is available to the Group until periods ranging from April 2013 to April 2015. At 24 June 2012, $590 million was drawn down (2011: $395 million). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

A NZ$200 million revolving cash advance facility is available to Trade Me Group Limited until November 2014. At 24 June 2012, NZ$166 million was drawn down (2011: Nil). The interest rate for 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 3.7 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 3.2 years. The issued notes include fixed rate coupon notes, paying a weighted average coupon of 6.90% 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 $14.6 million (2011: $18.4 million), which was entered into in February 1996. There is also principal and interest outstanding of $8.3 million (2011: $11.6 million) in the form of a fixed rate loan with an established repayment schedule.

(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 6.87% p.a. In May 2009, the Group repurchased and cancelled $32.3 million of the outstanding MTNs. 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 (2011: 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.

On 15 June 2012 the Eurobond interest and principal were repaid and all associated swaps were settled.

19 PROVISIONS

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Current		
Employee benefits	**99,385**	103,232
Defamation	**2,849**	6,283
Property	**576**	346
Redundancy	**90,889**	30,703
Other	**188**	246
Total current provisions	**193,887**	140,810
Non-current		
Employee benefits	**14,750**	13,527
Property	**37,539**	36,821
Redundancy	**97,016**	–
Other	**–**	48
Total non-current provisions	**149,305**	50,396

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 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
Period ended 24 June 2012				
Balance at beginning of the financial year	6,283	37,167	30,703	294
Additional provision	2,208	2,397	199,906	398
Utilised	(5,643)	(1,419)	(40,677)	(504)
Transfer to assets held for sale	–	(50)	(2,085)	–
Exchange differences	1	20	58	–
Balance at end of the financial year	2,849	38,115	187,905	188
At 24 June 2012				
Current	2,849	576	90,889	188
Non-current	–	37,539	97,016	–
Total provisions, excluding employee benefits	2,849	38,115	187,905	188

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 $49.8 million (2011: $52.1 million) of defined contribution assets and entitlements.

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
(A) BALANCE SHEET			
The amounts recognised in the balance sheet are determined as follows:			
Pension assets		**149**	260
Pension liabilities		**(3,933)**	(3,595)
Net pension liabilities		**(3,784)**	(3,335)
Present value of the defined benefit plan obligation	(B)	**(21,974)**	(22,644)
Fair value of defined benefit plan assets	(C)	**18,190**	19,309
Net pension liabilities		**(3,784)**	(3,335)
(B) RECONCILIATION OF THE PRESENT VALUE OF DEFINED BENEFIT PLAN OBLIGATION			
Balance at the beginning of the financial year		**22,644**	21,512
Current service cost		**917**	952
Interest cost		**999**	979
Contributions by employees		**234**	248
Actuarial losses/(gains)		**2,364**	(725)
Benefits paid		**(1,585)**	(56)
Taxes, premiums and expenses paid		**(590)**	(243)
Exchange differences on foreign plans		**4**	(23)
Curtailments		**(410)**	–
Settlements		**(2,603)**	–
Balance at the end of the financial year		**21,974**	22,644

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
(C) RECONCILIATION OF THE FAIR VALUE OF DEFINED BENEFIT PLAN ASSETS		
Balance at the beginning of the financial year	**19,309**	16,712
Expected return on plan assets	**1,257**	1,168
Actuarial (losses)/gains	**(1,368)**	660
Contributions by Group companies and employees	**3,761**	1,081
Benefits paid	**(1,585)**	(56)
Taxes, premiums and expenses paid	**(590)**	(243)
Exchange differences on foreign plans	**9**	(13)
Settlements	**(2,603)**	–
Balance at the end of the financial year	**18,190**	19,309

(D) AMOUNTS RECOGNISED IN INCOME STATEMENT

The amounts recognised in the income statement are as follows:

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Current service cost	**917**	952
Interest cost	**999**	979
Curtailments	**(410)**	–
Expected return on plan assets	**(1,257)**	(1,168)
Total included in employee benefits expense	**249**	763
Actual return on plan assets	**(40)**	1,636

(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:

	24 JUNE 2012 %	26 JUNE 2011 %
Cash	**6**	9
Australian equities	**25**	20
Overseas equities	**28**	33
Fixed interest securities	**19**	28
Property	**7**	5
Other	**15**	5

(F) PRINCIPAL ACTUARIAL ASSUMPTIONS

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

	2012 %	2011 %
Discount rate	**2.6**	5.2
Expected return on plan assets	**7.0**	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 7.0% p.a. rate of return, net of tax and expenses (2011: 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 two yearly intervals for Australia and the last actuarial assessment of Fairfax Media Super was carried out as at 1 July 2010 by Mercer Human Resource Consulting Pty Ltd. Actuarial assessments are made at three yearly intervals for New Zealand and the last actuarial assessment of Fairfax NZ Retirement Fund was carried out as at 1 April 2011 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 2013 financial year are $612,000.

(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 deficit of $1 million at the most recent financial position of the plans, being 1 July 2010 for Australia and 1 April 2011 for New Zealand.

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 2010 for Australia and 1 April 2011 for New Zealand), which would have a material impact on the overall financial position of the defined benefit plan.

(I) HISTORIC SUMMARY

	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000
Defined benefit plan obligation	(24,254)	(20,560)	(21,512)	(22,644)	**(21,974)**
Defined benefit plan assets	29,796	17,875	16,712	19,309	**18,190**
Surplus/(deficit)	5,542	(2,685)	(4,800)	(3,335)	**(3,784)**
Experience adjustments arising on plan liabilities	7,678	(1,513)	1,551	(490)	**–**
Experience adjustments arising on plan assets	(3,132)	6,283	(756)	(585)	**1,184**

21 CONTRIBUTED EQUITY

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Ordinary Shares			
2,351,955,725 ordinary shares authorised and fully paid (2011: 2,351,955,725)	(A)	**4,667,944**	4,667,944
Unvested Employee Incentive Shares			
11,723,026 unvested employee incentive shares (2011: 11,723,026)	(B)	**(21,696)**	(21,696)
Stapled Preference Shares (SPS)			
Nil stapled preference shares (2011: Nil)	(C)	**–**	–
Debentures			
281 debentures fully paid (2011: 281)	(D)	*	*
Total contributed equity		**4,646,248**	4,646,248

* 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	24 JUNE 2012 NO. OF SHARES	26 JUNE 2011 NO. OF SHARES	24 JUNE 2012 $'000	26 JUNE 2011 $'000
(A) ORDINARY SHARES					
Balance at beginning of the financial year		**2,351,955,725**	2,351,955,725	**4,667,944**	4,667,944
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		**11,723,026**	8,411,794	**(21,696)**	(18,430)
Share acquisition – 10 December 2010		**–**	3,311,232	**–**	(4,666)
Tax benefit recognised directly in equity		**–**	–	**–**	1,400
Balance at end of the financial year		**11,723,026**	11,723,026	**(21,696)**	(21,696)
(C) STAPLED PREFERENCE SHARES (SPS)					
Balance at beginning of the financial year		**–**	3,000,000	**–**	293,163
Share repurchase – 29 April 2011		**–**	(3,000,000)	**–**	(300,000)
Share issue costs transferred to reserves	22(G)	**–**	–	**–**	6,837
Balance at end of the financial year		**–**	–	**–**	–
(D) DEBENTURES					
Balance at beginning of the financial year		**281**	281	*	*
Balance at end of the financial year		**281**	281	*	*
Total contributed equity		**2,363,678,751**	2,363,678,751	**4,646,248**	4,646,248

* 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.

