APPENDIX 4E FINAL REPORT

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

FINAL REPORT

The following sets out the requirements of Appendix 4E and should be read in conjunction with the attached 2013 Annual Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

REPORTED		
Total revenue	down 8.2%	to $2,033.8m
Net loss for the period attributable to members	down 99.4%	to ($16.4m)

Refer to the attached market release for the period ended 30 June 2013 for management commentary on the results.

The accounts have been audited.

DIVIDENDS

	AMOUNT PER SECURITY	FRANKED AMOUNT PER SECURITY
30 June 2013		
Interim dividend	1.0¢	1.0¢
Dividend	1.0¢	1.0¢
Record date for determining entitlements to the dividend	3 September 2013	

NET TANGIBLE ASSETS PER SHARE

	30 JUNE 2013 $	24 JUNE 2012 $
Net tangible asset backing per ordinary share	0.16	(0.20)
Net asset backing per ordinary share	0.77	0.87

TRADING PERFORMANCE

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

		AS REPORTED		SIGNIFICANT ITEMS (IV)		TRADING PERFORMANCE EXCLUDING SIGNIFICANT ITEMS	
	NOTE	30 JUNE 2013 $'000	24 JUNE 2012 $'000	30 JUNE 2013 $'000	24 JUNE 2012 $'000	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Total revenue	(i)	2,033,786	2,214,487	19,830	–	2,013,956	2,214,487
Associate (losses)/profits		(2,239)	1,311	–	–	(2,239)	1,311
Expenses		(2,150,758)	(4,860,417)	(460,302)	(3,064,628)	(1,690,456)	(1,795,789)
Operating EBITDA		(119,211)	(2,644,619)	(440,472)	(3,064,628)	321,261	420,009
Depreciation and amortisation		(100,762)	(103,478)	–	–	(100,762)	(103,478)
EBIT		(219,973)	(2,748,097)	(440,472)	(3,064,628)	220,499	316,531
Net finance costs	(ii)	(54,967)	(109,731)	–	–	(54,967)	(109,731)
Net profit/(loss) before tax		(274,940)	(2,857,828)	(440,472)	(3,064,628)	165,532	206,800
Tax (expense)/benefit		(37,912)	73,043	12,569	126,807	(50,481)	(53,764)
Net profit/(loss) after tax from continuing operations		(312,852)	(2,784,785)	(427,903)	(2,937,821)	115,051	153,036
Net profit after tax from discontinued operations	(iii)	311,881	58,982	283,444	–	28,437	58,982
Net profit/(loss) after tax		(971)	(2,725,803)	(144,459)	(2,937,821)	143,488	212,018
Net profit attributable to non-controlling interest		(15,461)	(6,594)	–	–	(15,461)	(6,594)
Net profit/(loss) attributable to members of the Company		(16,432)	(2,732,397)	(144,459)	(2,937,821)	128,027	205,424
Earnings/(loss) per share		(0.7)	(116.2)			5.4	8.7

Notes:

(i) Revenue from ordinary activities excluding interest income and trading results of discontinued operations.

(ii) Finance costs less interest income.

(iii) The remaining 51% of Trade Me Group Ltd was disposed of on 21 December 2012 and classified as a discontinued operation. The "As reported" net profit after tax from discontinued operations includes both trading results of this business up to the date of disposal and the profit on disposal. Certain numbers shown here do not correspond to the 2012 financial statements and reflect adjustments due to discontinued operations as detailed in Note 5.

(iv) 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.

COMPLIANCE STATEMENT

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

The following sets out the requirements of Appendix 4E and should be cross referenced to the 2013 Consolidated Final Report, which is attached.

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

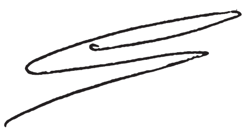
2 This report and the accounts upon which the report is based use the same accounting policies.

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

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

- ☑ The accounts have been audited.
- ☐ The accounts have been subject to review.
- ☐ The accounts are in the process of being audited or subject to review.
- ☐ The accounts have not yet been audited or reviewed.

5 The entity does have a formally constituted audit and risk committee.



Greg Hywood
Chief Executive Officer and Managing Director

22 August 2013

COMMENTARY ON RESULTS FOR THE FINANCIAL YEAR

Refer to media release.

BOARD OF DIRECTORS

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

Mr Corbett was elected Chairman of the Board in October 2009. He has been involved in the retail industry for more than 40 years. In 1984, Mr Corbett joined the Board of David Jones Australia as Director of Operations. In 1990, he was appointed to the Board of Woolworths Limited and to the position of Managing Director of BIG W. In 1999, Mr Corbett was appointed Chief Executive Officer of Woolworths Limited. He retired from that position in 2006.

Mr Corbett is a Director of the Reserve Bank of Australia, a Director of Wal-Mart Stores, Chairman of PrimeAg Australia Limited and Chairman of Mayne Pharma Group Limited. He is also Chairman of the Salvation Army Advisory Board (Australian Eastern Territory); a member of the Dean's Advisory Group of the Faculty of Medicine at the University of Sydney; a member of the Advisory Council of the Australian School of Business; Chairman of the University of New South Wales Centre for Healthy Brain Ageing Advisory Board and a member of the Australian Indigenous Chamber of Commerce Advisory Board.

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

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

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

Mr Anderson has had a long career in the radio industry including as Chief Executive of Austereo Limited from 2003 until January 2010. During his time as Chief Executive he focussed the company on building strong station brands and adapting the business to the changing media market including building and maintaining market leadership and developing new strategic directions, focussing on target audiences and adapting to increased competition. He launched a nationwide digital network and Australia's first digital radio station. He has been a leader in adapting radio to the digital era and is a Director of Oztam Pty Limited and Ooh Media.

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

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

BOARD OF DIRECTORS

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

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

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

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

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

Mr Morgan is the founder, former CEO and now a Director of Trade Me Limited, New Zealand's largest online transaction site. He is the Chairman of software company Visfleet and a Director of listed online business Xero Limited. Mr Morgan was previously a Director of Sonar6.

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

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

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

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

DIRECTORS' REPORT

The Board of Directors presents its report together with the financial report of Fairfax Media Limited (the Company) and of the consolidated entity, being the Company and its controlled entities for the period ended 30 June 2013 and the auditor's report thereon.

DIRECTORS

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

ROGER CORBETT, AO

Non-Executive Chairman

GREGORY HYWOOD

Chief Executive Officer and Managing Director

SANDRA MCPHEE, AM

Non-Executive Director

SAM MORGAN

Non-Executive Director

LINDA NICHOLLS, AO

Non-Executive Director

ROBERT SAVAGE, AM

Non-Executive Director

Resigned 30 June 2012

PETER YOUNG, AM

Non-Executive Director

MICHAEL ANDERSON

Non-Executive Director

JAMES MILLAR, AM

Non-Executive Director

Appointed 1 July 2012

JACK COWIN

Non-Executive Director

Appointed 19 July 2012

A profile of each Director holding office at the date of this report is included on pages 5 - 6 of this report.

DIRECTORS' REPORT

COMPANY SECRETARY

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

CORPORATE STRUCTURE

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

PRINCIPAL ACTIVITIES

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

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

CONSOLIDATED RESULT

The loss attributable to the consolidated entity for the financial year was $16,432,000 (2012 Loss: $2,732,397,000).

