CONNECT

FAIRFAX MEDIA ANNUAL REPORT 2016

Fairfax Media

INFORMATION

NEWS, BUSINESS,
SPORT, LIFESTYLE,
CONTENT MARKETING

MARKETPLACES

REAL ESTATE LISTINGS
AND SERVICES, CARS,
JOBS, DATING AND
TRANSACTIONS

ENTERTAINMENT

SUBSCRIPTION VIDEO
ON DEMAND, RUNNING,
SWIMMING, FOOD,
WINE, LIFESTYLE,
MUSIC, RADIO

FAIRFAX MEDIA IS AN ENERGISED COMPANY PROVIDING POWERFUL CONNECTIONS THROUGH LEADING INFORMATION BRANDS, MARKETPLACES AND ENTERTAINMENT ASSETS.

We are at the heart of conversations that matter and creating connections that count.

We are the trusted voice, informing and engaging audiences and communities in Australia and New Zealand via our newspapers, websites, radio stations, events and dynamic digital venues for commerce and information.

Every day we enrich the lives of millions of people with our independent journalism, quality content and great experiences – and we have been doing it for 185 years.

Our journalists perform their jobs with independence, insight and integrity.

Everyone is passionate, and our customers and audiences are at the centre of everything we do.

Great minds are at work in our business. We are at the forefront of the revolution in the media, driving digital innovation.

We are growing shareholder value by engaging audiences, communities and businesses, and monetising a range of business models.

We are growing and transforming Fairfax Media, investing in it, making it a stronger, diversified portfolio of businesses – spanning media, marketing services, real estate services, data, entertainment, and beyond – sustaining the important work we do in the communities we serve.

Independent. Always.

SNAPSHOT

DOMAIN GROUP

REAL ESTATE MEDIA & SERVICES

The increasingly valuable Domain Group delivered 40% growth in EBITDA and has established a strong national footprint with effective parity in agent subscribers and listings. Leading product innovation and investment in content and marketing has delivered an 82% uplift in average monthly visits to Domain across all platforms, substantially closing the gap to the main competitor. Operational investment and acquisitions position Domain as a strong platform at the centre of the real estate ecosystem to expand and grow new revenue.

+27%

DIGITAL REVENUE GROWTH

+33%

TOTAL REVENUE GROWTH

+40%

EBITDA GROWTH

AUSTRALIAN METRO MEDIA

LEADING METROPOLITAN NEWSPAPERS & DIGITAL MEDIA

Australia's number one masthead *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review* have large-scale, predominantly digital audiences. The three main titles have 209,000 paid digital subscribers and a growing digital subscription revenue base. Cost discipline was maintained in an environment of ongoing print advertising declines. Investment in product development and increased digital capability will underpin a future sustainable publishing model of enhanced digital and targeted and differentiated print.

+17%

DIGITAL SUBSCRIPTION REVENUE GROWTH

-5%

TOTAL REVENUE

-45%

EBITDA % CHANGE

AUSTRALIAN COMMUNITY MEDIA

LEADING RURAL AND REGIONAL NEWSPAPERS AND DIGITAL MEDIA

The targeted $60 million annualised cost savings and restructuring program was achieved and successfully delivered a leaner, more consolidated publishing group. Investment in new technology and upgrading of local newsrooms supported the successful national roll-out of digital-first publishing. Sales teams were upskilled to provide digital marketing solutions. Cost reduction offset structural challenges in rural and regional markets and underpinned improvement in second-half EBITDA.

$60M

ANNUALISED SAVINGS ACHIEVED TO END OF FY16

-11%

TOTAL REVENUE

-10%

EBITDA % CHANGE

NEW ZEALAND MEDIA

LEADING NZ NEWSPAPERS & DIGITAL MEDIA

Leading local digital brand Stuff continued to achieve strong momentum, growing its audience 11% to 2 million. Digital product development and improved audience monetisation (via events and a membership model) underpinned a 36% increase in digital revenue. Stuff and hyper-local network Neighbourly have 700,000 members. Cost reductions partially offset ongoing print advertising declines. In May 2016 the business announced plans to merge with NZME, subject to regulatory approval.

+36%
DIGITAL REVENUE GROWTH

-9%
TOTAL REVENUE

-14%
EBITDA % CHANGE

DIGITAL VENTURES

PORTFOLIO OF DIGITALLY-FOCUSED ASSETS

Stan has created meaningful value and is on a clear path to profitability. With 500,000+ active subscribers, Stan is Australia's leading local SVOD platform, providing world-class entertainment – including via its exclusive SHOWTIME deal – supplemented by local original productions. A portfolio of digital publishing assets operate with local staff and leverage global content from leading digital-only media groups in the US, the centrepiece of which is *HuffPost Australia*. Weather services company Weatherzone delivered a strong performance.

+21%
REVENUE GROWTH

+55%
EBITDA GROWTH

1.1M
STAN GROSS SIGNUPS

LIFE & EVENTS

LIFESTYLE MEDIA ASSETS AND EVENTS

Life & Events operates Australia's largest mass participation events business, which leverages Fairfax's brands and audiences by delivering real-life experiences, which are increasingly in demand in the digital age. Events spanning running, swimming, food and wine, parenting and the arts grew organically and by acquisition, including OpenAir Cinemas. Journalism, content and products – spanning travel, health, food, parenting and motoring – attract large audiences which are monetised via new transactions businesses, such as the Drive joint venture.

33%
EVENTS REVENUE GROWTH

~50
NUMBER OF CONSUMER EVENTS

2.2M
EVENT PARTICIPANT NUMBERS

MACQUARIE MEDIA LIMITED

LEADING NATIONAL NEWS, TALK, SPORT & MUSIC RADIO NETWORK

Fairfax has a 54.5% shareholding in the ASX-listed Macquarie Media Limited, which operates a national radio network with the number one stations in Sydney (2GB) and Melbourne (3AW). In March 2015, the former Fairfax Radio Network and the former Macquarie Radio Network merged. The combined business has unlocked significant value through cost and operational synergies, created new advertiser opportunities, and delivered pleasing performance.

#1
STATIONS IN SYDNEY AND MELBOURNE

+28%
REVENUE GROWTH

+80%
EBITDA GROWTH

A WORD FROM THE

CHAIRMAN

NICK FALLOON

FAIRFAX MEDIA IS A MODERN, DIVERSIFIED PORTFOLIO OF BUSINESSES DELIVERING RESULTS FROM VALUABLE INFORMATION, MARKETPLACES AND ENTERTAINMENT ASSETS. WE ARE ACTIVELY PURSUING GROWTH, HAVING SUBSTANTIALLY REDUCED COSTS AND RADICALLY SIMPLIFIED OUR OPERATIONS TO DRIVE SHAREHOLDER VALUE.

Over the past five years, Fairfax has earned its place at the forefront of media companies around the world. We have achieved this by making the hard and smart decisions.

This is my first report to you as your Chairman, a role I've held since September 2015. I joined the Board in May last year. I have been impressed by the results that the transformation of the business has delivered and the organisation's depth of capability and talent.

The Company's solid financial position and earnings stability reflect relentless efforts to optimise each business, building on core strengths and adapting to ongoing changes in the industry globally. The key driver of earnings remains the outstanding performance of our real estate media and services business Domain Group, which is well positioned to thrive and continue to build value.

Total Group revenue of $1,830.5 million in the 2016 financial year was virtually stable being only 0.6% lower for continuing businesses than the prior year. This achievement reflects the consistent delivery of the Company's restructuring efforts, as well as acquisitions and growth initiatives particularly focused on Domain and other digital businesses.

We have been able to manage the global decline in print advertising and readership, while driving growth in Domain and digital revenue. We have also seen good early results from our restructured radio business, and at the same time have created new revenue streams.

Fairfax now operates a diversified portfolio of businesses with a sustainable mix of revenues, including digital subscriptions, marketing services, property services, events, entertainment and more.

Group expenses for continuing businesses decreased by 0.3% to $1,548.8 million, a reflection of investment in Domain, the impact of acquisitions, offset by continued cost discipline and efficiency.

For the 2016 financial year, Fairfax delivered underlying earnings before interest, tax, depreciation and amortisation (EBITDA) of $283.3 million, which was 1.4% lower than the $287.4 million in the prior year for continuing businesses. Earnings before interest and tax (EBIT) of $213.2 million for continuing businesses is 4.2% lower. Earnings per share of 5.7 cents compared with 6.0 cents in the prior year. The Company will pay total dividends for the year of 4 cents per share, consistent with the prior year.

Underlying net profit after tax of $132.5 million compared with $143.4 million the prior year. After taking into account significant items, the Company reported a net loss after tax of $893.5 million. The result includes total significant items expense after tax of $1,026 million, which includes non-cash impairments relating to publishing, as well as write-downs of other assets and restructuring and redundancy charges.

The impairment charges reflect the outcome of the year-end impairment review process, the decision to separate Domain Group from the Australian Metro Media segment and the related allocation of assets between Australian Metro Media and Domain. Domain makes a significant earnings contribution and remains an integral and growing part of Fairfax. We have no plans for that to change. The remaining Australian Metro Media segment comprises Australian metropolitan and national newspapers and websites, Digital Ventures and Life & Events. Metro's segment presentation will provide a clear picture of the operational performance of the business as it transitions to a new sustainable publishing model.

The impairment charges reflect the market realities that our publishing businesses are facing. The accounting standards do not allow Fairfax to recognise in its accounts all of the considerable value which Domain has created over the past four years.

In Metro, the considerable work done to transform the business has created flexibility and optionality around the future, and we are confident in our plans.

In Australian Community Media, we have successfully delivered on our transformation program through 2016, however the adjustments are appropriate as we recognise the challenges this business continues to face in rural and regional markets. We continue to develop initiatives and consider opportunities for ACM.

Our New Zealand business faces similar issues to those in Australia. Its impairment has been calculated on a standalone basis and does not take into account any potential benefit from the proposed merger with NZME announced in May 2016. The impairment has no bearing on the proposed transaction or its structure.

The Company has maintained a solid balance sheet, finishing the year with net debt of $88.7 million. This reflects capital investment, acquisitions, the $111.8 million on-market buyback of 5% of ordinary shares completed in December 2015, and restructuring and redundancy expenses. Our position provides us with flexibility and optionality to seize opportunities, invest for growth, and take action with great confidence.

POWERED BY DIGITAL

Fairfax's earnings are increasingly digitally derived, with 42% of EBITDA from digital and non-print sources in the 2016 financial year.

Digital and non-print earnings are expected to continue to grow, with the largest contributors being digital powerhouse Domain, 54.5% owned radio business Macquarie Media, and other digitally-driven growth assets.

The increasing dominance of digital is a reflection of the Company's strategic decision to move with consumer trends and embrace modern technologies to deliver quality, independent journalism, compelling content and engaging experiences.

FAIRFAX'S EARNINGS ARE INCREASINGLY DIGITALLY DERIVED, WITH 42% OF EBITDA FROM DIGITAL AND NON-PRINT SOURCES IN THE 2016 FINANCIAL YEAR.

These assets – together with Fairfax's trusted brands, rich data and large-scale audiences – are at the core of a powerful multi-platform network. These assets are monetised across a range of business models, connecting marketers to audiences across digital, radio and print.

Fairfax has successfully evolved beyond the traditional model of advertising and subscription revenue, to include lead generation, transactions, events and other value added services.

We are the leading digital publisher in Australia and New Zealand, reaching a monthly digital audience of around 12 million and 2 million respectively in each country according to Nielsen. Additionally, Macquarie Media reaches a national audience of around 2.2 million, Events attracts 2.2 million participants annually, and 50% owned subscription-video-on-demand (SVOD) business Stan has more than 500,000 active subscribers.

Digital know-how is now at the heart of all of Fairfax's businesses. This is reflected in the skills and capability of the Company's people, the modern ways they work, their forward-thinking, and eagerness to embrace innovation.

OUR STRATEGY

The 2015 Annual Report outlined the strategic priorities and opportunities each business was pursuing to grow, transform and invest to drive the Company's long-term performance. Significant progress has been made in delivering against these objectives. Put simply, the Company's strategy has three core pillars:

Grow Domain: Domain is a digital powerhouse and delivering a standout performance, with its digital EBITDA up more than 50% during the year. The Company continues to invest in Domain to drive its performance and extend its business model beyond listings to capture the immense opportunity in the broader real-estate ecosystem.

Transform Publishing: Significant cost reduction, digital product development and actively managing print revenue declines have shaped the fixes developed to sustain Fairfax's three main publishing businesses as they adapt to consumer trends in respective markets. Metro is developing a plan for enhanced 24/7 digital and reduced print frequency. ACM has delivered on its $60 million annualised cost saving program and increased digital publishing capability, and is developing initiatives and considering opportunities. New Zealand is strongly positioned and pursuing a strategic consolidation opportunity with NZME.

$132.5M

UNDERLYING NET PROFIT AFTER TAX

$213.2M

UNDERLYING EBIT

4¢

TOTAL DIVIDENDS PER SHARE (PARTIALLY FRANKED)

$88.7M

NET DEBT AS AT 26 JUNE 2016

The merger is currently being reviewed by the NZ Commerce Commission.

Create New Revenue Streams: The Company is investing and using its large-scale audiences, powerful brands and advertising inventory, to create new scalable businesses and build new digital and non-print revenue streams. This includes partnering with specialists. Examples include Domain's investments, Stan, Macquarie Media, Drive (joint venture with owners of themotorreport), *HuffPost Australia* (local partnership with the global digital news leader), and the Allure Media portfolio which leverages leading global digital brands. The Company is investing to build its Events business, which operates around 50 events spanning food and drink, health and fitness, business, parenting and more.

In his Report, the Chief Executive Officer elaborates further on Fairfax's strategy and the significant milestones delivered.

OUR COMPANY

The Company's Board and management team are taking the strategic actions necessary to create shareholder value, maximise distinct competitive advantages, whilst maintaining Fairfax's proud 185-year history of editorial independence and integrity.

The Company's position on media ownership law reform was outlined in 2015 Annual Report. These reforms are long overdue. I note that during the year there was consideration of media ownership law reform by the Australian Government. Regrettably, these matters appear stalled in the current political climate. Whilst Fairfax still believes there is a compelling case for reform, the key planks of our strategy are not dependent on achieving any particular outcome, and we are strongly positioned for the future regardless.

The Board and I look forward to holding the Company's 2016 Annual General Meeting in Melbourne in November. The agenda will be detailed in the formal Notice of Meeting.

I take this opportunity to thank each of my fellow Board members for the contribution they make to the success of the Company. I acknowledge Peter Young, who resigned from the Board in April 2016 after more than 10 years' service; and Michael Anderson who resigned in August 2016 after six years' service. On behalf of the Board I thank Peter and Michael for their important contributions. In April 2016, we welcomed Patrick Allaway to the Board. Patrick is a highly experienced public company director and his experience and expertise are proving highly valuable to the Board and to the Company.

On behalf of the Board, I would like to thank everyone at Fairfax for their skills, commitment and dedication to the important work we do. The dynamic leadership of the Company's Chief Executive Officer Greg Hywood puts the business, and all of its people, at the forefront of the contemporary media environment we operate in. ■

INFORMATION

FAIRFAX MEDIA IS THE LEADING DIGITAL PUBLISHER IN AUSTRALIA AND NEW ZEALAND. ITS TRUSTED BRANDS AND QUALITY INDEPENDENT JOURNALISM AND CONTENT ATTRACT VALUABLE, LARGE-SCALE AUDIENCES. MARKET LEADING POSITIONS OF THE SYDNEY MORNING HERALD AND STUFF.CO.NZ UNDERPIN AN INCREASINGLY DIGITALLY-DRIVEN PORTFOLIO OF NEWS, BUSINESS, SPORT AND LIFESTYLE ASSETS WHICH CONNECT MARKETERS TO OUR MULTI-PLATFORM AUDIENCES.

A WORD FROM THE

CEO

GREG HYWOOD

IN THE 2016 FINANCIAL YEAR, FAIRFAX MEDIA GENERATED 42% OF GROUP EBITDA FROM ITS VALUABLE PORTFOLIO OF DIGITAL AND NON-PRINT BUSINESSES, PARTICULARLY DOMAIN GROUP – OUR REAL ESTATE MEDIA AND SERVICES POWERHOUSE.

On current trends, digital and non-print will deliver closer to 60% of Group EBITDA in the 2017 financial year.

Clearly the Company is succeeding in creating additional revenue streams and building new businesses that leverage our inventory and large multi-platform audiences.

We are growing shareholder value by using our award-winning journalism and content to engage audiences, communities and businesses, and monetising a range of business models.

The strategy has produced stable top-line revenue and EBITDA during 2016 through ongoing cost discipline while reshaping Fairfax into a high-value, broadly-based, digital rich business.

As outlined in the 2015 Annual Report, this strategy is based around growth, transformation and investment in our diversified portfolio of information, marketplaces and entertainment assets.

Fairfax's performance underlines the Company's strength:

- Domain is Australia's fastest growing online real estate business;
- *The Sydney Morning Herald* is Australia's number one masthead;
- Stan has quickly established itself as the leading local subscription-video-on-demand (SVOD) platform;
- Our Life & Events business has expanded significantly and now operates around 50 events;
- Australian Community Media achieved its targeted $60 million of annualised cost savings;
- Stuff.co.nz is the number one local website in New Zealand; and
- Macquarie Media has the number one radio stations in Sydney (2GB) and Melbourne (3AW).

The Chairman's Report outlines our three strategic priorities – Grow Domain, Transform Publishing, and Create New Revenue Streams – to accelerate the Company's performance. The significant milestones in executing our strategy this last year are outlined below.

GROW DOMAIN

During the year, Domain achieved its aggressive growth objectives and delivered an outstanding result with a 27% increase in digital revenue and 50% growth in digital EBITDA.

Key drivers of this strong performance include Domain's success in growing a high-quality national audience. Domain achieved an 82% increase in average monthly visits for the year; a strong foundation of national market penetration, having acquired more than 90% of agents and listings; and the roll-out of the agent ownership model nationally.

Domain is setting an impressive pace in product development and audience generation, particularly in mobile and social. Visits to mobile platforms are up 131% for the year.

We continue to invest in Domain to grow and extend its business beyond listings to capture the immense opportunities in the broader real-estate ecosystem.

We have acquired strategic stakes in revenue adjacency businesses including open for inspection app Homepass, local trade services site Oneflare, leading commercial utilities bundle provider Beevo, and utilities comparison and connection site Compare & Connect. In the past three years, Fairfax has invested more than $175 million to successfully grow Domain.

We are very confident in the outlook for Domain, the momentum it is achieving, and its ability to continue to benefit from improvements in yield, depth penetration, geographic expansion and revenue diversification.

TRANSFORM PUBLISHING

Fairfax has never shied away from the fact that our publishing businesses are on a print to digital journey – and we have made significant progress in making them sustainable for the long term.

This means an intense focus on cost reduction, increasing flexibility and efficiency, focus on digital development, and ongoing investment in the capability of our people.

We run our newsrooms on a 24/7 digital-first basis and we have evolved our commercial model to grow and monetise our valuable large audiences, content and journalism.

This is the reality of media today:

- Consumers have wholeheartedly embraced digital, including search engines and social media as well as online news and information. Our audiences are predominantly digital; print is steadily declining but still attracting valuable audiences.
- Print advertising and circulation revenue continue to decline and digital display advertising and circulation alone cannot offset this.
- Mass circulation print products involve a high level of fixed cost, notwithstanding the reduction and variabilisation we have achieved.
- Technology and systems costs to support legacy print plus digital infrastructure have grown over the years, creating complex and expensive support systems.

Fairfax's future will inevitably involve a stronger emphasis on digital publishing and major product innovation and evolution as consumer preferences demand. Each of our publishing businesses will shape their futures in response to their own market environments.

For our Australian Metro Media titles *The Sydney Morning Herald* and *The Age*, it should surprise no one, and certainly not us, that the seven-day-a-week print model will eventually give way to weekend-only, or more targeted printing in the case of *The Australian Financial Review*. This trend is already occurring globally. Exactly when we move towards implementing this new model depends on the view we form about trends in consumer and advertiser behaviour.

Our strategy means we can maximise the value of print and evolve our business model, having substantially reduced risk by removing $400 million of structural costs over the past four years. This discipline continued in 2016, with Metro publishing costs finishing the year 4% lower.

> **OUR STRATEGY MEANS WE CAN MAXIMISE THE VALUE OF PRINT AND EVOLVE OUR BUSINESS MODEL, HAVING SUBSTANTIALLY REDUCED RISK BY REMOVING $400 MILLION OF STRUCTURAL COSTS OVER THE PAST FOUR YEARS.**

Digital subscription revenue was 17% higher. We had 209,000 paid digital subscribers across *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review*, as at July 24.

The restructuring of Australian Community Media into six geographic operating groups has created a more modern, consolidated rural and regional media network and delivered the targeted $60 million annualised cost savings. A 12% reduction in full-year operating costs supported an improvement in second-half EBITDA. As the business continues to face challenges in rural and regional markets, it remains focused on digital, and we are developing initiatives and opportunities for this business.

Our New Zealand publishing business reduced operating costs by 8% notwithstanding investment in digital product. The business continues to achieve strong digital audience growth, underpinned by Stuff.co.nz, which is the country's number one domestic website.

During the year, Stuff increased its audience 11% to 2 million and delivered 36% growth in digital revenue. Audience monetisation is being pursued through new adjacent businesses including events which saw revenue growth of 30% year-on-year. The business is strongly positioned as it pursues a merger with NZME.

CREATE NEW REVENUE STREAMS

We are creating value by investing in new revenue opportunities and increasingly using partnerships and specialist expertise to drive performance. You can see this in Domain's investments, the Macquarie Media radio business, SVOD service Stan, dating sites RSVP and Oasis Active, our Life & Events portfolio, and our digital publishing businesses Allure Media and *HuffPost Australia*.

Stan has established itself as the local market leader in the booming SVOD category and is more than meeting its business targets. Stan is on a clear path to profitability and expected to reach cashflow breakeven during FY18.

When Stan launched 18 months ago, there was no established SVOD category. Now SVOD is in millions of Australian homes, many of which have shown willingness to subscribe to more than one service. Stan is gaining market share. As at the end of June, Stan had more than 1.1 million gross sign-ups and more than 500,000 active subscribers.

$283.3M

UNDERLYING EBITDA

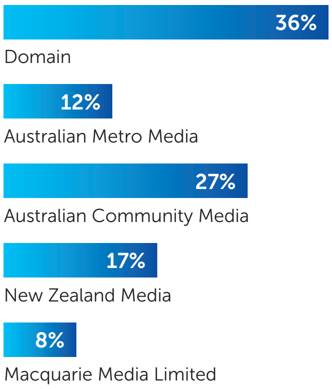
50%

DOMAIN DIGITAL EBITDA GROWTH

$245M

CASHFLOW FROM TRADING

SHARE OF UNDERLYING EBITDA EXCLUDING CORPORATE/OTHER (%)



Underpinning Stan's strong market position is its world-class international content, including its exclusive multi-year deal with CBS's SHOWTIME, supplemented by local original productions including *No Activity* and *Wolf Creek*. *Wolf Creek* was recently sold into international markets enabling Stan to accelerate its funding for original productions.

Our Digital Ventures portfolio, including the digital publishing businesses, achieved pleasing momentum with total revenue up 21% and EBITDA up 55%. These results were achieved while at the same time we continued to invest in the business. Allure Media and weather services company Weatherzone both delivered strong revenue growth.

A highlight for the year in Life & Events was the 33% Events revenue growth, which benefited from investment and the acquisition of OpenAir Cinemas. During the year, we formed a joint venture between Drive and 112, owners of themotorreport. The joint venture has a differentiated strategy to drive lead generation for new cars. We are also pursuing further opportunities to monetise our brand strength in food and travel categories.

The excellent performance of Macquarie Media reflects the success of the March 2015 merger between Fairfax Radio Network's 3AW, 2UE, 4BC and 6PR stations and Macquarie Radio Network's 2GB. The merger created a genuine national news, talk and sport network, bringing together the number one stations in Sydney and Melbourne. Cost and operational synergies underpinned the 28% growth in revenue and 80% increase in EBITDA, with margins expanding from 13% to 18%. We are confident that the benefits of the merger will continue to underpin future performance.

DELIVERING OUR FUTURE

Digital and non-print earnings are growing and powering Fairfax's future sustainable business model.

This outcome is the result of having completely reset the 185-year-old business by embracing digital innovation and placing today's customers and audiences at the centre of everything we do.

Fairfax is now a modern media business. We are achieving what some said could not be done.

Each of our businesses is pursuing clearly defined objectives to maximise strengths, adapt to the changed media environment, and drive shareholder value. In Domain, we have a strong growth vehicle that will continue to perform and increase value for shareholders. We are leading the way in reshaping our publishing businesses. We are creating new revenue streams.

Contemporary journalism and highly-engaging content remain at Fairfax's core, underpinned by absolute independence and integrity. Our audiences have never been larger, more diverse, or hungrier for digital content and services, and real-life experiences.

It has been another extraordinary year of change and progress. That we are thriving is the result of the hard work, energy and commitment of our people.

At Fairfax we have thought our way through the complex issues of structural disruption. Our people are energised by the opportunities ahead and work with modern skills and technology. They have the right attitudes to keep pace with the needs of today, and innovate for tomorrow. Creativity and bringing new products to market are now part of our organisational DNA.

I would like to thank all of our people for their immense efforts. There's no lack of willingness to take the actions necessary to continue our efforts to transform the Company.

Fairfax will stay at the forefront of the media revolution. ■

MARKETPLACES

AUSTRALIA'S FASTEST GROWING ONLINE REAL ESTATE BUSINESS DOMAIN GROUP IS THE CENTREPIECE OF A BROADER PORTFOLIO OF DIGITALLY-DRIVEN TRANSACTIONS BUSINESSES SPANNING REAL ESTATE LISTINGS AND SERVICES, CARS, JOBS, DATING AND MORE. DOMAIN IS BUILDING A STRONG PLATFORM TO SERVICE THE REAL ESTATE ECOSYSTEM, EXPAND AND GROW NEW REVENUE.

CORPORATE SOCIAL

RESPONSIBILITY & SUSTAINABILITY

FAIRFAX MEDIA'S COMMERCIAL SUCCESS AND FINANCIAL PERFORMANCE IS VITALLY IMPORTANT TO THE COMPANY'S ABILITY TO PROVIDE MEANINGFUL BENEFITS TO THE COMMUNITIES WE SERVE THROUGHOUT AUSTRALIA AND NEW ZEALAND.

Across our business operations, we maintain a strong focus on environmental and corporate social responsibility (CSR).

We play an active role in supporting local communities; and we utilise our position as a community leader to support and amplify initiatives and causes which are aligned to our business objectives. We do this through sponsorships, partnerships, fundraising campaigns as well as providing exposure across our extensive network of media assets.

By driving conversations that matter and creating connections that count in the communities we serve, Fairfax uses its trusted voice to deliver a powerful public good.

Our journalism makes communities stronger – more civil, more open and transparent. We hold governments and the powerful up to public scrutiny and to account.

At Fairfax, we strive to be accurate and fair-minded in our reporting. We have established internal processes which aim to ensure this happens. We actively support and fund media industry self-regulation.

Our CSR and sustainability strategy considers risks and the interests of our customers, employees, shareholders, communities as well as social and environmental aspects of our business activities and the impact on long-term financial viability.

By integrating CSR and sustainability into core business processes and stakeholder management, Fairfax can achieve the ultimate goal of creating both social and corporate value.

Fairfax runs a combination of centralised and decentralised CSR and sustainability programs to ensure maximum benefits to our local communities, our customers and our employees. These programs are reviewed annually and performance is tracked, measured and reported on.

There are five strategic pillars in our CSR and sustainability strategy:

1. Community
2. Environment
3. People & Culture
4. Editorial Integrity
5. Financial Viability and Sustainability

1. COMMUNITY

Fairfax is supporting and making a positive contribution to the hundreds of communities in which we operate. We do this in many different ways, each unique to the role we play in that community. This may include fundraising, advocacy, championing local issues and both financial and in-kind support of charitable, community and other worthwhile causes.

Fairfax encourages its employees to be generous to their community. In Australia, this includes the Company's workplace giving program More than Words, an initiative started in 2005 which allows staff to donate amounts from their pre-tax salary to nominated charities.

To mark the first anniversary of the 17 July 2014 missile strike that destroyed Malaysia Airlines Flight 17 (MH17) as it flew over the East Ukraine conflict zone, Fairfax chief correspondent Paul McGeough and photographer Kate Geraghty (who were both on the ground reporting on the event) organised to germinate sunflower seeds from original seeds they collected from the crash site. A total of 298 people were killed in the disaster, including 41 Australians. With the support of the Department of Agriculture, in June 2015 seeds were produced to send to families and friends of crash victims in Australia and around the world. The story of the initiative was told as a special editorial series called "Planting Hope".

Fairfax partners with numerous organisations and events nationally including the prestigious Australian of the Year Awards, the Sydney Festival, Melbourne Festival, Brisbane Festival, Art Gallery of New South Wales, National Gallery of Australia and the Melbourne and Sydney Film and Writers' Festivals.

Fairfax regularly works with charity partners. During the year in the wake of Tasmania's worst flood since 1929, *The Examiner* and B&E Bank teamed up with St Vincent de Paul, Raw Tas, Salvation Army, The City Mission and the Benevolent Society to raise more than $42,000 for charities in North and North-West Tasmania.