(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 were issued on 23 March 2006 for a face value of $100 per share, was 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 were not entitled to vote.

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).

22 RESERVES

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Asset revaluation reserve, net of tax	(A)	**(259)**	506
Foreign currency translation reserve, net of tax	(B)	**(219,528)**	(233,884)
Cashflow hedge reserve, net of tax	(C)	**(7,088)**	1,220
Net investment hedge reserve, net of tax	(D)	**2,669**	5,167
Share-based payment reserve, net of tax	(E)	**7,764**	6,971
Acquisition reserve	(F)	**177,759**	563
General reserve	(G)	**(6,837)**	(6,837)
Total reserves		**(45,520)**	(226,294)

(A) ASSET REVALUATION RESERVE

Balance at beginning of the financial year	**506**	1,833
Revaluation of available for sale investments	**(675)**	(1,606)
Tax effect on available for sale investments	**(90)**	279
Balance at end of the financial year	**(259)**	506

(B) FOREIGN CURRENCY TRANSLATION RESERVE

Balance at beginning of the financial year	**(233,884)**	(140,969)
Exchange differences on currency translation, net of tax	**14,356**	(92,915)
Balance at end of the financial year	**(219,528)**	(233,884)

(C) CASHFLOW HEDGE RESERVE

Balance at beginning of the financial year	**1,220**	10,946
Losses arising during the year on interest rate and cross currency swaps	**(10,731)**	(13,894)
Gains arising during the year on currency forward contracts	**82**	–
Reclassification adjustments for gains included in the income statement	**(1,220)**	–
Tax effect of net changes on cashflow hedges	**3,561**	4,168
Balance at end of the financial year	**(7,088)**	1,220

(D) NET INVESTMENT HEDGE RESERVE

Balance at beginning of the financial year	**5,167**	(4,037)
Effective portion of changes in value of net investment hedges	**(3,568)**	13,148
Tax effect on net investment hedges	**1,070**	(3,944)
Balance at end of the financial year	**2,669**	5,167

(E) SHARE-BASED PAYMENT RESERVE

Balance at beginning of the financial year	**6,971**	5,099
Share-based payment expense	**1,068**	2,675
Tax effect on share-based payment expense	**(275)**	(803)
Balance at end of the financial year	**7,764**	6,971

(F) ACQUISITION RESERVE

Balance at beginning of the financial year	**563**	–
Acquisition of non-controlling interest	**717**	(4,637)
Disposal of non-controlling interest in subsidiary	**187,321**	–
Tax effect of disposal of non-controlling interest in subsidiary	**(10,842)**	–
Recognition of put option on non-controlling interest	**–**	5,200
Balance at end of the financial year	**177,759**	563

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
(G) GENERAL RESERVE			
Balance at beginning of the financial year		**(6,837)**	–
Share issue costs transferred from contributed equity	21	**–**	(6,837)
Balance at end of the financial year		**(6,837)**	(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).

As at the reporting date, the asset revaluation reserve was in a debit balance. This balance relates to available for sale investments that have been devalued at reporting date. The devaluation is not considered significant or prolonged so as to require an impairment of the investment.

(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(N). 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.

The current year movement from the disposal of non-controlling interest in subsidiary relates to the sale of 34% of Trade Me Group Limited on 13 December 2010 and the further divestment of 15% on 21 June 2012. This entity is still controlled by the Group.

(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.

23 RETAINED PROFITS

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Balance at beginning of the financial year		**11,764**	481,978
Net loss for the financial year		**(2,732,397)**	(390,861)
Actuarial (loss)/gain on defined benefit plans, net of tax		**(2,615)**	967
Tax benefits recognised directly in equity		**–**	5,191
Total available for appropriation		**(2,723,248)**	97,275
Dividends paid	6	**(82,318)**	(85,511)
Balance at end of the financial year		**(2,805,566)**	11,764

24 EARNINGS PER SHARE

	24 JUNE 2012 ¢ PER SHARE	26 JUNE 2011 ¢ PER SHARE
Basic loss per share		
After significant items less SPS dividend (net of tax)	**(116.2)**	(17.0)
Diluted loss per share		
After significant items (net of tax)	**(116.2)**	(17.0)

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Earnings reconciliation – basic		
Net loss attributable to members of the Company	**(2,732,397)**	(390,861)
Less Dividends on SPS (net of tax)	**–**	(10,034)
Basic loss after significant items less SPS dividend	**(2,732,397)**	(400,895)
Earnings reconciliation – diluted		
Net loss attributable to members of the Company	**(2,732,397)**	(390,861)

	24 JUNE 2012 NUMBER '000	26 JUNE 2011 NUMBER '000
Weighted average number of ordinary shares used in calculating basic EPS	**2,351,956**	2,351,956
SPS	**–**	166,530
Weighted average number of ordinary shares used in calculating diluted EPS	**2,351,956**	2,518,486

25 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:

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Within one year	**41,805**	41,850
Later than one year and not later than five years	**140,921**	135,606
Later than five years	**311,320**	271,331
Total operating lease commitments	**494,046**	448,787

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 $28.9 million (2011: $30.1 million). The lease has a remaining term of three years (2011: four years) and a weighted average interest rate of 13.3% (2011: 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	MINIMUM PAYMENTS 2012 $'000	PRESENT VALUE OF PAYMENTS 2012 $'000	MINIMUM PAYMENTS 2011 $'000	PRESENT VALUE OF PAYMENTS 2011 $'000
Within one year		**5,076**	**4,131**	5,076	3,842
Later than one year and not later than five years		**11,420**	**10,452**	16,496	14,583
Later than five years		**–**	**–**	–	–
Minimum lease payments		**16,496**	**14,583**	21,572	18,425
Less future finance charges		**(1,913)**	**–**	(3,147)	–
Total finance lease liability	18(D)	**14,583**	**14,583**	18,425	18,425

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 three years which is subject to such movements amounts to $14.4 million (2011: $18.3 million).

