

# Appendix 4D and Half Year Financial Report

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

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The half year financial report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3 and should be read in conjunction with the 2011 annual financial report.

# Results for Announcement to the Market

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

Reported				
Total revenue	down	5.0%	to	\$1,232.2m
Net profit for the period attributable to members	down	43.9%	to	\$96.7m

Underlying				
Total revenue	down	5.0%	to	\$1,232.2m
Net profit for the period attributable to members	down	21.3%	to	\$135.7m

## DIVIDENDS

	Amount per security	Franked amount per security
<b>25 December 2011</b>		
Interim dividend - ordinary securities	2.0¢	2.0¢
Record date for determining entitlements to the interim dividend	7 March 2012	
<b>26 December 2010</b>		
Interim dividend - ordinary securities	1.5¢	1.5¢
Record date for determining entitlements to the interim dividend	7 March 2011	

## NET TANGIBLE ASSETS PER SHARE

	25 December 2011 \$	26 December 2010 \$
Net tangible asset backing per ordinary share	(0.19)	(0.22)
Net asset backing per ordinary share	2.01	2.25

# Results for Announcement to the Market

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

## Trading Performance

	Note	As reported		Significant items (v)		Underlying trading performance	
		25 Dec 2011	26 Dec 2010	25 Dec 2011	26 Dec 2010	25 Dec 2011	26 Dec 2010
		6 months	6 months	6 months	6 months	6 months	6 months
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total revenue	(i)	1,232,207	1,297,653	-	-	1,232,207	1,297,653
Associate profits	(ii)	1,332	1,377	-	-	1,332	1,377
Expenses	(iii)	984,759	951,984	(47,502)	-	937,257	951,984
<b>Operating EBITDA</b>		<b>248,780</b>	<b>347,046</b>	<b>47,502</b>	<b>-</b>	<b>296,282</b>	<b>347,046</b>
Depreciation and amortisation		54,583	56,287	-	-	54,583	56,287
<b>EBIT</b>		<b>194,197</b>	<b>290,759</b>	<b>47,502</b>	<b>-</b>	<b>241,699</b>	<b>290,759</b>
Net interest expense	(iv)	59,002	51,864	-	-	59,002	51,864
<b>Net profit before tax</b>		<b>135,195</b>	<b>238,895</b>	<b>47,502</b>	<b>-</b>	<b>182,697</b>	<b>238,895</b>
Tax expense/(benefit)		37,615	65,956	8,468	-	46,083	65,956
<b>Net profit after tax</b>		<b>97,580</b>	<b>172,939</b>	<b>39,034</b>	<b>-</b>	<b>136,614</b>	<b>172,939</b>
Net profit attributable to non-controlling interest		924	599	-	-	924	599
<b>Net profit attributable to members of the Company</b>		<b>96,656</b>	<b>172,340</b>	<b>39,034</b>	<b>-</b>	<b>135,690</b>	<b>172,340</b>
SPS dividend (net of tax)	(vi)	-	6,943	-	-	-	6,943
<b>Net profit after tax and SPS dividend</b>		<b>96,656</b>	<b>165,397</b>	<b>39,034</b>	<b>-</b>	<b>135,690</b>	<b>165,397</b>
<b>Earnings per share</b>		<b>4.1</b>	<b>7.0</b>			<b>5.8</b>	<b>7.0</b>

### Notes:

- (i) Revenue from ordinary activities excluding interest income.
- (ii) Share of net profits of associates and joint ventures.
- (iii) Expenses from ordinary activities excluding depreciation and finance costs.
- (iv) Finance costs less interest income.
- (v) Significant items are those items of such a nature or size that separate disclosure will assist users to understand the accounts.
- (vi) The Stapled Preference Shares (SPS) were repurchased on 29 April 2011.

# Directors' Report

Fairfax Media Limited and Controlled Entities

The Board of Directors presents its report on the consolidated entity of Fairfax Media Limited (the Company) and the entities it controlled at the end of, or during, the period ended 25 December 2011.

## Directors

The directors of the Company at any time during the period ended 25 December 2011 or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated:

### MR ROGER CORBETT, AO

Non-Executive Chairman

### MS SANDRA MCPHEE

Non-Executive Director

### MR GREGORY HYWOOD

Chief Executive Officer and Managing Director

### MR SAM MORGAN

Non-Executive Director

### MR MICHAEL ANDERSON

Non-Executive Director

Leave of absence from Board as of 7 November 2011 whilst serving as Executive Chairman of Fairfax Radio

### MS LINDA NICHOLLS, AO

Non-Executive Director

### MR ROBERT SAVAGE, AM

Non-Executive Director

### MR NICHOLAS FAIRFAX

Non-Executive Director

Resigned 29 November 2011

### MR PETER YOUNG, AM

Non-Executive Director

## Review of operations

The key highlights of the trading results of the Company for the period ended 25 December 2011 as compared to the corresponding period are:

- Revenue decreased 5% to \$1.2 billion.
- EBITDA decreased 28% to \$248.8 million.
- Profit after tax of \$96.7 million, a decrease of 44% compared to the previous corresponding period.
- Earnings per share of 4.1 cents, down 42%.
- Net debt reduced by \$361.1 million to \$1.13 billion.
- Interim dividend increased 33% to 2.0 cents per share, fully franked.