Fairfax is also a foundation sponsor of the Australian Science Media Centre (AusSMC), which is an independent, not-for-profit service aimed at better informing public debate on major science issues. Fairfax has provided the AusSMC with financial and in-kind support since the organisation was established in 2005. The AusSMC works for the benefit of the broader community by fostering stronger links between the media and the scientific community to encourage the dissemination of evidence-based science information.

Our newspapers, websites and other platforms play an important role in this respect, working with our charity partners to utilise available advertising inventory to amplify good causes via our media network. This initiative generates exposure worth many millions of dollars.

During the year, our Australian network of rural and regional newspapers and websites collectively contributed more than $1.75 million in cash and in-kind support to assist numerous charities, sporting clubs, projects and programs. Fairfax's 54.5% owned radio business Macquarie Media also supports national and local non-profit organisations through its involvement in community-based activities, sponsorships and community service announcement airtime.

Fairfax is proud to be an active participant in its local communities, including through its events businesses, which enrich and enhance the communities in which we operate by staging a variety of lifestyle, sport and entertainment events and festivals throughout Australia and New Zealand. For example, in New Zealand, Fairfax operates House & Garden House Tours supporting the NZ Breast Cancer Foundation with a NZ$50,000 cash donation and NZ$100,000 media campaign. *The Examiner* regularly connects with its community in Tasmania through the Community Barbecue Roadshow, sharing stories with locals and raising money for the town's rotary clubs to disperse back into the community.

Fairfax is a proud sponsor of the Tech Girls Movement – a non-profit focused on making young girls passionate about futures focused on STEM (Science, Technology,

A sunflower grows at the Malaysia Airlines 17 (MH17) crash site in Eastern Ukraine (Photo: Kate Geraghty)

Engineering and Maths) using storytelling and mentoring. Numerous Fairfax employees are actively involved in the Tech Girls mentoring program.

Fairfax New Zealand's Creative Spirit (creativespirit.org.nz) initiative started in 2012 and challenges employers in all industries, especially media and advertising, to provide employment opportunities to people with disabilities. In just four years the number of opportunities created within Fairfax alone has grown substantially, with the Company actively involved in assisting many other businesses to do the same.

Other ways we help local charities, clubs and associations to raise funds includes via our Events business, which attracts more than 2.2 million people a year to the events it conducts. We facilitate and promote fundraising by our participants at our sporting events via Everyday Hero, and encourage fundraising at our food events, working with OzHarvest.

In the 2016 financial year, our Events businesses in Australia and New Zealand helped to raise more than $6 million and NZ$300,000, respectively, for charity and community initiatives. For example, the annual Round the Bays fun run has been an iconic Auckland event since 1972 with approximately 30,000 people taking part each year.

Over the past 11 years, Round the Bays has resulted in the donation of around NZ$1.75 million to charitable causes and initiatives.

2. ENVIRONMENT

Fairfax has a program of monitoring, measuring and reporting on the effectiveness of sustainable business practices across our business portfolio and assets. We have set targets to measure the impact of our business activities on the communities and environments in which we operate.

We are committed to a continuous improvement program in relation to our environmental performance and are working towards achieving ISO 14001 compliance by 2020.

The Company's Board People and Culture Committee is charged with the oversight of environmental reporting and performance in line with the Committee's Charter.

Fairfax has not received or been subject to any environmental breaches, improvement notices, fines or non-compliances from any regulatory bodies in 2016. There were no environmental accidents as a result of the Company's business operations.

Fairfax continues to work closely with its suppliers and the printing and publishing community to reduce its impact on the environment and to monitor compliance to agreed supply standards.

Fairfax is a co-signatory to the sixth National Environmental Sustainability Agreement (NESA) between all governments and publishers in Australia. This sixth agreement was launched in September 2015 by the then Minister for the Environment. The NESA continues the proud collaboration of the last 24 years between all Government entities and the Australian publishing industry, which has delivered Australian newsprint recycling rates among the highest in the world as well as many other enviable environmental outcomes.

Fairfax's printing division is a member of NewsMediaWorks' Environmental Advisory Group which advocates to advance newsprint recycling, improve product stewardship and promote sustainability.

In 2011, the Company set a carbon reduction target of 20% to 25% reduction by 2020 measured against the 2011 base performance. Since 2011 Fairfax has achieved a carbon reduction in excess of 41%. The Company is committed to further reductions.

Fairfax has delivered improved performance against reported 2020 energy and carbon emissions reduction targets, detailed below:

	2011-12	2012-13	2013-14	2014-15
T CO2-e (NGERS)	84,976	79,174	68,929	50,141
YEAR-ON-YEAR PERFORMANCE (%)		-7%	-13%	-27%
2014-15 PERFORMANCE C.F. 2011-12 (%)				-41%

Fairfax's Environmental Policy sets out the Company's commitment to managing and improving environmental performance across all business activities. The Company has established an Environmental Impacts and Aspects register, which has identified four key areas of focus:

- Energy consumption;
- Waste to landfill;
- Fleet emissions; and
- Water consumption.

The Company, in conjunction with its facilities management provider, has undertaken baseline assessments and tracking across a spectrum of sustainability metrics, including energy, water, solid waste, and greenhouse gas emissions to measure progress towards sustainability and financial goals, and to meet mandatory reporting requirements.

Based on assessments conducted in 2011, Fairfax has set targets against the following environmental performance indicators:

- **Electricity:** a 20% reduction in electricity consumption by 2020;
- **Office waste:** a 50% reduction in office waste to landfill by 2020;
- **Events waste:** a 100% reduction in waste generated at Fairfax Media Events to landfill by 2020;
- **Print waste:** a 20% reduction in printed waste by 2020;
- **Water reduction:** a 20% reduction in water usage by 2020 at print sites; and
- **Fleet emissions:** a 30% reduction in fleet emissions by 2020.

In the 2016 financial year, Fairfax achieved the following results:

- **Electricity:** 15.5% decrease in electricity consumption;
- **Office waste:** 32% diversion from landfill across Australian operations;
- **Events waste:** 63.2% of all waste at events diverted from landfill;
- **Print waste:** 30 tonne reduction in the amount of waste generated;
- **Water reduction:** 13% reduction year on year in water usage at print sites in Australia;
- **Fleet emissions:** 13.3% reduction year on year in metro vehicle fleet.

Fairfax undertakes environmental auditing of its key facilities and operations based on site risk profiles and energy utilisation. Since 2011, there have been 12 key facilities across Fairfax subject to comprehensive environmental compliance audits using ISO 14001 standards. Audits are designed in consultation with an external provider to ensure compliance with local, State and Federal Government requirements. To date, the audits have not identified any significant environmental non-compliance. An ongoing annual audit program is scheduled and approved by the Board's People and Culture Committee.

Fairfax is continuing the consolidation of property and printing assets across owned and leased premises in Australia and New Zealand

Jackson Kiloe, the Premier of Taro standing where the shoreline used to be (Photo: Penny Stephens) to reduce floor space, energy consumption and property running and maintenance costs.

Across Fairfax's printing network, all print site managers have key performance indicators set around environmental performance including printed waste, compliance, energy, water, waste to landfill and recycling.

All capital expenditure includes environmental considerations relating to energy consumption, efficiency and waste generation.

During the 2017 financial year, Fairfax print sites will be adopting new chemical-free plate processing technology. This will see a significant improvement in environmental outcomes relating to the use and disposal of processing chemicals and will further reduce water usage and waste.

Fairfax performs a vital role in educating, informing and raising awareness in the community about important sustainability and environmental issues. Our journalism fosters greater understanding and community awareness of environmental and sustainability concerns.

For example, *The Age* was recognised by the United Nations of Australia Victorian Division World Environment Day Media Award for Environmental Reporting in June 2016 for the story "The Vanishing Islands" by Adam Morton, Penny Stephens and Marija Ercegovac. This story focuses international attention of the plight of the Solomon Islands and its people due to the impacts of climate change and rising sea levels.

In July 2015, *Newcastle Herald* journalist Matthew Kelly was awarded the 2015 Kennedy Award for Excellence in NSW Journalism for outstanding reporting on the environment for "The Great Cover-up" campaign, which was launched in response to community health concerns about dust from coal trains.

As part of the long-running campaign, the *Herald* undertook its own research into air quality and emissions. The advocacy prompted a Senate committee to recommend that coal wagons be covered.

CEO of Carnival Australia and 2015 Women of Influence winner Ann Sherry on board Queen Victoria for the Westpac Women of Influence alumni cocktail event in Sydney (Photo: Dominic Lorrimer)

3. PEOPLE & CULTURE

Fairfax has a robust culture where we respect strong opinions, values and behaviours and open, transparent manager-led two-way communication. The Company has identified its people and culture as being critically important in delivering its business objectives, as well as attracting and retaining high quality staff. This includes promoting gender diversity, equality and inclusiveness in our workplace in all respects.

More information on how Fairfax creates a fair and inclusive workplace can be found in the Corporate Governance section of this report.

Fairfax is committed to providing its people with the skills and technology to allow them to thrive.

Our culture encourages people to be customer focused, agile and innovative – and to work collaboratively.

As the business transformation continues to take place, some areas of the business are reducing headcount, while others are hiring staff and investing.

Our culture and values are embedded and reinforced across all areas of the business, including in our performance management approach and processes, digital Learning Hub, development programs, as well and recognition and reward programs to acknowledge success and achievement.

Our successful Mentoring Program provides a structured framework for our people to share professional and personal experiences and knowledge. In May 2016, the Fairfax Mentoring Program paired 610 motivated and committed staff in Australia and New Zealand, building mutually beneficial relationships between highly-skilled mentors and high-performing mentees to support knowledge and skills transfer across the business.

SAFETY

Fairfax prioritises the health, safety and security of its people. This discipline and greater manager accountability for safety is becoming deeply ingrained in workplace culture. This is evidenced by the material improvement in safety performance achieved in 2016, with a reduction in Group Lost Time Injury Frequency Rate (LTIFR) from 1.47 in FY15 to 0.99 in FY16, which represents a decrease of 33%. Our high risk printing division ended the FY16 period with zero LTIs. Improved policies and procedures, better communication, training and education measures have contributed to the reduction.

We are focused on a continuous improvement program relating to safety and believe we are leading our industry sector in this space. As a result of our reduced number of injuries and workers' compensation claims we have seen significant financial benefit. We continue to focus on training, compliance, audits and risk assessments to drive our safety performance. In FY16 there were no penalties or improvement notices issued by an authority relating to safety breaches or non-compliances.

The Company implemented several security-related initiatives in 2016, including a 24-hour security hotline for employees and their families; the appointment of a National Security Director; security reviews and upgrades to security at key facilities; the appointment of an International Travel Safety and Security Manager; training programs for staff in evacuation, lockdown and active shooter scenarios; and the introduction of a security escalation procedure linked to Government Threat Levels in relation to potential terrorist attacks.

DIVERSITY

Across all levels of Fairfax we are committed to pursuing diversity, equality and inclusiveness for all employees. The Company has set a target of achieving 35% of women in senior management positions across the business by 2018. To support this, changes have been made to the Fairfax Diversity Guidelines in FY15. This included updating recruitment and promotion processes and introducing frameworks for identification, assessment and development of high-performing talent, as well as a review of talent and succession programs.

Fairfax's *The Australian Financial Review* has been a proud partner together with Westpac of the 100 Women of Influence Awards since 2011. Chief executive of Carnival Australia, Ann Sherry was named 2015 overall winner of the 100 Women of Influence as well as the Diversity category winner. Fairfax also works with Westpac to run the 60 Women of Influence Awards in New Zealand. These awards have had a profound influence in business by raising gender diversity to the top of the agenda. Fairfax also runs a Women of Influence program for its employees.

STAFF WELFARE

Fairfax offers independent, confidential 24/7 support and external assistance and counselling services to all employees across Australia and New Zealand and their immediate families. 351 staff and their families accessed the service in the past year.

The Fairfax Foundation, established in 1959 with an independent charter, provides support to current and former Fairfax employees and their dependants. During the 2016 financial year, the Foundation provided $349,169 in financial grants, loans and other benefits to eligible recipients.

Activists from the Young Workers Centre pin signs to the windows of a 7-Eleven to protest the company's treatment of workers (Photo: Paul Jeffers)

4. EDITORIAL INTEGRITY

Fairfax has a proud 185-year history of providing quality independent journalism. Our journalists pursue the truth without fear or favour.

All our journalists operate with a robust code of ethics. We maintain an uncompromising approach to media ethics and integrity, with our "Independent. Always." editorial position celebrating our point of difference and competitive advantage as a news media organisation, spanning print, digital, radio and social platforms.

During the year, *The Sydney Morning Herald* marked 185 years as a newspaper publisher, and made a landmark apology to the '78ers – individuals involved in the first Mardi Gras in Sydney – for in 1978 reporting the names, addresses and professions of people arrested during public protests to advance gay rights. Although following custom and practice of the day; the SMH acknowledged and apologised for the hurt and suffering the reporting caused.

Fairfax's multi-award winning journalism is recognised for its powerful role in influencing change and the social agenda, sparking public interest and debate, and serving as a source of timely and reliable information for its audiences and communities.

Examples of editorial excellence in action include:

CommInsure: An investigation by *The Age*'s Adele Ferguson and the ABC's Four Corners TV program exposed several cases of alleged unethical behaviour at the Commonwealth Bank's insurance arm, CommInsure, triggering an ASIC investigation and an industry review.

Eddie Obeid: A decade-long investigation into the Obeid family led by *The Sydney Morning Herald*'s Kate McClymont spurred an Independent Commission Against Corruption inquiry and in 2016 led to the Supreme Court finding Eddie Obeid guilty of misconduct in public office over his family's business dealings at Circular Quay. The guilty ruling was the first major conviction to result from historic corruption inquiries in NSW.

Unaoil: *The Age* and *The Sydney Morning Herald*, in cooperation with *HuffPost Australia*, reported a world exclusive Unaoil investigation, exposing significant corruption within the global oil industry. The reporting has prompted global scrutiny of the industry.

Panama Papers: *The Australian Financial Review* joined the International Consortium of Investigative Journalists' global Panama Papers investigation, exposing 11.5 million leaked documents obtained from offshore services provider Mossack Fonseca and one of the biggest leaks of confidential financial information in history.

7-Eleven: A joint investigation between *The Age* and ABC's Four Corners TV program exposed 7-Eleven Australia's systemic underpayment of workers.

The reporting prompted a Senate inquiry, millions of dollars in fines and payouts, the resignations of company officials, and increased funding for the Fair Work Ombudsman to set-up a taskforce to help migrant workers and boost the regulator's evidence-gathering powers.

Save Our Steelworks: The *Illawarra Mercury*'s "Save Our Steelworks" campaign detailed the "fight for a fairer deal for Australian steel" and the region's steelworkers' efforts to keep their jobs. The *Mercury* exclusively live-blogged during a meeting where workers voted to support changes which ultimately saved the Port Kembla steelworks. A campaign to introduce a mandatory steel procurement level for Australian steel is ongoing.

Family violence: The *Newcastle Herald* has campaigned for its community to stand up and speak up against family violence, participating in Australian Community Media's "End the Cycle" project and publishing a special White Ribbon Day edition. The *Herald* revealed that the State's homeless hotline was sending women fleeing domestic violence to hotel accommodation where men on parole or just out of jail were also being referred. The reporting triggered a State-wide review of emergency accommodation.

Child Welfare: Stuff.co.nz and Unicef NZ announced a partnership in December 2015 to help shine a light on improving child welfare, by telling the stories of children, families and communities afflicted by disaster, poverty, and violence both in NZ and around the world.

Disability advocacy: *The Canberra Times*' coverage of the "boy in a cage" scandal in an ACT public primary school sparked overwhelming support and gratitude from readers and disability advocates that the truth had been exposed. An independent review of the ACT education system followed.

Faces of Innocents: This Stuff.co.nz series, compiled by journalists across the Fairfax NZ network, chronicled the details of children who have needlessly died because of neglect, abuse or maltreatment since 1992.

5. FINANCIAL VIABILITY AND SUSTAINABILITY

Being financially sustainable is necessary to serve shareholders' interests and fulfil our corporate purpose, to grow shareholder value by engaging audiences, communities and businesses through compelling journalism and services, monetised across a range of business models.

Fairfax has made significant progress in increasing the financial viability of its business, including through transformation and diversification of revenue. This year's results show the strategy Fairfax started implementing five years ago is working.

The stable top-line revenue and underlying EBITDA delivered during the 2016 financial year make it clear that Fairfax has maintained cost discipline while reshaping Fairfax into a high-value, broadly-based, digital rich business.

In 2016 Fairfax generated 42% of Group EBITDA from its increasingly valuable digital and non-print businesses, particularly Domain Group – our real estate media and services powerhouse. On current trends, digital and non-print will deliver closer to 60% of Group EBITDA in the 2017 financial year.

Fairfax will continue its work to keep pace with ongoing shifts in consumer and advertiser behaviours, while developing new revenue streams and a sustainable publishing model to continue supporting the important work we do. ■


BlueScope Steel employees meet to discuss the future of the Port Kembla steelworks (Photo: Robert Peet)

ENTERTAINMENT

FAIRFAX MEDIA ENTERTAINS, INFORMS AND ENRICHES PEOPLE'S LIVES THROUGH ITS PORTFOLIO OF ENTERTAINMENT ASSETS AND REAL-LIFE EXPERIENCES. THESE INCLUDE AUSTRALIA'S LEADING LOCAL SVOD PLATFORM STAN; MACQUARIE MEDIA RADIO NETWORK WITH THE NUMBER ONE STATIONS IN SYDNEY AND MELBOURNE; AND LIFESTYLE CONTENT AND EVENTS SPANNING RUNNING, SWIMMING, FOOD AND WINE, PARENTING AND THE ARTS.

2016 FINANCIAL REPORT
TABLE OF CONTENTS

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

ASX INFORMATION

BOARD OF DIRECTORS

NICK FALLOON
CHAIRMAN,
NON-EXECUTIVE
DIRECTOR

APPOINTED TO THE BOARD 1 MAY 2015

Mr Falloon was appointed Chairman of the Board in September 2015. Mr Falloon has had 30 years' experience in the media industry, 19 years working for the Packer owned media interests from 1982 until 2001.

Mr Falloon served as Chief Executive Officer of Publishing and Broadcasting Limited (PBL) from 1998 to 2001 and before that as Chief Executive Officer of PBL Enterprises and Group Financial Director of PBL. The PBL experiences provided a strong background in television, pay TV, magazines, radio and digital industries.

From 2002 Mr Falloon spent nine years as Executive Chairman and CEO of Ten Network Holdings. Mr Falloon holds a Bachelor of Management Studies (BMS) from Waikato University in New Zealand.

PATRICK ALLAWAY
NON-EXECUTIVE
DIRECTOR

APPOINTED TO THE BOARD 15 APRIL 2016

Mr Allaway has 30 years' experience in the global finance industry across capital markets, corporate advisory, derivatives, risk management, mergers and acquisitions, corporate and project finance, private equity and funds management. Mr Allaway commenced his career in investment banking with Citibank in New York, Sydney and London and with Swiss Bank Corporation in Zurich and London. Since 2000 he has been Chairman and co-founder of Saltbush Capital Markets, a privately owned corporate advisory and funds management business. Mr Allaway is also presently a Non-Executive Director of Metcash Limited, Woolworths South Africa (WHL), David Jones and the Country Road Group. He has a Bachelor of Arts/Law from the University of Sydney. Mr Allaway is a former Non-Executive Director of Macquarie Goodman Group.

Other Current Australian and Other Listed Company Directorships:
Woolworths Holdings Limited South Africa (appointed 1 December 2014)
Metcash Limited (appointed 7 November 2012)

JACK COWIN
NON-EXECUTIVE
DIRECTOR

APPOINTED TO THE BOARD 19 JULY 2012

Mr Cowin is the Founder and Executive Chairman of Competitive Foods Australia, a business that has grown from a single food service outlet to one that employs more than 16,000 staff throughout Australia. Mr Cowin moved to Australia from Canada to establish his business. In addition to operating 400 restaurants in Australia, the company operates five manufacturing facilities producing frozen value-added meat products as well as processing fresh vegetables. It exports to 29 countries.

Mr Cowin is also Chairman and largest shareholder of Domino's Pizza Enterprises Limited, a listed public company and Director and largest shareholder of BridgeClimb.

Other Current Australian Listed Company Directorships:
Domino's Pizza Enterprises Limited (appointed 20 March 2014)

Former Australian Listed Company Directorships in Last 3 Years:
Chandler Macleod Group (resigned 7 April 2015)
Ten Network Holdings Limited (resigned 16 December 2015)

BOARD OF DIRECTORS

GREGORY HYWOOD
EXECUTIVE DIRECTOR

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

Mr Hywood was appointed to the Board of Directors in October 2010 and to the position of Chief Executive and Managing Director on 7 February 2011. In March 2015, Mr Hywood was appointed to the Board of Macquarie Media Limited, a publicly listed Australian media company operating radio stations. Mr Hywood has enjoyed a long career in the media and government. A Walkley Award winning journalist, he has 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*. Mr Hywood was Executive Director in the Victorian Premier's Department between 2004 and 2006, Chief Executive of Tourism Victoria from 2006 to 2010 and a Director of the Victorian Major Events Company from 2006 until June 2016.

Other Current Australian Listed Company Directorships:
Macquarie Media Limited (appointed 31 March 2015)

SANDRA MCPHEE, AM
NON-EXECUTIVE
DIRECTOR

APPOINTED TO THE BOARD 26 FEBRUARY 2010

Mrs McPhee was appointed to the Board of Directors on 26 February 2010. She is a Director of Kathmandu Limited, and the NSW Public Service Commission Advisory Board and Chairman of the St Vincent's Health Advisory Board. Her previous Directorships include AGL Energy Limited, Scentre Group (previously Westfield Retail Trust), Tourism Australia, Australia Post, Coles Group Limited, Perpetual Limited and SA Water. Prior to becoming a Non-Executive Director, Mrs McPhee has held senior executive positions in a range of consumer oriented industries including retail, tourism and aviation.

Other Current Australian Listed Company Directorships:
Kathmandu Holdings Limited (appointed 16 October 2009)

Former Australian Listed Company Directorships in Last 3 Years:
Scentre Group (resigned 7 May 2015)
RE1 Limited and RE2 Limited (Westfield Retail Trust) (resigned 1 July 2014)
AGL Energy Limited (resigned 30 June 2016)

JAMES MILLAR, AM
NON-EXECUTIVE
DIRECTOR

APPOINTED TO THE BOARD 1 JULY 2012

Mr Millar is the former Chief Executive Officer of Ernst & Young (EY) in the Oceania Region and was a Director on their Global Board. Mr Millar commenced his career in the Insolvency and Reconstruction practice at EY, conducting some of the largest corporate workouts of the early 1990s. He has qualifications in both business and accounting. Mr Millar is a Non-Executive Director of Mirvac Limited, Slater & Gordon Limited and Macquarie Media Limited. He is Chairman of both the Export Finance and Insurance Corporation and Forestry Corporation of NSW. Mr Millar serves a number of charities where he is a Trustee of the Australian Cancer Research Foundation and the Vincent Fairfax Family Foundation. He is a former Chairman of Fantastic Holdings Limited and The Smith Family and a former Director of Helloworld Limited.

Other Current Australian Listed Company Directorships:
Mirvac Limited (appointed 19 November 2009)
Macquarie Media Limited (appointed 31 March 2015)
Slater & Gordon Limited (appointed 1 December 2015)

Former Australian Listed Company Directorships in Last 3 Years:
Fantastic Holdings Limited (resigned 30 June 2014)
Helloworld Limited (resigned 22 January 2016)

BOARD OF DIRECTORS

LINDA NICHOLLS, AO

NON-EXECUTIVE DIRECTOR

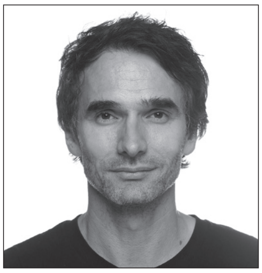
APPOINTED TO THE BOARD 26 FEBRUARY 2010

Mrs Nicholls has more than 30 years' experience as a senior executive and company director in Australia, New Zealand and the United States. She is currently the Chair of Japara Healthcare Limited and a Director of Medibank Private Limited.

Mrs Nicholls holds a Bachelor of Arts in Economics from Cornell University and a Masters of Business Administration from Harvard Business School, where she was formerly Trustee and Vice President of The Harvard Business School Alumni Board.

Other Current Australian Listed Company Directorships:
Japara Healthcare Limited (appointed 19 March 2014)
Medibank Private (appointed March 2014)

Former Australian Listed Company Directorships in Last 3 Years:
Sigma Pharmaceuticals Limited (resigned 9 December 2015)
Pacific Brands Limited (resigned 15 July 2016)



TODD SAMPSON

NON-EXECUTIVE DIRECTOR

APPOINTED TO THE BOARD 29 MAY 2014

Mr Sampson is a Non-Executive Director to the Board of Qantas Airways Limited. He has an MBA and has spent nearly 20 years working as a strategic advisor with a diverse range of expertise including marketing, communication, digital transformation, new media, reputational risk and corporate turnaround. He is also a writer, producer and host on a number of TV shows including Gruen, The Project and the award winning documentary Redesign My Brain. Outside of work, he enjoys mountaineering and has climbed unguided to the top of Mount Everest.

Other Current Australian Listed Company Directorships:
Qantas Airways Limited (appointed March 2015)

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 26 June 2016 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.

NICK FALLOON

NON-EXECUTIVE DIRECTOR

PATRICK ALLAWAY

NON-EXECUTIVE DIRECTOR
APPOINTED 15 APRIL 2016

JACK COWIN

NON-EXECUTIVE DIRECTOR

GREGORY HYWOOD

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

SANDRA MCPHEE, AM

NON-EXECUTIVE DIRECTOR

JAMES MILLAR, AM

NON-EXECUTIVE DIRECTOR

LINDA NICHOLLS, AO

NON-EXECUTIVE DIRECTOR

TODD SAMPSON

NON-EXECUTIVE DIRECTOR

MICHAEL ANDERSON

NON-EXECUTIVE DIRECTOR
RESIGNED 5 AUGUST 2016

ROGER CORBETT, AO

NON-EXECUTIVE CHAIRMAN
RESIGNED 31 AUGUST 2015

PETER YOUNG, AM

NON-EXECUTIVE DIRECTOR
RESIGNED 4 APRIL 2016

DIRECTORS' REPORT

A profile of each Director holding office at the date of this report is included in the Board of Directors section of this report.

COMPANY SECRETARY

Gail Hambly is Group General Counsel and Company Secretary of Fairfax Media Limited. She is responsible for legal services and regulatory matters across the group as well as Government Relations, Communications and Internal Audit functions. She is part of the 3 person key management team for the group. Gail is Chair of CopyCo Pty Limited and a Director of Sydney Story Factory (a not for profit aimed at growing literacy and creative skills with children with difficulties). She is a member of the Media and Communications Committee and the Privacy Committee for the Law Council of Australia, and a member of the Advisory Board for the Centre of Media and Communications Law at the Melbourne Law School. She holds degrees in Law, Economics and Science.

CORPORATE STRUCTURE

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

PRINCIPAL ACTIVITIES

During the course of the financial year the consolidated entity operated as a multi-platform media, marketing services and real estate services group.

The principal activities were the publishing of news, information and entertainment, advertising sales in print and digital formats, and radio broadcasting. The group operates or holds investments in a number of digital businesses.

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 members of the Company for the financial year was $893,463,000 (2015 Profit: $83,168,000).

DIVIDENDS

An interim partially franked dividend of 2.0 cents per ordinary share and debenture was paid on 18 March 2016 in respect of the half year ended 27 December 2015.

Since the end of the financial year, the Board has declared a partially franked dividend of 2.0 cents per ordinary share and debenture in respect of the year ended 26 June 2016. This dividend is payable on 6 September 2016.

REVIEW OF OPERATIONS

Revenue and income for the Group was lower than the prior year at $1,838 million (2015: $1,878 million). After significant items of $1,026 million loss (2015: $61 million) the Group generated a net loss after tax of $893.5 million (2015 Profit: $83.2 million). Earnings per share decreased to a loss of 38.5 cents (2015: 3.5 cents).

Further information is provided in the Management Discussion and Analysis Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

As part of the Group's ongoing capital management strategy, the Group finalised the on market share buy-back of ordinary shares. During the year, 83.9 million shares were repurchased and cancelled for $73.9 million. In the current and prior financial year, 121.0 million shares were repurchased and cancelled for $111.8 million.

On 1 August 2016, the Company announced the creation of a Domain Group segment for the year ended 26 June 2016.

On 1 August 2016, the Company announced impairments as a result of cash generating unit testing of $484.9 million for Metropolitan Media, $306.3 million for Australian Regional Media, $102.6 million for Agricultural Media and $95.3 million for New Zealand Media.

There are no subsequent events after reporting date.

DIRECTORS' REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The consolidated entity's prospects and strategic direction are discussed at pages 3 to 9 of the Annual Report.

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

No material non-compliance with environmental regulation has been identified relating to the 2016 financial year.

The Company reported to the Department of Climate Change on the total carbon emissions of the Group generated in the 2015 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 50,141 (FY14: 68,929) tonnes CO2-e.

REMUNERATION REPORT

A Remuneration Report is set out on the pages that follow 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 are disclosed in the Remuneration Report.

DIRECTORS' MEETINGS

The following table shows the number of Board and Committee meetings held during the financial year ended 26 June 2016 and the number attended by each Director or Committee member.