CAPITAL COMMITMENTS

At 24 June 2012, 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:

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Within one year	**1,322**	2,506
Later than one year and not later than five years	**–**	–
Later than five years	**–**	–
Total capital commitments	**1,322**	2,506

JOINT VENTURE COMMITMENTS

At 24 June 2012, the Group has a commitment contracted for at reporting date but not recognised as a liability in relation to a joint venture in MMP Holdings Pty Ltd. The commitment includes a purchase price and a working capital adjustment of $41.3 million and the contribution of the shares in Fairfax Community Network Limited. The assets and liabilities of Fairfax Community Network Limited have been disclosed as held for sale in Note 9.

26 CONTINGENCIES

GUARANTEES

Under the terms of ASIC Class Order 98/1418 (as amended), the Company and certain controlled entities (refer Note 27), 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.

27 CONTROLLED ENTITIES

The following entities were controlled as at the end of the financial year:

			OWNERSHIP INTEREST	
	NOTES	COUNTRY OF INCORPORATION	2012 %	2011 %
Fairfax Media Limited	(a)	Australia		
CONTROLLED ENTITIES				
5AU Broadcasters Proprietary Limited	(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		Australia	100	68
Australian Property Monitors Pty Limited	(a)	Australia	100	100
AZXC Pty Ltd		Australia	100	68
Border Mail Printing Pty Ltd	(a)	Australia	100	100
Bridge Printing Office Pty Limited	(a)	Australia	100	100
Bundaberg Broadcasters Pty Ltd	(c)	Australia	–	100
Bundaberg Narrowcasters Pty Ltd	(c)	Australia	–	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	100
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
Examiner Properties Pty Ltd	(a)	Australia	100	100
Fairfax Business Media (South Asia) Pte Ltd		Singapore	100	100
Fairfax Business Media Pte Ltd		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 Holdings NZ Limited	(d)	New Zealand	100	–
Fairfax Digital Assets NZ Limited	(d)	New Zealand	100	–
Fairfax Digital Australia & New Zealand Pty Limited	(a)	Australia	100	100
Fairfax Digital Limited	(a)	Australia	100	100
Fairfax Group Finance New Zealand Limited		New Zealand	100	100
Fairfax Media (UK) Limited		United Kingdom	100	100

	NOTES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2012 %	2011 %
Fairfax Media Group Finance Pty Limited	(a)	Australia	100	100
Fairfax Media Management Pty Limited	(a)	Australia	100	100
Fairfax Media Operations Limited		New Zealand	100	100
Fairfax Media Operations Pty Limited		Australia	100	100
Fairfax Media Productions UK Limited		United Kingdom	100	100
Fairfax Media Publications Pty Limited	(a)	Australia	100	100
Fairfax New Zealand Finance Pty Limited		Australia	100	100
Fairfax New Zealand Holdings Limited		New Zealand	100	100
Fairfax New Zealand Limited		New Zealand	100	100
Fairfax News Network Pty Limited	(a)	Australia	100	100
Fairfax OF Limited	(h)	New Zealand	100	100
Fairfax OSI Limited	(i)	New Zealand	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 Media (Tasmania) Pty Limited	(a) (g)	Australia	100	100
Fairfax Regional Printers Pty Limited	(a)	Australia	100	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 Ltd	(a)	Australia	100	100
Golden Mail Pty Limited		Australia	66	66
Gunnedah Publishing Co Pty Ltd	(b)	Australia	100	–
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
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 Limited	(a)	Australia	100	100
Internet Marketing Australia Pty Ltd		Australia	100	68
Internet Products Sales & Services Pty Ltd		Australia	100	68
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	(c)	Australia	–	100
Leeton Newspapers Pty Ltd		Australia	100	100
Lime Digital Pty Limited		Australia	100	100
Mackamedia Pty Ltd	(b)	Australia	100	–
Mamiko Co Pty Ltd	(b)	Australia	100	–
Mayas Pty Ltd		Australia	100	100
Mayas Unit Trust		Australia	100	100
Media Investments Pty Ltd	(a)	Australia	100	100
Micosh Pty Ltd		Australia	100	100
Miller Publishing Co, Inc		United States	100	100
Milton Ulladulla Publishing Co. Pty Ltd	(a)	Australia	100	100
Mistcue Pty Limited		Australia	65	65
Mountain Press Pty Ltd		Australia	88	88
Namoi Media & Marketing Pty Ltd	(b)	Australia	100	–
Newcastle Newspapers Pty Ltd	(a)	Australia	100	100
Newsagents Direct Distribution Pty Ltd	(a)	Australia	100	100
North Australian News Pty Ltd	(a)	Australia	100	100
Northern Newspapers Pty Ltd	(a)	Australia	100	100

	NOTES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2012 %	2011 %
NZ Rural Press Limited		New Zealand	100	100
Occupancy Pty Limited		Australia	95	90
Ollority Pty Ltd		Australia	100	68
Online Marketing Group Pty Limited		Australia	100	68
OSF Australia Pty Limited		Australia	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 Ltd	(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
RSVP.com.au Pty Limited	(a)	Australia	100	100
Rural Press (USA) Inc		United States	100	100
Rural Press (USA) Limited		United States	100	100
Rural Press Printing (Victoria) Pty Limited	(a)	Australia	100	100
Rural Press Printing Pty Limited	(a)	Australia	100	100
Rural Press 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 Publishers Pty Limited	(a)	Australia	100	100
Southern Weekly Partnership		Australia	75	51
S.A. Regional Media Pty Limited	(a)	Australia	100	100
Satellite Music Australia Pty Limited	(a)	Australia	100	100
Stayz Limited		New Zealand	95	90
Stayz Pty Limited		Australia	95	90
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 Limited	(a)	Australia	100	100
The Barossa News Pty Limited	(a)	Australia	100	100
The Border Morning Mail Pty Limited	(a)	Australia	100	100
The Border News Partnership		Australia	63	63
The Federal Capital Press of Australia Pty Limited	(a)	Australia	100	100
The Independent News Pty Ltd	(a)	Australia	100	100
The Murrumbidgee Irrigator Pty Ltd		Australia	100	100
TheVine.com.au Pty Limited		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 Group Limited	(e)	New Zealand	51	–
Trade Me Limited		New Zealand	51	100