DIVIDENDS

An interim fully franked dividend of 1 cent per ordinary share and debenture was paid on 20 March 2013 in respect of the year ended 30 June 2013.

Since the end of the financial year, the Board has declared a fully franked dividend of 1.0 cent per ordinary share and debenture in respect of the year ended 30 June 2013. This dividend is payable on 17 September 2013.

REVIEW OF OPERATIONS

Revenue for the Group was lower than the prior year at $2,045 million (2012: $2,225 million). After significant expenses of $144.5 million the Group generated a net loss after tax of $16.4 million (2012: $2,732.4 million). Earnings per share increased to a loss of 0.7 cents (2012: loss $1.16).

Further information is provided in the Management Discussion and Analysis Report on pages 37 - 38.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

On 23 December 2011, the Company announced that it had entered into an agreement to merge Fairfax Community Network Ltd in Victoria with Metro Media Publishing Pty Ltd. The merger was completed on 13 July 2012 and resulted in the Company holding a 50.01% interest in MMP Holdings Pty Ltd.

The Company disposed of its US Agricultural Media business for US$79.9 million on 14 November 2012.

On 21 December 2012, the Company disposed of its remaining 51% interest in Trade Me Group Ltd for A$605.5 million net of transaction fees.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The consolidated entity's prospects and strategic direction are discussed in the Management Discussion and Analysis Report on pages 37 - 38 of this 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 2013 financial year.

The Company reported to the Department of Climate Change on the total carbon emissions of the Group generated in the 2012 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 84,976 (2012: 93,951) tonnes CO_2-e.

EVENTS AFTER REPORTING DATE

The Group undertook a tender offer to repurchase some of its outstanding Senior Notes in July 2013. Acceptances under the tender totalled US$224 million of the outstanding total of US$430 million. The repurchased notes comprised US$25 million of floating rate notes and US$199 million of fixed rate notes. Approximately A$270 million of funds were used to repurchase the Senior Notes through the exercise of US$224 million of existing cross currency swaps. The early redemption of the Senior Notes will result in a $4.6 million gain net of tax recorded in the income statement in the 2014 financial year.

DIRECTORS' REPORT

In July 2013, the Group entered into a new loan facility for NZ$40 million. The loan facility is available to the Group until July 2015.

On 13 August, the Group entered into an agreement to sell InvestSMART to Australasian Wealth Investments Limited (AWI) for cash consideration of $7 million. The completion of the transaction is dependent on a capital raising process by AWI.

REMUNERATION REPORT

A remuneration report is set out on pages 12 - 27 and forms part of this Directors' Report.

DIRECTORS' INTERESTS

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

ORDINARY SHARES	OPENING BALANCE	ACQUISITION	DISPOSALS	CLOSING BALANCE	POST YEAR END ACQUISITIONS	POST YEAR END DISPOSALS	POST YEAR END BALANCE
R Corbett	99,206	–	–	99,206	–	–	99,206
G Hywood*	1,682,834	200,000	–	1,882,834	–	–	1,882,834
M Anderson	–	–	–	–	–	–	–
J Cowin	–	3,000,000	–	3,000,000	–	–	3,000,000
S McPhee	40,220	70,673	–	110,893	–	–	110,893
J Millar	–	100,000	–	100,000	–	–	100,000
S Morgan*	2,090,348	–	–	2,090,348	–	–	2,090,348
L Nicholls	40,387	67,371	–	107,758	–	–	107,758
R Savage	47,899	–	–	47,899	–	–	47,899
P Young	131,117	–	–	131,117	–	–	131,117
TOTAL	4,132,011	3,438,044	–	7,570,055	–	–	7,570,055

* Balance includes Trade Me shares which was a related body corporate until 21 December 2012.

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

No Director holds options over shares in the Company.

DIRECTORS' MEETINGS

The following table shows the number of Board and Committee meetings held during the financial year ended 30 June 2013 and the number attended by each Director or Committee member.

	MEETINGS*									
	BOARD MEETING		AUDIT AND RISK		NOMINATIONS		PEOPLE AND CULTURE		SUSTAINABILITY AND CORPORATE RESPONSIBILITY	
	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED
R Corbett**	16	16	4	4	–	–	6	6	3	3
G Hywood***	16	16	4	4	–	–	6	6	3	3
M Anderson	16	15	–	–	–	–	6	6	3	3
J Cowin	14	13	–	–	–	–	3	3	–	–
S McPhee	16	16	–	–	–	–	6	6	3	3
J Millar	15	15	2	2	–	–	–	–	–	–
S Morgan	16	13	–	–	–	–	–	–	2	1
L Nicholls	16	15	4	4	–	–	–	–	–	–
R Savage	–	–	–	–	–	–	–	–	–	–
P Young	16	14	4	4	–	–	3	3	–	–

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

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

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

DIRECTORS' REPORT

OPTIONS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

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

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

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

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 32 to the financial statements.

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

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* is on page 11 of this report.

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

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

- Australia $243,809
- Overseas $98,020

Other assurance and non-assurance services:

- Australia $225,449.

ROUNDING

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

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

Roger Corbett, AO
Chairman

Greg Hywood
Chief Executive Officer and Managing Director

22 August 2013

AUDITOR'S INDEPENDENCE DECLARATION

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

In relation to our audit of the financial report of Fairfax Media Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Douglas Bain
Partner
22 August 2013

REMUNERATION REPORT

Dear Shareholder

On behalf of the Board, I am pleased to present Fairfax Media's 2013 Remuneration Report.

OUR REACTION TO CHANGES IN OUR MARKET

Fairfax Media has not stood still in another challenging year for the media business. We have confronted the fundamental changes in the media market and developed a strategy that we believe will deliver a lean and agile Fairfax Media in a highly competitive market. We are implementing our transformation strategy.

Through this transition, Fairfax Media has moved its organisational focus from print to digital and has profitable cash positive newspapers. The 2013 financial year has been a time of real progress on the critical milestones to achieving the business transformation we have previously announced. We have:

- consolidated our core Australian publishing businesses into a single unit, Australian Publishing Media, which is removing duplication from our business and driving revenue;
- launched the compact editions of the weekday Sydney Morning Herald and The Age, so as to enable printing plant rationalisation;
- established Domain as a standalone operation recognizing the significance of the real estate sector and Domain's strong position in this sector;
- formed the Digital Ventures unit to maximise the full potential of our digital transaction businesses such as Stayz and RSVP and to grow new digital opportunities;
- reduced our cost structure significantly; reflected in the $251 million in savings we have previously announced, plus an additional $60 million in savings including the restructure of Australian Publishing Media;
- begun a comprehensive product review to do those things that we do well and profitably and not do those things that are not efficient or that are not part of our core business; and
- begun new revenue generation initiatives across our business including a focus on leveraging our mastheads and powerful brands in the growing business of events.

We have advised the market that traditional print advertising revenue continues to decline. The transition from a traditional print media company to a cross-platform business is not instantaneous.

We are confident that we are on a path that will lead us to maximise the opportunities available to a company with our brands, reputation and people. We believe this will generate competitive returns for our shareholders over the medium to long term.