	MEETINGS*							
	BOARD MEETING		AUDIT AND RISK		NOMINATIONS		PEOPLE AND CULTURE	
	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED
G Hywood**	9	9	4	4	-	-	6	6
P Allaway	2	2	1	1	-	-	-	-
M Anderson	9	9	-	-	-	-	6	6
R Corbett, AO	1	1	1	1	-	-	-	-
J Cowin	9	9	-	-	-	-	6	6
N Falloon	9	9	-	-	-	-	-	-
S McPhee, AM	9	9	-	-	-	-	6	6
J Millar, AM	9	9	4	4	1	1	-	-
L Nicholls, AO	9	8	4	4	1	1	-	-
T Sampson	9	8	-	-	-	-	-	-
P Young, AM	7	7	3	3	1	1	-	-

* 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 and People and Culture Committee meetings as an invitee of the Committees.

Mr Corbett resigned as a Director on 31 August 2015 and ceased to be a member of all Committees.

Mr Allaway was appointed as a Director on 15 April 2016.

Mr Anderson resigned as a Director on 5 August 2016 and ceased to be a member of all Committees.

Mr Young resigned as a Director on 4 April 2016 and ceased to be a member of all Committees.

DIRECTORS' REPORT

INDEMNIFICATION AND INSURANCE OF OFFICERS

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.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to Ernst & Young during or since the financial year.

NO OFFICERS ARE FORMER AUDITORS

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

NON-AUDIT SERVICES

Under its Charter of Audit Independence, the Company may employ the auditor 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 27 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 follows 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 $166,743
- Overseas $63,601

Other assurance and non-assurance services:

- Australia $26,000

ROUNDING

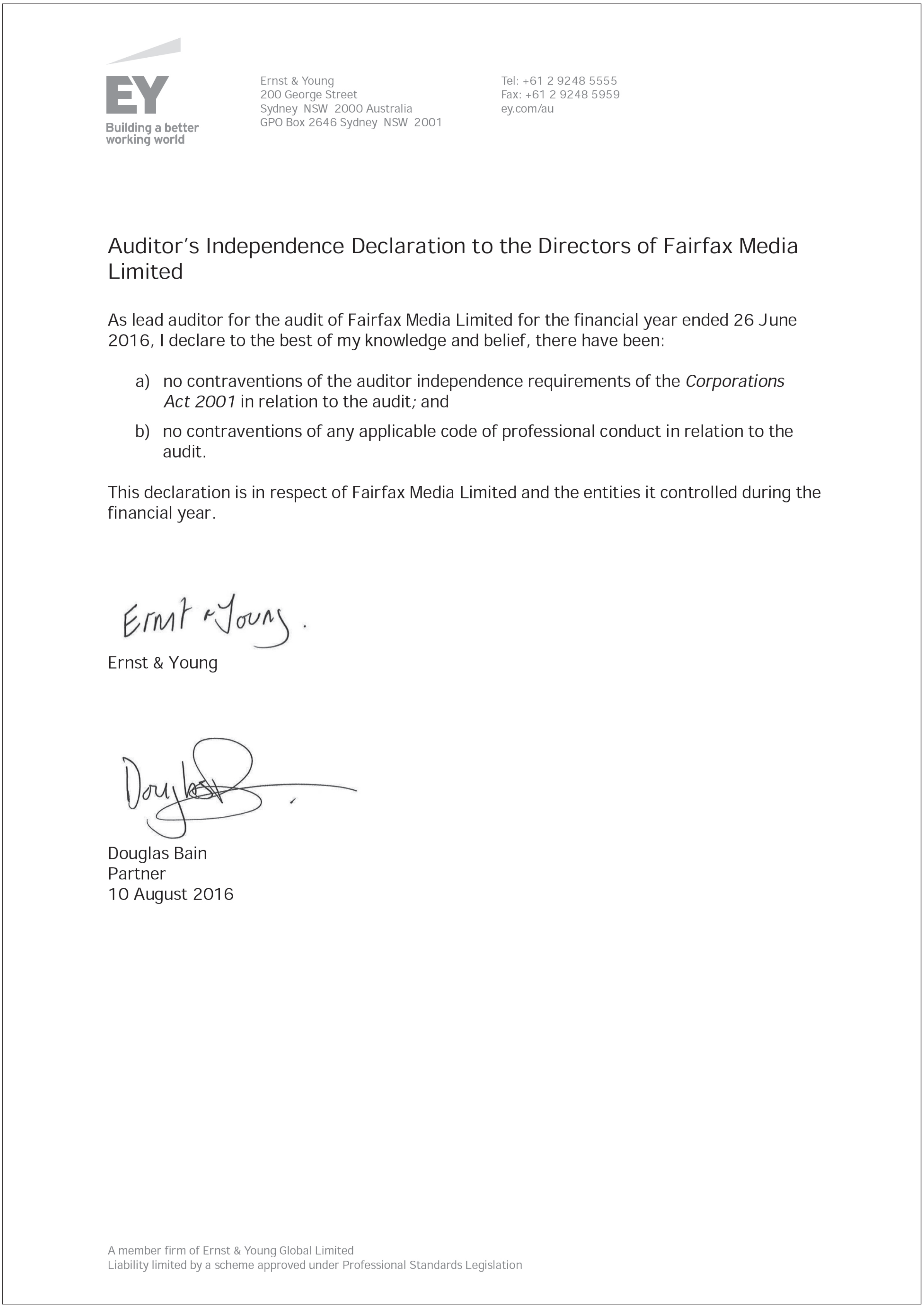
The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts contained in the Directors' Report have been rounded off in accordance with that Class Order to the 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.

Nick Falloon
Chairman

10 August 2016

AUDITOR’S INDEPENDENCE DECLARATION



Building a better
working world

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

As lead auditor for the audit of Fairfax Media Limited for the financial year ended 26 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit*;* and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Fairfax Media Limited and the entities it controlled during the financial year.

Ernst & Young.

Ernst & Young

Douglas

Douglas Bain
Partner
10 August 2016

REMUNERATION REPORT

Dear Shareholders,

On behalf of the Board, I am pleased to present Fairfax Media's Remuneration Report for Financial Year 2016 (FY16).

Fairfax's underlying financial results for FY16 remained solid in the context of a challenging publishing environment. The results reflect the many actions taken in recent years in transforming the business.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was $283.3 million, excluding significant items, which was slightly lower than last year.

The Chairman and the Chief Executive Officer have outlined in their respective reports how Fairfax is becoming stronger, adapting to the changing media environment, and driving shareholder value. Highlights across the portfolio include:

- Domain is Australia's fastest growing online real estate business;
- *The Sydney Morning Herald* is Australia's number one masthead with the largest cross-platform audience;
- Stan has quickly established itself as the leading local subscription-video-on-demand (SVOD) platform;
- Australian Community Media achieved its targeted $60 million of annualised cost savings;
- Stuff.co.nz is the number one local website in New Zealand; and
- Macquarie Media has the number one radio stations in Sydney and Melbourne.

Transformation Incentive Plan – FY16 Remuneration Outcomes

FY16 was the third and final year of the Transformation Incentive Plan (TIP). The TIP was implemented following shareholder approval of the Remuneration Report at the 2013 Annual General Meeting (AGM), and received further approval at the 2014 and 2015 AGMs. Incentives are heavily weighted towards achieving long-term growth, with a smaller portion toward the delivery of short-term objectives.

All incentives for Executive Key Management Personnel (Executive KMP) are delivered entirely by equity through a combination of long term options and annual deferred performance shares. Both the long term and short term incentives are subject to the achievement of performance hurdles.

Annual Component: In FY16 for Executive KMP the incentive was focused on the achievement of a Group EBITDA target. This ambitious target was narrowly missed because the company continued to make substantial investments in long term growth opportunities. Therefore no annual component was paid for the FY16 year. Details of the objectives and outcomes are set out later in the Remuneration Report.

Long Term Incentives: The 2014 allocation under the TIP is due to vest following FY16 year end. The performance hurdle for this allocation was absolute total shareholder return (Absolute TSR). The compound annual growth rate (CAGR) for Absolute TSR over the three year period from 1 July 2013 to 30 June 2016 was 26.9%. This exceeded the growth targets and full vesting is due to occur. Over the three year period Fairfax's market capitalisation has increased by 84% and full vesting of the options reflects management's achievements in this regard.

Other Remuneration Outcomes for FY16

In FY16, Executive KMP base pay remained unchanged and Executive KMP continued to invest 10% of their annual base pay into Fairfax shares.

During the year the Board conducted a market review of Non-Executive Directors' fees and resolved to increase fees effective from 1 October 2015. Details of the changes are set out in section 9 of the Remuneration Report.

The last previous change in Directors' fees was on 1 July 2013 when base fees were reduced by 10%. At this time the Board also resolved to disestablish one of its Committees and distribute the work of that Committee to the remaining Committees thus making a further saving on Directors' fees.

REMUNERATION REPORT

New Executive Incentive Scheme to Commence in 2017

The Board has conducted a comprehensive review of the executive remuneration arrangements. The TIP was devised at a time of considerable media market volatility and was judged by the Board as being an appropriate response to this environment. Over the last three years the management team has reduced dependence on print media, expanded its digital offerings and successfully developed key new businesses including Domain.

Subject to shareholder approval of the CEO's participation, the TIP will be replaced in 2017 by a new Short Term Incentive (STI) and Long Term Incentive (LTI) plan. Consistent with Fairfax's remuneration approach, the new plans continue to be heavily weighted toward achieving long term growth and shareholder value.

- The STI component will continue to be assessed on an annual basis, and any payments to Executive KMP will be made in deferred performance shares. Half of the shares will be deferred for one year and the other half for two years.
- Allocations for the LTI will be made in performance rights rather than options. Rights will be granted at the face value of Fairfax shares around the time of allocation.
  - The allocation will be subject to three independent performance hurdles, two of which are performance against relative total shareholder return (Relative TSR) comparator groups and the third hurdle being a strategic measure.
  - There will be no re-testing of the performance hurdles if they are not achieved at the end of the three year performance period.

While the Board acknowledges that the market environment remains challenging, it believes that the introduction of two relative total shareholder return elements, together with a third measure that reflects the current and future strategic objectives of Fairfax, is in the interests of the organisation and provides ongoing alignment between shareholder and executive benefits.

Further details of the new arrangements for 2017 will be provided to shareholders in the Notice of Meeting for the 2016 AGM.

On behalf of the Board, I would like to thank our executives for delivering the strategic priorities of the business to transform, grow and invest to drive long-term performance.

The Board recommends the Remuneration Report to you and seeks your support by voting in favour of this report at the 2016 Annual General Meeting.

Yours faithfully,

Sandra McPhee, AM
Chair – People and Culture Committee

REMUNERATION REPORT (AUDITED)

1. INTRODUCTION

This report forms part of the Company's FY16 Directors' Report and sets out the Fairfax Group's remuneration arrangements for Key Management Personnel (KMP) in accordance with the requirements of the Corporations Act 2001 and its regulations. KMP comprises Directors and members of the senior executive team who have authority and responsibility for planning, directing and controlling the activities of the Fairfax Group.

The KMP for the financial year are set out in Table 1.

TABLE 1

	ROLE
NON-EXECUTIVE DIRECTORS	
Nick Falloon(1)	Non-Executive Chairman
Roger Corbett(2)	Non-Executive Chairman
Patrick Allaway(3)	Non-Executive Director
Michael Anderson(4)	Non-Executive Director
Jack Cowin	Non-Executive Director
Sandra McPhee	Non-Executive Director
James Millar	Non-Executive Director
Linda Nicholls	Non-Executive Director
Todd Sampson	Non-Executive Director
Peter Young(5)	Non-Executive Director
EXECUTIVE DIRECTOR	
Greg Hywood	Chief Executive Officer
OTHER EXECUTIVES	
David Housego	Chief Financial Officer
Gail Hambly	Group General Counsel/Company Secretary

(1) Nick Falloon was appointed Chairman on 1 September 2015

(2) Roger Corbett resigned from the Board on 31 August 2015

(3) Patrick Allaway was appointed to the Board on 15 April 2016

(4) Michael Anderson resigned from the Board on 5 August 2016

(5) Peter Young resigned from the Board on 4 April 2016

2. REMUNERATION FRAMEWORK FOR 2016

The Company's remuneration principles and framework set out below were established in 2013 and received shareholder approval in 2014 and 2015.

2.1 REMUNERATION PRINCIPLES AND FRAMEWORK

FAIRFAX MEDIA EXECUTIVE REMUNERATION FRAMEWORK

The executive remuneration framework comprises a mix of fixed and performance based components. The framework aims to:

- align remuneration with achievement of business strategy and creating of value for shareholders;
- fairly remunerate and reward for achievement of Group strategic milestones, with incentive payments deferred to promote alignment with shareholder interests;
- attract, retain and motivate talented, qualified and experienced people in the context of industry changes; and
- be transparent and fair.

Fixed Remuneration Package

- set to attract and retain high calibre talent to drive the Company's strategy.
- has regard to the scope of the individual's role, level of knowledge and experience, and the market (including Fairfax's competitors).
- Executive KMP fixed remuneration remained unchanged in 2016.
- for 2016, Executive KMP continued to voluntarily invest 10% of their annual fixed remuneration into Fairfax shares.
- as further retention mechanism, if the Executive KMP member is still employed at the end of a two year period, then Fairfax will provide one additional bonus share for every five shares purchased by the executive through the voluntary share investment plan.

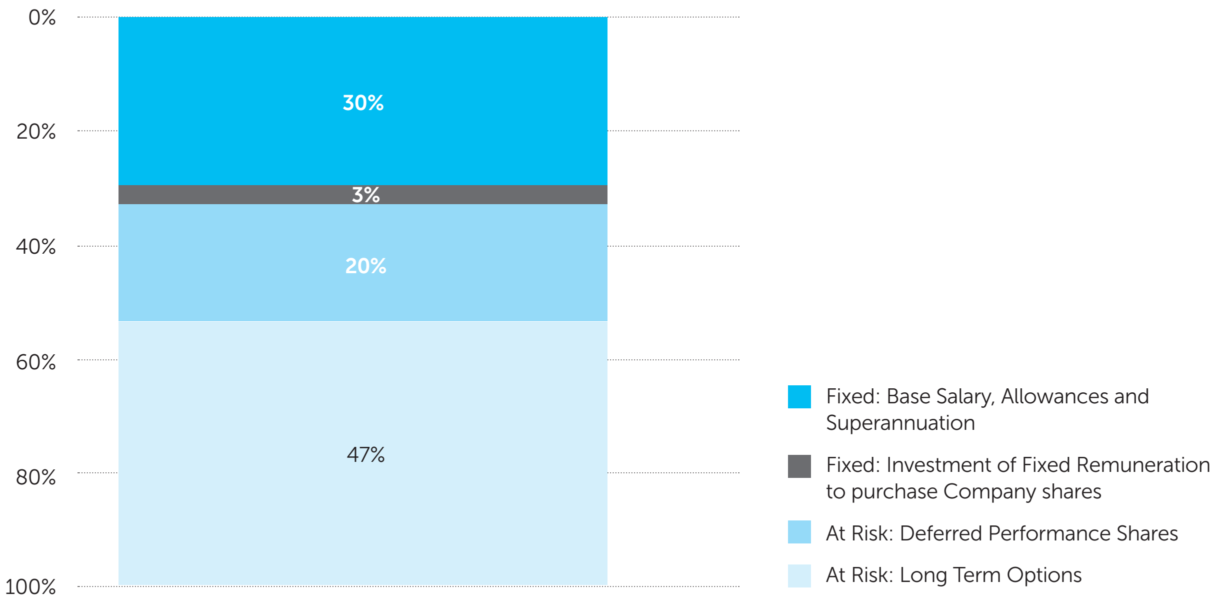
Performance Based Incentives - Transformation Incentive Plan

- the Transformation Incentive Plan (TIP) was implemented from 2014 replacing the former short term and long term incentive plans. The TIP better aligned executive outcomes with shareholder interests and provided rewards on delivery of the transformation plan. 2016 is the third and final year of the TIP.
- the TIP was designed to reward senior executives if they achieved the transformation plan for the Company over three years.
- under the TIP, long term options were granted. The options are exercisable only if challenging absolute shareholder return objectives are achieved at the end of the vesting period.
- a smaller proportion of deferred performance shares were granted if specific annual business metric targets, linked to the transformation of the Company, were achieved. Metrics are measurable and are weighted and tailored according to each executive's responsibilities.
- any performance shares earned were deferred so that executives do not become entitled to the equity until later in the transformation process. This also promotes and rewards longer term service by the executives.

2.2 REMUNERATION AT RISK

The Board considers that a significant proportion of executive remuneration should be ‘at risk’, and linked to Fairfax’s short and long term strategy and performance. Executive KMP have a maximum TIP opportunity of 200% of their fixed remuneration. This means that 67% of their total remuneration is at risk. The following diagram provides the Executive KMP remuneration mix for FY16 at maximum opportunity.

EXECUTIVE KMP



REMUNERATION REPORT (AUDITED)

3. REMUNERATION GOVERNANCE

The Board's objective is to align Fairfax's executive remuneration strategy with Company performance and shareholder interests.

The Board is also focused on delivering a remuneration framework that attracts and retains the right executive team to establish and deliver upon the Company strategy, and growth in shareholder value.

The People and Culture Committee (P&CC), comprising solely of Non-Executive Independent Directors, assists the Board in discharging its duties.

The members of the P&CC during 2016 were:

- Sandra McPhee (Chair);
- Roger Corbett (until 29 June 2015);
- Michael Anderson; and
- Jack Cowin.

The Chairman, Nick Falloon, attended Committee meetings from 1 September 2015.

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

The Board has a formal Charter for the P&CC which sets out the responsibilities, composition and rules of the Committee. The Committee's primary responsibilities include making recommendations in relation to executive remuneration that support the remuneration strategy and the performance conditions that underpin it, to promote the achievement of the Group's strategy and shareholder value, make recommendations to the Board on Non-Executive Directors fees (within the maximum amount approved by shareholders) and review and recommend to the Board the aggregate remuneration pool of Non-Executive Directors. Further details of the role and responsibilities of the Committee are set out in its Charter, which is available on the Fairfax Media website; www.fairfaxmedia.com.au

The Committee engages independent remuneration consultants to provide assistance and information as required. There were no remuneration recommendations provided to the Committee by consultants in 2016.

4. LINKING FY16 EXECUTIVE REMUNERATION TO PERFORMANCE

The remuneration structure aligns executive rewards with shareholders over the medium and longer term and provides an appropriate incentive to deliver on the Company strategy. The Company continues to focus on the business core strategy to grow, transform and invest to create shareholder value and a sustainable future. The Company continued to build momentum and maximise on the business strengths to adapt to the changing media environment. FY16 highlight achievements were:

- Revenue growth in Domain of 32.7%;
- Growth in Life Media & Events which included the acquisition of OpenAir Cinemas and joint venture of Drive.com.au with 112 Pty Ltd;
- Sustained cost savings including that Australian Community Media delivered its targeted $60 million of annualised cost savings;
- Stan established itself as the leading local subscription video on demand (SVOD) platform;
- *The Sydney Morning Herald* is Australia’s number one masthead with the largest cross platform audience;
- Stuff.co.nz is the number one local website in New Zealand; and
- Macquarie Media has the number one radio stations in Sydney and Melbourne.

Management continued to make decisions during the year for longer term growth and sustainability. In FY16 Executive KMP annual incentives focused on the achievement of a Group EBITDA target. This ambitious target was narrowly missed and therefore no annual component was paid for FY16.

The financial performance of the Company in key shareholder value measures over the past five years is shown in section 11.

5. TRANSFORMATION INCENTIVE PLAN (TIP)

5.1. TIP OUTLINE

The following table sets out how the Company's TIP operated during FY16. The TIP is designed to reward executives for achieving objectives linked to the Company's transformation strategy and for creating growth in shareholder value.

TABLE 2

<table>
<tr><th>DETAIL OF TRANSFORMATION INCENTIVE PLAN</th><th></th></tr>
<tr><td>Who participates?</td><td>Senior executives whose roles and skills are critical to the strategy of the Group are eligible to participate in the TIP.
Executive KMP are offered an incentive opportunity that comprises:
• options (70% of total incentive opportunity); and
• deferred performance shares (30% of total incentive opportunity).</td></tr>
<tr><td>OPTIONS</td><td></td></tr>
<tr><td>How is the options grant determined?</td><td>Options were granted with an exercise price determined by the Volume Weighted Average Price (VWAP) of Fairfax shares over the 5 trading day period commencing on the day after the Fairfax AGM.
Each option entitles the participant to one ordinary Company share, subject to achievement of the performance and service conditions and payment of the exercise price.
The number of options granted is set by the Board with the assistance of an independent valuation based on the Monte Carlo pricing model and depends on the executive's role and responsibilities.
Options were granted sufficient to meet on-target performance. Determination of the issue of further options if up to the maximum performance is achieved will be at the Board's discretion based on the outcomes against the performance hurdles at the conclusion of the performance period.</td></tr>
<tr><td>What is the performance period?</td><td>The performance period for the FY16 grant is an initial three year period commencing on 1 July 2015.</td></tr>
<tr><td>What are the performance hurdles?
Why were they chosen?</td><td>Options will not vest unless the compound annual growth rate (CAGR) targets for absolute total shareholder return growth (Absolute TSR) are met.
Absolute TSR measures growth in shareholder wealth over the performance period as it takes into account both share price growth as well as dividends paid to shareholders.
The applicable targets are set out in the table below.
<table>
<tr><th>PERFORMANCE</th><th>% EXERCISABLE</th><th>ABSOLUTE TSR GROWTH</th></tr>
<tr><td>Threshold</td><td>25%</td><td>12.5% CAGR</td></tr>
<tr><td>Target</td><td>50%</td><td>16% CAGR</td></tr>
<tr><td>Maximum</td><td>100%</td><td>20% CAGR</td></tr>
</table>
The Board chose Absolute TSR as the performance condition for the options because it considers share price growth and distributions to shareholders to be a key indicator of Fairfax's success over time. The Board believes that the level of growth required in order for the options to vest would result in a healthy rate of return to shareholders.
Notwithstanding these targets, the Board has discretion to deem performance conditions not met if vesting would otherwise only occur as a result of extraneous factors, such as speculation about a takeover bid for the Company. The Company considers it important that vesting of options reflect the quality of the Company's performance and generally excludes independent factors.</td></tr>
</table>

REMUNERATION REPORT (AUDITED)

DETAIL OF TRANSFORMATION INCENTIVE PLAN CONT'D

How are the options settled on vesting?	In the event that the performance and service conditions are satisfied and the options vest, the Board may at its discretion settle the options by either: • the purchase of shares on market; • the issue of new shares; or • a cash payment to executives in lieu of an allocation of Company shares.
Are the performance conditions re-tested?	Yes, in the year following the initial performance period. If the performance hurdles are not achieved in the initial performance period, there are two further re-testing opportunities at six monthly intervals. In order for the condition to be met on re-testing, Absolute TSR on a cumulative basis will be tested over the extended period. If the condition is met over the extended period, the Board considers it appropriate that executives should be rewarded along with shareholders. Any options that remain unvested after the final re-test will lapse immediately.

DEFERRED PERFORMANCE SHARES

How is the grant of deferred performance shares determined?	Performance shares are granted if participants achieve certain annual objectives that are linked to the Company's transformation strategy. The actual number of performance shares granted will be dependent on the participant's performance outcome for the year and the VWAP of the Company share price in the five days commencing on the day after the August 2016 results announcement.
What is the deferral period?	Half (50%) of the performance shares granted following testing of performance for FY16, will be deferred for one year and the other half (50%) will be deferred for two years.
What are the performance conditions?	Objectives are set annually by the Board and are linked to the transformation strategy. For Executive KMP, the entire FY16 opportunity was tied to the financial measure of Group EBITDA. The Board selected this clear and measurable objective over which executives have a clear line of sight in driving revenue growth and cost containment in the transformation strategy, which translates into shareholder value.
What is the performance period?	One year. Performance Shares are awarded by reference to transformational objectives that are set at the start of each year. Performance shares are granted at the end of the relevant financial year if specific goals are achieved.
Are the performance conditions re-tested?	No.

DETAIL OF TRANSFORMATION INCENTIVE PLAN CONT'D

GENERAL

Is there an ability to claw back awards under the TIP?	Yes. The Board has the discretion to claw back awards made under the TIP to ensure that participants do not unfairly benefit, including in the event of fraud, dishonesty or a breach of obligation to the Company. In addition, the Board may also claw back awards in the case of material risk or where financial information becomes available after awards are granted, which suggests that the initial grant was not justified.
Is there a restriction on executives hedging awards under the TIP?	Yes. The rules prohibit employees from creating any encumbrance on unvested awards. All executives must operate under the Fairfax Security Trading Policy.
What happens in a change of control?	In the event of a takeover bid or other transaction, event or state of affairs that in the Board's opinion is likely to result in a change in control of the Company, the Board has discretion to determine that vesting of some or the entire TIP should be accelerated. If the Board needs to exercise its discretion regarding a change of control event it would be guided by the time remaining before the set vesting test date, whether the performance hurdles were applied at the date of the likely change of control, the vesting test would be achieved, and, the best interest of shareholders.
What happens if the executive ceases employment?	Where an executive resigns or their employment is terminated by mutual agreement, the unvested transformation incentives will remain on foot and subject to the original performance hurdle (in the case of Options) and the deferral period (in the case of Performance Shares), as though the executive has not ceased employment. However, the Board may at its discretion determine to lapse any or all of the unvested transformation incentives and ordinarily, in the case of resignation, would be expected to do so. Where an executive is terminated for cause such as misconduct or poor performance all of the unvested transformation incentives will lapse or be forfeited, unless the Board determines otherwise.

5.2 FY16 OUTCOMES UNDER THE TRANSFORMATION INCENTIVE PLAN

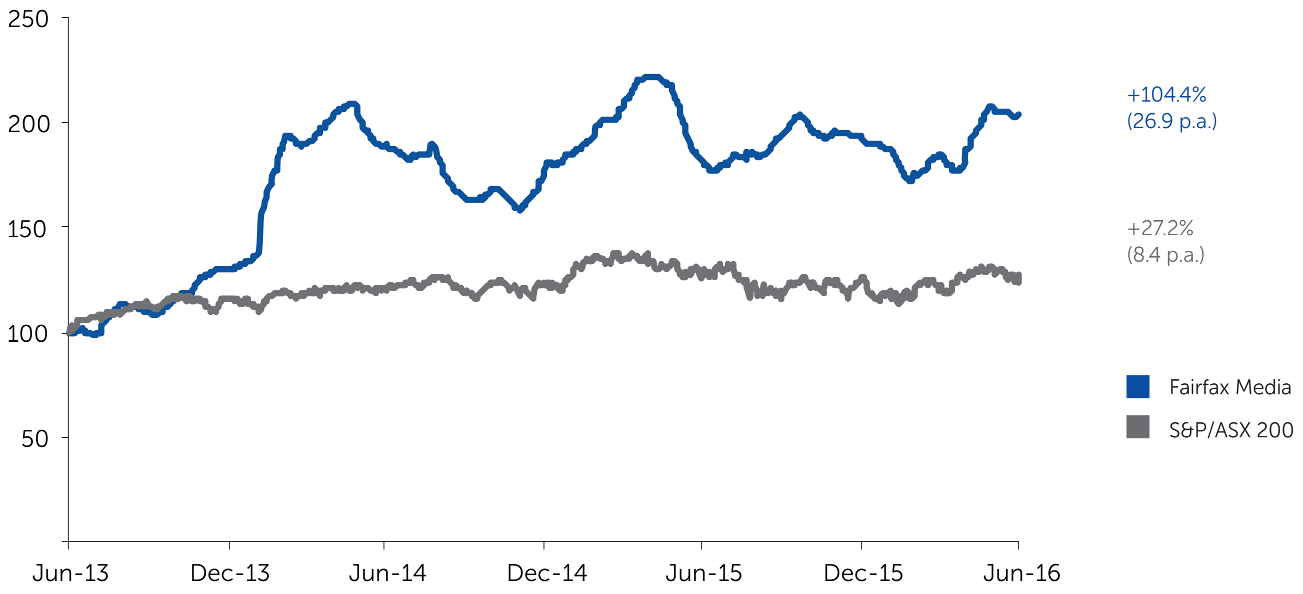
(A) LONG TERM COMPONENT - OPTIONS

FY14 Grant

The FY14 Long Term Options three year performance period commenced on 1 July 2013 and expired on the 30 June 2016. The performance hurdle for this allocation was Absolute TSR. The CAGR for Absolute TSR over the three year period was 26.9%. This exceeded the growth targets and therefore the allocation is due to fully vest. For the executive to exercise any vested option an exercise price of $0.58 per share is payable.

Fairfax has delivered total shareholder returns of 104% since 30 June 2013.

SHAREHOLDER RETURNS INCLUDING DIVIDENDS(1, 2)



Source: IRESS, data as at 30 June 2016.

(1) Measured against the ASX 200 accumulation index, which includes dividends.
(2) Assumes dividends re-invested at the closing price on the ex-dividend date.

Table 3 below sets out the number of options available to Executive KMP relating to the FY14 grant that are due to vest and the number (if any) due to be forfeited:

TABLE 3

EXECUTIVE KMP	TOTAL NUMBER OF OPTIONS AVAILABLE	OPTIONS DUE TO VEST(1)	OPTIONS DUE TO BE FORFEITED	VEST %	FORFEIT %
Greg Hywood	16,000,000	16,000,000	0	100%	0%
David Housego	8,250,000	8,250,000	0	100%	0%
Gail Hambly	6,250,000	6,250,000	0	100%	0%
Total	**30,500,000**	**30,500,000**	**0**	**100%**	**0%**

(1) An exercise price of $0.58 per share is payable on exercising any vested option.