			OWNERSHIP INTEREST	
	NOTES	COUNTRY OF INCORPORATION	2012 %	2011 %
Tricom Group Pty Ltd		Australia	100	100
Trade Me Travel Trustees Limited		New Zealand	100	100
Weatherzone Japan LLC	(f)	Japan	75	–
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) Acquired on 1 November 2011.
(c) Disposed on 31 October 2011.
(d) Incorporated on 3 November 2011.
(e) Incorporated on 13 October 2011.
(f) Incorporated on 8 July 2011.
(g) This company was formerly called The Examiner Newspaper Pty Ltd.
(h) This company was formerly called Old Friends Limited.
(i) This company was formerly called Online Services International 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 24 June 2012 and consolidated balance sheet as at 24 June 2012, comprising the members of the Closed Group after eliminating all transactions between members are set out below:

(A) BALANCE SHEET

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Current assets		
Cash and cash equivalents	**56,029**	136,644
Trade and other receivables	**263,250**	296,131
Inventories	**31,756**	33,642
Derivative assets	**123**	–
Assets held for sale	**18,268**	2,342
Income tax receivable	**14,345**	–
Other financial assets	**3,914**	3,686
Total current assets	**387,685**	472,445
Non-current assets		
Receivables	**258,134**	647,574
Investments accounted for using the equity method	**30,551**	32,377
Available for sale investments	**1,991**	2,633
Intangible assets	**1,637,134**	3,768,533
Property, plant and equipment	**470,352**	626,056
Derivative assets	**27,040**	27,839
Deferred tax assets	**119,635**	8,362
Other financial assets	**1,042,873**	1,052,167
Total non-current assets	**3,587,710**	6,165,541
Total assets	**3,975,395**	6,637,986
Current liabilities		
Payables	**203,475**	202,998
Interest bearing liabilities	**6,439**	647,407
Derivative liabilities	**–**	80,200
Liabilities directly associated with held for sale assets	**4,956**	–
Provisions	**180,090**	120,964
Current tax liabilities	**2,595**	39,828
Total current liabilities	**397,555**	1,091,397
Non-current liabilities		
Interest bearing liabilities	**1,070,560**	865,295
Derivative liabilities	**89,607**	100,513
Provisions	**146,534**	47,486
Pension liabilities	**3,933**	3,595
Total non-current liabilities	**1,310,634**	1,016,889
Total liabilities	**1,708,189**	2,108,286
Net assets	**2,267,206**	4,529,700
Equity		
Contributed equity	**4,646,248**	4,646,248
Reserves	**(53,283)**	(30,958)
Retained losses	**(2,325,759)**	(85,590)
Total equity	**2,267,206**	4,529,700

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
(B) INCOME STATEMENT		
Total revenue	**1,782,584**	1,989,258
Share of net profits of associates and joint ventures	**1,244**	2,845
Expenses before finance costs	**(3,956,037)**	(2,256,837)
Finance costs	**(66,569)**	(39,552)
Net loss from operations before income tax expense	**(2,238,778)**	(304,286)
Income tax benefit/(expense)	**76,738**	(64,045)
Net loss from operations after income tax expense	**(2,162,040)**	(368,331)

28 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
Namoi Media & Marketing Pty Ltd	Newspaper publishing	1 November 2011	100%
Mackamedia Pty Ltd	Newspaper publishing	1 November 2011	100%
Mamiko Co Pty Ltd	Newspaper publishing	1 November 2011	100%
Gunnedah Publishing Co Pty Ltd	Newspaper publishing	1 November 2011	100% (i)
Autobase Limited	Online vehicle dealer automotive website	30 April 2012	(ii)

(i) The business of Gunnedah Publishing Co Pty Ltd was acquired including the Namoi Valley Independent masthead.
(ii) The business of Autobase Limited was acquired including the domain name www.autobase.co.nz.

For additional information refer to Note 29.

(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
5AU Broadcasters Proprietary Limited	Broadcasting	31 October 2011	100%
Bundaberg Broadcasters Pty Ltd	Broadcasting	31 October 2011	100%
Bundaberg Narrowcasters Pty Ltd	Broadcasting	31 October 2011	100%
Lanson Investments Pty Ltd	Broadcasting	31 October 2011	100%

29 BUSINESS COMBINATIONS

ACQUISITIONS DURING THE PERIOD

Acquisitions, none of which were individually significant to the consolidated entity, are listed in Note 28(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	110
Receivables	274
Inventories	43
Property, plant and equipment	196
Investments and other assets	1
Intangible assets	8,570
Deferred tax assets	112
Total assets	9,306
Payables	66
Provisions	374
Other liabilities	13
Current tax liabilities	10
Total liabilities	463
Value of identifiable net assets	8,843
Goodwill arising on acquisition	6,518
Total identifiable net assets and goodwill attributable to the group	15,361
Purchase consideration	
Cash paid	15,312
Cash received/receivable on liquidation of Autobase Limited	(3,040)
Fair value of equity interest in associate prior to acquisition	3,089
Total purchase consideration	15,361
Net cash outflow on acquisition	
Net cash acquired with subsidiary	110
Cash paid	(15,312)
Cash received/receivable on liquidation of Autobase Limited	3,040
Net cash outflow	(12,162)

Direct costs of $123,362 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 24 June 2012 of $2.8 million and $0.1 million 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 $8.8 million and $1.5 million respectively.

Goodwill of $6.5 million 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.

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

30 EMPLOYEE BENEFITS

(A) NUMBER OF EMPLOYEES

As at 24 June 2012 the consolidated entity employed 8,416 full-time employees (2011: 8,806) and 1,748 part-time and casual employees (2011: 1,825). This includes 2,094 (2011: 2,117) full-time employees and 310 (2011: 378) part-time and casual employees in New Zealand.

(B) EMPLOYEE SHARE PLANS

The Company had three employee share plans during the period. 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 three, five or seven 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.