Advertising market conditions varied between market segments. Within metropolitan media, real estate was stronger in an overall weaker market. Earnings in the regional and agricultural markets remain resilient as compared to metropolitan media. The digital businesses including Trade Me experienced solid revenue and profit growth through the period. Online revenue across the group grew 14% for the period.

New Zealand media continues to be impacted by a weaker economy.

## Significant changes in the state of affairs

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

- The Company 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. Trade Me's shares are now listed on both the New Zealand Exchange and the Australian Stock Exchange with 34% of the shares held by external parties.
- On 23 December 2011, the Company announced that it had entered into an agreement subject to ACCC approval to merge Fairfax Community Network Limited in Victoria with Metro Media Publishing Pty Ltd. Following the merger, the Company will hold a 50% interest in Metro Media Publishing. As part of acquiring this interest, the Company is required to contribute \$35 million in cash to the shareholders of Metro Media Publishing.

# Directors' Report (continued)

Fairfax Media Limited and Controlled Entities

## Dividends

An interim franked dividend of 2.0 cents (2011: 1.5 cents franked) has been declared by the Board. Record date for the interim ordinary dividend is 7 March 2012 and the dividend will be payable on 21 March 2012.

## Rounding of amounts

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

## Auditor's Independence Declaration

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

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



**Roger Corbett, AO**  
Chairman

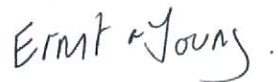


**Gregory Hywood**  
Chief Executive Officer and Managing Director

**Sydney**  
23 February 2012

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

In relation to our review of the financial report of Fairfax Media Limited for the half-year ended 25 December 2011 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  
Sydney  
23 February 2012

# Consolidated Income Statement

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

	Note	25 December 2011 \$'000	26 December 2010 \$'000
Revenue from operations	2(A)	1,226,460	1,297,491
Other revenue and income	2(B)	8,871	6,190
<b>Total revenue and income</b>		<b>1,235,331</b>	<b>1,303,681</b>
Share of net profits of associates and joint ventures		1,332	1,377
Expenses from operations excluding impairment, depreciation, amortisation and finance costs	3(A)	(951,666)	(951,134)
Impairment of intangibles, plant and equipment		(33,093)	(850)
Depreciation and amortisation	3(B)	(54,583)	(56,287)
Finance costs	3(C)	(62,126)	(57,892)
<b>Net profit from operations before income tax expense</b>		<b>135,195</b>	<b>238,895</b>
Income tax expense		(37,615)	(65,956)
<b>Net profit from operations after income tax expense</b>		<b>97,580</b>	<b>172,939</b>
<b>Net profit is attributable to:</b>			
Non-controlling interest		924	599
Owners of the parent		96,656	172,340
		<b>97,580</b>	<b>172,939</b>
<b>Earnings per share (cents per share)</b>			
Basic earnings per share (cents per share)	13	4.1	7.0
Diluted earnings per share (cents per share)	13	4.1	6.7

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

# Consolidated Statement of Comprehensive Income

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

	25 December 2011 \$'000	26 December 2010 \$'000
Net profit from operations after income tax expense	97,580	172,939
<b>Other comprehensive income</b>		
Changes in fair value of available for sale financial assets	(383)	(944)
Actuarial (loss)/gain on defined benefit plans	(1,728)	2,260
Changes in fair value of cash flow hedges	(9,236)	(2,481)
Changes in value of net investment hedges	3,481	21,938
Exchange differences on translation of foreign operations	(24,861)	(147,442)
Income tax on items of other comprehensive income	2,237	(6,083)
<b>Other comprehensive income for the period, net of tax</b>	<b>(30,490)</b>	<b>(132,752)</b>
<b>Total comprehensive income for the period</b>	<b>67,090</b>	<b>40,187</b>
<b>Total comprehensive income is attributable to:</b>		
Non-controlling interest	924	599
Owners of the parent	66,166	39,588
	<b>67,090</b>	<b>40,187</b>