Note – Absolute TSR performance provided by Orient Capital Pty Ltd.

FY15 and FY16 Grants

No options were available to vest under the FY15 and FY16 TIP Long Term Options grants during FY16 as neither of these grants have reached the end of their respective performance periods.

(B) 2016 ANNUAL INCENTIVE COMPONENT – DEFERRED PERFORMANCE SHARES

For FY16 the Board decided to set overall Group EBITDA as the target for Executive KMP. Management continued to make decisions during the year for longer term growth and sustainability. This ambitious target was narrowly missed and therefore no annual incentive will be paid for FY16.

The table below provides a summary of the Executive KMP incentive opportunity which was forfeited.

TABLE 4

EXECUTIVE KMP	THRESHOLD OPPORTUNITY ($)	ON-TARGET OPPORTUNITY ($)	MAXIMUM OPPORTUNITY ($)	INCENTIVE EARNED ($)	PERCENTAGE OF MAXIMUM OPPORTUNITY EARNED (%)
Greg Hywood	$192,000	$480,000	$960,000	$0	0%
David Housego	$99,000	$247,500	$495,000	$0	0%
Gail Hambly	$75,000	$187,500	$375,000	$0	0%

Note - The figures set out above are the dollar value that each Executive KMP had the opportunity to earn. For Executive KMP any annual incentive earned is awarded in deferred performance shares.

6. EXECUTIVE SERVICE AGREEMENTS

The remuneration and other terms of employment for the Executive KMP are set out in written service 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 incentive opportunities, termination rights and obligations, and post employment restraints.

The Company may terminate the employment of the executive without notice and without payment in lieu of notice in some circumstances, including if the executive commits an act of serious misconduct or a material breach of the executive service agreement or is charged with any criminal offence which, in the reasonable opinion of the Company, may embarrass or bring the Fairfax Group into disrepute.

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.

Also set out in the table below is the notice that the executive is required to give.

TABLE 5

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
David Housego	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	18 months	3 months	• 12 month no solicitation of employees or clients • 6 months no work for a competitor of the Fairfax Group

REMUNERATION REPORT (AUDITED)

7. EXECUTIVE KMP REMUNERATION AND EQUITY GRANTED IN FY16

(A) REMUNERATION OF KEY MANAGEMENT PERSONNEL

Table 6 sets out details of remuneration during FY16.

TABLE 6

		BASE SALARY, & OTHER BENEFITS[1]	CASH BONUS	SUPER-ANNUATION	LONG SERVICE LEAVE EXPENSE	TOTAL EXCLUDING SHARES/ RIGHTS	VALUE OF SHARES/ RIGHTS[2]	TOTAL INCLUDING SHARES/ RIGHTS
G. Hywood – Chief Executive Officer	**2016**	**1,575,000**	**-**	**25,000**	**32,982**	**1,632,982**	**1,102,069**	**2,735,051**
	2015	1,575,000	-	25,000	23,549	1,623,549	867,916	2,491,465
D. Housego – Chief Financial Officer	**2016**	**769,151**	**-**	**35,000**	**10,812**	**814,963**	**570,625**	**1,385,588**
	2015	790,156	-	35,000	5,385	830,541	470,252	1,300,793
G. Hambly – Group General Counsel & Company Secretary	**2016**	**554,308**	**-**	**70,692**	**6,565**	**631,565**	**430,707**	**1,062,272**
	2015	554,232	-	70,768	10,863	635,863	388,172	1,024,035
Total	**2016**	**2,898,459**	**-**	**130,692**	**50,359**	**3,079,510**	**2,103,401**	**5,182,911**
	2015	2,919,388	-	130,768	39,797	3,089,953	1,726,340	4,816,293

(1) Executive KMP voluntarily invest 10% of their fixed annual remuneration to purchase Company shares on a post-tax basis.

(2) Amount includes the amortised cost of the fair value of rights to shares and options issued but not yet vested.

(B) EQUITY GRANTED TO EXECUTIVES KMP DURING FY16

TABLE 7

	EQUITY AWARD(1)	PERFORMANCE CONDITION(2)	NUMBER OF OPTIONS/ SHARES GRANTED(3)	FAIR VALUE PER OPTIONS/ SHARES(4)	MAXIMUM VALUE OF GRANT(5)
G Hywood – Chief Executive Officer	Options	Absolute TSR	4,666,666	$0.24	$1,120,000
	Performance Shares	Transformation Objectives	Nil	-	$0
					$1,120,000
D Housego – Chief Financial Officer	Options	Absolute TSR	2,406,250	$0.24	$577,500
	Performance Shares	Transformation Objectives	Nil	-	$0
					$577,500
G Hambly – Group General Counsel & Company Secretary	Options	Absolute TSR	1,822,916	$0.24	$437,500
	Performance Shares	Transformation Objectives	Nil	-	$0
					$437,500

(1) No Performance Shares were granted to executives for FY16 as indicated in 5.2 (B).

(2) Performance Shares and Options are subject to performance hurdles that are outlined in section 5.1. Rights to Performance Shares and Options lapse where the applicable performance conditions are not satisfied on testing. As the Performance Shares and Options only vest on satisfaction of performance conditions which are to be tested in future years, the FY16 Performance Shares and Options have not yet been forfeited or vested.

(3) Options are granted sufficient to meet on-target performance. Determination of the issue of further options if up to the maximum performance is achieved will be at the Board's discretion based on the outcomes against the performance hurdles at the conclusion of the performance period.

(4) The Board determined the Fair Value per Option to be 24 cents with a grant date 2 December 2015.

(5) 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).

8. EXECUTIVE KMP SHAREHOLDINGS

Executive KMP equity holdings as at 26 June 2016 is set out below:

(A) SHARES HELD BY EXECUTIVE KMP

TABLE 8

2016

EXECUTIVE KMP	BALANCE AT 28 JUNE 2015	ACQUSITIONS[1]	DISPOSALS	BALANCE AT 26 JUNE 2016	POST YEAR-END ACQUISITIONS[2]	POST YEAR-END DISPOSALS	**POST YEAR-END BALANCE**
G. Hywood	551,213	3,717,981	(3,600,000)	669,194	25,092	-	**694,286**
D. Housego	120,064	1,763,048	(1,770,832)	112,280	12,938	-	**125,218**
G. Hambly	195,769	1,049,243	(1,218,186)	26,826	9,800	-	**36,626**
Total	**867,046**	**6,530,272**	**(6,589,018)**	**808,300**	**47,830**	-	**856,130**

(1) Includes exercised performance rights from the FY13 long term incentive grant and shares acquired by the investment of 10% of fixed remuneration.

(2) Shares acquired post year end is part of the 10% investment plan as noted in section 2.1. Share purchase dates are predetermined by the Company and the administrator Link Market Services Ltd.

(B) RIGHTS OVER SHARES HELD BY EXECUTIVE KMP

TABLE 9

2016

EXECUTIVE KMP	BALANCE AT 28 JUNE 2015[1]	GRANTED AS REMUNERATION[2]	EXERCISED DURING THE YEAR[3]	FORFEITED DURING THE YEAR[4]	**CLOSING BALANCE AT 26 JUNE 2016[1]**
G. Hywood	23,311,276	4,666,666	(3,600,000)	(6,231,952)	**18,145,990**
D. Housego	10,632,345	2,406,250	(1,702,214)	(2,181,667)	**9,154,714**
G. Hambly	7,666,373	1,822,916	(1,003,164)	(1,460,612)	**7,025,513**
Total	**41,609,994**	**8,895,832**	**(6,305,378)**	**(9,874,231)**	**34,326,217**

(1) FY14 TIP grant of long term options are due to vest as outlined in section 5.2 (A)

(2) FY16 TIP long term options granted on the 2 December 2015

(3) Represents any exercising in relation to the FY13 long term incentive grant that partially vested and half of the deferred performance shares that vested following the end of the required deferral period.

(4) Forfeiture relates to the entire FY12 long term incentive grant and partial forfeiture of the FY13 long term incentive grant.

9. 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 approved 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.

Board and Committee fees payable as at the date of this report are as follows:

TABLE 10

	$
Chairman of the Board*	364,000
Other Non-Executive Director	135,000
Chair of Audit and Risk Committee	48,000
Members of Audit and Risk Committee	36,000
Chair of People and Culture Committee	36,000
Members of People and Culture Committee	24,000
Chair of the Nominations Committee	0
Members of Nominations Committee	0

* The Chairman of the Board does not receive committee fees for membership of Committees.

The fees above do not include statutory superannuation payments.

During FY16 Non-Executive Director fees were reviewed, and the Board resolved to increase fees taking into account that there had been no increase for four years, and, from 1 July 2013, there was a 10% reduction in Directors base fees.

Furthermore, since 2013 there has also been a reduction in total aggregate Board fees due to the disestablishment of the Sustainability and Corporate Responsibility Committee (with its responsibilities distributed to the Audit and Risk and People and Culture Committees). Fees for membership of the Nominations Committee have also been removed and the Chairman is not paid fees for membership of any Board Committees.

Effective 1 October 2015 Directors fees were increased to the above amounts. The decision was made with consideration of the increased workload of Non-Executive Directors in overseeing Fairfax's ongoing transformation and market data.

Survey market data for directors' fees in the Ernst and Young 2016 Executive and Board Remuneration Report indicates that both the Chairman and Non-Executive Director base fees are below the median of the ASX Top 100 director fees.

The Board of Directors has a policy that Directors must accumulate a portfolio of Fairfax shares (valued at time of purchase) to the value of 25% of the Director's annual fees per year for four years.

9.1 RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS

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

9.2 NON-EXECUTIVE DIRECTORS' FEES

The following table outlines fees paid to Non-Executive Directors during the financial year.

TABLE 11

NON-EXECUTIVE DIRECTOR		NON-EXECUTIVE DIRECTORS FEES	SUPERANNUATION	**TOTAL**
P. Allaway(1)	**2016**	**29,077**	**2,762**	**31,839**
M. Anderson	**2016**	**154,220**	**14,651**	**168,871**
	2015	139,000	13,205	152,205
R. Corbett(2)	**2016**	**50,308**	**4,779**	**55,087**
	2015	327,000	31,065	358,065
J. Cowin	**2016**	**154,220**	**14,651**	**168,871**
	2015	139,000	13,205	152,205
N. Falloon(3)	**2016**	**343,021**	**32,587**	**375,608**
	2015	19,500	1,853	21,353
J. Millar	**2016**	**165,981**	**15,768**	**181,749**
	2015	150,000	14,250	164,250
S. McPhee	**2016**	**165,981**	**15,768**	**181,749**
	2015	150,000	14,250	164,250
L. Nicholls	**2016**	**177,744**	**16,886**	**194,630**
	2015	161,000	15,295	176,295
T. Sampson	**2016**	**130,698**	**12,416**	**143,114**
	2015	117,000	11,115	128,115
P. Young(4)	**2016**	**123,888**	**12,019**	**135,907**
	2015	150,000	14,250	164,250
Directors	**2016**	**1,495,138**	**142,287**	**1,637,425**
	2015	1,352,500	128,488	1,480,988

(1) Patrick Allaway was appointed to the Board on 15 April 2016

(2) Roger Corbett resigned from the Board on 31 August 2015

(3) Nick Falloon was appointed Chairman on 1 September 2015

(4) Peter Young resigned from the Board on 4 April 2016

9.3 NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS

Non-Executive Director equity holdings disclosure as at 26 June 2016 are set out below:

TABLE 12

2016

NON-EXECUTIVE DIRECTOR	BALANCE AT 28 JUNE 2015	ACQUISITIONS	DISPOSAL	BALANCE AT 26 JUNE 2016	POST YEAR-END ACQUISITIONS(5)	POST YEAR-END DISPOSALS	**POST YEAR-END BALANCE**
P. Allaway(1)	-	120,000	-	120,000	-	-	**120,000**
M. Anderson	15,467	28,911	-	44,378	8,064	-	**52,442**
R. Corbett(2)	99,206	-	-	99,206	-	-	**99,206**
J. Cowin	3,000,000	-	-	3,000,000	-	-	**3,000,000**
N. Falloon(3)	-	430,738	-	430,738	15,289	-	**446,027**
J. Millar	100,000	-	-	100,000	-	-	**100,000**
S. McPhee	167,359	28,764	-	196,123	8,009	-	**204,132**
L. Nicholls	165,291	30,580	-	195,871	8,463	-	**204,334**
T. Sampson	18,317	22,961	-	41,278	6,455	-	**47,733**
P. Young(4)	131,117	-	-	131,117	-	(131,117)	**-**
Total	**3,696,757**	**661,954**	**-**	**4,358,711**	**46,280**	**(131,117)**	**4,273,874**

(1) Patrick Allaway was appointed to the Board on 15 April 2016

(2) Roger Corbett resigned from the Board on 31 August 2015

(3) Nick Falloon was appointed Chairman on 1 September 2015

(4) Peter Young resigned from the Board on 4 April 2016

(5) Shares acquired post year end as part of the Directors investment from fees arrangement. Share purchase dates are predetermined by the Company and the administrator Link Market Services Ltd.

10. LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans made to Directors of Fairfax Media Limited or to other KMP, including their personally related parties, during FY16 (2015: nil).

11. FIVE YEAR FINANCIAL PERFORMANCE OF THE COMPANY IN KEY SHAREHOLDER VALUE MEASURES

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

TABLE 13

		IFRS 2016	IFRS 2015	IFRS 2014	IFRS 2013(1)	IFRS 2012
Underlying operating revenue	$m	**1,831**	1,853	1,866	2,074	**2,328**
Underlying net profit after tax*	$m	**132.5**	143.6	157.8	128.0	**205.4**
Earnings per share after significant items	Cents	**5.7**	6.1	6.7	5.4	**8.7**
Dividends per share	Cents	**4.0**	4.0	4.0	2.0	**3.0**
Total Shareholder Returns (TSR)**	%	**7.1**	(0.7)	97.5	(3.4)	**(40.5)**
Share Price (at financial year end date)	$	**0.91**	0.85	0.93	0.50	**0.58**

* Underlying net profit after tax restated to be underlying net profit attributable to members of the Company.

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

(1) Trade Me revenue has been included in 2013 for comparative purposes up to the date of sale on 21 December 2012.

CORPORATE GOVERNANCE

Fairfax has adopted a corporate governance framework that is consistent with the ASX Corporate Governance Council Principles and Recommendations (ASX Recommendations).

The key corporate governance practices of the Fairfax Group are set out below including summaries of the Policy on Market Disclosure and Shareholder Communications, Risk Management Policy and Securities Trading Policy. The Fairfax Constitution, Board Charter, Board Committee Charters, Code of Conduct and Diversity Guidelines are available at http://www.fairfaxmedia.com.au/company/corporate-governance.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

Membership of the Board and its Committees during FY16 is set out below.

		COMMITTEE MEMBERSHIP		
DIRECTOR	POSITION	AUDIT AND RISK	NOMINATIONS	PEOPLE AND CULTURE
N Falloon(1)	Independent Chairman (from 1 September 2015)	Member	Chair	Member
R Corbett, AO(2)	Independent Chairman (until 31 August 2015)	Member	Chair	–
G Hywood	CEO/Managing Director	–	–	–
M Anderson(3)	Independent	–	–	Member
P Allaway(4)	Independent	Member	–	–
J Cowin	Independent	–	–	Member
S McPhee, AM	Independent	–	–	Chair
J Millar, AM	Independent	Member	Member	–
L Nicholls, AO	Independent	Chair	Member	–
T Sampson	Independent	–	–	–
P Young, AM(5)	Independent	Member	Member	–

(1) Appointed as Chairman on 1 September 2015 and as a member of the Committees on 23 June 2016.

(2) Resigned as a Director and ceased to be a member of all Committees on 31 August 2015.

(3) Resigned as a Director on 5 August 2016.

(4) Appointed as a Director on 15 April 2016.

(5) Resigned as a Director and ceased to be a member of all Committees on 4 April 2016.

The qualifications, experience, term of office and other details of each member of the Board are set out on pages 21 to 23.

The number of Board and Committee meetings held during FY16 and each Director’s attendance at these meetings are set out in the Directors’ Report on page 26.

CORPORATE GOVERNANCE

INDEPENDENCE OF 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 are required to bring views and judgement to Board decisions independent of management and free of any business or other circumstances that might interfere with their independent judgement in the best interests of the Company and its shareholders.

The Board has determined that all Directors except the Chief Executive Officer (CEO) 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 Principles and Guidelines. The Board makes its decisions on a case-by-case basis and determines whether any particular factors or prior relationships might reasonably be seen to interfere, with the Director's capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of Fairfax and its shareholders generally. Where appropriate, external advice is sought to assist the Board's assessment.

Patrick Allaway, via his corporate advisory and funds management business, Saltbush Capital Markets, provided services to the Board over the three years prior to his appointment to the Board. Payment for these services was on arms length commercial terms:

- 2016 - $27,500;
- 2015 - $310,750;
- 2014 - $115,500.

This consultancy relationship has terminated and Mr Allaway no longer has any relationship with the Fairfax Group other than as a Director. Notwithstanding this prior commercial relationship the Board considers Mr Allaway to be an independent Director because the nature of his consultancy was to provide independent advice. The Board does not view this prior relationship as one which interferes with Mr Allaway's capacity to bring independent judgement to bear on issues before the Board or his capacity to act in the best interests of the Fairfax Group and its shareholders.

ROLE OF THE BOARD

The Board of Directors is responsible for the long-term growth and profitability of the Fairfax 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 primary responsibilities of the Board include:

(a) setting the strategic direction of the Fairfax Group to create value for shareholders;

(b) approving performance targets for the Fairfax Group and monitoring the achievement of those targets;

(c) providing overall policy guidance and monitoring processes aimed to ensure that corporate governance and risk management are in place and followed;

(d) monitoring compliance with regulatory obligations and ethical standards;

(e) setting and monitoring the Fairfax Group's programs for succession planning and key executive development;

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

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

(h) setting the appointment, tenure and conditions of employment of the CEO; and

(i) approval of public statements which reflect significant issues of Fairfax policy, finance, strategy or business outcomes.

DELEGATION TO SENIOR MANAGEMENT

Subject to the Board's reserved powers 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 further delegate within the delegations specified by the Board. The CEO is accountable to the Board for the exercise of those delegated powers.

DIRECTOR APPOINTMENT, ROTATION AND SUCCESSION PLANNING

The Company's Constitution authorises the Board to appoint Directors to fill casual vacancies and to elect the Chair. Any Director appointed by the Board must stand for election at the next Annual General Meeting of shareholders.

One third of Directors (excluding the CEO and any Director appointed to fill a casual vacancy, and rounded down to the nearest whole number) must retire at every Annual General Meeting. In addition, no Director (other than the CEO) may remain in office for more than three years or beyond the third Annual General Meeting following appointment without retiring and being re-elected by shareholders.

The Company provides shareholders with information that is material to a shareholder's decision regarding whether to elect or re-elect a Director.

The Nominations Committee assists the Board to identify potential candidates for appointment to the Board, as required.

As part of the process for identifying potential Director candidates, the Board undertakes background checks. Where appropriate, the Board seeks external advice on suitable candidates.

All new Directors receive an appointment letter setting out the terms of their appointment including details of their role, Committee memberships (if any), re-election requirements and their expected time commitments.

DIRECTOR INDUCTION AND CONTINUING EDUCATION

The Company provides an induction program for all new Directors. As part of this program, a comprehensive induction pack is provided containing materials to enable the Directors to understand their rights, duties and responsibilities as a Director of the Company. Meetings between key management and the new Director are scheduled so that the Director has an opportunity to further develop his or her understanding of the Company's businesses, key issues, strategy and operations.

The Board's development activities aim to provide regular updates on each of the Fairfax Group's significant activities and industry trends. Regular presentations are made by senior management and, where appropriate external experts.

Access to independent professional advice

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

BOARD COMMITTEES

NOMINATIONS COMMITTEE

The Board Nominations Committee operates under a formal Charter.

Under the Nominations Committee Charter its primary responsibilities 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 including skills requirements and diversity;
- identifying Board members qualified to fill vacancies on Committees;
- recommending the appropriate process for the evaluation of the performance of Directors, the Board and Committees; and
- other duties delegated to it from time to time relating to nomination of Board or Committee members or corporate governance.

The Committee is comprised solely of Independent Non-Executive Directors.

AUDIT AND RISK COMMITTEE

The Board Audit and Risk Committee operates in accordance with a Charter which sets out its role and functions.

The primary responsibilities of the Committee include 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;
- monitor the quality and reliability of financial information for the Fairfax Group;
- manage certain sustainability and corporate responsibility matters;
- recommend to the Board the appointment of the external auditor, review its performance, independence and effectiveness, approve the auditor's fee arrangements and enforce the Company's Charter of Audit Independence;
- ensure that appropriate systems of control are in place to effectively safeguard assets;
- monitor that accounting records are maintained in accordance with statutory and accounting requirements;
- oversee an effective business risk plan;
- monitor that there is an appropriate framework for compliance with all legal and Australian Securities Exchange requirements;
- review the external audit process with the external auditor, including in the absence of management; and
- review and approve the internal audit plan and its implementation.

Under its Charter, all members of the Committee must be Independent Non-Executive Directors. The Chair of the Committee is required to be independent and have relevant financial expertise and may not be the Chair of the Board.

PEOPLE AND CULTURE COMMITTEE

The Board People and Culture Committee, operates under a formal People and Culture Committee Charter.

The primary responsibilities of the Committee are to:

- Oversee the development and implementation of the Group's Human Resources strategy with reference to the appropriate resources, policies and procedures to support the achievement of the Company's strategy;
- Promote a safe working environment;
- Drive high performance management by establishing and monitory effective remuneration policies and plans;
- Oversee effective succession management programs to develop talented, motivated and engaged people are in place to achieve the Company strategy; and
- Report to shareholders in line with required legislation and governance standards.

Under its Charter all members of the Committee must be Independent Non-Executive Directors.

COMPANY SECRETARY

The Company Secretary is accountable to the Board through the Chairman on all matters relating to the proper functioning of the Board. The qualifications and experience of the Company Secretary are set out on page 25.

CORPORATE GOVERNANCE

PERFORMANCE EVALUATION

BOARD SKILLS

The Board benefits from the combination of the different skills, experiences and expertise that Directors bring to the Board and the insights that result from this diversity.

The following table summarises the skills, attributes and experience of the Company's Non-Executive Directors. Percentages are determined as at the date of this report.

NON-EXECUTIVE DIRECTORS' SKILLS (NED) MATRIX	% OF NED'S WITH SUBSTANTIAL OR EXTENSIVE EXPERTISE
Media Expertise: Expertise and experience in the media industry at a very senior level.	43
Advertising and subscriber management: Expertise and experience at a senior level in advertising, advertising sales and subscriber and customer management.	57
Strategy: Expertise in the development and implementation of strategic plans and risk management to deliver investor returns over time.	100
Executive leadership: Experienced and successful leadership at a very senior executive level of large organisations.	100
Marketing and product development: Expertise and senior executive experience in marketing and new media marketing metrics and tools.	43
Financial acumen: Expertise in understanding financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.	86
Remuneration: Experience in remuneration design to drive business success.	86
Capital projects, acquisitions and divestitures: Experience in evaluating and implementing projects involving large-scale financial commitments, investment horizons and major transactions.	71
Governance: Knowledge and experience of high standards of corporate governance, including ASX Listing Rules and practices.	57
Technology and data: Expertise and experience in the adoption of new technology and technology projects and in the use of data and data analytics to drive successful sales, marketing and business development.	14
Health, safety and corporate responsibility: Expertise related to workplace health and safety, environmental, community and social responsibility.	57
Public policy: Experience in public and regulatory policy, including how it affects corporations.	29

BOARD, COMMITTEES AND DIRECTORS

The Board conducts a review of its structure, composition and performance annually. The Board may seek external advice to assist in the review process. Performance evaluations of all individual Directors, the Board and each Committee, as well as governance processes that support the Board's work, are reviewed on a regular basis.

Performance reviews of the Board, its Committees and Directors were conducted in FY16. As part of this review the Chairman conducted discussions with each member of the Board individually, and the Board together, regarding the performance of the Board and its Committees and Board succession plans.

SENIOR EXECUTIVES

Fairfax's senior executives are employed under individual employment contracts setting out the terms of their employment.

Senior management performance reviews are undertaken each year. The executive's performance is measured against his or her KPIs set at the beginning of the year. The CEO undertakes performance reviews with each of his direct reports. The CEO's performance review is undertaken by the Chairman in consultation with the Board. In accordance with this process, performance evaluations were conducted during FY16.

CORPORATE GOVERNANCE

REMUNERATION

Information about the Company's remuneration policies and practices for Non-Executive Directors, the CEO and other senior executives, and their remuneration during FY16, are set out in the Remuneration Report on pages 29 to 48.

RISK MANAGEMENT AND INTEGRITY OF FINANCIAL REPORTING

RISK MANAGEMENT FRAMEWORK

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

The risk management process seeks to provide a consistent approach to identifying, assessing, and reporting risks, including those related to Company performance, reputation, safety, environment, internal control, compliance and other risk areas.

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

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

- the Board, with the support of the Audit and Risk Committee, annually assesses the risk management framework to satisfy itself that it continues to be sound;
- 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 projects or initiatives of a significant nature. Project teams are responsible for managing the risks identified and all material projects are further monitored by the senior management group; and
- under the direction of the Audit and Risk Committee, Internal Audit conducts a program of internal process control reviews over key areas, based on the materiality of the process to the Fairfax Group. Internal Audit also provides assurance over the internal control assessments undertaken by management.

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.

During FY16, the Board assessed the risk management framework and is satisfied that it continues to be sound.

INTERNAL AUDIT

The Company's Internal Audit function comprises the Manager, Corporate Risk and Assurance 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 and Risk function is independent from the external auditor and the Manager, Corporate Risk and Assurance meets with the Audit and Risk Committee in the absence of management as required. Internal Audit and Risk reports its results to the Audit and Risk Committee. The Manager, Corporate Risk and Assurance attends Committee meetings.

MATERIAL RISKS

The Company assesses material exposure to economic, environmental and social sustainability risks on an annual basis and determines how they are to be managed.

Like all media companies globally the Company is subject to the ongoing structural shift away from print advertising and to fragmentation of the advertising market.

Fairfax has taken strategic action to transform its business in the face of these challenges. This is discussed in detail at pages 3 to 9 of the Annual Report. The Company addresses the issues of financial, social and environmental sustainability in its Corporate Social Responsibility and Sustainability Report beginning on page 11.

DECLARATIONS FROM THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The Board receives written declarations from the CEO and the Chief Financial Officer (CFO) in relation to the half-year and full-year 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 (Cth) (Corporations Act);

(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 period and performance of the Company and Consolidated Entity for the period then ended as required by the Corporations Act;

(c) the financial records of the Company have been properly maintained in accordance with the Corporations Act; and

(d) the statements made above are founded on a sound system of financial risk management and internal compliance and control, which is operating effectively.

These declarations to the Board are underpinned by the requirement for appropriate senior executives to provide a signed letter of representation addressed to the CEO and CFO 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 Fairfax Group.

CHARTER OF AUDIT INDEPENDENCE

The Board has 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 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 that aim to set a proper framework of audit independence.

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 aims to uphold ethical standards and the conduct of business in accordance with applicable laws and ethical standards. The Code 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 of all representatives of Fairfax;
- promote ethical behavioural standards and expectations across the Fairfax Group, all business units and locations;
- offer guidance for shareholders, customers, readers, suppliers and the wider community on the Company's values, standards and expectations, and what it means to work for Fairfax; and
- 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 to be read in conjunction with the codes of ethics for each masthead and the other Fairfax policies as amended from time to time.

MARKET DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

The Company has a Policy on Market Disclosure and Shareholder Communications which sets out requirements aimed to ensure full and timely disclosure to the market of material issues relating to the Fairfax 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 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 CEO, CFO and Group General Counsel/Company Secretary are designated Disclosure Officers. They are responsible for reviewing potential disclosures and, in consultation with the Chairman and the Board, deciding what information is 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.

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 practicable after their release to the ASX (where release is required). Several years' worth of historical financial information is available on the website. Webcasts and recordings of results announcements and investor briefings can be accessed on the website for a period of time.

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 CEO's addresses, proxy counts and results of shareholder resolutions at the meeting are also posted on the website as soon as practicable after their release to the ASX.

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 Auditor's Report.

Shareholders are also able to send communications to, and receive communications from, Fairfax and its share registry electronically.

TRADING IN COMPANY SECURITIES

Directors and managers 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 Fairfax 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 provide tips to 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 Chair through the Company Secretary.

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.

CORPORATE GOVERNANCE

DIVERSITY

Fairfax is committed to creating a workplace that is fair and inclusive and reflects the diversity of the communities in which the Company operates. Fairfax values, respects and encourages diversity of Board members, employees, customers and suppliers. The Company believes diversity includes, but is not limited to, gender, age, ethnicity and cultural background. Accordingly, Fairfax has adopted Diversity Guidelines to establish the framework within which it will promote diversity, including the requirement for the People and Culture Committee to endorse measurable objectives for achieving diversity for the year and to annually review the objectives and progress towards achieving them.

Fairfax aims to attract, motivate, retain and engage high performing employees. The Company recognises that each employee brings their own unique capabilities, experiences and characteristics to their work, and values such diversity at all levels of the Company.