31 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:

	24 JUNE 2012 $	26 JUNE 2011 $
Audit services		
Ernst & Young Australia		
Audit and review of financial reports	**1,031,030**	1,174,200
Affiliates of Ernst & Young Australia		
Audit and review of financial reports	**266,770**	231,750
Non Ernst & Young Firms		
Audit and review of financial reports	**25,854**	27,256
Total audit services	**1,323,654**	1,433,206
Other assurance services		
Ernst & Young Australia		
Regulatory and contractually required audits	**238,692**	276,510
Other	**376,167**	111,182
Affiliates of Ernst & Young Australia		
Regulatory and contractually required audits	**213,515**	170,030
Other	**603,008**	–
Non Ernst & Young Firms		
Regulatory and contractually required audits	**11,818**	20,703
Other	**–**	2,200
Total other assurance services	**1,443,200**	580,625
Total remuneration for assurance services	**2,766,854**	2,013,831
Non assurance services		
Ernst & Young Australia		
Other services	**1,000**	–
Affiliates of Ernst & Young Australia		
Other services		
Non Ernst & Young Firms		
Other services	**–**	–
Total non assurance services	**1,000**	–
Total remuneration of auditors	**2,767,854**	2,013,831

32 DIRECTOR AND EXECUTIVE DISCLOSURES

(A) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

(i) Shareholdings

2012	BALANCE 26 JUNE 2011	NET CHANGE OTHER	BALANCE 24 JUNE 2012	POST YEAR-END ACQUISITIONS	POST YEAR-END DISPOSALS	POST YEAR-END BALANCE
Directors						
R Corbett	99,206	–	99,206	–	–	99,206
NJ Fairfax*	3,892,481	–	3,892,481	–	–	3,892,481
G Hywood	–	118,343	118,343	–	–	118,343
S McPhee	4,783	35,437	40,220	13,156	–	53,376
S Morgan	181,500	1,383,168	1,564,668	–	–	1,564,668
L Nicholls	5,401	34,986	40,387	12,875	–	53,262
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	177,631	(72,816)	104,815	–	–	104,815
A Lam-Po-Tang	–	–	–	–	–	–
C Maher	641	–	641	–	–	641
M Williams	1,281	–	1,281	–	–	1,281
Total	5,602,954	1,499,118	7,102,072	26,031	–	7,128,103

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						
R Corbett	99,206	–	99,206	–	–	99,206
JB Fairfax*	235,426,781	–	235,426,781	–	–	235,426,781
NJ 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	(950)	177,631	–	–	177,631
Total	242,037,541	190,734	242,228,275	14,973	–	242,243,248

* 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.

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

Details of equity-based incentive schemes are included in section 6.2 of the remuneration report.

	OPENING BALANCE 26 JUNE 2011	GRANTED AS REMUNERATION	NET CHANGE OTHER*	CLOSING BALANCE 24 JUNE 2012
Directors				
G Hywood	–	1,514,491	–	**1,514,491**
Key management personnel				
B Cassell	599,889	274,077	(87,983)	**785,983**
G Hambly	504,754	221,030	(7,835)	**717,949**
A Lam-Po-Tang	–	–	–	**–**
C Maher	149,261	129,081	(24,635)	**253,707**
M Williams	120,567	93,716	(15,177)	**199,106**
Total	1,374,471	2,232,395	(135,630)	**3,471,236**

	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

* 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 24 June 2012 (2011: 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 24 June 2012 and 26 June 2011.

33 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 27.

(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 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
Associates				
24 June 2012	2,690	9,110	2,412	115
26 June 2011	2,279	10,224	2,550	61
Joint ventures				
24 June 2012	116	2,905	3	–
26 June 2011	103	3,772	214	1
Director-related entities *				
24 June 2012	1,587	2,252	11	–
26 June 2011	343	4,845	28	7

* Sales to director-related entities primarily relate to advertising sold to major retailers of which Directors are board members. Purchases from director-related entities primarily relate to purchases from energy suppliers of which Directors are board members.

34 NOTES TO THE CASH FLOW STATEMENT

	NOTE	24 JUNE 2012 $'000	26 JUNE 2011 $'000
(A) RECONCILIATION OF NET LOSS AFTER INCOME TAX EXPENSE TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Net loss for the financial year		**(2,725,803)**	(389,667)
Non-cash items			
Depreciation and amortisation	3(B)	**107,503**	114,351
Impairment of property, plant and equipment, intangibles and investments		**2,865,060**	655,051
Amortisation of borrowing costs		**1,921**	1,568
Share of losses/(profits) of associates and joint ventures not received as dividends		**1,717**	(789)
Straight-line rent adjustment		**470**	909
Net loss on disposal of property, plant and equipment		**401**	1,526
Net gain on disposal of investments and other assets		**(1,005)**	(785)
Fair value adjustment to derivatives		**(6,561)**	(6,695)
Net foreign currency (gain)/loss		**(9,070)**	807
Share-based payment expense		**1,068**	2,675
Non-cash superannuation expense		**(716)**	(70)
Gain on revaluation of investment in associate		**(2,541)**	–
Other non-operating gains		**19**	–
Changes in operating assets and liabilities, net of effects from acquisitions			
Decrease in trade receivables		**33,924**	18,725
Decrease/(increase) in other receivables		**3,121**	(2,194)
Decrease/(increase) in inventories		**2,506**	(1,592)
Increase in other assets		**(919)**	(1,113)
Increase in payables		**6,897**	1,777
Increase in provisions		**155,398**	32,303
(Decrease)/increase in tax balances		**(165,741)**	4,638
Net cash inflow from operating activities		**267,649**	431,425

(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:

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Cash on hand and at bank	**358,364**	207,137
Total cash at end of the financial year	**358,364**	207,137

35 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 a going concern 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+ (negative outlook).

The net debt to EBITDA ratio for the Group at 24 June 2012 and 26 June 2011 is as follows:

	NOTE	2012 $'000	2011 $'000
Net debt for financial covenant purposes	18	**914,098**	1,487,601
EBITDA *		**506,022**	608,837
Net debt to EBITDA ratio		**1.81**	2.44

* 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 24 June 2012

	FLOATING RATE $'000	FIXED RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
Financial assets				
Cash and cash equivalents	358,364	–	–	358,364
Trade and other receivables	–	–	323,242	323,242
Available for sale investments	–	–	1,991	1,991
Other financial assets	14,615	–	67	14,682
Derivatives	23,976	–	3,187	27,163
Total financial assets	396,955	–	328,487	725,442
Financial liabilities				
Payables	–	–	282,637	282,637
Interest bearing liabilities:				
Bank borrowings and loans	718,177	8,311	–	726,488
Senior notes	24,361	441,941	–	466,302
Eurobonds	–	–	–	–
Medium term notes	–	–	–	–
Finance lease liability	14,583	–	–	14,583
Total interest bearing liabilities	757,121	450,252	–	1,207,373
Derivatives	60,964	27,243	7,421	95,628
Total financial liabilities	818,085	477,495	290,058	1,585,638

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

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% (2011: 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 24 June 2012 from around 3.53% to 4.59% representing a 106 basis point shift (2011: 151 basis point shift).

In 2012, 72% (2011: 86%) 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	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
If interest rates were 30% higher with all other variables held constant – increase/(decrease)	**(4,352)**	(3,725)	**2,663**	4,888
If interest rates were 30% lower with all other variables held constant – increase/(decrease)	**4,352**	3,725	**(2,755)**	(5,181)

(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; and
- New Zealand Dollars.