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



# Consolidated Balance Sheet

Fairfax Media Limited and Controlled Entities  
as at 25 December 2011

	Note	25 December 2011 \$'000	26 June 2011 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		555,232	207,137
Trade and other receivables		344,486	371,742
Inventories		40,439	38,967
Assets held for sale		18,851	4,975
Derivative assets		2	-
Other financial assets		3,899	3,686
<b>Total current assets</b>		<b>962,909</b>	<b>626,507</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		2,714	2,268
Investments accounted for using the equity method	6	33,419	33,322
Available for sale investments		2,250	2,633
Intangible assets	7	5,183,538	5,260,108
Property, plant and equipment		683,080	722,346
Derivative assets		31,735	27,839
Deferred tax assets		3,660	10,512
Pension assets		233	260
Other financial assets		12,862	14,833
<b>Total non-current assets</b>		<b>5,953,491</b>	<b>6,074,121</b>
<b>Total assets</b>		<b>6,916,400</b>	<b>6,700,628</b>
<b>CURRENT LIABILITIES</b>			
Payables		265,507	279,669
Interest bearing liabilities	8	456,692	666,785
Derivative liabilities		106,877	80,200
Liabilities directly associated with held for sale assets		4,084	-
Provisions		120,804	140,810
Current tax liabilities		7,522	46,477
<b>Total current liabilities</b>		<b>961,486</b>	<b>1,213,941</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	8	1,057,746	865,247
Derivative liabilities		92,783	106,534
Deferred tax liabilities		12,628	21,815
Provisions		50,909	50,396
Pension liabilities		4,743	3,595
Other non-current liabilities		338	392
<b>Total non-current liabilities</b>		<b>1,219,147</b>	<b>1,047,979</b>
<b>Total liabilities</b>		<b>2,180,633</b>	<b>2,261,920</b>
<b>NET ASSETS</b>			
<b>EQUITY</b>			
Contributed equity	9	4,646,248	4,646,248
Reserves		(147,064)	(226,294)
Retained profits		71,922	11,764
<b>Total parent entity interest</b>		<b>4,571,106</b>	<b>4,431,718</b>
Non-controlling interest		164,661	6,990
<b>TOTAL EQUITY</b>		<b>4,735,767</b>	<b>4,438,708</b>

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

# Consolidated Cash Flow Statement

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

	25 December 2011	26 December 2010
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	1,361,278	1,442,730
Payments to suppliers and employees (inclusive of GST)	(1,062,776)	(1,092,111)
Redundancy payments	(27,179)	(3,006)
Interest received	2,184	5,159
Dividends and distributions received	1,288	1,083
Finance costs paid	(63,873)	(58,452)
Net income taxes paid	(79,489)	(61,217)
<b>Net cash inflow from operating activities</b>	<b>131,433</b>	<b>234,186</b>
<b>Cash flows from investing activities</b>		
Payment for purchase of controlled entities, associates and joint ventures (net of cash acquired)	(3,050)	(5,749)
Payment for purchase of businesses, including mastheads	(1,193)	(5,433)
Payment for property, plant and equipment and software	(21,527)	(29,012)
Proceeds from sale of property, plant and equipment	3,070	3,408
Proceeds from sale of investments and other assets	18,286	1,784
Proceeds from disposal of non-controlling interest in subsidiary (net of transaction costs) *	264,311	-
Loans advanced to other parties	-	(20,820)
Loans repaid by other parties	2,362	800
Repayment of convertible notes	-	100
<b>Net cash inflow/(outflow) from investing activities</b>	<b>262,259</b>	<b>(54,922)</b>
<b>Cash flows from financing activities</b>		
Payment for shares acquired by employee share trust	-	(4,666)
Proceeds from borrowings and other financial liabilities	181,270	11,743
Repayment of borrowings and other financial liabilities	(193,267)	(47,951)
Dividends and distributions paid to shareholders including SPS	5 (35,279)	(42,877)
Dividends paid to non-controlling interests in subsidiaries	(142)	(864)
<b>Net cash outflow from financing activities</b>	<b>(47,418)</b>	<b>(84,615)</b>
<b>Net increase in cash and cash equivalents held</b>	<b>346,274</b>	<b>94,649</b>
Cash and cash equivalents at beginning of the year	207,137	117,872
Effect of exchange rate changes on cash and cash equivalents	1,821	(4,926)
<b>Cash and cash equivalents at end of the financial period</b>	<b>555,232</b>	<b>207,595</b>

\* The proceeds relate to the sale of 34% of Trade Me Group Limited on 13 December 2010. This entity is still controlled by the Group.

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

# Consolidated Statement of Changes in Equity

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

	Reserves										Total equity \$'000	
	Contributed equity \$'000	Asset revaluation reserve \$'000	Acquisition reserve \$'000	Foreign currency translation reserve \$'000	Cashflow hedge reserve \$'000	Net investment hedge reserve \$'000	Share-based payment reserve \$'000	General reserve \$'000	Total reserves \$'000	Retained earnings \$'000		Non-controlling interest \$'000
<b>Balance at 27 June 2011</b>	4,646,248	506	563	(233,884)	1,220	5,167	6,971	(6,837)	(226,294)	11,764	6,990	4,438,708
Profit for the period	-	-	-	-	-	-	-	-	-	96,656	924	97,580
Other comprehensive income	-	(393)	-	(24,857)	(6,458)	2,437	-	-	(29,271)	(1,219)	-	(30,490)
<b>Total comprehensive income for the period</b>	-	(393)	-	(24,857)	(6,458)	2,437	-	-	(29,271)	95,437	924	67,090
<b>Transactions with owners in their capacity as owners:</b>												
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(35,279)	-	(35,279)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(142)	(142)
Disposal of non-controlling interest in subsidiary *	-	-	107,576	-	-	-	-	-	107,576	-	156,889	264,465
Share based payments, net of tax	-	-	-	-	-	-	925	-	925	-	-	925
<b>Total transactions with owners</b>	-	-	107,576	-	-	-	925	-	108,501	(35,279)	156,747	229,969
<b>Balance at 25 December 2011</b>	4,646,248	113	108,139	(258,741)	(5,238)	7,604	7,896	(6,837)	(147,064)	71,922	164,661	4,735,767

\* This relates to the sale of 34% of Trade Me Group Limited on 13 December 2010. This entity is still controlled by the Group.