But we acknowledge that short term returns to shareholders have suffered through this transition.

This development has been reflected in 2013 remuneration and in a comprehensive review of incentive arrangements for 2014 and beyond.

REMUNERATION IN THE 2013 FINANCIAL YEAR

In the 2013 financial year, a year of challenges and of change:

- the majority of senior executive salaries were frozen as were fees paid to Non-Executive Directors. The Chairman also fulfilled his commitment made at the last AGM and agreed to a reduction in his fees from $432,730 per annum to $396,760;
- there will be no annual bonuses paid to senior executives for 2013, unless there was a pre existing contractual payment commitment; and
- the long term incentives, granted previously and tested at the end of the performance period this year, did not vest.

This report provides details of our remuneration practices and the incentive plans in place in the 2013 financial year. We also want to share with you what we plan to do for the 2014 financial year and beyond.

REMUNERATION 2014 AND BEYOND

The Board has gone back to the drawing board to design a 'fit for purpose' remuneration plan that is better reflective of the journey we are asking our shareholders to go on with us in this period of consolidation and transformation followed by the emergence of a new Fairfax Media. The plan recognizes that:

REMUNERATION REPORT

- the transformation journey we are on is not a short one, meaning that while we are positioning ourselves for the future, it may take a little while for the transformation to be reflected in significantly improved shareholder returns;
- we now have a smaller, highly dedicated and skilled team of the best people to lead Fairfax on this journey; and
- as our business evolves, our current remuneration structure has become less relevant for the Fairfax of tomorrow.

In the 2014 financial year, as the Board and management continues the hard work required to deliver on our strategy and to transform your company:

- the vast majority of our senior executives will not receive any increase in fixed remuneration;
- our most senior executives have volunteered to sacrifice 10% of their fixed remuneration to purchase Company shares. The shares will be restricted for two years. Further details of this are set out in the Remuneration Report;
- Non-Executive Directors have agreed to a reduction of 10% in their base fees from 1 July 2013;
- our existing short term and long term incentive plans will be replaced with a single transformation incentive scheme.

The new scheme will comprise two components for our most senior executives in the 2014 financial year, a proportion of long term options and, a smaller proportion of deferred performance shares granted at the end of the year for achieving milestones in the year as follows:

- in order to align the majority of the incentive with growth in shareholder returns, options will be granted following our 2013 AGM with an exercise price set at that time. These options will only vest if the absolute total shareholder return growth performance condition is satisfied. This condition will be tested between July 2016 and June 2017. Performance conditions are set out in the following Remuneration Report;
- a smaller percentage of incentive opportunity will be in the form of deferred performance shares. These shares will be granted for achieving annual milestones in the transformation strategy. These milestones will be set at the start of each year by the Board in line with the strategic plan. These milestones are set to reflect specific accountabilities for our management including variously revenue, earnings, market share and cost reduction targets at Group and/or business level. The specific targets are currently being finalised for 2014 and we will report on achievements against these targets and the associated outcomes in our 2014 Remuneration Report; and
- in order to align the value of these rewards with our longer term prospects, half of the shares granted following testing of performance in 2014 will be deferred for 12 months (i.e. until 2015) and the other half for two years (i.e. until 2016). The shares will be forfeited if the executive resigns or is terminated for poor performance during the deferral period.

The Board is confident that this new remuneration structure better aligns executive rewards with our shareholders and provides an appropriate incentive to deliver our strategy.

We hope shareholders will see that the Board has not stood idle in the face of the dramatic change in the media industry. Our 2013 financial year remuneration outcomes, notwithstanding a lot of hard work from all of our employees, reflect our financial performance in the year.

As shareholders will be aware, last year we received a 'first strike' under the Corporations Act, as more than 25% of the votes cast in relation to our Remuneration Report were against the non-binding resolution. Accordingly, this year a 'second strike' would cause us to propose a motion at the AGM to spill your Board.

Our 2014 financial year remuneration structure is designed to support our strategy of building the Fairfax of tomorrow. Your Board ask that you support our remuneration policies and practices by voting in favour of this Report at our 2013 AGM.

Yours faithfully

Sandra McPhee, AM
Chair – People and Culture Committee

REMUNERATION REPORT (AUDITED)

1. INTRODUCTION

This report forms part of the Company's 2013 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.

At the 2012 Annual General Meeting the Company received a 'first strike' under the Corporations Act as more than 25% of votes cast in relation to the Remuneration Report were cast against the non-binding resolution. Accordingly, at the 2013 Annual General Meeting, a 'second strike' will cause the Company to propose a motion at that Annual General Meeting to spill the Board.

The Board has subsequently changed the executive incentive plans as set out below.

2. REMUNERATION FRAMEWORK AND GOVERNANCE

2.1 REMUNERATION PRINCIPLES AND FRAMEWORK 2013 AND 2014 CHANGES

FAIRFAX MEDIA EXECUTIVE REMUNERATION FRAMEWORK

The objectives of the Company's executive remuneration framework are to align executive remuneration with the achievement of strategic objectives, the creation of value for shareholders, and to have regard to market so as to be able to attract and retain key people.

The People and Culture Committee (P&CC) assists the Board, to achieve the goal that the executive remuneration framework address the following:

- attract, retain and motivate talented, qualified and experienced people in the context of industry changes over recent years, and the market in which Fairfax is currently operating;
- fairly remunerate and reward for achievement of Group strategic milestones, with incentive payments deferred to promote alignment with shareholder interests;
- align remuneration with achievement of business strategy; and
- be transparent and fair.

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

Fixed remuneration package

- includes cash, superannuation and any benefits employees choose to salary sacrifice (eg motor vehicle and parking)
- represents the total fixed cost to the Company including fringe benefits tax payable
- in recognition of Group financial performance in recent years, most senior executives' fixed remuneration has been frozen
- for 2014 executive KMP have volunteered to sacrifice 10% of fixed remuneration into restricted shares

Performance Incentives

- short term incentive (STI) payments subject to annual financial performance of the Company, as well as specific strategic and operational objectives relevant to the executive
- on recommendation from the CEO, the P&CC reviews and approves STI payments and the key performance indicators for the following year
- financial gateway for FY13 STI was not met, and therefore no payments made for that year
- for FY13 and prior, long term incentive linked to performance against total shareholder return and earnings per share conditions over 3 years
- prior years' LTI vesting criteria were tested following end of FY13 and not met, therefore no LTI awards for prior years which have reached the vesting date will vest
- for 2014 new incentive plan to be implemented

REMUNERATION REPORT (AUDITED)

2.2 REMUNERATION GOVERNANCE

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

Importantly, the Board is focused on delivering a remuneration framework that attracts and retains the right executive team to set and deliver upon company strategy, and that remuneration arrangements support achievement of that strategy and growth in shareholder value.

The P&CC, comprising solely of Non-Executive Independent Directors, assists the Board in discharging its duties. The members of the P&CC during 2013 were:

- Sandra McPhee (Chair);
- Roger Corbett;
- Michael Anderson;
- Peter Young (member until 6 December 2012); and
- Jack Cowin (member from 6 December 2012).