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 1.0807 and a 15% stronger Australian Dollar in an exchange rate of 1.4621 based on the year end rate of 1.2714. 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)*	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
If the AUD exchange rate was 15% weaker against the NZD with all other variables held constant – increase/(decrease)	**1,092**	1,232	**(29,424)**	(29,147)
If the AUD exchange rate was 15% stronger against the NZD with all other variables held constant – increase/(decrease)	**(1,932)**	(2,086)	**21,748**	21,543

* 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 0.8548 and a 15% stronger Australian Dollar in an exchange rate of 1.1566 based on the year end rate of 1.0057. 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 1.1028.

	IMPACT ON POST-TAX PROFIT		IMPACT ON EQUITY (CASH FLOW HEDGE RESERVE)	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
If the AUD exchange rate was 15% weaker against the USD with all other variables held constant – increase/(decrease)	**683**	612	**(2,033)**	(2,468)
If the AUD exchange rate was 15% stronger against the USD with all other variables held constant – increase/(decrease)	**(134)**	(145)	**2,939**	2,902

(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 24 June 2012 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 24 June 2012.

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 24 June 2012

	(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	**(282,637)**	**–**	**–**	**–**
Bank borrowings and loans	**(44,862)**	**(193,485)**	**(603,881)**	**–**
Notes and bonds	**(27,111)**	**(75,478)**	**(275,674)**	**(142,900)**
Finance lease liability	**(11,323)**	**(9,491)**	**(12,428)**	**–**
Derivatives – inflows*				
Cross currency swaps – foreign leg (fixed)**	**26,584**	**75,073**	**251,027**	**143,006**
Cross currency swaps – foreign leg (variable)**	**527**	**527**	**24,873**	**–**
Forward foreign currency contracts	**64,328**	**–**	**–**	**–**
Derivatives – outflows*				
Cross currency swaps – AUD leg (fixed)**	**(8,911)**	**(8,911)**	**(26,734)**	**(119,221)**
Cross currency swaps – AUD leg (variable)**	**(9,000)**	**(9,000)**	**(178,712)**	**–**
Cross currency swaps – NZD leg (variable)**	**(8,128)**	**(71,327)**	**(127,294)**	**(54,264)**
Interest rate swaps***	**(2,825)**	**(2,825)**	**(129,238)**	**–**
Forward foreign currency contracts	**(64,428)**	**–**	**–**	**–**
Put option	**(3,711)**	**(3,710)**	**–**	**–**

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)	–

* 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 2012 $'000	FAIR VALUE 2012 $'000	CARRYING VALUE 2011 $'000	FAIR VALUE 2011 $'000
Financial assets				
Cash and cash equivalents	**358,364**	**358,364**	207,137	207,137
Receivables	**323,242**	**323,242**	358,876	358,876
Derivative assets	**27,163**	**27,163**	27,839	27,839
Available for sale investments	**1,991**	**1,991**	2,633	2,633
Other financial assets	**14,682**	**14,682**	18,519	18,519
	725,442	**725,442**	615,004	615,004
Financial liabilities				
Payables	**282,637**	**282,637**	279,669	279,669
Interest bearing liabilities:				
Bank borrowings	**726,488**	**726,488**	423,071	423,071
Eurobonds	**–**	**–**	472,543	473,331
Senior notes	**466,302**	**467,348**	450,293	451,689
Medium term notes	**–**	**–**	167,700	167,700
Finance lease liability	**14,583**	**23,840**	18,425	28,887
Derivative liabilities	**95,628**	**95,628**	186,734	186,734
	1,585,638	**1,595,941**	1,998,435	2,011,081

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 2.12% to 13.32% (2011: 1.94% to 13.35%).

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 24 June 2012

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Derivative assets	**–**	**27,163**	**–**	**27,163**
Available for sale investments	**1,991**	**–**	**–**	**1,991**
	1,991	**27,163**	**–**	**29,154**
Financial liabilities				
Derivative liabilities	**–**	**95,628**	**–**	**95,628**
	–	**95,628**	**–**	**95,628**

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
	2,633	27,839	–	30,472
Financial liabilities				
Derivative liabilities	–	186,734	–	186,734
	–	186,734	–	186,734

36 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.

In the 2012 financial year, the Group has implemented changes to the structure of the organisation which has resulted in a change in its reportable segments. The Group is organised into seven reportable segments based on aggregated operating segments determined by the similarity of products and services provided, economic characteristics and geographical consideration.

The prior year financial information has been restated under the new reportable segments. Refer to Note 1(V) for disclosure on operating segments.

REPORTABLE SEGMENT	PRODUCTS AND SERVICES
Fairfax Regional Media	Newspaper publishing and online for all Australian regional media and for Australia, NZ and USA agricultural media.
Metropolitan Media	Metropolitan news, lifestyle and entertainment media across various platforms including print, online, tablet and mobile. Also includes classifieds for metropolitan and community publications and transactional businesses.
New Zealand Media	Newspaper, magazine and general publishing and online for all New Zealand media.
Printing Operations	Australian and New Zealand printing operations.
Trade Me	Transactional businesses of Trade Me in 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 24 June 2012 is as follows:

	SEGMENT REVENUE $'000	INTERSEGMENT REVENUE $'000	REVENUE FROM EXTERNAL CUSTOMERS $'000	UNDERLYING EBIT $'000
24 June 2012				
Fairfax Regional Media	**573,851**	**(2,223)**	**571,628**	**152,875**
Metropolitan Media	**1,132,997**	**(2,402)**	**1,130,595**	**76,766**
New Zealand Media	**345,562**	**(653)**	**344,909**	**52,684**
Printing Operations	**474,825**	**(411,902)**	**62,923**	**18,480**
Trade Me	**114,014**	**–**	**114,014**	**81,987**
Broadcasting	**97,164**	**(67)**	**97,097**	**11,304**
Other	**8,646**	**–**	**8,646**	**4,423**
Consolidated entity	**2,747,059**	**(417,247)**	**2,329,812**	**398,519**
26 June 2011				
Fairfax Regional Media	587,803	(2,147)	585,656	168,779
Metropolitan Media	1,221,999	(1,344)	1,220,655	124,253
New Zealand Media	361,405	(901)	360,504	58,530
Printing Operations	539,332	(456,164)	83,168	41,343
Trade Me	95,156	–	95,156	73,407
Broadcasting	111,723	–	111,723	24,167
Other	12,041	–	12,041	2,614
Consolidated entity	2,929,459	(460,556)	2,468,903	493,093

(C) OTHER SEGMENT INFORMATION

(i) Segment revenue

Segment revenue reconciles to total revenue and income as follows:

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Total segment revenue from external customers	**2,329,812**	2,468,903
Interest income	**11,122**	10,967
Share of net profits of associates and joint ventures	**(1,746)**	(3,362)
Total revenue and income	**2,339,188**	2,476,508

Revenue from external customers includes the operating segments share of net profits from associates and joint ventures. Intersegment revenue primarily relates to printing charges from internal print facilities for group publications.