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

# Consolidated Statement of Changes in Equity

Fairfax Media Limited and Controlled Entities  
for the period ended 26 December 2010

	Reserves								Total equity \$'000		
	Contributed equity \$'000	Asset revaluation reserve \$'000	Acquisition reserve \$'000	Foreign currency translation reserve \$'000	Cashflow hedge reserve \$'000	Net investment hedge reserve \$'000	Share-based payment reserve \$'000	Total reserves \$'000		Retained earnings \$'000	Non-controlling interest \$'000
<b>Balance at 28 June 2010</b>	4,942,677	1,833	-	(140,969)	10,946	(4,037)	5,099	(127,128)	481,978	9,211	5,306,738
Profit for the period	-	-	-	-	-	-	-	-	172,340	599	172,939
Other comprehensive income	-	(661)	-	(147,292)	(1,737)	15,356	-	(134,334)	1,582	-	(132,752)
<b>Total comprehensive income for the period</b>	-	(661)	-	(147,292)	(1,737)	15,356	-	(134,334)	173,922	599	40,187
<b>Transactions with owners in their capacity as owners:</b>											
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(42,877)	-	(42,877)
Tax effect of SPS dividend	-	-	-	-	-	-	-	-	2,984	-	2,984
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	(892)	(892)
Acquisition of controlled entities not wholly owned	-	-	-	-	-	-	-	-	-	1,011	1,011
Acquisition of non-controlling interest	-	-	(5,900)	-	-	-	-	(5,900)	-	(161)	(6,061)
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	-	-	-	-	-	-	1,090	1,090	-	-	1,090
<b>Total transactions with owners</b>	(3,266)	-	(5,900)	-	-	-	1,090	(4,810)	(39,893)	(42)	(48,011)
<b>Balance at 26 December 2010</b>	4,939,411	1,172	(5,900)	(288,261)	9,209	11,319	6,189	(266,272)	616,007	9,768	5,298,914

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

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

## 1. Summary of significant accounting policies

### (A) BASIS OF PREPARATION

This general purpose financial report for the interim half year reporting period ended 25 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all notes of the type normally included within the annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Fairfax Media Limited for the period ended 26 June 2011 and any public announcements made by Fairfax Media Limited and its controlled entities (the Group) during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

This interim financial report is for the 26 weeks from 27 June 2011 to 25 December 2011 (2010: the 26 weeks from 28 June 2010 to 26 December 2010). Reference in this report to 'period' is to the period 27 June 2011 to 25 December 2011 (2010: 28 June 2010 to 26 December 2010), unless otherwise stated. Fairfax Media Limited reports its half year and annual results on a 26 week and 52 week basis respectively.

As at 25 December 2011, the Group's net current assets were \$1.4 million. The Eurobonds, inclusive of the hedge liability (\$556.7m), have been classified as current due to their maturity date of 15 June 2012. The Group has sufficient committed but unused facilities at the balance sheet date to finance its liabilities as and when they fall due, including maturing liabilities as disclosed in Note 8. In the opinion of the Directors, Fairfax Media Limited will be able to continue to pay its debts as and when they fall due. As a result the financial report of the Group has been prepared on a going concern basis.

### (B) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the interim financial report, the significant judgements made by the Group in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the annual period ended 26 June 2011, except as otherwise noted.

### (C) NEW ACCOUNTING STANDARDS AND AASB INTERPRETATIONS

The Group's view on the application of new accounting standards and amendments which are not yet effective for the interim 25 December 2011 reporting period were the same as those in the consolidated financial report as at and for the annual period ended 26 June 2011.

### (D) ROUNDING OF AMOUNTS

The Group is of a kind referred to in Class Order 98/100, as amended by Class Order 04/667, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

## Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

	25 December 2011 \$'000	26 December 2010 \$'000
<b>2. Revenues</b>		
<b>(A) REVENUE FROM OPERATIONS</b>		
Total revenue from sale of goods	230,559	250,093
Total revenue from services	995,901	1,047,398
<b>Total revenue from operations</b>	<b>1,226,460</b>	<b>1,297,491</b>
<b>(B) OTHER REVENUE AND INCOME</b>		
Interest income	3,124	6,028
Dividend revenue	44	6
Gains on sale of property, plant and equipment	91	129
Other	5,612	27
<b>Total other revenue and income</b>	<b>8,871</b>	<b>6,190</b>
<b>Total revenue and income</b>	<b>1,235,331</b>	<b>1,303,681</b>