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 meeting rules of the Committee. The Committee's primary responsibilities include making recommendations in relation to Director and executive remuneration, that support the remuneration strategy, and the performance conditions that underpin it, to promote the achievement of the Group's strategy. 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.fxj.com.au

The P&CC's key focus during the 2013 financial year was to review the Group's remuneration arrangements during the year in the context of the industry changes over recent years, and the market in which Fairfax is currently operating. Further details of the outcomes of the review are set out in Section 3, below.

The Committee engages independent remuneration consultants to provide advice and information regarding market relativities as required. During the year jws consulting was engaged by the Committee to assist with the review outlined above. As part of that engagement jws consulting provided remuneration recommendations in relation to the Group's incentive plan arrangements, fixed remuneration and Non-Executive Director fee levels.

As required to be disclosed by the Corporations Act, within the context of the work described above, fees paid to jws consulting for the remuneration recommendations were $65,000 (excluding GST) and the fees for other advice were $22,000 (excluding GST).

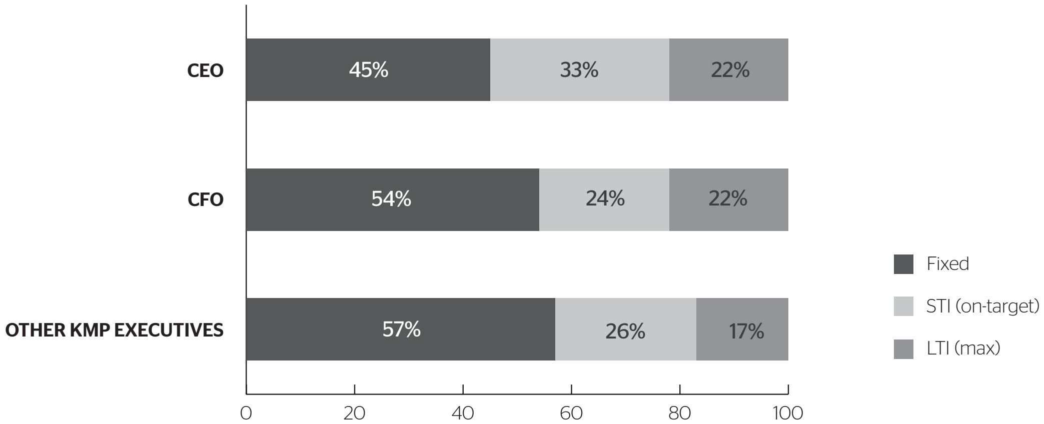
In addition to the above, advice was also provided by PricewaterhouseCoopers on market trends on short term incentive gateways and clawback provisions. Fees for this work were $13,000 (excluding GST).

jws consulting and PricewaterhouseCoopers have provided confirmation that the recommendations provided were free from 'undue influence' by the members of the KMP to whom the recommendations related and, based on these confirmations, the Board is satisfied that the recommendations were made free from any undue influence.

REMUNERATION REPORT (AUDITED)

2.3 REMUNERATION MIX

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. The following diagram shows senior executives' remuneration mix for the 2013 financial year.



3. SUMMARY OF EXECUTIVE REMUNERATION OUTCOMES FOR 2013

The media market and, in particular, the print media business has had another challenging year.

Market conditions remain difficult, and traditional print advertising revenue continues to decline. 2013 saw Fairfax implement a number of cost saving initiatives and continue to implement its strategy to respond to industry changes, but the transition from a traditional print media company to a cross-platform business is not instantaneous.

In this year of challenges and change and consistent with the impact on our shareholders:

- senior executive salaries remained frozen unless there was a substantial role change;
- no annual bonuses were paid to senior executives because short term incentives did not meet the required financial gateway, unless there was a contractual pre-existing obligation; and
- the long term incentives, granted in prior years and tested at the end of their performance periods this year, did not vest.

The detailed remuneration tables set out in Section 6.3 show full details of KMP remuneration for the 2013 financial year. Numbers include the expense relating to equity instruments under the LTI, as required by the Accounting Standards notwithstanding that these amounts were not actually delivered to executives.

The following table has been included voluntarily to provide a better understanding of the amounts actually received by current KMP (as set out in section 5) for each component of remuneration during the 2013 financial year.

Table 1

NAME	FIXED REMUNERATION (3)	BONUS	LTI	TOTAL
Greg Hywood	1,611,239	–	–	1,611,239
David Housego (1)	491,089	100,000	–	591,089
Gail Hambly	635,830	–	–	635,830
Allen Williams (2)	189,934	–	–	189,934

1) David Housego commenced with the Company in the role of Chief Financial Officer (CFO) on the 3 December 2012 (with an annual fixed remuneration of $825,000). As part of his recruitment arrangements Mr Housego was entitled to a one off payment of $100,000 at the end of the FY13 subject to performance objectives being achieved.

2) Allen Williams commenced as Managing Director Australian Publishing Media on 4 April 2013 (with an annual fixed remuneration of $775,000). Prior to this Mr Williams was the CEO of Fairfax New Zealand.

3) Fixed remuneration comprises of base pay, superannuation and long service leave.

In addition, over the prior two financial years:

- STI payments have been below on-target performance; and
- no LTI awards vested.

REMUNERATION REPORT (AUDITED)

4. EXECUTIVE REMUNERATION CHANGES FOR 2014

The Board, through the P&CC, undertook a comprehensive review of the Group's remuneration arrangements during the year in the context of the industry changes and the market in which Fairfax is currently operating. The Board recognises that, at this pivotal point in the Company's life cycle, the remuneration and incentive framework needs, more than ever, to be generally market competitive (to guard against key people leaving the business) and to drive a performance culture, encouraging and rewarding the achievement of milestones in the transformation strategy.

The review confirmed that the current remuneration arrangements are not appropriate to motivate executives to achieve the transformation proposed over the coming years, the current performance metrics, in particular, do not support achievement of the transformational objectives.

The Board, however, is acutely aware of the position of shareholders and the levels of return over recent years. Accordingly, a key objective of the review was to achieve a remuneration framework that rewards performance, but ensures that such reward is aligned with shareholder interests.

The key considerations and outcomes from the review in respect of remuneration arrangements for the executive KMP are set out in the following table:

Table 2: Findings from review

REMUNERATION COMPONENT	KEY CONSIDERATIONS AND FINDINGS FROM REVIEW	OUTCOMES AND FY14 CHANGES
Fixed remuneration	• More than ever, Fairfax needs to attract and retain high calibre executives to transform the Company. • Particularly in the context of the transformation journey that is ahead and as a result of previous incentive grants not vesting and the consequent retention risk, fixed remuneration plays an even greater role in attracting and retaining the right people.	• No fixed remuneration increases for FY14 for executive KMP. • Key management personnel have agreed to sacrifice 10% of their fixed 2014 remuneration into shares in Fairfax which are restricted for two years. At the end of two years, if participants in the salary sacrifice plan are still employed by the Company then the Company would provide one additional "bonus" share for every five shares purchased from the participants salary sacrifice. • The salary sacrifice is intended to reduce cash remuneration payable, while still providing a benefit to executives aligned with shareholder benefits.
Incentives	• The current incentive plans are not valued by executives and are not achieving their purpose of providing an incentive to achieve organisational objectives. • A 'fit for purpose' incentive is required to reward the most senior executives if they achieve turning around the performance of the Company. • Steps in the transformation are designed to translate into enhancement of shareholder wealth over time. • The Board recognises loss of shareholder wealth over recent years.	• No further grants will be made under existing short term and long term incentive plans. • Replacing the existing plans is a single transformation incentive scheme to be implemented for FY14 (the Fairfax Transformation Incentive Plan ("FTIP")). • The new scheme provides the issue of long term options that are exercisable only if shareholder wealth objectives are achieved. • A smaller proportion of deferred performance shares will be granted at the end of FY14 if specific business metrics linked to the transformation of the Company have been achieved. • Rewards under the FTIP will be delivered in equity (i.e. no cash outlay) in order to further incentivise growth in shareholder wealth. • Any deferred performance shares earned in initial years are deferred, so that executives do not become entitled to access the equity until later in the transformation process. • Further detail as to how the Transformation Incentive Plan will operate is set out below.