Encouraging diversity broadens the pool for the recruitment of talented employees, enhances retention and supports innovation. Increasing the focus on high quality employees supports the Company to improve its financial performance and achieve its strategic objectives.

Last year, the Company set a new target of achieving 35% of females in senior management positions by 2018. The Company continues in its transformation journey and over the past year the net effect of senior management leaving the business and the new hires has impacted the percentage of females in senior roles with a slight decrease of 1% compared to last year. Fairfax continues to promote females in leadership roles and the Company is on track to achieve the target by 2018.

The Company has exceeded its objective of 30% female representation among senior managers by 2016.

The Company's workforce gender demographics as at 26 June 2016 are:

- Proportion of women who are Non-Executive Directors on the Board: 25%
- Proportion of women in senior management (which, for these purposes, includes any senior manager of the Fairfax Group, including those who participate in the Fairfax Group's employee incentive schemes): 33%
- Proportion of women across the organisation: 52%

In 2013, the Fairfax Women of Influence Awards was introduced. Fairfax Women of Influence Awards is an internal reward and recognition award aiming to celebrate the contributions and successes of high-achieving female Fairfax employees to raise their leadership profiles. The awards comprise of five categories: agenda setter, emerging leader, customer centric leader, leadership champion, and change and innovation champion. Judging panel included members of the Board in addition to senior leaders across the business. Participation in the awards is high and the calibre and diversity of nominees is outstanding. The program has made a significant impact in raising the leadership profiles of females across the business.

The Company has continued in its efforts to have a senior female included in all panels for senior executive roles and at least one female candidate in the shortlist for senior roles.

There are also a number of employment terms are in place to positively impact on women's participation in the workforce. These include:

- Flexible work hours
- Compressed working weeks
- Time-in-lieu
- Telecommuting
- Part-time work and job sharing
- Carer's leave
- Purchased leave
- Unpaid leave

The Company is compliant with the Workplace Gender Equality Act 2012 (C'th).

This Corporate Governance Statement is current as at 10 August 2016 and has been approved by the Board of Fairfax.

OUR APPROACH TO TAX

Fairfax is committed to managing taxes in a sustainable manner with regard to the commercial and social imperatives of our business and stakeholders. The Company operates under a Board approved Tax Corporate Governance framework which is designed to ensure taxes are managed in compliance with tax law. The Board does not sanction or support any activities which seek to aggressively structure the Company's tax affairs.

Fairfax has committed to the adoption of the principles contained in the Board of Taxation's Voluntary Tax Transparency Code for FY16. In accordance with this Code, the Company will publish details of the taxes it pays in its Tax Paid Report, on its website http://www.fairfaxmedia.com.au/company/corporate-governance, as soon as the report is available.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

TRADING OVERVIEW

For the financial year 2016 Fairfax Media Group reported an underlying net profit excluding significant items of $132.5 million. Underlying operating earnings before interest, tax, depreciation and amortisation (EBITDA) of $283.3 million was 2.1% below last year and 1.4% below last year for continuing businesses.

Domain Group reported as a separate segment from 2016, performed strongly with an EBITDA of $120 million, an increase of 39.7%. Domain's revenue continued to grow with strong performance across print and digital, reflecting organic growth and the impact of acquisitions. Digital advertising revenue increased 26.8% and EBITDA increased by 50.3%.

The Australian Metro Media segment now includes *The Sydney Morning Herald*, *The Age*, *The Australian Financial Review*, Digital Ventures and Life & Events. The EBITDA decline of 44.9% reflected ongoing structural shifts in advertising spend.

Advertising revenue declined 12.9%, with publishing advertising revenue down 15% impacted by weakness in retail, communications and finance categories. This was somewhat offset by strong advertising revenue growth of 36% from Digital Ventures.

Circulation revenue declined 1.1% with strong growth in digital subscriptions of 16.6% to $38 million and improvements in print yield, offsetting declines in print circulation volumes.

Events revenue increased 33% reflecting strong organic growth and the acquisition of OpenAir Cinemas.

Digital Ventures continues to execute its strategy of value creation through investment in digital opportunities and managing its portfolio of digitally-focused assets. EBITDA margin expanded from 19% to 24.4%. Allure Media and Weatherzone both delivered strong revenue growth. Stan continued to grow, with over 500,000 active subscribers as at the end of June 2016.

Australian Community Media revenue declined 11.4%. Advertising revenue was down 12.4% impacted by declines in supermarket-related advertising which was partially offset by print real estate.

Australian Community Media achieved its annualised cost reduction target of $60 million. This underpinned the cost improvement of 11.7% and H2 EBITDA growth of 1.9%.

New Zealand total revenue was down 8.8% with advertising revenue down 11.1% in local currency. Digital revenue growth of 36% was driven by growth in mobile, video and native advertising. New Zealand maintained cost control and delivered cost reduction of 7.7% while continuing to invest in digital products.

Stuff.co.nz maintained its position as the leading domestic website with an audience of two million as at May 2016. Neighbourly accelerated members by 28% in the second half to 330,000 bringing combined Stuff/Neighbourly members to 700,000 across all platforms.

Fairfax's 54.5% shareholding in the ASX-listed Macquarie Media Limited made a solid EBITDA contribution of $25 million, having achieved cost and operational synergies.

FINANCIAL POSITION

Underlying operating earnings before interest and tax (EBIT) of $213.2 million was 5.0% below last year and 4.2% below last year for continuing businesses. Depreciation and amortisation increased 8.1% for continuing businesses to $70.1 million reflecting investment in product and property.

The 2016 financial year recorded significant items, a loss net of tax totalling $1,026.0 million for the Group. This included impairment of intangibles, plant and equipment of $981.8 million and restructuring and redundancy costs of $44.4 million. The majority of these expenses relate to the publishing businesses, in particular Australian Metro Media and Australian Community Media

Non-controlling interest of $10.4 million for continuing businesses included the 45.5% of Macquarie Media Limited that Fairfax does not own, minority interests in the Domain agent ownership model including MMP.

Net cash inflow from operating activities was $127.7 million. Cash and cash equivalents decreased by $261.7 million after payment of financial liabilities totalling $160.2 million, capital expenditure of $95.0 million, dividends paid of $101.2 million and on-market share buy-back of $73.9 million.

Net debt was $88.7 million at 26 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

RECONCILIATION OF STATUTORY TO UNDERLYING PERFORMANCE

		AS REPORTED		SIGNIFICANT ITEMS (iii)		TRADING PERFORMANCE EXCLUDING SIGNIFICANT ITEMS	
	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
Total revenue	(i)	**1,830,511**	1,867,212	**-**	14,071	**1,830,511**	1,853,141
Associate profits		**1,575**	310	**-**	-	**1,575**	310
Expenses		**(2,661,239)**	(1,665,146)	**(1,112,476)**	(101,094)	**(1,548,763)**	(1,564,052)
OPERATING EBITDA		**(829,153)**	202,376	**(1,112,476)**	(87,023)	**283,323**	289,399
Depreciation and amortisation		**(70,102)**	(64,982)	**-**	-	**(70,102)**	(64,982)
EBIT		**(899,255)**	137,394	**(1,112,476)**	(87,023)	**213,221**	224,417
Net finance costs	(ii)	**(11,117)**	(16,277)	**-**	-	**(11,117)**	(16,277)
Net (loss)/profit before tax		**(910,372)**	121,117	**(1,112,476)**	(87,023)	**202,104**	208,140
Tax (expense)/ benefit		**27,186**	(33,912)	**86,352**	26,003	**(59,166)**	(59,915)
Net (loss)/profit after tax		**(883,186)**	87,205	**(1,026,124)**	(61,020)	**142,938**	148,225
Net (profit)/loss attributable to non-controlling interest		**(10,277)**	(4,037)	**156**	541	**(10,433)**	(4,578)
Net (loss)/profit attributable to members of the Company		**(893,463)**	83,168	**(1,025,968)**	(60,479)	**132,505**	143,647
Earnings per share (cents)		**(38.5)**	3.5			**5.7**	6.1

(i) Revenue from ordinary activities excluding interest income.

(ii) Finance costs less interest income.

(iii) Significant items are those items of such a nature or size that separate disclosure will assist users to understand the accounts. Refer to Note 4 for further details of significant items for impairments and restructuring and redundancy consistent with prior period disclosures.

RECONCILIATION OF TRADING TO OPERATING CASH FLOW

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Cash flow from trading activities	**245,417**	264,769
Redundancy payments	**(63,325)**	(35,639)
Interest and dividends received	**15,991**	18,585
Finance costs and income tax paid	**(70,374)**	(41,966)
Net cash flow from operating activities	**127,709**	205,749

CONSOLIDATED INCOME STATEMENT

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE 2016

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
Revenue from operations	2(A)	**1,810,771**	1,838,629
Other revenue and income	2(B)	**26,880**	39,427
TOTAL REVENUE AND INCOME		**1,837,651**	1,878,056
Share of net profits of associates and joint ventures	8(C)	**1,575**	310
Expenses from operations excluding impairment, depreciation, amortisation and finance costs	3(A)	**(1,610,721)**	(1,630,091)
Depreciation and amortisation	3(B)	**(70,102)**	(64,982)
Impairment of intangibles, investments, property, plant and equipment and other assets		**(1,050,518)**	(35,055)
Finance costs	3(C)	**(18,257)**	(27,121)
Net (loss)/profit from operations before income tax expense		**(910,372)**	121,117
Income tax benefit/(expense)	25	**27,186**	(33,912)
Net (loss)/profit from operations after income tax expense		**(883,186)**	87,205
Net (loss)/profit is attributable to:			
Non-controlling interest		**10,277**	4,037
Owners of the parent		**(893,463)**	83,168
		(883,186)	87,205
Earnings per share (cents per share)			
Basic earnings per share	20	**(38.5)**	3.5
Diluted earnings per share	20	**(38.2)**	3.5

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE 2016

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
Net (loss)/profit after income tax expense		**(883,186)**	87,205
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss:			
Changes in fair value of available for sale financial assets		**(729)**	(276)
Changes in fair value of cash flow hedges		**691**	4,183
Changes in value of net investment hedges		**(1,071)**	1,104
Exchange differences on translation of foreign operations		**18,828**	(15,603)
Income tax relating to these items	25	**849**	(3,023)
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit plans		**(651)**	(146)
Income tax relating to these items	25	**187**	27
Other comprehensive income for the period, net of tax		**18,104**	(13,734)
Total comprehensive income for the period		**(865,082)**	73,471
Total comprehensive income is attributable to:			
Non-controlling interest		**10,277**	4,037
Owners of the parent		**(875,359)**	69,434
		(865,082)	73,471

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

CONSOLIDATED BALANCE SHEET

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES AS AT 26 JUNE 2016

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 RESTATED* $'000
CURRENT ASSETS			
Cash and cash equivalents	29(B)	**81,110**	342,830
Trade and other receivables	10	**339,484**	314,719
Inventories	11	**29,620**	26,333
Assets held for sale	7(A)	**14,804**	70,947
Income tax receivable		**4,879**	3,528
Other financial assets	24	**-**	1,384
Total current assets		**469,897**	759,741
NON-CURRENT ASSETS			
Receivables	10	**3,126**	822
Investments accounted for using the equity method	8	**70,977**	95,831
Available for sale investments		**2,246**	2,276
Intangible assets	9	**754,282**	1,542,366
Property, plant and equipment	14	**150,335**	330,189
Derivative assets	16	**15,152**	16,902
Deferred tax assets	25	**117,854**	60,436
Pension assets		**892**	1,429
Other financial assets	24	**59,387**	16,625
Total non-current assets		**1,174,251**	2,066,876
Total assets		**1,644,148**	2,826,617
CURRENT LIABILITIES			
Payables	12	**250,774**	244,730
Interest bearing liabilities	15	**-**	27,101
Derivative liabilities	16	**-**	3,912
Liabilities directly associated with held for sale assets	7(B)	**456**	187
Provisions	13	**111,471**	136,716
Current tax liabilities		**4,271**	22,039
Total current liabilities		**366,972**	434,685
NON-CURRENT LIABILITIES			
Interest bearing liabilities	15	**179,312**	255,858
Derivative liabilities	16	**4,015**	7,137
Provisions	13	**53,391**	51,949
Pension liabilities		**2**	-
Other non-current liabilities		**6,364**	11,339
Total non-current liabilities		**243,084**	326,283
Total liabilities		**610,056**	760,968
NET ASSETS		**1,034,092**	2,065,649
EQUITY			
Contributed equity	18	**4,597,340**	4,650,798
Reserves	18	**33,744**	21,034
Retained losses		**(3,720,198)**	(2,725,544)
Total parent entity interest		**910,886**	1,946,288
Non-controlling interest		**123,206**	119,361
TOTAL EQUITY		**1,034,092**	2,065,649

* Certain numbers shown here do not correspond to the 2015 year end financial statements and reflect adjustments due to the finalisation of purchase price accounting as detailed in Note 6.

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

CONSOLIDATED CASH FLOW STATEMENT

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE 2016

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**2,000,756**	2,032,148
Payments to suppliers and employees (inclusive of GST)		**(1,755,339)**	(1,767,379)
Redundancy payments		**(63,325)**	(35,639)
Interest received		**5,536**	10,618
Dividends and distributions received		**10,455**	7,967
Finance costs paid		**(19,390)**	(23,244)
Net income taxes paid		**(50,984)**	(18,722)
Net cash inflow from operating activities	29(A)	**127,709**	205,749
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of controlled entities, associates and joint ventures (net of cash acquired)		**(43,880)**	(53,507)
Payment for purchase of businesses, including mastheads		**(2,183)**	(3,047)
Payment for property, plant, equipment and software		**(94,954)**	(61,794)
Proceeds from sale of property, plant and equipment		**68,527**	20,152
Proceeds from sale of investments, net of transaction fees and cash disposed		**3,644**	77,671
Loans advanced to other parties		**(36,700)**	(16,250)
Loans repaid by other parties		**1,412**	5,090
Net cash outflow from investing activities		**(104,134)**	(31,685)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and other financial liabilities		**50,390**	5,441
Repayment of borrowings and other financial liabilities		**(160,243)**	(152,366)
Payment of facility fees		**-**	(1,160)
Payment for on market buy-back		**(73,912)**	(37,928)
Payment for shares acquired by share trust		**(1,524)**	-
Dividends paid to shareholders	19	**(93,522)**	(95,449)
Dividends paid to non-controlling interests in subsidiaries		**(7,629)**	(1,211)
Net cash outflow from financing activities		**(286,440)**	(282,673)
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		**(262,865)**	(108,609)
Cash and cash equivalents at beginning of the financial year		**342,830**	452,687
Reclassification to held for sale	7(A)	**(250)**	-
Effect of exchange rate changes on cash and cash equivalents		**1,395**	(1,248)
Cash and cash equivalents at end of the financial year	29(B)	**81,110**	342,830

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE 2016

		RESERVES										
	CONTRIBUTED EQUITY (NOTE 18) $'000	ASSET REVALUATION RESERVE (NOTE 18) $'000	ACQUISITION RESERVE (NOTE 18) $'000	FOREIGN CURRENCY TRANSLATION RESERVE (NOTE 18) $000	CASHFLOW HEDGE RESERVE (NOTE 18) $000	NET INVESTMENT HEDGE RESERVE (NOTE 18) $000	SHARE-BASED PAYMENT RESERVE (NOTE 18) $000	GENERAL RESERVE (NOTE 18) $000	TOTAL RESERVES $000	RETAINED LOSSES $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY $000
BALANCE AT 28 JUNE 2015	**4,650,798**	**477**	**158,336**	**(125,751)**	**(2,672)**	**(17,338)**	**14,819**	**(6,837)**	**21,034**	**(2,725,544)**	**119,361**	**2,065,649**
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	(893,463)	10,277	(883,186)
Other comprehensive income	-	(511)	-	18,828	985	(734)	-	-	18,568	(464)	-	18,104
Total comprehensive income for the period	**-**	**(511)**	**-**	**18,828**	**985**	**(734)**	**-**	**-**	**18,568**	**(893,927)**	**10,277**	**(865,082)**
Transactions with owners in their capacity as owners:												
Shares acquired and cancelled as part of on market buy-back	(73,912)	-	-	-	-	-	-	-	-	-	-	(73,912)
Shares acquired by share trust	(1,067)	-	-	-	-	-	-	-	-	-	-	(1,067)
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(93,522)	-	(93,522)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(7,629)	(7,629)
Acquisition of non-controlling interest	-	-	(40)	-	-	-	-	-	(40)	-	(18)	(58)
Non-controlling interest arising on business combination	-	-	-	-	-	-	-	-	-	-	748	748
Recognition of non-controlling interest in subsidiaries	-	-	(467)	-	-	-	-	-	(467)	-	467	-
Release of shares from escrow	4,930	-	-	-	-	-	-	-	-	-	-	4,930
Release of employee incentive shares	16,591	-	-	-	-	-	(9,386)	-	(9,386)	(7,205)	-	-
Share-based payments, net of tax	-	-	-	-	-	-	4,035	-	4,035	-	-	4,035
Total transactions with owners	**(53,458)**	**-**	**(507)**	**-**	**-**	**-**	**(5,351)**	**-**	**(5,858)**	**(100,727)**	**(6,432)**	**(166,475)**
BALANCE AT 26 JUNE 2016	**4,597,340**	**(34)**	**157,829**	**(106,923)**	**(1,687)**	**(18,072)**	**9,468**	**(6,837)**	**33,744**	**(3,720,198)**	**123,206**	**1,034,092**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE 2016

		RESERVES										
	CONTRIBUTED EQUITY (NOTE 18) $'000	ASSET REVALUATION RESERVE (NOTE 18) $'000	ACQUISITION RESERVE (NOTE 18) $000	FOREIGN CURRENCY TRANSLATION RESERVE (NOTE 18) $000	CASHFLOW HEDGE RESERVE (NOTE 18) $000	NET INVESTMENT HEDGE RESERVE (NOTE 18) $000	SHARE-BASED PAYMENT RESERVE (NOTE 18) $000	GENERAL RESERVE (NOTE 18) $000	TOTAL RESERVES $000	RETAINED LOSSES $000	NON-CONTROLLING INTEREST RESTATED* $000	TOTAL EQUITY RESTATED* $000
BALANCE AT 29 JUNE 2014	**4,646,525**	**753**	**182,706**	**(110,148)**	**(4,179)**	**(18,094)**	**11,231**	**(6,837)**	**55,432**	**(2,713,145)**	**1,857**	**1,990,669**
Profit for the period	-	-	-	-	-	-	-	-	-	83,168	4,037	87,205
Other comprehensive income	-	(276)	-	(15,603)	1,507	756	-	-	(13,616)	(118)	-	(13,734)
Total comprehensive income for the period	-	**(276)**	**-**	**(15,603)**	**1,507**	**756**	**-**	**-**	**(13,616)**	**83,050**	**4,037**	**73,471**
Transactions with owners in their capacity as owners:												
Shares issued	42,081	-	-	-	-	-	-	-	-	-	-	42,081
Shares acquired and cancelled as part of on market buyback	(37,928)	-	-	-	-	-	-	-	-	-	-	(37,928)
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(95,449)	-	(95,449)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,211)	(1,211)
Acquisition of non-controlling interest	-	-	42	-	-	-	-	-	42	-	(42)	-
Non-controlling interest arising on business combination	-	-	(24,412)	-	-	-	-	-	(24,412)	-	114,720	90,308
Release of employee incentive shares	120	-	-	-	-	-	(120)	-	(120)	-	-	-
Share-based payments, net of tax	-	-	-	-	-	-	3,708	-	3,708	-	-	3,708
Total transactions with owners	**4,273**	**-**	**(24,370)**	**-**	**-**	**-**	**3,588**	**-**	**(20,782)**	**(95,449)**	**113,467**	**1,509**
BALANCE AT 28 JUNE 2015	**4,650,798**	**477**	**158,336**	**(125,751)**	**(2,672)**	**(17,338)**	**14,819**	**(6,837)**	**21,034**	**(2,725,544)**	**119,361**	**2,065,649**

* Certain numbers shown here do not correspond to the 2015 year end financial statements and reflect adjustments due to the finalisation of purchase price accounting as detailed in Note 6.

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

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fairfax Media Limited is a for profit company limited by ordinary shares which are publicly traded on the Australian Securities Exchange. The financial report includes the consolidated entity consisting of Fairfax Media Limited and its controlled entities.

(A) BASIS OF PREPARATION

This financial report is for the period 29 June 2015 to 26 June 2016 (2015: the period 30 June 2014 to 28 June 2015). Reference in this report to 'a year' is to the period ended 26 June 2016 or 28 June 2015 respectively, unless otherwise stated. The financial report is a general-purpose financial report. It 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 Accounting Standards Board;
- on a historical cost basis, except for those assets and liabilities disclosed in Note 17(E) which are measured at fair value; and
- the company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

(B) SIGNIFICANT JUDGEMENTS AND ESTIMATES

The carrying amounts of certain assets and liabilities are determined based on estimates and assumptions of future events. The key estimates and assumptions which are material to the financial report are found in the following notes:

- Note 6: Business combinations, acquisition and disposal of controlled entities
- Note 8: Investments accounted for using the equity method
- Note 9: Intangible assets
- Note 13: Provisions
- Note 14: Property, plant and equipment
- Note 25: Taxation
- Note 26: Employee entitlements

(C) SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

During the current financial year, the financial position and performance of the group was particularly affected by the following events and transactions:

- As part of the Group's ongoing capital management strategy, the Group finalised the on market share buy-back of ordinary shares. During the half year, 83.9 million shares were repurchased and cancelled for $73.9 million. In the current and prior financial year, 121.0 million shares were repurchased and cancelled for $111.8 million.
- On 1 August 2016, the Company announced the creation of a Domain Group operating segment for the year ended 26 June 2016.
- On 1 August 2016, the Company announced impairments as a result of cash generating unit testing of $484.9 million for Metropolitan Media, $306.3 million for Australian Regional Media, $102.6 million for Agricultural Media and $95.3m for New Zealand Media.

For a detailed discussion about the Group's performance and financial position please refer to the Management Discussion and Analysis.

2. REVENUES

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
(A) REVENUE FROM OPERATIONS		
Total revenue from sale of goods*	**478,310**	494,297
Total revenue from services	**1,332,461**	1,344,332
Total revenue from operations	**1,810,771**	1,838,629
(B) OTHER REVENUE AND INCOME		
Interest income	**7,140**	10,844
Foreign exchange gains	**-**	3,725
Gains on sale of property, plant and equipment	**4,234**	2,214
Gains on intangibles	**2,904**	-
Gains on sale of controlled entities	**-**	6,803
Gain on investment at fair value	**-**	7,268
Other	**12,602**	8,573
Total other revenue and income	**26,880**	39,427
Total revenue and income	**1,837,651**	1,878,056

* Revenue from the sale of goods includes revenue from circulation, subscription, printing and printing-related products.

ACCOUNTING POLICY

Revenue from advertising, circulation and subscription for newspapers, magazines and other publications is recognised on the publication date. Revenue from the provision of advertising on websites is recognised in the period the advertisements are placed or when the impression occurs. Revenue from the provision of property listings on websites is recognised over the period the listing is placed or the period until the agent withdraws the listing (eg. on sale or rental). Revenue from radio advertising is recognised when the programme is aired. Amounts disclosed as revenue are net of commissions, rebates, discounts and returns which are recognised when they can be reliably measured.

Interest revenue is recognised as it accrues, based on the effective yield of the financial asset.

3. EXPENSES

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
(A) EXPENSES BEFORE IMPAIRMENT, DEPRECIATION, AMORTISATION AND FINANCE COSTS		
Staff costs excluding staff redundancy costs	**718,055**	724,693
Redundancy costs	**35,659**	51,938
Newsprint and paper	**106,824**	116,210
Distribution costs	**138,602**	144,237
Production costs	**151,470**	151,567
Promotion and advertising costs	**99,429**	98,662
Rent and outgoings	**60,100**	62,140
Repairs and maintenance	**26,297**	28,088
Outsourced services	**27,542**	28,265
Communication costs	**18,357**	18,373
Maintenance and other computer costs	**43,563**	29,690
Fringe benefits tax, travel and entertainment	**26,007**	25,066
Other	**158,816**	151,162
Total expenses before impairment, depreciation, amortisation and finance costs	**1,610,721**	1,630,091
(B) DEPRECIATION AND AMORTISATION		
Depreciation of freehold property	**5,163**	6,548
Depreciation of plant and equipment	**36,198**	32,791
Depreciation of leasehold property	**4,237**	4,408
Amortisation of software	**17,318**	21,076
Amortisation of customer relationships and tradenames	**7,186**	159
Total depreciation and amortisation	**70,102**	64,982
(C) FINANCE COSTS		
External parties borrowing costs	**17,212**	22,761
Finance lease	**1,208**	4,358
Hedge ineffectiveness	**(163)**	2
Total finance costs	**18,257**	27,121
(D) OTHER EXPENSE DISCLOSURES		
Operating lease rental expense	**49,198**	44,855
Defined contribution superannuation expense	**50,409**	49,884
Share-based payment expense	**5,755**	5,298

ACCOUNTING POLICY

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.

4. SIGNIFICANT ITEMS

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

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
IMPAIRMENT OF INTANGIBLES, INVESTMENTS, AND PROPERTY, PLANT AND EQUIPMENT – COMPRISING:		
Impairment of intangibles, property, plant and equipment and other assets due to CGU testing (i)	**(989,081)**	-
Impairment of intangibles, investments, and property, plant and equipment (ii)	**(60,666)**	(34,881)
Income tax benefit	**67,984**	6,343
Impairment of intangibles, investments, and property, plant and equipment, net of tax	**(981,763)**	(28,538)
RESTRUCTURING AND REDUNDANCY – COMPRISING:		
Restructuring and redundancy charges	**(62,729)**	(66,213)
Income tax benefit	**18,368**	19,660
Restructuring and redundancy, net of tax	**(44,361)**	(46,553)
GAINS ON CONTROLLED ENTITIES AND INVESTMENTS – COMPRISING:		
Gain on sale of controlled entities disclosed in other revenue and income	**-**	6,803
Gain on investment at fair value disclosed in other revenue and income	**-**	7,268
Income tax expense	**-**	-
Gains on controlled entities and investments, net of tax	**-**	14,071
Net significant items after income tax	**(1,026,124)**	(61,020)

(i) Cash Generating Unit (CGU) impairment testing resulted in impairments of $484.9 million for Metropolitan Media, $306.3 million for Australian Regional Media, $102.6 million for Agricultural Media and $95.3m for New Zealand Media. The asset classes impaired through this testing are as follows:

a. Intangibles $809.6 million;

b. Property, plant and equipment $176.1 million; and

c. Equity accounted investments $3.4 million.

METROPOLITAN MEDIA CGU

Domain Group is reported as a separate operating segment for the first time this financial year, refer to Note 5 for details. Due to the segment separation, it is also treated as a separate CGU for impairment testing and therefore the Metropolitan Media CGU now consists solely of metropolitan and national newspapers and websites and Events. The longer term forecasts for the Metropolitan Media CGU remain somewhat challenging given continuous declines in traditional print revenue and print circulation. Increase in digital revenues, tight cost control and consistent margins in the Event business will alleviate some of the print decline in earnings. These changes along with an increase in the discount rate (refer to Note 9), have had a significant impact over the three-year projection period as well as on the terminal value, resulting in an impairment of $484.9 million.

AUSTRALIAN REGIONAL AND AGRICULTURAL MEDIA CGUs

Australian Regional and Agricultural Media CGUs impairment testing resulted in impairments of $306.3 million and $102.6 million respectively. The current operating model delivered by transformation initiatives was critical to the businesses to extract $60 million of costs however print revenues continue to decline. These businesses are significantly more exposed to print revenues and therefore acceleration in print revenue declines cannot be mitigated or offset by digital growth. These changes along with an increase in the discount rate (refer to Note 9), have had a significant impact over the three-year projection period as well as on the terminal value resulting in an impairment of $306.3 million for Australian Regional Media and $102.6 million for Agricultural Media.

NEW ZEALAND MEDIA CGU

The New Zealand Media CGU is facing similar structural declines as Australia. The level of decline experienced in New Zealand in 2016 was higher than originally forecast or anticipated. Whilst New Zealand has a growing digital business which to some extent mitigates revenue declines in print, this remains a relatively small overall proportion of the revenue base. These changes along with an increase in the discount rate (refer to Note 9), have had a significant impact over the three-year projection period as well as on the terminal value, resulting in an impairment of $95.3 million.

(ii) Impairments to other intangible assets, property plant and equipment and equity accounted investments of $60.7 million were recognised due to the following:

- decisions to exit certain businesses and properties during the period; and
- deterioration in the longer term forecasts of certain businesses due to current period forecasts not being achieved and/or declines in markets in which they operate.

These changes led to a re-assessment of the carrying value of the relevant assets to ensure the carrying value does not exceed the assets recoverable amount. Where the recoverable amount was determined to be less than the carrying value an impairment charge has been recognised in the period.

ACCOUNTING POLICY

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

5. 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 May 2016 the Group disclosed its intention to continue the development of the Metropolitan Media publishing business to a digital operating model with enhanced print products. This development is attributable to the Metropolitan Media business alone. The Domain Group business has previously been included in the Metropolitan Media segment. Following the proposed changes and a review of the economic connection between the Metropolitan Media business and Domain Group the company has determined that the Domain Group operations should be reported as a separate operating segment.