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

	25 December 2011 \$'000	26 December 2010 \$'000
<b>3. Expenses</b>		
<b>(A) EXPENSES BEFORE IMPAIRMENT, DEPRECIATION, AMORTISATION AND FINANCE COSTS</b>		
<b>FINANCE COSTS</b>		
Staff costs excluding staff redundancy costs	436,226	435,087
Redundancy costs	14,405	2,449
Newsprint and paper	113,968	129,753
Distribution costs	69,261	69,934
Production costs	95,846	99,370
Promotion and advertising costs	61,828	63,694
Rent and outgoings	30,278	29,010
Repairs and maintenance	14,831	14,722
Communication costs	11,416	11,181
Maintenance and other computer costs	13,763	13,624
Fringe benefits tax, travel and entertainment	13,581	13,179
Other	76,263	69,131
<b>Total expenses before impairment, depreciation, amortisation and finance costs</b>	<b>951,666</b>	<b>951,134</b>
<b>(B) DEPRECIATION AND AMORTISATION</b>		
Depreciation of freehold buildings	2,553	2,547
Depreciation of plant and equipment	34,572	37,104
Amortisation of leasehold property/buildings	2,253	1,771
Amortisation of tradenames	15	-
Amortisation of software	13,828	13,617
Amortisation of customer relationships	1,362	1,248
<b>Total depreciation and amortisation</b>	<b>54,583</b>	<b>56,287</b>
<b>(C) FINANCE COSTS</b>		
External corporations/persons	62,699	60,129
Finance lease	1,784	2,354
Hedge ineffectiveness	(2,357)	(4,591)
<b>Total finance costs</b>	<b>62,126</b>	<b>57,892</b>

## Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

	25 December 2011 \$'000	26 December 2010 \$'000
<b>4. Significant items</b>		
The profit after tax from operations includes the following items whose disclosure is relevant in explaining the financial performance of the consolidated entity.		
<b>Restructuring and redundancy - Comprising:</b>		
Restructuring and redundancy charges	14,409	-
Income tax benefit	(4,315)	-
<b>Restructuring and redundancy, net of tax</b>	<b>10,094</b>	<b>-</b>
<b>Impairment of intangibles, plant and equipment - Comprising:</b>		
Impairment of mastheads	22,278	-
Impairment of plant and equipment	10,815	-
Income tax benefit	(4,153)	-
<b>Impairment of intangibles, plant and equipment, net of tax</b>	<b>28,940</b>	<b>-</b>
<b>Net significant items after income tax benefit</b>	<b>39,034</b>	<b>-</b>

During the period, a \$22.3m impairment of mastheads was triggered predominantly in the Metropolitan Media cash generating unit.

Following a review of recoverable amount based on a value in use assessment of plant and equipment, an impairment charge of \$10.8m has been recorded primarily against press assets at one of the Group's New Zealand production facilities.



# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

	25 December 2011 \$'000	26 December 2010 \$'000
<b>5. Dividends paid and proposed</b>		
<b>(A) ORDINARY SHARES</b>		
Final dividend:		
2012: 1.5 cents - paid 27 September 2011 (100% franked)	35,279	-
2011: 1.4 cents - paid 23 September 2010 (100% franked)	-	32,927
<b>Total dividends paid - ordinary shares</b>	<b>35,279</b>	<b>32,927</b>
<b>(B) STAPLED PREFERENCE SHARES (SPS)</b>		
SPS dividend:		
2012: Nil	-	-
2011: \$3.2515 per share - paid 1 November 2010	-	9,950
<b>Total dividends paid - SPS</b>	<b>-</b>	<b>9,950</b>
<b>Total dividends paid</b>	<b>35,279</b>	<b>42,877</b>

## (C) DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY

Since 25 December 2011, the directors have declared a franked interim dividend of 2 cents per fully paid ordinary share. The aggregate amount of the interim dividend to be paid on 21 March 2012 out of the retained profits at 25 December 2011, but not recognised as a liability at the end of the half year is expected to be \$47.0 million.

The directors have resolved not to reinstate the Company's dividend reinvestment plan (DRP) at this time.

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

	Note	25 December 2011 \$'000	26 June 2011 \$'000
<b>6. Investments accounted for using the equity method</b>			
Shares in associates	(A)	14,224	14,449
Shares in joint ventures	(B)	19,195	18,873
<b>Total investments accounted for using the equity method</b>		<b>33,419</b>	<b>33,322</b>