The Board is confident that this new remuneration structure better aligns executive rewards with our shareholders over the medium and longer term and provides an appropriate incentive to deliver our strategy.

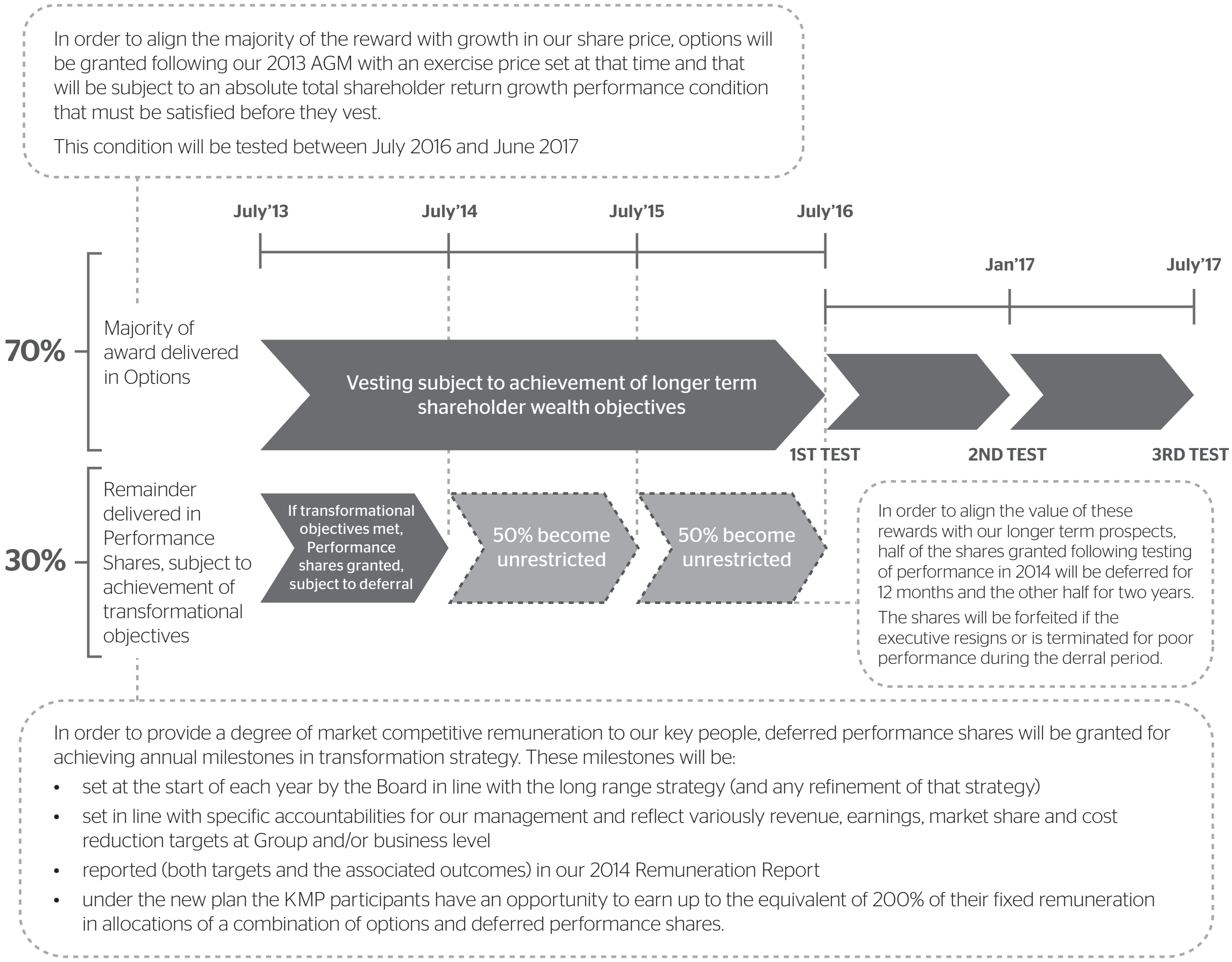
REMUNERATION REPORT (AUDITED)

The new scheme will comprise two components for our most senior executives in the 2014 financial year:

1. a proportion of long term options; and
2. a smaller proportion of deferred performance shares granted at the end of the year for achieving milestones in the year:

- in order to align the majority of the incentive with growth in shareholder returns, options will be granted following our 2013 AGM with an exercise price set at that time. These options will only vest if the absolute total shareholder return growth performance condition is satisfied. This condition will be tested between July 2016 and June 2017. Performance conditions are set out below;
  - a smaller percentage of incentive opportunity will be in the form of deferred performance shares. These shares will be granted for achieving annual milestones in the transformation strategy. These milestones will be set at the start of each year by the Board in line with the strategic plan. These milestones are set to reflect specific accountabilities for our management including variously revenue, earnings, market share and cost reduction targets at Group and/or business level. The specific targets are currently being finalised for 2014 and we will report on achievements against these targets and the associated outcomes in our 2014 Remuneration Report; and
  - in order to align the value of these rewards with our longer term prospects, half of the shares granted following testing of performance in 2014 will be deferred for 12 months (i.e. until 2015) and the other half for two years (i.e. until 2016). The shares will be forfeited if the executive resigns or is terminated for poor performance during the deferral period.

The following diagram shows how the scheme will operate and the objectives that it aims to achieve.



REMUNERATION REPORT (AUDITED)

OPTIONS HURDLES: ABSOLUTE TSR

Following consideration of the likely forms by which shareholder wealth may be generated by Fairfax over the next three years (share price growth, 'ordinary' dividends and potentially 'special' distributions in the form of dividend or capital returns), the performance hurdle to apply to the vesting of the options is absolute total shareholder return growth ("Absolute TSR"). Absolute TSR will measure growth in shareholder wealth over the applicable performance period as it measures both share price growth as well as dividends to shareholders.

The applicable compound annual growth rates hurdles for the Absolute TSR are set out in the table below.

PERFORMANCE	% EXERCISABLE	ABSOLUTE TSR GROWTH
Threshold	25%	15% CAGR
Target	50%	20% CAGR
Stretch	100%	25% CAGR

The Board has discretion to deem the performance conditions not met if vesting would otherwise only occur as a result of extraneous factors, for example the effect of sustained speculation regarding a takeover bid for the Company on the share price, which are not, in the reasonable opinion of the Board, reflective of the quality of the Company's performance.