REPORTABLE SEGMENT	PRODUCTS AND SERVICES
Domain Group	Real estate media and services business - providing residential, commercial and rural property marketing solutions and search tools, plus information for buyers, investors, sellers, renters and agents Australia-wide.
Metropolitan Media	Metropolitan news, sport, lifestyle and business media across various platforms including print, online, tablet and mobile. Also includes classifieds for metropolitan publications, digitally focused assets and transactional businesses.
Australian Community Media	Newspaper publishing and online for all Australian regional, community and agricultural media.
New Zealand Media	Newspaper, magazine and general publishing and online for all New Zealand media.
Radio	Metropolitan radio networks in Australia.
Other	Comprises corporate and other entities not included in the segments above.

(B) RESULTS BY OPERATING SEGMENT

The segment information provided to the Board of Directors, CEO and CFO for the reportable segments for the period ended 26 June 2016 and 28 June 2015 is as follows:

	SEGMENT REVENUE $'000	INTERSEGMENT REVENUE $'000	**REVENUE FROM EXTERNAL CUSTOMERS $'000**	SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURES $'000	**UNDERLYING EBIT $'000**
26 JUNE 2016					
Domain Group	296,589	(257)	**296,332**	(625)	**107,846**
Metropolitan Media	574,134	-	**574,134**	421	**13,835**
Australian Community Media	485,130	(3)	**485,127**	1,784	**74,354**
New Zealand Media	322,564	(4)	**322,560**	(1,175)	**43,404**
Radio	138,565	-	**138,565**	(3)	**22,356**
Other	13,793	-	**13,793**	1,173	**(48,574)**
Total for the Group	1,830,775	(264)	**1,830,511**	1,575	**213,221**

	SEGMENT REVENUE $'000	INTERSEGMENT REVENUE $'000	**REVENUE FROM EXTERNAL CUSTOMERS $'000**	SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURES $'000	**UNDERLYING EBIT $'000**
28 JUNE 2015					
Domain Group	223,389	(172)	**223,217**	3,052	**80,927**
Metropolitan Media	606,778	(72)	**606,706**	(490)	**30,533**
Australian Community Media	539,216	(73)	**539,143**	2,212	**77,447**
New Zealand Media	358,561	(4)	**358,557**	(772)	**54,263**
Radio	108,698	-	**108,698**	(7)	**11,084**
Other	16,840	(20)	**16,820**	(3,685)	**(29,837)**
Total for the Group	1,853,482	(341)	**1,853,141**	310	**224,417**

(C) OTHER SEGMENT INFORMATION

(i) SEGMENT REVENUE

Segment revenue reconciles to total revenue and income as follows:

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Total segment revenue from external customers	**1,830,511**	1,853,141
Interest income	**7,140**	10,844
Gains on controlled entities and investments	**-**	14,071
Total revenue and income	**1,837,651**	1,878,056

Transactions between operating segments relating to management charges are on third party terms.

The consolidated entity operates predominantly in two geographic segments, Australia and New Zealand. The amount of its revenue from external customers in Australia is $1,505.6 million (2015: $1,492.8 million) and the amount of revenue from external customers in New Zealand is $324.9 million (2015: $360.3 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.

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

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
UNDERLYING EBIT	**213,221**	224,417
Interest income	**7,140**	10,844
Finance costs	**(18,257)**	(27,121)
Gains on controlled entities and investments in other revenue and income	**-**	14,071
Impairment of intangibles, property, plant and equipment and other assets	**(1,049,747)**	(34,881)
Restructuring and redundancy charges	**(62,729)**	(66,213)
Reported net (loss)/profit before tax	**(910,372)**	121,117

A summary of significant items by operating segments is provided for the period ended 26 June 2016 and 28 June 2015.

	IMPAIRMENT OF INTANGIBLES, INVESTMENTS AND PROPERTY, PLANT AND EQUIPMENT $'000	RESTRUCTURING AND REDUNDANCY CHARGES $'000	GAIN ON CONTROLLED ENTITIES AND INVESTMENTS $'000	**TOTAL $'000**
26 JUNE 2016				
Domain Group	-	-	-	**-**
Metropolitan Media	(514,514)	-	-	**(514,514)**
Australian Community Media	(418,859)	-	-	**(418,859)**
New Zealand Media	(101,266)	-	-	**(101,266)**
Radio	(489)	(375)	-	**(864)**
Other	(14,619)	(62,354)	-	**(76,973)**
Consolidated entity	(1,049,747)	(62,729)	-	**(1,112,476)**
28 JUNE 2015				
Domain Group	-	-	-	**-**
Metropolitan Media	-	-	10,468	**10,468**
Australian Community Media	-	-	-	**-**
New Zealand Media	(6,501)	-	-	**(6,501)**
Radio	-	(2,239)	37,075	**34,836**
Other	(28,380)	(63,974)	(33,472)	**(125,826)**
Consolidated entity	(34,881)	(66,213)	14,071	**(87,023)**

(iii) SEGMENT ASSETS

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.

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 $807.4 million (2015: $1,709.9 million) and the total of these non-current assets located in New Zealand is $173.6 million (2015: $242.6 million). Segment assets are allocated to countries based on where the assets are located.

ACCOUNTING POLICY

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 expenses 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 assess performance, make resource allocation decisions and for which discrete financial information is available.

Information about other business activities and operating segments that are below the quantitative criteria as prescribed by AASB 8 are combined and disclosed in a separate category for "Other segments".

6. BUSINESS COMBINATIONS, ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES

(A) ACQUISITIONS

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

ENTITY OR BUSINESS ACQUIRED	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	OWNERSHIP INTEREST
Bodypass Trading Pty Ltd	Fitness subscription business	31 July 2015	100%
Horeli Pty Ltd	Fitness subscription business	14 September 2015	(i)
Australian OpenAir Cinemas Pty Limited	Outdoor cinema operator	1 October 2015	100%
Media Development Partners Pty Ltd	Outdoor cinema operator	1 October 2015	100%
Beevo Pty Ltd	Utility procurement service	30 May 2016	50%

(i) The business assets of this entity were acquired.

The provisionally determined fair values of the identifiable assets and liabilities acquired are detailed below. Balances are provisional as purchase price accounting has not been finalised.

	RECOGNISED ON ACQUISITION $'000
VALUE OF NET ASSETS ACQUIRED	
Cash and cash equivalents	1,197
Receivables	2,071
Property, plant and equipment	184
Intangible assets	2,061
Total assets	**5,513**
Payables	2,046
Provisions	4
Deferred tax liabilities	473
Total liabilities	**2,523**
VALUE OF IDENTIFIABLE NET ASSETS	2,990
Non-controlling interest recognised on acquisition	(748)
Goodwill arising on acquisition	4,566
Total identifiable net assets and goodwill attributable to the Group	**6,808**
PURCHASE CONSIDERATION	
Cash paid	6,015
Contra consideration	793
Total purchase consideration	**6,808**
NET CASH INFLOW/(OUTFLOW) ON ACQUISITION	
Net cash acquired with subsidiary	1,197
Cash paid	(6,015)
Net cash outflow	**(4,818)**

As a result of these acquisitions, the consolidated income statement includes revenue and net loss before tax for the period ended 26 June 2016 of $5.5 million and $1.9 million respectively. Had the acquisitions occurred at the beginning of the reporting period, the consolidated income statement would have included revenue and net loss before tax of $8.1 million and $2.1 million respectively.

Goodwill of $4.6 million includes the acquired workforces and future growth opportunities.

AASB 3 *Business Combinations* allows a measurement period after a business combination to provide the acquirer a reasonable time to obtain the information necessary to identify and measure all of the various components of the business combination as of the acquisition date. The period cannot exceed one year from the acquisition date.

The MMP Group and Macquarie Media Limited acquisitions occurred in January 2015 and March 2015 respectively, therefore the acquisition accounting remained provisional as at 28 June 2015. During the year the purchase price accounting was finalised. As a result, customer relationships of $42.9 million, mastheads of $3.7 million and software of $0.4 million were recognised. Radio licences were reduced by $3.1 million, and deferred tax assets reduced by $15.6 million. The provisional amount of goodwill was correspondingly reduced. Comparative amounts at 28 June 2015 have been revised accordingly.

ACCOUNTING POLICY

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, and 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.

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 the income statement.

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 the income statement or as a change to other comprehensive income.

7. ASSETS AND LIABILITIES HELD FOR SALE

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
(A) ASSETS HELD FOR SALE		
Property, plant and equipment	**10,118**	68,215
Macquarie Regional Radio Pty Limited business		
Intangible assets	**-**	325
Property, plant and equipment	**-**	1,975
Other assets	**-**	432
Radio 2CH Pty Limited business		
Intangible assets	**4,003**	-
Property, plant and equipment	**70**	-
Other assets	**613**	-
Total assets held for sale	**14,804**	70,947
(B) LIABILITIES DIRECTLY ASSOCIATED WITH HELD FOR SALE ASSETS		
Macquarie Regional Radio Pty Limited business		
Other liabilities	**-**	187
Radio 2CH Pty Limited business		
Other liabilities	**456**	-
Total liabilities directly associated with held for sale assets	**456**	187

PROPERTY, PLANT AND EQUIPMENT

Assets held for sale comprise properties in Australia and New Zealand that are being actively marketed and for which the sale is highly probable. During 2016, five properties previously held for sale were sold.

Prior to being transferred to held for sale, the properties are remeasured at the lower of carrying amount and fair value less costs to sell.

RADIO 2CH PTY LIMITED BUSINESS

Assets held for sale comprise the business of Radio 2CH Pty Limited that is being actively marketed and for which the sale is highly probable. Prior to being transferred to held for sale, the business was remeasured at the lower of carrying amount and fair value less costs to sell.

MACQUARIE REGIONAL RADIO PTY LIMITED BUSINESS

On 30 October 2015, the sale of Macquarie Regional Radio Pty Limited was completed.

ACCOUNTING POLICY

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
Shares in associates	(A)	**49,132**	71,396
Shares in joint ventures	(B)	**21,845**	24,435
Total investments accounted for using the equity method		**70,977**	95,831

(A) INTERESTS IN ASSOCIATES

NAME OF COMPANY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION	OWNERSHIP INTEREST **26 JUNE 2016**	OWNERSHIP INTEREST 28 JUNE 2015
Australian Associated Press Pty Ltd	News agency business and information service	Australia	**47.0%**	47.0%
Bellabox Pty Ltd (i)	Subscription beauty box business	Australia	**50.3%**	50.3%
Healthshare Pty Ltd	Information technology tools for healthcare practitioners and consumers	Australia	**28.2%**	28.2%
Nabo Community Pty Ltd (ii)	Local community social network	Australia	**25.2%**	-
Oneflare Pty Ltd (iii)	Home services marketplace	Australia	**35.0%**	-
RSVP.com.au Pty Limited (i)	Online dating services	Australia	**57.5%**	57.5%
Skoolbo Pty Ltd	Online education provider	Singapore	**20.0%**	20.0%
The Seniors Ad Network Pty Ltd	Digital community for over 60s	Australia	**33.9%**	33.3%

(i) The Group does not have control of this company as it does not have power to govern the financial and operating policies of the company, such as power over budget, operational plans and appointment and removal of key personnel.
(ii) This investment was acquired on 4 December 2015.
(iii) This investment was acquired on 23 May 2016.

NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE 2016

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
(i) SHARE OF ASSOCIATES' PROFITS		
Revenue	**47,099**	78,163
Profit before income tax expense	**1,941**	3,579
Income tax expense	**(109)**	(1,300)
Net profit after income tax expense	**1,832**	2,279
(ii) SHARE OF ASSOCIATES' ASSETS AND LIABILITIES		
Current assets	**30,202**	21,422
Non-current assets	**37,832**	51,931
Total assets	**68,034**	73,353
Current liabilities	**12,231**	12,493
Non-current liabilities	**2,582**	4,883
Total liabilities	**14,813**	17,376

(B) INTERESTS IN JOINT VENTURES

			OWNERSHIP INTEREST	
NAME OF COMPANY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION	**26 JUNE 2016**	28 JUNE 2015
112 Pty Ltd (iv)	Online motor vehicle website	Australia	**50.0%**	-
Adzuna Australia Pty Ltd (v)	Job advertisements search engine	Australia	**46.4%**	49.3%
Future Foresight Group Pty Ltd	Weather safety and risk information provider	South Africa	**50.0%**	50.0%
Gippsland Regional Publications Partnership	Newspaper publishing and printing	Australia	**50.0%**	50.0%
Homepass Pty Ltd (v) (vi)	Open for inspection platform	Australia	**33.8%**	-
Neighbourly Limited	Private neighbourhood website service	New Zealand	**45.0%**	22.5%
Stan Entertainment Pty Ltd	Provider of subscription video on demand	Australia	**50.0%**	50.0%
The Huffington Post Australia Pty Ltd (v) (vii)	Online news website	Australia	**49.0%**	-
Torch Publishing Company Pty Ltd	Newspaper publishing and printing	Australia	**50.0%**	50.0%

(iv) This investment was acquired on 1 January 2016.
(v) This investment is classified as a joint venture, rather than an associate, as all significant decisions require unanimous consent.
(vi) This investment was acquired on 27 November 2015.
(vii) This investment was acquired on 13 August 2015.

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
(i) SHARE OF JOINT VENTURES' (LOSSES)/PROFITS		
Revenues	**14,790**	10,540
Expenses	**(15,077)**	(12,418)
Loss before income tax expense	**(287)**	(1,878)
Income tax benefit/(expense)	**30**	(91)
Net loss after income tax expense	**(257)**	(1,969)
(ii) SHARE OF JOINT VENTURES' ASSETS AND LIABILITIES		
Current assets	**49,578**	39,602
Non-current assets	**70,485**	55,350
Total assets	**120,063**	94,952
Current liabilities	**40,271**	71,720
Non-current liabilities	**108,212**	12,830
Total liabilities	**148,483**	84,550

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

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Profit before income tax expense	**1,654**	1,701
Income tax expense	**(79)**	(1,391)
Net profit after income tax expense	**1,575**	310

ACCOUNTING POLICY

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.

IMPAIRMENT OF ASSETS

Investments accounted for using the equity method are tested for impairment at each reporting date where there is an indication that the asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

9. INTANGIBLE ASSETS

	26 JUNE 2016 $'000	28 JUNE 2015 RESTATED* $'000
Mastheads and tradenames	**241,901**	986,343
Goodwill	**323,758**	330,804
Radio licences	**108,066**	112,069
Software	**27,432**	53,649
Customer relationships	**53,125**	59,501
Total intangible assets	**754,282**	1,542,366

* Certain numbers shown here do not correspond to the 2015 year end financial statements and reflect adjustments due to the finalisation of purchase price accounting as detailed in Note 6.

ACCOUNTING POLICY

MASTHEADS AND TRADENAMES

The Group's mastheads and tradenames operate in established markets with limited licence 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 useful lives as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. These assets are not amortised but are tested for impairment annually. Tradenames that have been assessed to have a definite useful life and are amortised using a straight-line method over twenty years.

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 entity at the date of acquisition. Goodwill is not amortised but is tested for impairment annually.

RADIO LICENCES

Radio licences consist of commercial radio licences held by the consolidated entity under the provisions of the Broadcasting Services Act 1992 and have been assessed as having indefinite useful lives as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. These assets are not amortised but are tested for impairment annually.

SOFTWARE, DATABASES AND WEBSITES

Internal and external costs directly incurred in the purchase or development of software or databases are capitalised as intangible assets, including subsequent upgrades and enhancements, when it is probable that they will generate future economic benefits attributable to the Group. Software licences and databases are amortised on a straight-line basis over their useful lives, which are between three and six years.

Internal and external costs directly incurred in the development of websites are capitalised as intangible assets and amortised on a straight-line basis over their useful lives, which are between two and four years.

CUSTOMER RELATIONSHIPS

Customer relationships purchased in a business combination are amortised on a straight-line basis over their useful lives, which are between two and thirteen years.

IMPAIRMENT OF ASSETS

Intangibles are tested for impairment where there is an indication that the asset may be impaired. Goodwill and other indefinite life assets are further tested at least annually in June each year. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment whenever there is an indication of a potential reversal and at least annually.

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	MASTHEADS & TRADENAMES RESTATED* $'000	GOODWILL RESTATED* $'000	RADIO LICENCES RESTATED* $'000	SOFTWARE RESTATED* $'000	CUSTOMER RELATIONSHIPS RESTATED* $'000	**TOTAL RESTATED* $'000**
PERIOD ENDED 28 JUNE 2015							
Balance at beginning of the financial year		972,022	177,898	114,037	46,974	1,180	**1,312,111**
Additions		-	-	-	27,950	-	**27,950**
Capitalisations from works in progress	14	-	-	-	35	-	**35**
Disposals		-	-	-	(183)	-	**(183)**
Disposal of controlled entities		-	(33,000)	(38,400)	(244)	-	**(71,644)**
Assets classified as held for sale		-	-	(324)	-	-	**(324)**
Acquisition through business combinations		20,900	186,160	36,756	3,680	58,477	**305,973**
Amortisation	3(B)	(34)	-	-	(21,076)	(125)	**(21,235)**
Impairment		-	-	-	(2,693)	-	**(2,693)**
Exchange differences		(6,545)	(254)	-	(794)	(31)	**(7,624)**
At 28 June 2015, net of accumulated amortisation and impairment		986,343	330,804	112,069	53,649	59,501	**1,542,366**
AT 28 JUNE 2015							
Cost		3,770,363	1,822,762	141,732	286,894	67,510	**6,089,261**
Accumulated amortisation and impairment		(2,784,020)	(1,491,958)	(29,663)	(233,245)	(8,009)	**(4,546,895)**
Net carrying amount		986,343	330,804	112,069	53,649	59,501	**1,542,366**

	NOTE	MASTHEADS & TRADENAMES $'000	GOODWILL $'000	RADIO LICENCES $'000	SOFTWARE $'000	CUSTOMER RELATIONSHIPS $'000	**TOTAL $'000**
PERIOD ENDED 26 JUNE 2016							
Balance at beginning of the financial year		986,343	330,804	112,069	53,649	59,501	**1,542,366**
Additions		-	-	-	41,282	122	**41,404**
Capitalisations from works in progress	14	-	-	-	494	-	**494**
Disposals		-	-	-	(1,031)	-	**(1,031)**
Assets classified as held for sale		-	-	(4,003)	-	-	**(4,003)**
Acquisition through business combinations		-	4,566	-	181	1,880	**6,627**
Adjustments through purchase price accounting		-	792	-	-	-	**792**
Amortisation	3(B)	(663)	-	-	(17,318)	(6,523)	**(24,504)**
Impairment		(754,154)	(12,820)	-	(50,658)	(1,899)	**(819,531)**
Exchange differences		10,375	416	-	833	44	**11,668**
At 26 June 2016, net of accumulated amortisation and impairment		241,901	323,758	108,066	27,432	53,125	**754,282**
AS AT 26 JUNE 2016							
Cost		3,837,034	1,829,097	137,729	272,294	69,642	**6,145,796**
Accumulated amortisation and impairment		(3,595,133)	(1,505,339)	(29,663)	(244,862)	(16,517)	**(5,391,514)**
Net carrying amount		241,901	323,758	108,066	27,432	53,125	**754,282**

* Certain numbers shown here do not correspond to the 2015 year end financial statements and reflect adjustments due to the finalisation of purchase price accounting as detailed in Note 6.

NOTES TO THE FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE 2016

(i) INDEFINITE LIVED INTANGIBLE ASSETS: IMPAIRMENT TESTING

Goodwill and intangible assets with indefinite useful lives have been allocated to the following cash generating units (CGUs) for impairment testing purposes. In the current year, Domain Group has been created as a CGU as a result of it being reported as a separate segment as detailed in Note 5 and so a reallocation of assets between Metropolitan Media and Domain has been performed.

AT 26 JUNE 2016

	OPERATING SEGMENT	GOODWILL $'000	LICENCES, MASTHEADS AND TRADENAMES $'000	**TOTAL $'000**
ALLOCATION TO CGU GROUPS				
Domain Group	Domain Group	206,599	20,270	**226,869**
Metropolitan Media	Metropolitan Media	-	40,000	**40,000**
Australian Digital Transactions	Metropolitan Media	31,294	503	**31,797**
Australian Regional Media	Australian Community Media	-	48,624	**48,624**
Agricultural Media	Australian Community Media	-	29,289	**29,289**
Radio	Radio	85,865	108,066	**193,931**
New Zealand Media	New Zealand Media	-	103,215	**103,215**
Total goodwill, licences, mastheads and tradenames		323,758	349,967	**673,725**

AT 28 JUNE 2015

	OPERATING SEGMENT	GOODWILL RESTATED* $'000	LICENCES, MASTHEADS AND TRADENAMES RESTATED* $'000	**TOTAL RESTATED* $'000**
ALLOCATION TO CGU GROUPS				
Metropolitan Media	Metropolitan Media	214,320	408,035	**622,355**
Australian Digital Transactions	Metropolitan Media	30,880	520	**31,400**
Australian Regional Media	Australian Community Media	-	299,224	**299,224**
Agricultural Media	Australian Community Media	-	122,333	**122,333**
Radio	Radio	85,604	112,069	**197,673**
New Zealand Media	New Zealand Media	-	156,231	**156,231**
Total goodwill, licences, mastheads and tradenames		330,804	1,098,412	**1,429,216**

* Certain numbers shown here do not correspond to the 2015 year end financial statements and reflect adjustments due to the finalisation of purchase price accounting as detailed in Note 6.

The recoverable amount of a CGU is determined based on value in use calculations, using a discounted cash flow methodology which requires the use of assumptions. The calculations use cash flow projections based on the annual budget approved by the Board and adjusted cash flow forecasts for up to three years. Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below.

The cash flow projections are based on the following key assumptions:

KEY	APPROACH
Year 1 cash flows	• Based on board approved annual budget.
Year 2 - 3 cash flows	• A revenue decline has been assumed for the publishing businesses as management expect a cyclical downturn and structural change to continue. Assumptions have been made in line with past performance and management's expectation of market development. • Revenue growth is assumed in the digital businesses based on market maturity - these assumptions are in line with industry trends and management's expectation of market development. • Expenses expected to decline slightly with continued investment in the growth areas of the business.
Long term growth rate	• These rates are consistent with industry forecasts specific to the industry in which the CGU operates.
Discount rate	• Reflects current market assessment of the time value of money and the risks specific to the relevant segments and countries in which the CGU operates.

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 structural change in print advertising is difficult to predict. The Directors have applied their best estimates to each of these variables but cannot warrant their outcome.

The long term growth rates and post tax discount rates used in the current and prior year calculations are:

PERIOD ENDED 26 JUNE 2016

	DOMAIN GROUP	METROPOLITAN MEDIA	AUSTRALIAN DIGITAL TRANSACTIONS	AUSTRALIAN REGIONAL MEDIA	AGRICULTURAL MEDIA	RADIO	NZ MEDIA
Long term growth rate	2.5%	-	3.5%	-	-	2.5%	-
Discount rate	12.3%	11.1%	11.5%	11.1%	11.1%	14.0%	11.6%

PERIOD ENDED 28 JUNE 2015

	METROPOLITAN MEDIA	AUSTRALIAN DIGITAL TRANSACTIONS	AUSTRALIAN REGIONAL MEDIA	AGRICULTURAL MEDIA	RADIO	NZ MEDIA
Long term growth rate	-	3.5%	-	-	2.5%	-
Discount rate	10.5%	11.3%	10.5%	10.5%	10.5%	10.8%

Impairment testing as outlined above resulted in impairments of intangible assets amounting to $809.6 million. A detailed explanation of the triggers that resulted in the impairment recorded in the Metropolitan Media, Australian Regional Media, Agricultural Media and New Zealand Media CGUs is included in Note 4.

(ii) RECOVERABLE VALUE OF IMPAIRED CGU'S

The recoverable amount of the Metropolitan Media CGU is $40.4 million, Australian Regional Media CGU $134.2 million, Agricultural Media CGU $47.5 million and New Zealand Media CGU $179.2 million, based on value in use calculations.

(iii) IMPACT OF A REASONABLY POSSIBLE CHANGE IN KEY ASSUMPTIONS

The calculations are sensitive to changes in key assumptions as set out below:

Metropolitan Media
- Discount rate – increase from 11.1% to 11.6% would result in an impairment of $1.9 million
- Year one cash flow forecasts – reduction of 5% would result in an impairment of $3.7 million
- Terminal cash flow forecasts – reduction of 5% would result in an impairment of $2.2 million

Australian Regional Media
- Discount rate – increase from 11.1% to 11.6% would result in an impairment of $3.6 million
- Year one cash flow forecasts – reduction of 5% would result in an impairment of $5.7 million
- Terminal cash flow forecasts – reduction of 5% would result in an impairment of $3.0 million

Agricultural Media
- Discount rate – increase from 11.1% to 11.6% would result in an impairment of $1.3 million
- Year one cash flow forecasts – reduction of 5% would result in an impairment of $2.2 million
- Terminal cash flow forecasts – reduction of 5% would result in an impairment of $1.1 million

New Zealand Media
- Discount rate – increase from 11.6% to 12.1% would result in an impairment of $6.5 million
- Year one cash flow forecasts – reduction of 5% would result in an impairment of $31.4 million
- Terminal cash flow forecasts – reduction of 5% would result in an impairment of $6.1 million

Adjusting the cashflow forecasts and discount rate for the above key assumptions would not result in an impairment within the Australian Digital Transactions and Domain CGUs and therefore management has concluded that no reasonable possible change in the key assumptions would result in an impairment in respect of these CGUs.

The recoverable amount of the Radio CGU exceeds its carrying amount by $15.3 million. An impairment charge would be required if there was a 5% reduction in the EBITDA in each year of the cashflow forecasts, the discount rate was 80bp higher at 14.8% or the terminal growth rate was 110bp lower at 1.4%.

10. RECEIVABLES

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
CURRENT		
Trade debtors*	**296,860**	282,843
Provision for doubtful debts	**(8,275)**	(8,862)
	288,585	273,981
Prepayments	**19,614**	16,024
Other	**31,285**	24,714
Total current receivables	**339,484**	314,719
NON-CURRENT		
Other	**3,126**	822
Total non-current receivables	**3,126**	822

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

IMPAIRED TRADE DEBTORS

As at 26 June 2016, trade debtors of the Group with a nominal value of $8.3 million (2015: $8.9 million) were impaired and provided for. No individual amount within the provision for doubtful debts is material. Refer to Note 17(C) for the factors considered in determining whether trade debtors are impaired.

An analysis of trade debtors that are not considered impaired is as follows:

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Not past due	**204,386**	206,606
Past due 0 - 30 days	**56,982**	51,877
Past due 31 - 60 days	**14,029**	11,752
Past 60 days	**13,188**	3,746
	288,585	273,981

Based on the credit history of the trade debtors, it is expected that these amounts will be received. All other receivables are not past due and not considered impaired.

Movements in the provision for doubtful debts are as follows:

	2016 $'000	2015 $'000
Balance at the beginning of the financial year	**8,862**	8,253
Additional provisions	**945**	1,997
Receivables written off as uncollectible	**(1,616)**	(1,514)
Other	**84**	126
Balance at the end of the financial year	**8,275**	8,862

ACCOUNTING POLICY

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 recognised when there is objective evidence that the Group will not be able to collect the debts.

11. INVENTORIES

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Raw materials and stores - at net realisable value	**22,007**	18,786
Finished goods - at cost	**7,463**	6,739
Work in progress - at cost	**150**	808
Total inventories	**29,620**	26,333

During the year, newsprint and paper expense (excluding cartage) of $105.9 million (2015: $114.8 million) was recognised in the income statement.

During the year, no write down (2015: nil) to net realisable value on raw materials and stores was recognised within other expenses in the income statement.

ACCOUNTING POLICY

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.

12. PAYABLES

	26 JUNE 2016 $'000	28 JUNE 2015 RESTATED* $'000
Trade and other payables**	**190,724**	186,439
Income in advance	**57,548**	54,220
Interest payable	**2,502**	4,071
Total current payables	**250,774**	244,730

* Certain numbers shown here do not correspond to the 2015 year end financial statements and reflect adjustments due to the finalisation of purchase price accounting as detailed in Note 6.

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

ACCOUNTING POLICY

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.

13. PROVISIONS

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
CURRENT		
Employee benefits	**85,335**	84,515
Restructuring and redundancy	**13,521**	41,228
Property	**5,567**	3,981
Other	**7,048**	6,992
Total current provisions	**111,471**	136,716
NON-CURRENT		
Employee benefits	**9,037**	10,936
Property	**44,354**	41,013
Total non-current provisions	**53,391**	51,949

RECONCILIATION

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

	PROPERTY $'000	RESTRUCTURING AND REDUNDANCY $'000	OTHER $'000
PERIOD ENDED 26 JUNE 2016			
Balance at beginning of the financial year	44,994	41,228	6,992
Additional provision	7,741	35,436	2,782
Utilised	(2,917)	(63,184)	(2,726)
Exchange differences	103	41	-
Balance at end of the financial year	**49,921**	**13,521**	**7,048**
AT 26 JUNE 2016			
Current	5,567	13,521	7,048
Non-current	44,354	-	-
Total provisions, excluding employee benefits	**49,921**	**13,521**	**7,048**

ACCOUNTING POLICY

PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation to make a future sacrifice of economic benefits to others as a result of past transactions or 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 reporting 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 or corporate 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 reporting date.

(i) EMPLOYEE BENEFITS

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 reporting 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 reporting date and, where material, 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 reporting date on corporate 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.

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.