## (A) INTERESTS IN ASSOCIATES

Name of Company	Principal Activity	Place of Incorporation	Ownership interest	
			Dec 2011	Dec 2010
Australian Associated Press Pty Ltd	News agency business and information service	Australia	47.0%	47.0%
Autobase Limited	E-commerce: online vehicle dealer automotive website	New Zealand	25.4%	25.4%
Digital Radio Broadcasting Melbourne Pty Ltd	Digital audio broadcasting	Australia	18.0%	18.0%
Digital Radio Broadcasting Perth Pty Ltd	Digital audio broadcasting	Australia	33.4%	33.4%
Digital Radio Broadcasting Brisbane Pty Ltd	Digital audio broadcasting	Australia	25.0%	25.0%
Digital Radio Broadcasting Sydney Pty Ltd	Digital audio broadcasting	Australia	11.3%	11.3%
Earth Hour Limited	Environmental promotion	Australia	33.3%	33.3%
Homebush Transmitters Pty Ltd	Rental of a transmission facility	Australia	50.0%	50.0%
Newspaper House Limited	Property ownership	New Zealand	45.5%	45.5%
New Zealand Press Association Ltd	News agency business and financial information service	New Zealand	49.2%	49.2%
NGA.net Pty Ltd	Provider of e-recruitment software to corporations	Australia	28.0%	28.0%
Perth FM Facilities Pty Ltd	Rental of a transmission facility	Australia	33.3%	33.3%
Times Newspapers Limited	Newspaper publishing	New Zealand	49.9%	49.9%
XchangeIT Newsagents Pty Ltd	Provider of EDI software	Australia	25.0%	-
XchangeIT Software Pty Ltd	Provider of EDI software	Australia	33.3%	-

## Share of associates' profits

	25 December 2011 \$'000	26 December 2010 \$'000
Revenue	22,242	17,627
Profit/(loss) before income tax expense	37	(309)
Income tax (expense)/benefit	(21)	139
<b>Net profit/(loss) after income tax</b>	<b>16</b>	<b>(170)</b>

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

## 6. Investments accounted for using the equity method (continued)

### (B) INTERESTS IN JOINT VENTURES

Name of Company	Principal Activity	Place of Incorporation	Ownership interest	
			Dec 2011	Dec 2010
Fermax Distribution Company Pty Ltd	Letterbox distribution of newspapers	Australia	50.0%	50.0%
Gilgandra Newspapers Pty Ltd	Newspaper publishing and printing	Australia	50.0%	50.0%
Gippsland Regional Publications Partnership	Newspaper publishing and printing	Australia	50.0%	50.0%
Torch Publishing Company Pty Ltd	Newspaper publishing and printing	Australia	50.0%	50.0%
Farm Progress/VX LLC	Organisation of agricultural events	USA	50.0%	-

### Share of joint ventures' profits

	25 December 2011 \$'000	26 December 2010 \$'000
Revenues	5,795	7,211
Expenses	(4,370)	(5,567)
Profit before income tax expense	1,425	1,644
Income tax expense	(109)	(97)
<b>Net profit after income tax</b>	<b>1,316</b>	<b>1,547</b>

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

	25 December 2011 \$'000	26 June 2011 \$'000
<b>7. Intangible assets</b>		
Mastheads and tradenames	<b>3,208,888</b>	3,254,396
Software	<b>64,514</b>	71,024
Customer relationships	<b>9,457</b>	3,453
Radio licences	<b>121,637</b>	132,217
Goodwill	<b>1,779,042</b>	1,799,018
<b>Total intangible assets</b>	<b>5,183,538</b>	5,260,108

## Impairment of goodwill and intangibles with indefinite useful lives

The Group tests annually whether goodwill and intangible assets with indefinite useful lives are impaired. Each interim reporting period, the Group assesses whether there are any indicators of impairment. In reviewing for such indicators, each of the key assumptions subject to significant accounting judgement, including growth rates, discount rates relevant to individual cash generating unit (CGU) groups and the growth rates beyond year three cash flows which form the basis of the terminal value, are challenged in light of current circumstances.

The Group does not consider that there are any other reasonably possible changes in any of the key assumptions which would cause the carrying amount of any of the CGU Groups to exceed its recoverable amount.

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

	Note	25 December 2011 \$'000	26 June 2011 \$'000
<b>8. Interest bearing liabilities</b>			
<b>Current interest bearing liabilities - unsecured</b>			
Bank borrowings	(B)	-	19,378
Other loans			
Medium term notes	(E)	-	167,700
Eurobonds	(F)	449,722	472,543
Other	(D)	2,987	3,322
Finance lease liability	(D)	3,983	3,842
<b>Total current interest bearing liabilities</b>		<b>456,692</b>	<b>666,785</b>
<b>Non-current interest bearing liabilities - unsecured</b>			
Bank borrowings	(B)	573,700	392,060
Other loans			
Senior notes	(C)	464,480	450,293
Other	(D)	7,010	8,311
Finance lease liability	(D)	12,556	14,583
<b>Total non-current interest bearing liabilities</b>		<b>1,057,746</b>	<b>865,247</b>
<b>Net debt for financial covenant purposes</b>			
Cash and cash equivalents		(555,232)	(207,137)
Current interest bearing liabilities		456,692	666,785
Non-current interest bearing liabilities		1,057,746	865,247
Derivative financial instruments liabilities *		167,323	162,706
<b>Net debt for financial covenant purposes</b>		<b>1,126,529</b>	<b>1,487,601</b>

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

## (A) FINANCING ARRANGEMENTS

The Group net debt for financial covenant purposes, taking into account all debt related derivative financial instruments, was \$1,127 million as at 25 December 2011 (26 June 2011: \$1,488 million).

The Group has sufficient unused committed facilities at the balance sheet date to finance maturing current interest bearing liabilities.

The Group has a number of financing facilities which are guaranteed by Fairfax Media Limited and are covered by deeds of negative pledge.