HURDLES FOR DEFERRED PERFORMANCE SHARES

Proposed metrics aligned with the business transformation strategy during 2014 are designed to drive financial growth for shareholders over time.

By the end of 2016/17 the Company should effectively be through most of the transformation work. It should have achieved a smaller and more variable cost base; significant transition to a predominantly digital future for major mastheads; a viable digital business in regional; established revenue adjacencies; Domain and Radio should be substantially larger businesses; and we should have optimised our portfolio of digital and transactional businesses. The specific initiatives set as the target for each of the 2014, 2015 and 2016 years will be different and will have potentially different weighting between the years. The intention is that the delivery of each of the targets in each year should deliver the overall transition by 2016/17.

Appropriate metrics will be set at the start of each new financial year. This aims to ensure that, as the transition develops, there will be enough flexibility to respond along the way and moderate, change or introduce new measures that will give confidence that the plan will operate effectively. All measures will be clearly defined and measurable.

FACILITY FOR KMP SALARY SACRIFICE INTO SHARES

Executive KMP members have voluntarily agreed to salary sacrifice 10% of their fixed remuneration for the purchase of Company shares in 2014.

In order to recognise that executives who elect to participate in the salary sacrifice have given up some of their cash remuneration entitlement to have 'skin in the game' the Company provide a part matching offer.

Pursuant to this offer, at the end of two years, assuming that the participant in the salary sacrifice plan is still employed by Fairfax, the Company would provide 1 additional 'bonus' share for every 5 shares acquired under the salary sacrifice arrangements.

5. KEY MANAGEMENT PERSONNEL (KMP)

During the financial year, the business undertook an organisational restructure which resulted in a number of changes to roles and responsibilities. This resulted in a change in the people having authority and responsibility for planning, directing and controlling the organisation.

The key management personnel (KMP) for the financial year are set out in Table 3.

REMUNERATION REPORT (AUDITED)

Table 3

NAME	ROLE
Non-Executive Directors	
Roger Corbett	Non-Executive Chairman
Michael Anderson	Non-Executive Director
Jack Cowin	Non-Executive Director
Sandra McPhee	Non-Executive Director
James Millar	Non-Executive Director
Sam Morgan	Non-Executive Director
Linda Nicholls	Non-Executive Director
Peter Young	Non-Executive Director
Executive Director	
Greg Hywood	Chief Executive Officer
Other Executives	
David Housego	Chief Financial Officer (effective from 3 December)
Gail Hambly	Group General Counsel/Company Secretary
Allen Williams	Managing Director, Australian Publishing Media
Former Executives	
Brian Cassell	Chief Financial Officer (until 3 December)

6. REMUNERATION OF EXECUTIVE KMP

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

As the 2013 incentive gate target was not met, no STI is payable to KMP for the financial year.
The Board reviewed the Group's STI arrangements during the year and determined to wind up the existing Plan.

The following table sets out how the Group's STI arrangements operated during the 2013 financial year.

Table 4

DETAIL OF 2013 STI ARRANGEMENTS		
What is the STI?	Annual bonus payments for senior executives with an emphasis on the achievement of annual financial performance criteria for the Group as well as specific strategic and operational criteria. For key senior executives other than the CEO, the bonus criteria were set by the P&CC. Bonus criteria for the CEO were set by the Board. For the 2013 financial year, an incentive gate applied which required a threshold level of financial performance to be achieved before any bonuses became payable. The incentive gate was set at the achievement of the Group's budgeted EBIT. This was not achieved in 2013 so no STI was paid.	
What were the performance measures and why were they chosen?	Three components applied in respect of FY13.	
	LEVEL	COMPONENT
	Corporate Level (50%)	drives corporate financial results (EBIT) and encourages senior management to work together for the overall benefit of the Group
	Business Unit Level (25%)	drives business unit financial and other operational metrics to encourage team behaviour (e.g. EBIT, cost reductions, audience, market position and revenue)
	Strategic Level (25%)	indicators of future Group, business unit and personal success (delivery against milestones and personal development) to drive the delivery of the Corporate strategy.
What could executives earn under the STI?	Each senior executive had a target opportunity depending on the accountabilities of the role and impact on Company or business unit performance. There are two levels of performance:	
	PERFORMANCE LEVEL	OPPORTUNITY
	"on-target" performance – e.g. for EBIT the "on-target" performance is typically achievement of budget or prior year	CEO – 75% of fixed remuneration Other executive KMP – 45% of fixed remuneration
	"maximum" performance – requires stretching performance targets to be met.	CEO – 150% of fixed remuneration Other executive KMP – 90% of fixed remuneration

REMUNERATION REPORT (AUDITED)

DETAIL OF 2013 STI ARRANGEMENTS

Did the STI provide for deferral?	The STI provided for a cash payment and a component deferred into shares (Deferred Component). Any amounts earned from the Strategic component and 50% of any amounts earned above "on-target" performance for Corporate and Business Unit performance would be deferred into shares. The balance of the bonus is paid to the senior executive as cash. Any Deferred Shares awarded are required to be held in the Trust for two years (as the STI has been earned by the executive, dividends are paid on the shares during this period). Commencing in the 2013 financial year, the Deferred Component was subject to a claw-back provision. This means that the Board may exercise its discretion to reduce or cancel shares subject to trading restrictions in fairness to all parties where a senior executive has engaged in fraud or gross misconduct, or where material risk or financial-related information has come to light since the grant of the deferred equity and the Board subsequently considers that the initial grant was not justified. As the financial gateway was not met for FY13, no Deferred Shares were awarded.
How is performance then assessed?	At the end of the financial year, actual performance is assessed against the measures set at the beginning of the year.
To what extent were performance conditions met during the year?	The 2013 incentive gate target was not met and therefore no short term incentives were paid to executives in respect of the financial year.

In the 2013 financial year, the KMP performance based short-term incentive opportunity and outcomes are set out below:

SUMMARY OF THE STI FOR THE 2013 FINANCIAL YEAR

Table 5

NAME	MAXIMUM OPPORTUNITY -PERFORMANCE-BASED SHORT-TERM INCENTIVES (1)	% OF MAXIMUM OPPORTUNITY EARNED	% OF MAXIMUM OPPORTUNITY FORFEITED
Greg Hywood	150%	0%	100%
David Housego (2)	90%	23%	77%
Brian Cassell	90%	0%	100%
Gail Hambly	90%	0%	100%
Allen Williams	90%	0%	100%

1) As a percentage of Fixed Remuneration.
2) As part of his recruitment arrangements Mr Housego was entitled to a one off payment of $100,000 at the end of the FY13 subject to achievement of performance goals.

6.2 LONG TERM EQUITY-BASED INCENTIVE SCHEME (LTI)

The 2009 LTI grant was tested at the end of the performance period this year, and did not vest.
The Board reviewed the Group's LTI arrangements during the year, and determined to wind up the Plan as it currently operates.

The following table sets out how the Group's LTI arrangements operated during the 2013 financial year.