The consolidated entity operates predominantly in two geographic segments, Australia and New Zealand. The amount of its revenue from external customers in Australia is $1,870.3 million (2011: $2,011.4 million) and the amount of revenue from external customers in New Zealand is $468.9 million (2011: $465.1 million). Segment revenues are allocated based on the country in which the customer is located.

(ii) Segment result – 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 significant items from the operating segments such as restructuring costs and goodwill, masthead or radio licence impairments when the impairment is the result of an isolated, significant event.

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 before income tax is provided as follows:

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Underlying EBIT	**398,519**	493,093
Interest income	**11,122**	10,967
Finance costs	**(122,857)**	(119,009)
Impairment of mastheads, goodwill, customer relationships and software	**(2,758,061)**	(649,869)
Impairment of property, plant and equipment, and investments	**(106,120)**	(4,038)
Restructuring and redundancy charges	**(200,447)**	(34,222)
Reported net loss before tax	**(2,777,844)**	(303,078)

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 significant items by operating segments is provided for the period ended 24 June 2012 and 26 June 2011.

	IMPAIRMENT OF MASTHEADS, GOODWILL, CUSTOMER RELATIONSHIPS AND SOFTWARE $'000	IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENTS $'000	RESTRUCTURING AND REDUNDANCY CHARGES $'000	TOTAL $'000
24 June 2012				
Fairfax Regional Media	**961,344**	**–-**	**10,625**	**971,969**
Metropolitan Media	**912,823**	**7,293**	**28,248**	**948,364**
New Zealand Media	**608,351**	**10,266**	**70**	**618,687**
Printing Operations	**225,402**	**85,633**	**74,021**	**385,056**
Trade Me	**–**	**–**	**–**	**–**
Broadcasting	**50,000**	**721**	**720**	**51,441**
Other	**141**	**2,207**	**86,763**	**89,111**
Consolidated entity	**2,758,061**	**106,120**	**200,447**	**3,064,628**

	IMPAIRMENT OF MASTHEADS, GOODWILL, CUSTOMER RELATIONSHIPS AND SOFTWARE $'000	IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT $'000	RESTRUCTURING AND REDUNDANCY CHARGES $'000	TOTAL $'000
26 June 2011				
Fairfax Regional Media	5,196	–	1,674	6,870
Metropolitan Media	490,041	–	18,983	509,024
New Zealand Media	77,305	4,038	7,136	88,479
Printing Operations	6,588	–	3,623	10,211
Trade Me	–	–	–	–
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 $2,217.8 million (2011: $5,125.8 million) and the total of these non-current assets located in New Zealand is $866.5 million (2011: $894.9 million). Segment assets are allocated to countries based on where the assets are located.

37 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.

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Financial position of parent entity		
Current assets	**1,764,003**	1,457,808
Total assets	**2,061,419**	4,456,158
Current liabilities	**18,323**	17,587
Total liabilities	**18,742**	17,877
Total equity of parent entity		
Contributed equity	**4,646,248**	4,646,248
General reserve	**(722)**	(722)
Acquisition reserve	**(10,672)**	–
Share-based payment reserve	**7,612**	6,971
Retained losses	**(2,599,789)**	(214,216)
Total equity	**2,042,677**	4,438,281
Result of parent entity		
Loss for the period	**(2,303,255)**	(183,040)
Other comprehensive income	**–**	–
Total comprehensive income for the period	**(2,303,255)**	(183,040)

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 27.

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:

	24 JUNE 2012 $'000	26 JUNE 2011 $'000
Within one year	**161**	157
Later than one year and not later than five years	**82**	243
Later than five years	**–**	–
Total operating lease commitments	**243**	400

38 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The Group completed an agreement to merge Fairfax Community Network Limited in Victoria with MMP Holdings Pty Ltd on 13 July 2012. Following the merger, the Group will hold a 50% interest in MMP Holdings Pty Ltd.

DIRECTORS' DECLARATION

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2012

In accordance with a resolution of the Directors of Fairfax Media Limited, we state that:

1. In the opinion of the Directors:
   (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the consolidated entity's financial position as at 24 June 2012 and of its performance for the year ended on that date;
      (ii) and complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1;
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
   (d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 27 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.
2. This declaration has been made after receiving the declarations required to be made to the Directors from the Chief Executive Officer and the Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 24 June 2012.

On behalf of the Board

Roger Corbett, AO
Chairman

Greg Hywood
Chief Executive Officer and Managing Director

23 August 2012

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Independent auditor's report to the members Fairfax Media Limited

Report on the financial report

We have audited the accompanying financial report of Fairfax Media Limited, which comprises the consolidated balance sheet as at 24 June 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included by reference in the directors' report.

ERNST & YOUNG

Opinion

In our opinion:

a. the financial report of Fairfax Media Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 24 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 23 to 33 of the directors' report for the year ended 24 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Fairfax Media Limited for the year ended 24 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Douglas

Douglas Bain
Partner
Sydney
23 August 2012

SHAREHOLDER INFORMATION

FAIRFAX MEDIA LIMITED

TWENTY LARGEST HOLDERS OF SECURITIES AT 31 AUGUST 2012

	NUMBER OF SECURITIES	%
ORDINARY SHARES (FXJ)		
National Nominees Limited	441,239,137	18.76
JP Morgan Nominees Australia Limited	372,898,972	15.85
Timeview Enterprises Pty Ltd	328,382,124	13.96
HSBC Custody Nominees (Australia) Limited	257,420,674	10.94
Citicorp Nominees Pty Limited <COLONIAL FIRST STATE INV A/C>	165,712,236	7.05
Citicorp Nominees Pty Limited	120,037,851	5.10
BNP Paribas Noms Pty Ltd <MASTER CUST DRP>	80,418,110	3.42
RBC Dexia Investor Services Australia Nominees Pty Limited <MBA A/C>	29,613,951	1.26
AMP Life Limited	27,980,267	1.19
Hanrine Investments Pty Ltd	24,073,540	1.02
JP Morgan Nominees Australia Limited <CASH INCOME A/C>	15,016,908	0.64
QIC Limited	12,657,655	0.54
Pacific Custodians Pty Limited <EXECUTIVE ESP TST A/C>	12,119,887	0.52
CS Fourth Nominees Pty Ltd	11,510,438	0.49
BNP Paribas Noms Pty Ltd <SMP ACCOUNTS DRP>	10,434,605	0.44
Share Direct Nominees Pty Ltd <10026 A/C>	7,462,400	0.32
RBC Dexia Investor Services Australia Nominees Pty Limited <PI POOLED A/C>	7,382,229	0.31
UBS Wealth Management Australia Nominees Pty Ltd	5,169,760	0.22
M F Custodians Ltd	4,761,794	0.20
HSBC Custody Nominees (Australia) Limited - A/C 2	4,296,196	0.18
	1,938,588,734	82.42
DEBENTURES		
National Financial Services Corp.	281	100

OPTIONS

There were no options exercisable at the end of the financial year.