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

## 8. Interest bearing liabilities (continued)

### (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 (26 June 2011: NZ\$25.0 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 25 December 2011, \$450 million was drawn down (26 June 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 25 December 2011, NZ\$166 million was drawn down (26 June 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 4.2 years. The applicable cross-currency swap credit margin includes the cost of hedging all currency risk and future interest and principal repayments on a quarterly basis.

The Group issued further Senior Notes in the US private placement market with a principal value of US\$250 million (A\$308.2 million) in July 2007 comprising maturities ranging from July 2014 to July 2017. The weighted average maturity of this issue is approximately 3.7 years. The issued notes include fixed and floating rate coupon notes, paying a weighted average coupon of 6.9% p.a. semi annually in arrears. The interest and principal on the Senior Notes are payable in US dollars and were swapped into fixed and floating rate Australian dollars via cross-currency swaps. An additional 1.00% 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 \$16.5 million (26 June 2011: \$18.4 million), which was entered into in February 1996. There is also principal and interest outstanding of \$10.0 million (26 June 2011: \$11.6 million) in the form of a fixed rate loan with an established repayment schedule.

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

## 8. Interest bearing liabilities (continued)

### (E) MEDIUM TERM NOTES (MTNs)

On 27 June 2006, the Company issued \$200 million of MTNs with a maturity date of 27 June 2011. The MTNs were issued at a fixed coupon of 6.865% p.a. 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.

	Note	25 December 2011 \$'000	26 June 2011 \$'000
<b>9. Contributed equity</b>			
<b>Ordinary shares</b>			
2,351,955,725 ordinary shares fully paid (26 June 2011: 2,351,955,725)	(A)	4,667,944	4,667,944
<b>Unvested Employee Incentive Shares</b>			
11,723,026 unvested employee incentive shares (26 June 2011: 11,723,026)	(B)	(21,696)	(21,696)
<b>Debentures</b>			
281 debentures fully paid (26 June 2011: 281)	(C)	*	*
<b>Total contributed equity</b>		<b>4,646,248</b>	<b>4,646,248</b>

\* Amount is less than \$1000

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

## 10. Commitments and contingencies

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

There have been no other material changes in commitments and contingent liabilities since 26 June 2011.

## 11. Acquisition and disposal of controlled entities

### (A) ACQUISITIONS

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

Entity or business acquired	Principal activity	Date of Acquisition	Ownership Interest
Gunnedah Publishing Co 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%
Namoi Media & Marketing Pty Ltd	Newspaper publishing	1 November 2011	100%

### (B) DISPOSALS

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

Entity or business disposed	Principal activity	Date of Disposal	Ownership Interest
5AU Broadcasters Pty Limited	Radio broadcaster	31 October 2011	100%
Bundaberg Broadcasters Pty Limited	Radio broadcaster	31 October 2011	100%
Lanson Investments Pty Limited	Radio broadcaster	31 October 2011	100%
Bundaberg Narrowcasters Pty Limited	Radio broadcaster	31 October 2011	100%



# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

## 12. Business combinations

Acquisitions, none of which were individually significant to the Group, are listed in Note 11(A).

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

	Recognised on acquisition \$'000
<b>Value of net assets acquired</b>	
Cash and cash equivalents	110
Receivables	274
Inventories	43
Property, plant and equipment	165
Investments	1
Deferred tax assets	112
Intangible assets	2,895
<b>Total assets</b>	<b>3,600</b>
Payables	66
Provisions	374
Other liabilities	10
<b>Total liabilities</b>	<b>450</b>
<b>Value of identifiable net assets</b>	<b>3,150</b>
Goodwill arising on acquisition	-
<b>Total identifiable net assets and goodwill attributable to the group</b>	<b>3,150</b>
<b>Purchase consideration</b>	
Cash paid	3,150
<b>Total purchase consideration</b>	<b>3,150</b>
<b>Net cash outflow on acquisition</b>	
Net cash acquired with subsidiary	110
Cash paid	(3,150)
<b>Net cash outflow</b>	<b>(3,040)</b>

The consolidated income statement includes sales revenue and net profit for the six month period ended 25 December 2011 of \$0.3 million and \$0.04 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 \$0.9 million and \$0.1 million respectively.

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

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

	25 December 2011 ¢ per share	26 December 2010 ¢ per share
<b>13. Earnings per share</b>		
<b>Basic earnings per share</b>		
After significant items less SPS dividend (net of tax)	4.1	7.0
<b>Diluted earnings per share</b>		
After significant items (net of tax)	4.1	6.7

	25 December 2011 \$'000	26 December 2010 \$'000
<b>Earnings reconciliation - basic</b>		
Net profit attributable to members of the Company	96,656	172,340
Less Dividends on SPS (net of tax)	-	(6,943)
<b>Basic earnings after significant items less SPS dividend</b>	<b>96,656</b>	<b>165,397</b>
<b>Earnings reconciliation - diluted</b>		
Net profit attributable to members of the Company	96,656	172,340