Table 6

DETAIL OF LTI ARRANGEMENTS

What was the LTI and who participates?	Senior executives whose roles and skills are critical to the strategy of the Group were eligible to participate in the Company's equity-based LTI. The LTI aims to reward executives for creating growth in shareholder value.
How is the LTI grant determined?	For 2013, participants in the LTI received an allocation of performance rights (rights) which allow the executive to acquire shares for no consideration subject to achievement of the performance hurdles. No dividends are payable to participants on the unvested rights. The number of rights to which a participant is entitled depends on the participant's role and responsibilities. Allocations were set at a fixed percentage of the executive's Fixed Remuneration at the time they participate in the LTI scheme. The value of the rights at the time of allocation is determined by an independent external valuer. In the allocations for the 2008 to 2012 financial years, participants in the LTI received an allocation of Company shares. The shares were allocated to the executives and held by the trustee in trust until the performance conditions are met and the allocation vests, or is forfeited. Details of these awards are set out in the Company's 2012 remuneration report available at www.fxj.com.au

REMUNERATION REPORT (AUDITED)

DETAIL OF LTI ARRANGEMENTS	
What is the performance period?	Three years. For allocations prior to 2013, if an allocation does not vest at the end of the three year period, a re-test of the performance hurdles will occur at the end of the fourth. This re-test was removed in respect of the 2013 allocation.
What are the performance hurdles?	Two performance hurdles apply to the 2013 allocation, both linked to the Company's return to shareholders. Fifty percent of the allocation will vest on achievement by the Company of the total shareholder return (TSR) target. TSR will be measured against the S&P/ASX 300 Consumer Discretionary Index and vest as described in the table below

TSR PERFORMANCE	% OF ALLOCATION THAT VESTS
Below 50th percentile	Nil
50th percentile	50% of allocation
50th to 75th percentile	Vest on a straight line basis
Above 75th percentile	100%

The other 50% of the allocation will vest if the Company achieves the earnings per share (EPS) target.

EPS will be measured by the compound annual growth rate (CAGR) of the Company's EPS and vesting will be according to the table below:

EPS PERFORMANCE	% OF ALLOCATION THAT VESTS
Less than 7% CAGR	Nil
7% CAGR	25%
7% to 10% CAGR	Vest on a straight line basis
10% CAGR or above	100%

The base case to be used for the EPS performance hurdle test for the 2013 allocation of rights will be the underlying 2012 financial year EPS of 8.7 cents per share as set out in the Fairfax Media 2012 Annual Report. Underlying EPS is calculated excluding significant items which are set out in note 4 to the 2012 financial year audited accounts. In order to be consistent, underlying EPS will also be used at the test date.

What happens in the event of a change of control?	The Board has discretion regarding vesting.
What happens if the executive ceases employment?	If an executive resigns, unvested allocations will, in general, be forfeited. On termination for misconduct, allocations will be forfeited. If an executive is terminated without cause, for example made redundant or dies or is permanently disabled, then vesting will be at the Board's discretion

STATUS AND KEY DATES – UNVESTED LTI SCHEME

Table 7

GRANT DATE	AWARD INSTRUMENT	PERFORMANCE TESTING WINDOW	EXPIRY DATE (IF HURDLE NOT MET)*	AWARD STILL ELIGIBLE FOR VESTING?
18 January 2008	Performance Shares	1 July 2007 – 30 June 2010	30 June 2011	No.**
26 August 2008	Performance Shares	1 July 2008 – 30 June 2011	30 June 2012	No.**
23 June 2010	Performance Shares	1 July 2009 – 30 June 2012	30 June 2013	No.**
17 November 2010	Performance Shares	1 July 2010 – 30 June 2013	30 June 2014	In re-testing period. Base EPS was FY10 = 11.8c. Retest minimum target FY14 = 15.5c
13 September 2011	Performance Shares	1 July 2011 – 30 June 2014	30 June 2015	Performance testing window not yet commenced Base EPS FY11 = 11.6c. Three year test minimum FY14 = 14.2c. Minimum retest FY15 = 15.2c

REMUNERATION REPORT (AUDITED)

GRANT DATE	AWARD INSTRUMENT	PERFORMANCE TESTING WINDOW	EXPIRY DATE (IF HURDLE NOT MET)*	AWARD STILL ELIGIBLE FOR VESTING?
31 October 2012	Performance Rights	1 July 2012 – 30 June 2015	30 June 2016	Performance testing window not yet commenced. Base EPS FY12 = 8.7c. Three year test minimum FY15 = 10.7c. Minimum retest FY16 = 11.4c.

* Retest of conditions performed in the fourth year in respect of LTI allocations prior to 2013, if performance hurdle is not met in the initial performance testing window. Performance is re-tested over the 4 year period.

** Shares have been forfeited.

6.3 REMUNERATION OF KEY MANAGEMENT PERSONNEL

This table sets out details of remuneration during the financial year.

Table 8

		BASE SALARY, TERMINATION & OTHER BENEFITS	CASH BONUS	SUPER-ANNUATION	LONG SERVICE LEAVE EXPENSE	TOTAL EXCLUDING SHARES/RIGHTS	VALUE OF SHARES/ RIGHTS (6)	TOTAL INCLUDING SHARES/RIGHTS
G Hywood – Chief Executive Officer	**2013**	**1,575,000**	**–**	**25,000**	**11,239**	**1,611,239**	**371,468**	**1,982,707**
	2012	1,551,846	420,000	48,077	5,084	2,025,007	333,548	2,358,555
D Housego – Chief Financial Officer (1)	**2013**	**464,166**	**100,000**	**26,923**	**–**	**591,089**	**250,556**	**841,645**
G Hambly – Group General Counsel & Company Secretary	**2013**	**554,210**	**–**	**70,790**	**10,830**	**635,830**	**82,366**	**718,196**
	2012	542,189	190,000	69,235	29,486	830,910	107,360	938,270
A Williams – Managing Director Australian Publishing Media (2)	**2013**	**184,083**	**–**	**2,885**	**2,966**	**189,934**	**125,537**	**315,471**
B Cassell – Chief Financial Officer (3)	**2013**	**274,411**	**–**	**9,615**	**14,654**	**298,680**	**(79,828)**	**218,852**
	2012	726,847	225,000	48,077	24,167	1,024,091	138,989	1,163,080
C Maher – Director of Strategy and Corporate Development (4) (5)	2012	337,174	110,000	28,916	10,910	487,000	47,483	534,483
A Lam-Po-Tang – Chief Information Officer and Director Group Services (4)	2012	217,361	150,000	19,562	–	386,923	–	386,923
M Williams – Group Director Human Resources (4)	2012	306,768	95,000	26,316	18,520	446,604	38,063	484,667
TOTAL	**2013**	**3,051,870**	**100,000**	**135,213**	**39,689**	**3,326,772**	**750,099**	**4,076,871**
	2012	3,682,185	1,190,000	240,183	88,167	5,200,535	665,443	5,865,978

1) D Housego commenced with the Company in the role of Chief Financial Officer (CFO) on the 3 December 2012 (with an annual fixed remuneration of $825,000). As part of his recruitment arrangements Mr Housego was entitled to a one off payment of $100,000 at the end of FY13 subject to achievement of performance goals.
2) A Williams met the definition of a KMP on his appointment as Managing Director Australian Publishing Media on 4 April 2013 (with an annual fixed remuneration of $775,000). Prior to this Mr Williams was the CEO of Fairfax New Zealand.
3) B Cassell retired from the position of CFO on 3 December and was no longer deemed to be KMP.
4) Following the structural changes within the group this person no longer met the definition of a KMP since 25 June 2012.
5) C Maher resigned on 12 October 2012.
6) Amount includes the amortised cost of the fair value of rights to shares issued but not yet vested. Credits relate to the reversal of the prior years amortised cost following forfeiture due to departure. No Deferred Component of the annual bonus was paid.