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as shown in substantial shareholder notices received by the Company as at 31 August 2012 are:

	ORDINARY SHARES
Hancock Prospecting Pty Ltd	352,455,664
Allan Gray Australia Pty Ltd	195,014,605
Commonwealth Bank of Australia	175,891,782
AXA Group	166,269,107
National Australia Bank Limited Group	152,253,051
Maple-Brown Abbott Limited	136,691,699
Lazard Asset Management Pacific Co	119,763,425
IOOF Holdings Limited	117,884,540

DISTRIBUTION OF HOLDINGS AT 31 AUGUST 2012

NO. OF SECURITIES	NO. OF ORDINARY SHAREHOLDERS	NO. OF DEBENTURE HOLDERS
1 – 1,000	9,298	1
1,001 – 5,000	14,913	–
5,001 – 10,000	5,435	–
10,001 – 100,000	5,929	–
100,001 and over	438	–
Total number of holders	36,013	1
Number of holders holding less than a marketable parcel	10,211	–

VOTING RIGHTS

Voting rights of ordinary shareholders are governed by Rules 5.8 and 5.9 of the Company's Constitution which provide that every member present personally or by proxy, attorney or representative shall on a show of hands have one vote and on a poll, shall have one vote for every share held. Debentures do not carry any voting rights.

FIVE YEAR PERFORMANCE SUMMARY

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES

		2012	2011	2010	2009	2008
Income Statement						
Total revenue	$m	**2,339.2**	2,476.5	2,490.3	2,609.5	2,934.0
Revenues from operations	$m	**2,319.7**	2,463.4	2,476.8	2,599.1	2,900.9
Earnings/(loss) before depreciation, interest and tax (EBITDA)	$m	**(2,558.6)**	(80.7)	639.1	(59.0)	818.3
Depreciation	$m	**107.5**	114.4	113.6	117.6	108.3
Earnings/(loss) before interest and tax	$m	**(2,666.1)**	(195.0)	525.4	(176.6)	710.0
Net interest expense	$m	**111.7**	108.0	128.0	174.9	186.9
Profit/(loss) before tax	$m	**(2,777.8)**	(303.1)	397.5	(351.4)	523.2
Income tax expense/(benefit)	$m	**(52.0)**	86.6	115.1	29.7	135.7
Net profit/(loss) attributable to members of the Company	$m	**(2,732.4)**	(390.9)	282.1	(380.1)	386.9
Net profit before significant items	$m	**205.4**	283.8	290.5	242.4	395.3
Balance Sheet						
Total equity	$m	**2,042.7**	4,438.7	5,306.7	5,011.8	4,965.3
Total assets	$m	**4,006.6**	6,700.6	7,394.1	7,487.6	8,293.1
Total borrowings	$m	**1,207.4**	1,532.0	1,478.5	1,908.3	2,511.9
Statistical Analysis						
Number of shares and debentures	m	**2,352.0**	2,352.0	2,352.0	2,352.0	1,513.5
Number of shareholders		**35,174**	37,974	43,231	49,050	50,184
Number of SPS holders		**–**	–	1,516	1,388	1,010
EBITDA to operating revenue	%	**(110.7)**	(3.3)	25.8	(2.3)	28.2
EBIT to operating revenue	%	**(115.4)**	(7.9)	21.2	(6.8)	24.5
Basic earnings/(loss) per share	cents	**(116.2)**	(17.0)	11.5	(21.6)	22.9
Basic earnings per share before significant items	cents	**8.7**	11.6	11.8	12.4	23.4
Operating cash flow per share	cents	**11.4**	18.3	19.1	16.4	27.7
Dividend per share	cents	**3.0**	3.0	2.5	2.0	20.0
Dividend payout ratio	%	**–**	–	21.7	–	87.3
Interest cover based on EBITDA before significant items	Times	**4.5**	5.6	5.0	3.5	4.4
Gearing	%	**59.1**	34.5	27.9	38.1	50.6
Return on equity	%	**10.1**	6.4	5.5	4.8	8.0
Market price per share	$	**0.58**	0.98	1.36	1.23	2.69
Market capitalisation	$m	**1,364.1**	2,304.9	3,198.7	2,892.9	4,071.4
Number of full-time employees		**8,416**	8,806	8,778	8,979	9,800
Number of part-time and casual employees		**1,748**	1,825	1,801	1,828	2,106

DIRECTORY

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 10.30am on Wednesday 24 October 2012 at the Ballroom, Park Hyatt, 1 Parliament Square, Melbourne VIC.

FINANCIAL CALENDAR 2013

Interim result	February 2013
Preliminary final result	August 2013
Annual General Meeting	November 2013

COMPANY SECRETARY

Gail Hambly

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Fax: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

SECURITIES EXCHANGE LISTING

The Company's ordinary shares are listed on the Australian Securities Exchange as FXJ.

WEBSITE

Corporate information and the Fairfax annual report can be found via the Company's website at www.fairfaxmedia.com.au. The Company's family of websites can be accessed through www.fairfax.com.au

HOW TO OBTAIN THE FAIRFAX ANNUAL REPORT

A soft copy of the annual report is available at www.fairfaxmedia.com.au. To obtain a hard copy of the report, contact Link Market Services – see contact details under Share Registry.

CONSOLIDATION OF SHAREHOLDINGS

Shareholders who wish to consolidate their separate shareholdings into one account should advise the Share Registry in writing.

DIRECT PAYMENT TO SHAREHOLDERS' ACCOUNTS

The Company pays dividends by direct credit to shareholders' bank accounts. The Company no longer issues cheques except in exceptional circumstances. A direct credit form can be obtained from the Share Registry.

Payments are electronically credited on the dividend date and confirmed by a mailed payment advice. Shareholders are advised to notify the Share Registry (although it is not obligatory) of their tax file number so that dividends can be paid without tax being withheld.

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