	25 December 2011 Number '000	26 December 2010 Number '000
<b>Weighted average number of ordinary shares used in calculating basic EPS</b>	<b>2,351,956</b>	2,351,956
SPS	-	220,134
<b>Weighted average number of ordinary shares used in calculating diluted EPS</b>	<b>2,351,956</b>	<b>2,572,090</b>

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

## 14. 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 considerations.

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

Reportable Segment	Products and Services
Fairfax Regional Media	Newspaper publishing and online for all Australian regional media and for Australian, 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 half year ended 25 December 2011 is as follows:

	Segment revenue	Intersegment revenue	Revenue	Underlying EBIT
			from external customers	
	\$'000	\$'000	\$'000	\$'000
<b>6 months to 25 December 2011</b>				
Fairfax Regional Media	302,891	(1,133)	<b>301,758</b>	<b>85,785</b>
Metropolitan Media	610,700	(5,328)	<b>605,372</b>	<b>61,211</b>
New Zealand Media	177,216	(417)	<b>176,799</b>	<b>27,937</b>
Printing Operations	253,463	(220,131)	<b>33,332</b>	<b>14,530</b>
Trade Me	52,569	-	<b>52,569</b>	<b>38,836</b>
Broadcasting	52,759	-	<b>52,759</b>	<b>8,287</b>
Other	5,950	5,000	<b>10,950</b>	<b>5,113</b>
<b>Consolidated entity</b>	<b>1,455,548</b>	<b>(222,009)</b>	<b>1,233,539</b>	<b>241,699</b>

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

## 14. Segment reporting (continued)

	Segment revenue	Intersegment revenue	Revenue from external customers	Underlying EBIT
	\$'000	\$'000	\$'000	\$'000
<b>6 months to 26 December 2010</b>				
Fairfax Regional Media	307,208	(1,118)	<b>306,090</b>	<b>92,976</b>
Metropolitan Media	646,692	(815)	<b>645,877</b>	<b>87,919</b>
New Zealand Media	192,782	(516)	<b>192,266</b>	<b>35,924</b>
Printing Operations	283,195	(238,698)	<b>44,497</b>	<b>25,564</b>
Trade Me	46,712	-	<b>46,712</b>	<b>36,168</b>
Broadcasting	57,502	-	<b>57,502</b>	<b>14,297</b>
Other	6,086	-	<b>6,086</b>	<b>(2,089)</b>
<b>Consolidated entity</b>	<b>1,540,177</b>	<b>(241,147)</b>	<b>1,299,030</b>	<b>290,759</b>

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 profit before income tax is provided as follows:

	25 December 2011	26 December 2010
	\$'000	\$'000
<b>Underlying EBIT</b>	<b>241,699</b>	<b>290,759</b>
Interest income	3,124	6,028
Finance costs	(62,126)	(57,892)
Restructuring and redundancy charges	(14,409)	-
Impairment of mastheads	(22,278)	-
Impairment of plant and equipment	(10,815)	-
<b>Reported net profit before tax</b>	<b>135,195</b>	<b>238,895</b>

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.

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the period ended 25 December 2011

## 14. Segment reporting (continued)

A summary of significant items by operating segments is provided for the half year ended 25 December 2011. There were no significant items included in EBIT in the previous period.

	Restructuring and redundancy charges \$'000	Impairment of mastheads \$'000	Impairment of plant and equipment \$'000	Total \$'000
<b>25 December 2011</b>				
Fairfax Regional Media	1,068	200	-	1,268
Metropolitan Media	373	22,078	-	22,451
New Zealand Media	-	-	-	-
Printing Operations	12,100	-	9,974	22,074
Trade Me	-	-	-	-
Broadcasting	-	-	-	-
Other	868	-	841	1,709
<b>Consolidated entity</b>	<b>14,409</b>	<b>22,278</b>	<b>10,815</b>	<b>47,502</b>

## 15. Related party transactions

### (A) ULTIMATE PARENT

Fairfax Media Limited is the ultimate parent company.

### (B) CONTROLLED ENTITIES

For a list of the controlled entities acquired during the period refer to Note 11.

## 16. Events subsequent to balance sheet date

No significant events subsequent to the balance sheet date have occurred.

## Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity set out on pages 7 to 29 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 25 December 2011 and the performance for the half year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Roger Corbett, AO**  
Chairman



**Gregory Hywood**  
Chief Executive Officer and Managing Director

**Sydney**  
23 February 2012

## To the members of Fairfax Media Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Fairfax Media Limited (the company), which comprises the balance sheet as at 25 December 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, other information as set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules and the directors' declaration of the consolidated entity but excludes the following sections: Results for Announcement to the Market. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and complies with the ASX Listing Rules as they relate to Appendix 4D. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 25 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and the ASX Listing Rules as they relate to Appendix 4D. As the auditor of Fairfax Media Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

## Conclusion

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

- a. the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 25 December 2011 and of its performance for the half-year ended on that date; and
  - ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b. the ASX Listing Rules as they relate to Appendix 4D.

Ernst & Young.

Ernst & Young



Douglas Bain  
Partner  
Sydney  
23 February 2012