(ii) RESTRUCTURE AND REDUNDANCY

The provision is in respect of amounts payable in connection with restructuring and redundancies, including termination benefits, on-costs, outplacement and consultancy services.

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.

(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 twenty years.

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.

(iv) OTHER

Other provisions includes defamation and various other costs relating to the business.

14. PROPERTY, PLANT AND EQUIPMENT

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
FREEHOLD LAND AND BUILDINGS		
At cost	**157,778**	169,358
Accumulated depreciation and impairment	**(76,841)**	(25,670)
Total freehold land and buildings	**80,937**	143,688
LEASEHOLD BUILDINGS		
At cost	**63,811**	57,661
Accumulated depreciation and impairment	**(44,120)**	(18,487)
Total leasehold buildings	**19,691**	39,174
PLANT AND EQUIPMENT		
At cost	**454,139**	497,360
Accumulated depreciation and impairment	**(414,600)**	(370,319)
Total plant and equipment	**39,539**	127,041
CAPITAL WORKS IN PROGRESS		
At cost	**15,237**	20,286
Accumulated impairment	**(5,069)**	-
Total capital works in progress	**10,168**	20,286
Total property, plant and equipment	**150,335**	330,189

RECONCILIATIONS

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

	NOTE	CAPITAL WORKS IN PROGRESS $'000	FREEHOLD LAND & BUILDINGS $'000	LEASEHOLD BUILDINGS $'000	PLANT & EQUIPMENT $'000	**TOTAL $'000**
AT 29 JUNE 2014						
Cost		18,001	226,959	115,711	1,091,328	**1,451,999**
Accumulated depreciation and impairment		-	(34,956)	(66,245)	(942,820)	**(1,044,021)**
Net carrying amount		18,001	192,003	49,466	148,508	**407,978**
PERIOD ENDED 28 JUNE 2015						
Balance at beginning of financial year		18,001	192,003	49,466	148,508	**407,978**
Additions/capitalisations		3,124	8,163	4,459	18,069	**33,815**
Capitalisation to software	9	(35)	-	-	-	**(35)**
Disposals		-	(7,763)	(906)	(2,558)	**(11,227)**
Disposal of controlled entities		-	-	(50)	(372)	**(422)**
Acquisition through business combinations		-	-	1,238	5,060	**6,298**
Depreciation	3(B)	-	(6,548)	(4,408)	(32,791)	**(43,747)**
Assets classified as held for sale		-	(37,535)	(10,325)	(3,162)	**(51,022)**
Impairment		-	(3,485)	-	(5,840)	**(9,325)**
Exchange differences		(804)	(1,147)	(300)	127	**(2,124)**
At 28 June 2015, net of accumulated depreciation and impairment		20,286	143,688	39,174	127,041	**330,189**

	NOTE	CAPITAL WORKS IN PROGRESS $'000	FREEHOLD LAND & BUILDINGS $'000	LEASEHOLD BUILDINGS $'000	PLANT & EQUIPMENT $'000	**TOTAL $'000**
AT 28 JUNE 2015						
Cost		20,286	169,358	57,661	497,360	**744,665**
Accumulated depreciation and impairment		-	(25,670)	(18,487)	(370,319)	**(414,476)**
Net carrying amount		20,286	143,688	39,174	127,041	**330,189**
PERIOD ENDED 26 JUNE 2016						
Balance at beginning of financial year		20,286	143,688	39,174	127,041	**330,189**
Additions/capitalisations		(5,776)	2,123	5,679	54,921	**56,947**
Capitalisation to software	9	(494)	-	-	-	**(494)**
Disposals		-	(154)	-	(708)	**(862)**
Acquisition through business combinations		-	-	-	184	**184**
Depreciation	3(B)	-	(5,163)	(4,237)	(36,198)	**(45,598)**
Assets classified as held for sale		-	(7,891)	-	(346)	**(8,237)**
Impairment		(5,059)	(53,489)	(21,079)	(106,517)	**(186,144)**
Exchange differences		1,211	1,823	154	1,162	**4,350**
As at 26 June 2016, net of accumulated depreciation and impairment		10,168	80,937	19,691	39,539	**150,335**
AT 26 JUNE 2016						
Cost		15,237	157,778	63,811	454,139	**690,965**
Accumulated depreciation and impairment		(5,069)	(76,841)	(44,120)	(414,600)	**(540,630)**
Net carrying amount		10,168	80,937	19,691	39,539	**150,335**

During the current year, an impairment charge of $186.1 million (2015: $9.3 million) was recorded on property, plant and equipment. Cash generating unit (CGU) impairment testing as referred to in Notes 4 and 9 amounts to $176.1 million of this impairment. The remaining balance of impairment of $10.0 million primarily relates to freehold land and buildings and plant and equipment at various sites. The impairment was recognised following a review of the fair value less costs to sell.

ACCOUNTING POLICY

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 reporting 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.

15. INTEREST BEARING LIABILITIES

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
CURRENT INTEREST BEARING LIABILITIES - UNSECURED			
Other loans			
Senior notes	(C)	-	25,352
Other	(D)	-	503
Finance lease liability	(D)	-	1,246
Total current interest bearing liabilities		-	27,101
NON-CURRENT INTEREST BEARING LIABILITIES - UNSECURED			
Bank borrowings	(B)	**86,452**	165,191
Other loans			
Senior notes	(C)	**92,860**	90,667
Total non-current interest bearing liabilities		**179,312**	255,858
NET DEBT			
Cash and cash equivalents	29(B)	**(81,110)**	(342,830)
Current interest bearing liabilities		-	27,101
Non-current interest bearing liabilities		**179,312**	255,858
Derivative financial instruments liabilities*		**(9,470)**	(4,518)
Net debt/(cash)		**88,732**	(64,389)

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

(A) FINANCING ARRANGEMENTS

The Group net debt, taking into account all debt related derivative financial instruments, was $88.7 million as at 26 June 2016 (2015: Net cash of $64.4 million).

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

(B) BANK BORROWINGS

A $325.0 million syndicated bank facility (2015: $325.0 million) is available to the Group with maturities in July 2018 and July 2019. At 26 June 2016, $30.0 million was drawn (2015: $125.0 million). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

A $41.0 million revolving cash advance facility is available to Macquarie Media Limited until March 2019. At 26 June 2016, $40.8 million was drawn (28 June 2015: $39.4 million). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

A NZ$40.0 million revolving cash advance facility is available to the Group until July 2018. At 26 June 2016, NZ$15.0 million was drawn (28 June 2015: 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 4.7% p.a. and 5.9% p.a. payable semi-annually in arrears. The interest and principal on the senior notes are payable in US dollars and were swapped into floating rate New Zealand dollars and floating rate Australian dollars via cross currency swaps. This issue of senior notes comprises maturities ranging from January 2011 to January 2019. The US$230 million of senior notes were all repaid by January 2016.

The Group issued further senior notes in the US private placement market with a principal value of US$250 million (A$308.2 million) in July 2007 comprising maturities ranging from July 2013 to July 2017. Senior notes of US$76 million were repaid in July 2013 and US$105 million were repaid in July 2014. The maturity of the remaining issued note is approximately 1 year. The issued note includes fixed and floating rate coupons, paying 7.5% p.a. semi-annually in arrears. The interest and principal on the senior notes are payable in US dollars and were swapped into fixed and floating rate Australian dollars via cross currency swaps. An additional 1.0% p.a. step up margin is payable on the coupons, effective from 10 July 2009.

(D) OTHER LOANS AND FINANCE LEASE LIABILITY

The Chullora printing facility in Sydney was partially financed by a finance lease facility and loans. The finance lease liability and loans were repaid on 30 September 2015.

ACCOUNTING POLICY

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 21).

16. DERIVATIVE FINANCIAL INSTRUMENTS

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
NON-CURRENT ASSETS		
Cross currency swap - cash flow hedge	**15,152**	16,902
Total non-current derivative assets	**15,152**	16,902
CURRENT LIABILITIES		
Interest rate swap - cash flow hedge	**-**	1,582
Cross currency swap - cash flow hedge	**-**	9
Cross currency swap - fair value hedge	**-**	1,537
Cross currency swap - net investment hedge	**-**	784
Total current derivative liabilities	**-**	3,912
NON-CURRENT LIABILITIES		
Interest rate swap - cash flow hedge	**4,015**	7,137
Total non-current derivative liabilities	**4,015**	7,137

The Group is exposed to interest rate risk on interest bearing assets and liabilities, as well as foreign exchange risk on USD denominated senior notes. The Group uses derivative financial instruments to reduce exposure to these risks.

The Group:

- formally designates hedging instruments against an underlying exposure;
- formally documents the risk management objectives and strategies for undertaking hedge transactions; and
- assess 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.

Value changes in the derivatives are generally offset by changes in the fair value of the 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 generally highly liquid instruments entered into in the “over the counter” market.

HEDGING ACTIVITIES

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.

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.

(i) CASH FLOW HEDGES – INTEREST RATE AND CROSS CURRENCY SWAPS

At 26 June 2016, the Group held cross currency swaps designated as hedges of future contracted interest payments on the USD denominated senior notes issued in July 2007. The cross currency swaps are being used to hedge a combination of future movements in interest rates and foreign currency exchange rates.

At 26 June 2016, the notional principal amounts and period of expiry of the swaps for each counterparty are as follows:

		INTEREST RATE		
	MATURITY DATE	2016	2015	PAYMENT TERMS
Pay fixed, receive floating-AUD$59.5m	10/07/17	7.52%	7.52%	Interest receivable settles semi-annually and interest payable each 90 days. These dates coincide with the interest payable dates on the underlying senior notes.
Pay fixed, receive floating-AUD$22.6m	10/07/17	7.46%	7.46%	

At 26 June 2016, the above hedges were assessed to be highly effective with a combined unrealised gain in fair value of $0.7 million (2015: $4.4 million gain) recognised in equity for the period. During the period no material ineffectiveness (2015: no material ineffectiveness) was recognised in the income statement attributable to the cash flow hedges.

During the year no gain was transferred from equity to finance costs (2015: nil).

ACCOUNTING POLICY

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are 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.

(ii) FAIR VALUE HEDGES

The Group previously held cross currency swap agreements designated as hedging changes in the underlying value of USD denominated senior notes (refer to Note 15). 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, as discussed in Note (iii) below. This matured on 15 January 2016.

For the Group, the remeasurement of the hedged items resulted in a loss before tax of $0.7 million (2015: $3.9 million loss) and the changes in the fair value of the hedging instruments resulted in a gain before tax of $0.7 million (2015: $3.7 million loss) resulting in no material gain (2015: $0.2 million loss) recorded in finance costs.

ACCOUNTING POLICY

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.

(iii) 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. This matured on 15 January 2016.

During the current financial period, the hedges were assessed to be highly effective with an unrealised loss of $0.8 million (2015: $0.8 million gain) recognised in equity and no material gain (2015: $0.1 million gain) recognised in the income statement attributable to the ineffective portion of the net investment hedges.

ACCOUNTING POLICY

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 the income statement. 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.

17. 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 and bank loans. 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; and
- forward rate agreements.

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 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, buy back shareholder equity, issue new shares or sell assets to reduce debt. The Group reviews the capital structure to ensure:

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

Where excess funds arise with respect to the funds required to enact the Group's business strategies, consideration is given to increased dividends or buy back of shareholder equity. Refer to Note 18 for details on the buy back of shareholder equity.

RISK FACTORS

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

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 reporting 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 16 for further details of the Group's derivative financial instruments and details of hedging activities.

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

AS AT 26 JUNE 2016

	FLOATING RATE $'000	FIXED RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
FINANCIAL ASSETS				
Cash and cash equivalents	81,110	-	-	81,110
Trade and other receivables	-	-	322,996	322,996
Available for sale investments	-	-	2,246	2,246
Other financial assets	59,387	-	-	59,387
Derivatives	-	-	15,152	15,152
Total financial assets	**140,497**	**-**	**340,394**	**480,891**
FINANCIAL LIABILITIES				
Payables	-	-	250,774	250,774
Interest bearing liabilities:				
Bank borrowings and loans	86,452	-	-	86,452
Senior notes	-	92,860	-	92,860
Total interest bearing liabilities	86,452	92,860	-	179,312
Derivatives	-	4,015	-	4,015
Total financial liabilities	**86,452**	**96,875**	**250,774**	**434,101**
Total interest bearing liabilities	86,452	92,860	-	179,312
Notional principal hedged	-	(92,860)	-	(92,860)
Net exposure to cash flow interest rate risk*	**86,452**	**-**	**-**	**86,452**

AS AT 28 JUNE 2015

	FLOATING RATE $'000	FIXED RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
FINANCIAL ASSETS				
Cash and cash equivalents	342,830	-	-	342,830
Trade and other receivables	-	-	299,517	299,517
Available for sale investments	-	-	2,276	2,276
Other financial assets	18,009	-	-	18,009
Derivatives	-	-	16,902	16,902
Total financial assets	**360,839**	**-**	**318,695**	**679,534**
FINANCIAL LIABILITIES				
Payables**	-	-	244,730	244,730
Interest bearing liabilities:				
Bank borrowings and loans	165,191	503	-	165,694
Senior notes	-	116,019	-	116,019
Finance lease liability	-	1,246	-	1,246
Total interest bearing liabilities	165,191	117,768	-	282,959
Derivatives	2,330	8,719	-	11,049
Total financial liabilities	**167,521**	**126,487**	**244,730**	**538,738**
Total interest bearing liabilities	165,191	117,768	-	282,959
Notional principal hedged	(123,306)	(91,092)	-	(214,398)
Net exposure to cash flow interest rate risk*	**41,885**	**26,676**	**-**	**68,561**

* For floating rate instruments, this represents the unhedged portion. For fixed rate instruments, this represents amounts hedged to floating.

** Balance does not correspond to the 2015 year end financial statements and reflect adjustments due to the finalisation of purchase price accounting as detailed in Note 6.

SENSITIVITY ANALYSIS

The Group performs sensitivity analysis to determine the effect on net profit and equity after income tax if interest rates at reporting date had been 30% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges. Based on the sensitivity analysis the impact to the Group's post tax profit would be $0.3 million (2015: $0.6 million) and the Group's equity would be nil (2015: $0.1 million).

(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.

The Group hedges the currency risk on foreign currency borrowings by entering into cross currency swaps, which have the economic effect of converting foreign currency borrowings to local currency borrowings.

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 reporting 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 16 for further details of the Group's derivative financial instruments and details of hedging activities.

SENSITIVITY ANALYSIS

The Group performs sensitivity analysis to determine the effect on net profit and equity after income tax if foreign exchange rates at reporting date had been 15% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges. Based on the sensitivity analysis the impact to the Group's post tax profit would be $0.1 million (2015: $0.1 million) and the Group's equity would be $0.5 million (2015: $3.4 million).

(C) CREDIT RISK

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

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

The Group is exposed to credit risk on financial instruments and derivatives. For credit purposes, there is only a credit risk where the contracting entity is liable to pay the Group in the event of a closeout. The Group has policies that limit the amount of credit exposure to any financial institution. Derivative counterparties and cash transactions are limited to financial institutions that meet minimum credit rating criteria in accordance with the Group's policy requirements. At 26 June 2016 counterparty credit risk was limited to financial institutions with S&P 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 10 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 15(B) for details of the Group's unused credit facilities at 26 June 2016. The contractual maturity of the Group's fixed and floating rate derivatives, other financial assets and other financial liabilities are shown in the tables below. The amounts represent the future undiscounted principal and interest cash flows and therefore may not equate to the values disclosed in the balance sheet.

AS AT 26 JUNE 2016

	(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	(250,774)	-	-	-
Bank borrowings and loans (including interest)	(3,399)	(6,055)	(87,368)	-
Notes and bonds (including interest)	(6,916)	(92,646)	-	-
DERIVATIVES - INFLOWS*				
Cross currency swaps - foreign leg (fixed)**	6,916	92,646	-	-
DERIVATIVES - OUTFLOWS*				
Cross currency swaps - AUD leg (fixed)**	(6,149)	(82,262)	-	-

AS AT 28 JUNE 2015

	(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****	(244,730)	-	-	-
Bank borrowings and loans (including interest)	(6,957)	(45,855)	(137,236)	-
Notes and bonds (including interest)	(32,271)	(97,115)	-	-
Finance lease liability	(2,533)	-	-	-
DERIVATIVES - INFLOWS*				
Cross currency swaps - foreign leg (fixed)**	32,333	6,746	90,369	-
DERIVATIVES - OUTFLOWS*				
Cross currency swaps - AUD leg (fixed)**	(6,149)	(6,149)	(82,262)	-
Cross currency swaps - NZD leg (variable)**	(28,164)	-	-	-
Interest rate swaps***	(1,359)	-	-	-

* 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.

**** Balance does not correspond to the 2015 year end financial statements and reflect adjustments due to the finalisation of purchase price accounting as detailed in Note 6.

(E) FAIR VALUE

The carrying amounts and fair values of financial assets and financial liabilities at reporting date are the same with the exception of the following:

	CARRYING VALUE 2016 $'000	**FAIR VALUE 2016 $'000**	CARRYING VALUE 2015 $'000	FAIR VALUE 2015 $'000
INTEREST BEARING LIABILITIES				
Bank borrowings	**86,452**	**87,747**	165,694	166,885
Senior notes	**92,860**	**93,000**	116,019	116,368
Finance lease liability	**-**	**-**	1,246	2,454

Exchange traded listed share prices 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 7.46% to 7.52% (2015: 5.57% to 13.29%).

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

The Group uses various methods in estimating fair value. 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 assets and liabilities held at fair value, as well as the methods used to estimate the fair value, are summarised in the table below:

AS AT 26 JUNE 2016

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
ASSETS AT FAIR VALUE				
Derivative assets	-	15,152	-	15,152
Available for sale investments	2,246	-	-	2,246
Assets held for sale				
Property, plant and equipment	-	-	10,118	10,118
Shares in unlisted entities	-	-	3,763	3,763
	2,246	**15,152**	**13,881**	**31,279**
LIABILITIES AT FAIR VALUE				
Derivative liabilities	-	4,015	-	4,015
	-	**4,015**	**-**	**4,015**

AS AT 28 JUNE 2015

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
ASSETS AT FAIR VALUE				
Derivative assets	-	16,902	-	16,902
Available for sale investments	2,276	-	-	2,276
Assets held for sale				
Property, plant and equipment	-	-	68,215	68,215
Shares in unlisted entities	-	-	67	67
	2,276	**16,902**	**68,282**	**87,460**
LIABILITIES AT FAIR VALUE				
Derivative liabilities	-	11,049	-	11,049
	-	**11,049**	**-**	**11,049**

Held for sale freehold land and buildings are carried at the Directors' determination of fair value which takes into account latest independent valuations and evidence of fair value from disposal negotiations. The key assumptions in determining the valuation of the properties are the estimated weighted average yield and costs of dismantling plant and equipment where relevant. Significant movement in these assumptions in isolation would result in a higher or lower fair value of the properties.

Derivatives assets and liabilities are valued using valuation techniques with market observable inputs (refer to Note 16).

18. EQUITY

	NOTE	26 JUNE 2016 $'000	28 JUNE 2015 $'000
ORDINARY SHARES			
2,299,475,546 ordinary shares authorised and fully paid (2015: 2,383,370,791)	(A)	**4,603,115**	4,672,097
UNVESTED EMPLOYEE INCENTIVE SHARES			
3,446,917 unvested employee incentive shares (2015: 11,407,603)	(B)	**(5,775)**	(21,299)
DEBENTURES			
281 debentures fully paid (2015: 281)	(C)	*	*
Total contributed equity		**4,597,340**	4,650,798

* Amount is less than $1000.

RECONCILIATIONS

Movements for each class of contributed equity, by number of shares and dollar value, are set out below:

	26 JUNE 2016 NO. OF SHARES	28 JUNE 2015 NO. OF SHARES	26 JUNE 2016 $'000	28 JUNE 2015 $'000
(A) ORDINARY SHARES (i)				
Balance at beginning of the financial year	**2,383,370,791**	2,351,955,725	**4,672,097**	4,667,944
Shares issued	**-**	68,519,821	**-**	42,081
Shares acquired and cancelled as part of on market buyback	**(83,895,245)**	(37,104,755)	**(73,912)**	(37,928)
Release of shares from escrow	**-**	-	**4,930**	-
Balance at end of the financial year	**2,299,475,546**	2,383,370,791	**4,603,115**	4,672,097
(B) UNVESTED EMPLOYEE INCENTIVE SHARES				
Balance at beginning of the financial year	**11,407,603**	11,594,031	**(21,299)**	(21,419)
Shares acquired	**1,834,000**	-	**(1,067)**	-
Release of shares	**(9,794,686)**	(186,428)	**16,591**	120
Balance at end of the financial year	**3,446,917**	11,407,603	**(5,775)**	(21,299)
(C) DEBENTURES				
Balance at beginning of the financial year	**281**	281	*	*
Balance at end of the financial year	**281**	281	*	*
Total contributed equity			**4,597,340**	4,650,798

* Amount is less than $1000.

(i) 57,916,616 ordinary shares issued on 20 February 2015 are subject to the following voluntary escrow arrangements:

- 28,958,321 ordinary shares were held in escrow from the date of issue and were released on 1 July 2016.
- 9,652,765 ordinary shares were held in escrow from the date of issue and were released on 1 January 2016.
- 9,652,765 ordinary shares will be held in escrow from the date of issue and will be released (either in whole or part), at the earliest, on 1 January 2017.
- 9,652,765 ordinary shares will be held in escrow from the date of issue and will be released (either in whole or part), at the earliest, on 1 January 2018.

ACCOUNTING POLICY

(A) ORDINARY SHARES

Ordinary shares are classified as equity and 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.

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.

(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 and are entitled to one vote per share at a meeting of the Company.

(C) 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.

RESERVES

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
Asset revaluation reserve, net of tax	(A)	**(34)**	477
Foreign currency translation reserve, net of tax	(B)	**(106,923)**	(125,751)
Cashflow hedge reserve, net of tax	(C)	**(1,687)**	(2,672)
Net investment hedge reserve, net of tax	(D)	**(18,072)**	(17,338)
Share-based payment reserve, net of tax	(E)	**9,468**	14,819
Acquisition reserve	(F)	**157,829**	158,336
General reserve	(G)	**(6,837)**	(6,837)
Total reserves		**33,744**	21,034
(A) ASSET REVALUATION RESERVE			
Balance at beginning of the financial year		**477**	753
Revaluation of available for sale investments		**(729)**	(257)
Disposal of available for sale investments		**-**	(19)
Tax effect on available for sale investments		**218**	-
Balance at end of the financial year		**(34)**	477

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.

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
(B) FOREIGN CURRENCY TRANSLATION RESERVE			
Balance at beginning of the financial year		**(125,751)**	(110,148)
Exchange differences on currency translation		**18,828**	(15,603)
Balance at end of the financial year		**(106,923)**	(125,751)

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 30(B).

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
(C) CASHFLOW HEDGE RESERVE			
Balance at beginning of the financial year		**(2,672)**	(4,179)
Gains arising during the year on interest rate and cross currency swaps		**691**	4,389
Losses arising during the year on currency forward contracts		**-**	(211)
Reclassification adjustments for losses included in the income statement		**-**	5
Tax effect of net changes on cashflow hedges		**294**	(2,676)
Balance at end of the financial year		**(1,687)**	(2,672)

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 16.

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
(D) NET INVESTMENT HEDGE RESERVE			
Balance at beginning of the financial year		**(17,338)**	(18,094)
Effective portion of changes in value of net investment hedges		**(1,071)**	1,104
Tax effect on net investment hedges		**337**	(348)
Balance at end of the financial year		**(18,072)**	(17,338)

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 16.

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
(E) SHARE-BASED PAYMENT RESERVE			
Balance at beginning of the financial year		**14,819**	11,231
Release of shares		**(9,386)**	(120)
Share-based payment expense		**5,755**	5,298
Tax effect on share-based payment expense		**(1,720)**	(1,590)
Balance at end of the financial year		**9,468**	14,819

The share-based payment 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 26.

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
(F) ACQUISITION RESERVE			
Balance at beginning of the financial year		**158,336**	182,706
Non-controlling interest arising on the disposal of Fairfax Radio Network Pty Limited as part of the acquisition of Macquarie Radio Network Limited		**-**	(24,412)
Recognition of non-controlling interest in subsidiaries		**(467)**	-
Acquisition of non-controlling interest		**(40)**	42
Balance at end of the financial year		**157,829**	158,336

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.

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
(G) GENERAL RESERVE			
Balance at beginning of the financial year		**(6,837)**	(6,837)
Balance at end of the financial year		**(6,837)**	(6,837)

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.

19. DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED 26 JUNE 2016 $'000	CONSOLIDATED 28 JUNE 2015 $'000	**COMPANY 26 JUNE 2016 $'000**	COMPANY 28 JUNE 2015 $'000
(A) ORDINARY SHARES				
Interim 2016 dividend: partly franked 2.0 cents - paid 18 March 2016	**45,990**	48,410	**45,990**	48,410
(2015: fully franked dividend 2.0 cents - paid 18 March 2015)				
2015 dividend: partly franked 2.0 cents - paid 8 September 2015	**47,532**	47,039	**47,532**	47,039
(2014: fully franked dividend 2.0 cents - paid 17 September 2014)				
Total dividends paid	**93,522**	95,449	**93,522**	95,449

(B) DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY

Since reporting date the Directors have declared a dividend of 2.0 cents per fully paid ordinary share, partly franked at the corporate tax rate of 30%. The aggregate amount of the dividend to be paid on 6 September 2016 out of profits, but not recognised as a liability at the end of the year, is expected to be $46.0 million.

(C) FRANKED DIVIDENDS

	COMPANY 2016 $'000	COMPANY 2015 $'000
Franking account balance as at reporting date at 30% (2015: 30%)	**23,404**	8,019
Franking credits that will arise from the payment of income tax payable balances as at the end of the financial year	**1,527**	1,513
Total franking credits available for subsequent financial years based on a tax rate of 30%	**24,931**	9,532

On a tax-paid basis, the Company's franking account balance is approximately $23.4 million (2015: $8.0 million). The impact on the franking account of the dividend declared by the Directors since reporting date will be a reduction in the franking account to approximately $11.1 million.

20. EARNINGS PER SHARE

	26 JUNE 2016 ¢ PER SHARE	28 JUNE 2015 ¢ PER SHARE
BASIC EARNINGS PER SHARE		
Net (loss)/profit attributable to owners of the parent	**(38.5)**	3.5
DILUTED EARNINGS PER SHARE		
Net (loss)/profit attributable to owners of the parent	**(38.2)**	3.5

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
EARNINGS RECONCILIATION - BASIC		
Net (loss)/profit attributable to owners of the parent	**(893,463)**	83,168
EARNINGS RECONCILIATION - DILUTED		
Net (loss)/profit attributable to owners of the parent	**(893,463)**	83,168

	26 JUNE 2016 NUMBER '000	28 JUNE 2015 NUMBER '000
Weighted average number of ordinary shares used in calculating basic EPS	**2,322,869**	2,369,820
Weighted average number of ordinary shares used in calculating diluted EPS	**2,339,575**	2,399,176

ACCOUNTING POLICY

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.

21. COMMITMENTS

OPERATING LEASE COMMITMENTS - GROUP AS LESSEE

The Group has entered into commercial leases on office and warehouse premises, motor vehicles and office equipment.

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

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Within one year	**53,750**	45,223
Later than one year and not later than five years	**181,401**	147,966
Later than five years	**260,627**	254,289
Total operating lease commitments	**495,778**	447,478

Non-cancellable leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases can be renegotiated. The leases have remaining terms of between one and twenty-three years and usually include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

OPERATING LEASE COMMITMENTS - GROUP AS LESSOR

The Group has entered into commercial subleases on office premises. Future minimum rentals receivable under non-cancellable operating leases as at the period end are $36.3 million.

FINANCE LEASE COMMITMENTS - GROUP AS LESSEE

The Group previously had a finance lease for property, plant and machinery. The finance lease liability was repaid on 30 September 2015.

CONTINGENT RENTALS UNDER FINANCE LEASE

The Group previously had contingent rentals under a finance lease which ended on 30 September 2015.

NOTES TO THE FINANCIAL STATEMENTS: UNRECOGNISED ITEMS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 26 JUNE 2016

CAPITAL COMMITMENTS

At 26 June 2016, the Group has commitments principally relating to the purchase of property, plant and equipment. Commitments contracted for at reporting date but not recognised as liabilities are as follows:

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Within one year	**11,294**	3,117
Later than one year and not later than five years	**-**	-
Later than five years	**-**	-
Total capital commitments	**11,294**	3,117

ACCOUNTING POLICY

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.

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.

22. CONTINGENCIES

GUARANTEES

Under the terms of ASIC Class Order 98/1418 (as amended), the Company and certain controlled entities (refer Note 28), have guaranteed any deficiency of funds if any entity to the class order is wound-up. No such deficiency exists at reporting 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 13, that are expected to result in a material impact.

23. EVENTS SUBSEQUENT TO REPORTING DATE

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

24. OTHER FINANCIAL ASSETS

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
CURRENT		
Loan receivable	**-**	1,384
Total current other financial assets	**-**	1,384
NON-CURRENT		
Shares in unlisted entities	**3,763**	67
Loan receivable	**55,624**	16,558
Total non-current other financial assets	**59,387**	16,625

ACCOUNTING POLICY

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. These assets are measured at amortised cost using the effective interest method.

25. TAXATION

CONSOLIDATED INCOME STATEMENT

Income tax expense is reconciled to prima facie income tax payable as follows:

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Net (loss)/profit before income tax expense	**(910,372)**	121,117
Prima facie income tax at 30% (2015: 30%)	**(273,112)**	36,335
Tax effect of differences:		
Share of net profits of associates and joint ventures	**(1,003)**	(106)
Capital gains not taxable	**(623)**	(4,664)
Non-assessable external dividends	**824**	(1,459)
Adjustments in respect of current income tax of previous years*	**(572)**	(3,917)
Temporary differences not recognised on intangible and other asset write-offs	**244,914**	8,322
Other	**2,386**	(599)
Income tax (benefit)/expense	**(27,186)**	33,912

* The 2015 adjustment includes $2.8 million of prior year R&D tax claims.

The major components of income tax expense in the income statement are:

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Current income tax expense	**32,701**	44,328
Deferred income tax benefit	**(59,315)**	(6,499)
Adjustments in respect of current income tax of previous years	**(572)**	(3,917)
Income tax (benefit)/expense in the income statement	**(27,186)**	33,912

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Deferred tax related to items charged or credited directly to other comprehensive income during the year:

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Unrealised gain on available for sale financial assets	**218**	-
Net gain on actuarial gains and losses	**187**	27
Net gain/(loss) on revaluation of cash flow hedges	**294**	(2,676)
Net gain/(loss) on hedge of net investment	**337**	(347)
Income tax on items of other comprehensive income	**1,036**	(2,996)

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	26 JUNE 2016 $’000	28 JUNE 2015 RESTATED* $’000	**26 JUNE 2016 $’000**	28 JUNE 2015 RESTATED* $’000	**26 JUNE 2016 $’000**	28 JUNE 2015 $’000
Property, plant and equipment	**70,078**	30,300	**2,440**	28,438	**67,638**	1,862
Inventories	**1**	-	**680**	767	**(679)**	(767)
Investments	**45**	-	**2,546**	163	**(2,501)**	(163)
Intangible assets	**6,283**	6,057	**26,110**	27,078	**(19,827)**	(21,021)
Other assets	**12,669**	13,340	**2,756**	6,039	**9,913**	7,301
Provisions	**42,987**	52,847	**-**	-	**42,987**	52,847
Payables	**11,971**	12,753	**30**	-	**11,941**	12,753
Other liabilities	**6,525**	6,019	**-**	-	**6,525**	6,019
Tax losses	**-**	-	**-**	-	**-**	-
Other	**2,465**	2,146	**608**	541	**1,857**	1,605
Gross deferred tax assets/ liabilities	**153,024**	123,462	**35,170**	63,026	**117,854**	60,436
Set-off of deferred tax assets/liabilities	**(35,170)**	(63,026)	**(35,170)**	(63,026)	**-**	-
Net deferred tax assets/ liabilities	**117,854**	60,436	**-**	-	**117,854**	60,436

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

	BALANCE 28 JUNE 2015	RECOGNISED ON ACQUISITION	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCES DISPOSED	**BALANCE 26 JUNE 2016**
Property, plant and equipment	1,862	-	65,776	-	-	**67,638**
Inventories	(767)	-	88	-	-	**(679)**
Investments	(163)	-	(2,492)	218	-	**(2,437)**
Intangible assets	(21,021)	(1,416)	2,610	-	-	**(19,827)**
Other assets	7,301	-	3,408	(796)	-	**9,913**
Provisions	52,847	-	(9,860)	-	-	**42,987**
Payables	12,753	-	(812)	-	-	**11,941**
Other liabilities	6,019	-	506	-	-	**6,525**
Tax losses	-	-	-	-	-	**-**
Other	1,605	-	91	97	-	**1,793**
	60,436	(1,416)	59,315	(481)	-	**117,854**

	BALANCE 29 JUNE 2014 $'000	RECOGNISED ON ACQUISITION RESTATED* $'000	RECOGNISED IN INCOME $'000	RECOGNISED IN EQUITY $'000	BALANCES DISPOSED $'000	**BALANCE 28 JUNE 2015 $'000**
Property, plant and equipment	8,810	1,228	(7,002)	(1,227)	53	**1,862**
Inventories	(1,068)	-	301	-	-	**(767)**
Investments	(364)	(62)	288	(25)	-	**(163)**
Intangible assets	4,061	(29,043)	5,043	(1,082)	-	**(21,021)**
Other assets	16,483	-	(6,507)	(2,675)	-	**7,301**
Provisions	44,980	(2,227)	7,248	2,853	(7)	**52,847**
Payables	7,208	(676)	5,517	710	(6)	**12,753**
Other liabilities	5,004	(46)	1,016	45	-	**6,019**
Tax losses	-	-	-	-	-	**-**
Other	908	394	595	(292)	-	**1,605**
	86,022	(30,432)	6,499	(1,693)	40	**60,436**

* Certain numbers shown here do not correspond to the 2015 year end financial statements and reflect adjustments due to the finalisation of purchase price accounting as detailed in Note 6.

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 $319.1 million (2015: $308.4 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 $966.5 million (2015: $741.2 million).

FUTURE ASSESSABLE TEMPORARY DIFFERENCES

At 26 June 2016, 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 should the associates or joint ventures retained earnings be distributed (2015: Nil).

ACCOUNTING POLICY

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 reporting 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 reporting 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.

TAX CONSOLIDATION – AUSTRALIA

Fairfax Media Limited (the head entity) and its wholly-owned Australian entities 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.

26. EMPLOYEE ENTITLEMENTS

(A) NUMBER OF EMPLOYEES

As at 26 June 2016 the Group employed 5,515 full-time employees (2015: 6,169) and 717 part-time and casual employees (2015: 1,010). This includes 1,197 (2015: 1,405) full-time employees and 88 (2015: 150) 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 3, 5 or 7 years during which their shares must remain in the plan, unless they leave the consolidated entity in Australia.

3. LONG TERM EQUITY BASED INCENTIVE SCHEME

The long term incentive plan is available to certain permanent employees of the consolidated entity.

2014, 2015 & 2016 Financial Year

For 2014, 2015 & 2016, participants in the plan were granted options following the AGM with the exercise price set at the share price around the time of issue. The options have a vesting hurdle of absolute total shareholder return over three years from issue with a retest in the fourth year. No dividends are payable to participants on the unvested options.

Participants are also entitled to receive performance shares for no consideration subject to achievement of certain performance hurdles. Half of the shares granted are deferred for one year and the other half are deferred for two years. Participants must remain employed during the deferral period or the shares will be forfeited.

ACCOUNTING POLICY

Share-based compensation benefits can be provided to employees in the form of equity instruments.

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 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 equity instruments issued to employees for no cash consideration under the Long Term Incentive Plan is recognised as an employee benefits expense over the vesting period.

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 18).

27. REMUNERATION OF AUDITORS

During the financial year the following amounts were paid or payable for services provided by the auditor of the Company and its related parties:

	26 JUNE 2016 $	28 JUNE 2015 $
AUDIT SERVICES		
Ernst & Young Australia		
Audit and review of financial reports	**1,466,388**	1,280,557
Affiliates of Ernst & Young Australia		
Audit and review of financial reports	**198,833**	165,006
Total audit services	**1,665,221**	1,445,563
OTHER ASSURANCE SERVICES		
Ernst & Young Australia		
Regulatory and contractually required audits	**155,825**	118,141
Other	**10,918**	36,218
Affiliates of Ernst & Young Australia		
Regulatory and contractually required audits	**63,601**	63,654
Non Ernst & Young Firms		
Regulatory and contractually required audits	**-**	3,031
Total other assurance services	**230,344**	221,044
Total remuneration for assurance services	**1,895,565**	1,666,607
NON ASSURANCE SERVICES		
Ernst & Young Australia		
Other services	**26,000**	779,949
Total non assurance services	**26,000**	779,949
Total remuneration of auditors	**1,921,565**	2,446,556

28. RELATED PARTIES AND ENTITIES

(A) ULTIMATE PARENT

Fairfax Media Limited is the ultimate parent company.

(B) CONTROLLED ENTITIES

Interests in controlled entities are set out in (F) in this Note.

(C) KEY MANAGEMENT PERSONNEL

TRANSACTIONS WITH DIRECTOR-RELATED ENTITIES

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.

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Short-term employee benefits	**2,899**	2,919
Post-employment benefits	**131**	131
Other long-term benefits	**50**	40
Termination benefits	**-**	-
Share-based payment	**2,103**	1,726
Total compensation paid to key management personnel	**5,183**	4,816

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

INTERESTS HELD BY KEY MANAGEMENT PERSONNEL UNDER THE SENIOR EXECUTIVE PLAN

Share options held by key management personnel under the Senior Executive Plan to purchase ordinary shares have the following expiry dates and exercise prices:

ISSUE DATE	EXPIRY DATE	EXERCISE PRICE $	**26 JUNE 2016 NUMBER OUSTANDING**	28 JUNE 2015 NUMBER OUTSTANDING
2014	(i)	0.58	**30,500,000**	15,250,000
2015	(i)	0.82	**8,895,832**	8,895,832
2016	(i)	0.88	**8,895,832**	-
Total			**48,291,664**	24,145,832

(i) Share options expire three years from the date that the options vest. Refer to details of Transformation Incentive Plan in Section 5 of the Remuneration Report.

(D) TRANSACTIONS WITH RELATED PARTIES

The following transactions for the sale and purchase of goods and services 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				
26 June 2016	134	30,134	10	14
28 June 2015	1,907	24,640	91	82
JOINT VENTURES				
26 June 2016	1,246	9,510	312	-
28 June 2015	212	4,833	178	19

(E) PARENT ENTITY INFORMATION

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

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
FINANCIAL POSITION OF PARENT ENTITY		
Current assets	**372,480**	1,236,650
Total assets	**1,092,241**	1,956,755
Current liabilities	**13,504**	13,428
Total liabilities	**18,434**	23,289
TOTAL EQUITY OF PARENT ENTITY		
Contributed equity	**4,597,340**	4,650,798
General reserve	**(722)**	(722)
Acquisition reserve	**(10,672)**	(10,672)
Share-based payment reserve	**9,468**	14,819
Retained losses	**(3,521,607)**	(2,720,757)
Total equity	**1,073,807**	1,933,466
RESULT OF PARENT ENTITY		
(Loss)/profit for the period	**(700,119)**	133,966
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(700,119)**	133,966

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 (G) in this Note.

OPERATING LEASE COMMITMENTS - PARENT ENTITY AS LESSEE

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

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Within one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total operating lease commitments	-	-

(F) CONTROLLED ENTITIES

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

	NOTES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2016 %	OWNERSHIP INTEREST 2015 %
Fairfax Media Limited	(a)	Australia		
CONTROLLED ENTITIES				
Agricultural Publishers Pty Limited	(a)	Australia	100	100
All Homes Pty Limited	(a)	Australia	100	100
Allure Media Pty Ltd	(a)	Australia	100	100
Australian OpenAir Cinemas Pty Limited	(b)	Australia	100	-
Australian Property Monitors Pty Limited	(a)	Australia	100	100
Bodypass Trading Pty Ltd	(c)	Australia	100	-
Commerce Australia Pty Ltd	(a)	Australia	100	100
Domain Holdings Pty Limited	(a) (d)	Australia	100	100
Fairfax Community Newspapers Pty Limited	(a)	Australia	100	100
Fairfax Corporation Pty Limited	(a)	Australia	100	100
Fairfax Digital Australia & New Zealand Pty Limited	(a)	Australia	100	100
Fairfax Digital Pty Limited	(a)	Australia	100	100
Fairfax Entertainment Pty Limited	(a)	Australia	100	100
Fairfax Media Group Finance Pty Limited	(a)	Australia	100	100
Fairfax Media Management Pty Limited	(a)	Australia	100	100
Fairfax Media Operations Limited		New Zealand	100	100
Fairfax Media Publications Pty Limited	(a)	Australia	100	100
Fairfax New Zealand Limited		New Zealand	100	100
Fairfax Print Holdings Pty Limited	(a)	Australia	100	100

			OWNERSHIP INTEREST	
	NOTES	COUNTRY OF INCORPORATION	2016 %	2015 %
Fairfax Printers Pty Limited	(a)	Australia	100	100
Fairfax Regional Media (Tasmania) Pty Limited	(a)	Australia	100	100
Fairfax Regional Printers Pty Limited	(a)	Australia	100	100
Find a Babysitter Pty Ltd	(a)	Australia	100	100
Harbour Radio Pty Ltd		Australia	55	55
Illawarra Newspapers Holdings Pty Ltd	(a)	Australia	100	100
John Fairfax & Sons Pty Limited	(a)	Australia	100	100
John Fairfax Pty Limited	(a)	Australia	100	100
Macquarie Media Limited	(e)	Australia	55	55
Macquarie Media Operations Pty Limited	(f)	Australia	55	55
Macquarie Media Syndication Pty Limited	(g)	Australia	55	55
Macquarie Regional Radio Pty Ltd	(h)	Australia	-	55
Media Development Partners Pty Ltd	(b)	Australia	100	-
Mapshed Pty Ltd	(a)	Australia	100	100
Metro Media Publishing Pty Ltd		Australia	92	92
MMP (CGE) Pty Ltd	(a)	Australia	100	100
MMP (DVH) Pty Ltd		Australia	63	63
MMP (Melbourne Times) Pty Ltd		Australia	90	90
MMP Bayside Pty Ltd		Australia	78	78
MMP Holdings Pty Ltd	(a)	Australia	100	100
MMP Moonee Valley Pty Ltd		Australia	70	100
New South Wales Real Estate Media Pty Limited		Australia	100	100
Newcastle Newspapers Pty Ltd	(a)	Australia	100	100
Online Marketing Group Pty Limited	(a)	Australia	100	100
Port Stephens Publishers Trust		Australia	100	100
Property Data Solutions Pty Ltd	(a)	Australia	100	100
Queensland Community Newspapers Pty Ltd	(a)	Australia	100	100
Radio 1278 Melbourne Pty Limited		Australia	55	55
Radio 2CH Pty Ltd		Australia	55	55
Radio 2UE Sydney Pty Ltd		Australia	55	55
Radio 3AW Melbourne Pty Limited		Australia	55	55
Radio 4BC Brisbane Pty Limited		Australia	55	55
Radio 6PR Perth Pty Limited		Australia	55	55
Regional Printers Pty Limited	(a)	Australia	100	100
Regional Publishers (Western Victoria) Pty Limited	(a)	Australia	100	100

	NOTES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2016 %	OWNERSHIP INTEREST 2015 %
Regional Publishers Pty Ltd	(a)	Australia	100	100
Review Property Pty Ltd		Australia	50	50
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
S.A. Regional Media Pty Limited	(a)	Australia	100	100
Satellite Music Australia Pty Limited		Australia	55	55
Stock Journal Publishers Pty Ltd	(a)	Australia	100	100
The Age Company Pty Limited	(a)	Australia	100	100
The Federal Capital Press of Australia Pty Limited	(a)	Australia	100	100
The Weather Company Pty Limited		Australia	75	75
Western Australian Primary Industry Press Pty Ltd	(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 October 2015.

(c) Acquired on 31 July 2015.

(d) This company was formerly called Golden Mail Pty Limited.

(e) This company was formerly called Macquarie Radio Network Limited.

(f) This company was formerly called Fairfax Radio Network Pty Limited.

(g) This company was formerly called Fairfax Radio Syndication Pty Limited.

(h) Disposed on 30 October 2015.

(G) DEED OF CROSS GUARANTEE

Fairfax Media Limited and certain wholly-owned entities (the 'Closed Group') identified at (F) in this Note are parties to a Deed of Cross Guarantee under ASIC Class Order 98/1418 (as amended). Pursuant to the requirements of that Class Order, a summarised consolidated income statement for the period ended 26 June 2016 and consolidated balance sheet as at 26 June 2016, comprising the members of the Closed Group after eliminating all transactions between members are set out below:

BALANCE SHEET

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
CURRENT ASSETS		
Cash and cash equivalents	**42,144**	305,104
Trade and other receivables	**252,803**	221,740
Inventories	**24,093**	21,307
Income tax receivable	**624**	-
Assets held for sale	**7,890**	64,297
Other financial assets	**-**	1,384
Total current assets	**327,554**	613,832
NON-CURRENT ASSETS		
Receivables	**2,228**	171
Investments accounted for using the equity method	**43,903**	87,828
Available for sale investments	**8**	7
Intangible assets	**504,746**	1,176,198
Property, plant and equipment	**84,176**	254,006
Derivative assets	**15,152**	16,902
Deferred tax assets	**109,892**	76,647
Pension assets	**784**	951
Other financial assets	**850,856**	820,028
Total non-current assets	**1,611,745**	2,432,738
Total assets	**1,939,299**	3,046,570
CURRENT LIABILITIES		
Payables	**9,115**	13,891
Interest bearing liabilities	**-**	27,101
Derivative liabilities	**-**	3,912
Provisions	**88,200**	114,466
Current tax liabilities	**-**	20,635
Total current liabilities	**97,315**	180,005

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
NON-CURRENT LIABILITIES		
Interest bearing liabilities	**121,565**	213,973
Derivative liabilities	**4,015**	7,137
Provisions	**51,012**	48,820
Pension liabilities	**2**	-
Other non-current liabilities	**6,364**	10,040
Total non-current liabilities	**182,958**	279,970
Total liabilities	**280,273**	459,975
Net assets	**1,659,026**	2,586,595
EQUITY		
Contributed equity	**4,597,340**	4,650,798
Reserves	**(184,367)**	(203,254)
Retained losses	**(2,753,947)**	(1,860,949)
Total equity	**1,659,026**	2,586,595

INCOME STATEMENT

	26 JUNE 2016 $'000	28 JUNE 2015 $'000
Total revenue	**1,289,009**	1,404,364
Share of net profits of associates and joint ventures	**3,025**	1,038
Expenses before finance costs	**(2,155,122)**	(1,192,956)
Finance costs	**(15,658)**	(25,824)
Net (loss)/profit from operations before income tax expense	**(878,746)**	186,622
Income tax benefit/(expense)	**42,508**	(19,387)
Net (loss)/profit from operations after income tax expense	**(836,238)**	167,235

29. NOTES TO THE CASH FLOW STATEMENT

(A) RECONCILIATION OF NET PROFIT AFTER INCOME TAX EXPENSE TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
Net (loss)/profit for the period		**(883,186)**	87,205
NON-CASH ITEMS			
Depreciation and amortisation	3(B)	**70,102**	64,982
Impairment of property, plant and equipment, intangibles and investments		**1,050,518**	35,055
Amortisation of borrowing costs		**606**	492
Share of losses of associates and joint ventures not received as dividends		**8,684**	7,483
Straight-line rent adjustment		**(105)**	(151)
Net gain on disposal of property, plant and equipment		**(3,938)**	(1,226)
Net gain on disposal of investments and other assets		**(2,997)**	(13,808)
Fair value adjustment to derivatives		**(163)**	2
Net foreign currency losses/(gains)		**217**	(3,665)
Share-based payment expense		**5,755**	5,298
Non-cash superannuation expense		**(33)**	(12)
Other non-operating gains		**(4,721)**	(335)
CHANGES IN OPERATING ASSETS AND LIABILITIES, NET OF EFFECTS FROM ACQUISITIONS			
Increase in trade receivables		**(10,515)**	(1,306)
(Increase)/decrease in other receivables		**(8,940)**	5,592
Increase in inventories		**(2,948)**	(1,206)
Increase in other assets		**(2,708)**	(314)
Increase/(decrease) in payables		**14,614**	(10,446)
(Decrease)/increase in provisions		**(24,363)**	16,919
(Decrease)/increase in tax balances		**(78,170)**	15,190
Net cash inflow from operating activities		**127,709**	205,749

(B) RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

	NOTE	**26 JUNE 2016 $'000**	28 JUNE 2015 $'000
Cash on hand and at bank		**81,110**	342,830
Total cash at end of the financial year		**81,110**	342,830

ACCOUNTING POLICY

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.

30. SUMMARY OF SIGNIFICANT OTHER 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 is for the consolidated entity, consisting of Fairfax Media Limited and its controlled entities. Fairfax Media Limited was incorporated in Australia.

(A) PRINCIPLES OF CONSOLIDATION

(i) CONTROLLED ENTITIES

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 business combinations by the Group (refer to Note 6). Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated.

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.

(B) 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 of monetary assets and liabilities denominated in foreign currencies are generally recognised in the income statement. These are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges, until the entity is disposed.

Tax charges and credits attributable to exchange differences on borrowings are also recognised in equity.

Non-monetary items that are measured at fair value in a foreign currency (i.e. available for sale financial assets) are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are 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 monthly exchange rates during the financial year; 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 entity are 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.

(C) 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.

(D) NEW ACCOUNTING STANDARDS AND URGENT ISSUES GROUP (UIG) INTERPRETATIONS

(i) CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

New standards and interpretations that are applicable for the first time for the June 2016 year end report are:

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

These standards have introduced new disclosures but did not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

(ii) ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for 26 June 2016 reporting periods. The Group has elected not to early adopt these new standards or amendments in the financial statements. The Group has yet to fully assess the impact the following accounting standards and amendments to accounting standards will have on the financial statements, when applied in future periods. They include:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases

Other standards and interpretations that have been issued but are not yet effective are not expected to have any significant impact on the Group's financial statements in the year of their initial application.

DIRECTOR'S DECLARATION

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

1. In the opinion of the Directors:
   (a) the financial 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 26 June 2016 and of its performance for the year ended on that date; and
      (ii) 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 28 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 26 June 2016.

On behalf of the Board

Nick Falloon
Chairman

10 August 2016

Gregory Hywood
Chief Executive Officer and Managing Director

10 August 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRFAX MEDIA LIMITED

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Building a better working world

Independent auditor's report to the members of Fairfax Media Limited

Report on the financial report

We have audited the accompanying financial report of Fairfax Media Limited, which comprises the consolidated statement of financial position as at 26 June 2016, 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 in the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAIRFAX MEDIA LIMITED

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 26 June 2016 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 31 to 48 of the directors' report for the year ended 26 June 2016. 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 26 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young.

Ernst & Young

Douglas

Douglas Bain
Partner
Sydney
10 August 2016

FIVE YEAR PERFORMANCE SUMMARY

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES AS AT 28 JUNE 2015

			RESTATED*			RESTATED**	AS REPORTED
		2016	2015	2014	2013	2012	2012
INCOME STATEMENT							
Total revenue	$m	1,837.7	1,878.1	1,987.6	2,045.4	2,224.9	2,339.2
Revenues from operations	$m	1,810.8	1,838.6	1,856.8	2,010.5	2,199.9	2,310.9
(Loss)/earnings before depreciation, interest and tax (EBITDA)	$m	(829.2)	202.4	371.3	(119.2)	(2,644.6)	(2,558.6)
Depreciation and amortisation	$m	70.1	65.0	93.5	100.8	103.5	107.5
(Loss)/earnings before interest and tax	$m	(899.3)	137.4	277.8	(220.0)	(2,748.1)	(2,666.1)
Net interest expense	$m	11.1	16.3	10.4	55.0	109.7	111.7
(Loss)/profit before tax	$m	(910.4)	121.1	267.4	(274.9)	(2,857.8)	(2,777.8)
Income tax (benefit)/expense	$m	(27.2)	33.9	42.2	37.9	(73.0)	(52.0)
Net (loss)/profit attributable to members of the Company	$m	(893.5)	83.2	224.4	(16.4)	(2,732.4)	(2,732.4)
Net profit before significant items	$m	132.5	143.6	157.8	128.0	205.4	205.4
BALANCE SHEET							
Total equity	$m	1,034.1	2,065.5	1,990.7	1,816.2	2,042.7	2,042.7
Total assets	$m	1,644.1	2,826.6	2,781.5	3,016.7	4,006.6	4,006.6
Total borrowings	$m	179.3	283.0	355.2	638.2	1,207.4	1,207.4
STATISTICAL ANALYSIS							
Number of shares and debentures	m	2,299.5	2,383.4	2,352.0	2,352.0	2,352.0	2,352.0
Number of shareholders		27,194	28,120	30,071	34,805	35,174	35,174
EBITDA to operating revenue	%	(45.8)	11.0	20.0	(5.9)	(120.2)	(110.7)
EBIT to operating revenue	%	(49.7)	7.5	15.0	(10.9)	(124.9)	(115.4)
Basic (loss)/earnings per share	cents	(38.5)	3.5	9.5	(0.7)	(116.2)	(116.2)
Basic earnings per share before significant items	cents	5.7	6.1	6.7	5.4	8.7	8.7
Operating cash flow per share	cents	5.6	8.6	7.3	7.9	11.4	11.4
Dividend per share	cents	4.0	4.0	4.0	2.0	3.0	3.0
Dividend payout ratio	%	(10.4)	114.3	42.1	-	-	-
Interest cover based on EBITDA before significant items	Times	25.5	17.8	30.0	5.8	3.8	4.5
Gearing	%	17.3	13.7	17.8	35.1	59.1	59.1
Return on equity	%	12.8	7.0	7.9	7.0	10.1	10.1
Market price per share	$	0.91	0.85	0.93	0.50	0.58	0.58
Market capitalisation	$m	2,081.0	2,025.9	2,175.6	1,164.2	1,364.1	1,364.1
Number of full-time employees		5,515	6,169	6,410	7,043	8,416	8,416
Number of part-time and casual employees		717	1,010	1,211	1,384	1,748	1,748

* Certain numbers shown here do not correspond to the 2015 year end financial statements and reflect adjustments due to the finalisation of purchase price accounting as detailed in Note 6.

** 2012 'Restated' figures reflect adjustments made to the 2012 'As Reported' as a result of applying the discontinued operations standard AASB 5. For further details of discontinued operations, refer to Note 5 of the 2014 financial statements where the standard was applied.

SHAREHOLDER INFORMATION

FAIRFAX MEDIA LIMITED

TWENTY LARGEST HOLDERS OF SECURITIES AT 5 AUGUST 2016

	NUMBER OF SECURITIES	%
ORDINARY SHARES (FXJ)		
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	**585,352,460**	25.46
CITICORP NOMINEES PTY LIMITED	**392,964,860**	17.09
J P MORGAN NOMINEES AUSTRALIA LIMITED	**383,290,144**	16.67
NATIONAL NOMINEES LIMITED	**308,412,550**	13.41
BNP PARIBAS NOMS PTY LTD	**110,248,960**	4.79
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	**27,696,509**	1.20
BNP PARIBAS NOMINEES PTY LTD	**26,169,000**	1.14
UBS NOMINEES PTY LTD	**24,210,089**	1.05
CITICORP NOMINEES PTY LIMITED	**23,939,533**	1.04
BNP PARIBAS NOMINEES PTY LTD	**22,448,772**	0.98
BIRKETU PTY LTD	**17,000,000**	0.74
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	**9,636,232**	0.42
BOND STREET CUSTODIANS LIMITED(MACQ HIGH CONV FUND) & BOND STREET CUSTODIANS LIMITED	**9,523,790**	0.41
MARSHALL WHITE MEDIA PTY LTD	**8,435,308**	0.37
AVANTEOS INVESTMENTS LIMITED	**8,224,548**	0.36
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	**8,182,416**	0.36
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	**6,376,118**	0.28
KIRANT INVESTMENTS PTY LTD	**5,197,662**	0.23
WILMAR ENTERPRISES PTY LTD	**5,000,000**	0.22
PACIFIC CUSTODIANS PTY LIMITED	**4,594,136**	0.20
	1,986,903,087	86.41

DEBENTURES

	NUMBER OF SECURITIES	%
National Financial Services Corp.	**281**	100

OPTIONS

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

SHAREHOLDER INFORMATION

FAIRFAX MEDIA LIMITED

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as shown in substantial shareholder notices received by the Company as at 5 August 2016 are

	ORDINARY SHARES
Ausbil Investment Management	**178,558,749**
Henderson Global Investors	**139,246,542**
IOOF Holdings Limited	**124,060,426**
SAS Trustee Corporation	**118,279,205**
Dimensional Fund Advisors Group	**117,713,482**
Schroder Investment Management	**117,674,773**

DISTRIBUTION OF HOLDINGS AT 5 AUGUST 2016

	NO. OF ORDINARY SHAREHOLDERS	NO. OF DEBENTURE SHAREHOLDERS
NO. OF SECURITIES		
1 – 1,000	**7,897**	1
1,001 – 5,000	**10,751**	–
5,001 – 10,000	**3,567**	–
10,001 – 100,000	**3,893**	–
100,001 and over	**316**	–
Total number of holders	**26,424**	1
Number of holders holding less than a marketable parcel	**3,794**	–

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.

DIRECTORY

FAIRFAX MEDIA LIMITED

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 10.30am
on Thursday, 3 November 2016 in M Rooms,
Level 1
Crown Promenade Melbourne
8 Whiteman Street
(Queensbridge street end of the Crown complex)
South Bank Victoria 3006.

FINANCIAL CALENDAR 2017

Interim result	February 2017
Preliminary final result	August 2017
Annual General Meeting	November 2017

COMPANY SECRETARY

Gail Hambly

REGISTERED OFFICE

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Pyrmont NSW 2009

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SHARE REGISTRY

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Ph: 1300 888 062 (toll free within Australia)
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 the website.

HOW TO OBTAIN THE FAIRFAX ANNUAL REPORT

An electronic 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 via post or email.

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 either by post or email. 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.

FAIRFAX IS AT THE HEART OF CONVERSATIONS THAT MATTER AND CREATING CONNECTIONS THAT COUNT.

INDEPENDENT. ALWAYS.

Fairfax Media

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