REMUNERATION REPORT (AUDITED)

RIGHTS GRANTED TO EXECUTIVES WHO ARE KEY MANAGEMENT PERSONNEL DURING THE PERFORMANCE YEAR

Table 9

	PERFORMANCE CONDITION(1)	NUMBER OF RIGHTS GRANTED(2)	FAIR VALUE PER RIGHTS(3)	MAXIMUM VALUE OF GRANT(4)
G Hywood – Chief Executive Officer	TSR	4,444,444	$0.08	$355,556
	EPS	4,444,444	$0.35	$1,555,555
				$1,911,111
D Housego – Chief Financial Officer	TSR	1,833,333	$0.09	$165,000
	EPS	1,833,333	$0.40	$733,333
				$898,333
G Hambly – Group General Counsel & Company Secretary	TSR	1,041,667	$0.09	$93,750
	EPS	1,041,667	$0.40	$416,667
				$510,417
A Williams – Managing Director Australian Publishing Media	TSR	918,562	$0.09	$82,670
	EPS	918,562	$0.40	$367,425
				$450,095

The maximum value of unvested shares in the LTI plans for FY10, FY11, and FY12 is $1,971,843. The minimum total value of all unvested shares for all plan years is nil.

1) LTI rights are subject to performance hurdles that are outlined in section 6.2. Rights to LTI shares lapse where the applicable performance conditions are not satisfied on testing. As the LTI rights only vest on satisfaction of performance conditions which are to be tested in future fiscal periods, fiscal 2013 LTI shares have not yet been forfeited or vested.
2) The rights granted to Executives constituted their full LTI entitlement for fiscal 2013 and were made on 17 September 2012 and 24 October 2012 for the CEO subject to the terms summarised in section 6.2.
3) Fair value per LTI share was calculated by independent consultants PwC as at the grant date of 17 September 2012 and 24 October 2012.
4) The maximum value of the grant has been estimated based on the fair value per instrument. The minimum total value of the grant is nil (this assumes none of the applicable performance conditions are met). The maximum value has been calculated to be nil for Executives who have departed during the period.

6.4 RETIREMENT BENEFITS FOR EXECUTIVES

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

6.5 LOANS TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

During the year ended 30 June 2013, there were no loans to Directors or to key management personnel (2012: nil).

6.6 HEDGING RISK ON SECURITIES FORMING PART OF REMUNERATION

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

6.7 CLAW-BACK

Currently, the deferred component of the STI is subject to a claw-back provision. This means that the Board may exercise its discretion to reduce or cancel shares in fairness to all parties where a senior executive has engaged in fraud or gross misconduct, or where material risk or financial-related information has come to light since the grant of the deferred equity and the Board subsequently considers that the initial grant was not justified. No deferred shares have been earned under the existing STI.

The Board proposes to incorporate a similar ability to claw back a proportion of incentives under the new plan being implemented during 2014.

REMUNERATION REPORT (AUDITED)

7. EXECUTIVE SERVICE AGREEMENTS

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

Key details of executive service agreements are set out below.

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

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

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

Table 10

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 (1)	18 months	3 months	12 month no solicitation of employees or clients 6 months no work for a competitor of the Fairfax Group
Allen Williams	12 months	6 months	12 month no solicitation of employees or clients 6 months no work for a competitor of the Fairfax Group

(1) Participant in the Fairfax defined benefit superannuation scheme.

7.2 TERMINATION OF EMPLOYMENT WITHOUT NOTICE

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

a) commits an act of serious misconduct

b) commits a material breach of the executive service agreement

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

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

8. REMUNERATION OF NON-EXECUTIVE DIRECTORS

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

The Board resolved that there would be no increase in Directors' fees in 2013.

The Board also resolved that fees will no longer be paid for Nominations Committee membership effective 1 January 2013. The Chairman of the Board agreed to a reduction in his Directors fees from 1 January 2013 by $35,970.

All Directors have also agreed to reduce Directors' base fees by a further 10% from 1 July 2013.

REMUNERATION REPORT (AUDITED)

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

Table 11

	$
Chairman of the Board*	327,600
Other Non-Executive Director	117,000
Chair of Audit and Risk Committee	39,600
Members of Audit and Risk Committee	29,700
Chair of People and Culture Committee	29,700
Members of People and Culture Committee	19,800
Chair of the Nominations Committee	0
Members of Nominations Committee	0
Chair of the Sustainability and Corporate Responsibility Committee	29,700
Members of Sustainability and Corporate Responsibility Committee	19,800

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

The fees above do not include statutory superannuation payments.

8.1 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.

8.2 NON-EXECUTIVE DIRECTORS' FEES

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

Table 12

		BASE SALARY, BONUS & OTHER BENEFITS	NON-EXECUTIVE DIRECTORS FEES	SUPERANNUATION	TOTAL
M Anderson (1)	**2013**	**-**	**180,290**	**29,644**	**209,934**
	2012	–	119,296	35,931	155,227
R Corbett (2)	**2013**	**-**	**380,500**	**34,245**	**414,745**
	2012	–	397,000	35,730	432,730
J Cowin (3)	**2013**	**-**	**136,178**	**12,256**	**148,434**
J Millar (4)	**2013**	**-**	**148,869**	**13,398**	**162,267**
S McPhee	**2013**	**-**	**185,000**	**16,650**	**201,650**
	2012	–	175,156	15,764	190,920
S Morgan	**2013**	**-**	**142,579**	**12,832**	**155,411**
	2012	–	130,000	11,700	141,700
L Nicholls	**2013**	**-**	**174,000**	**15,660**	**189,660**
	2012	–	174,000	15,660	189,660
P Young	**2013**	**-**	**184,000**	**16,560**	**200,560**
	2012	–	212,678	10,763	223,441
Directors	**2013**	**-**	**1,531,416**	**151,245**	**1,682,661**
	2012	–	1,208,130	125,548	1,333,678

1) M Anderson took part in a strategic review of advertising sales across the Group from 1 March 2013 to 31 May 2013 and acted as Executive Chairman of Fairfax Radio from 27 October 2011 to 1 March 2012. He received salary of $149,083 (2012: $279,942) for these services.

2) R Corbett agreed to reduce his Directors fees by $35,970 from 1 January 2013

3) J Cowin was appointed on 19 July 2012

4) J Millar was appointed on 1 July 2012

REMUNERATION REPORT (AUDITED)

9. 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 2013 (1)	IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009
Underlying operating revenue	$m	2,074	2,328	2,466	2,482	2,600
Underlying net profit after tax	$m	143.5	212.0	285.0	290.7	241.3
Earnings per share after significant items	Cents	5.4	8.7	11.6	11.8	12.4
Dividends per share	Cents	2.0	3.0	3.0	2.5	2.0
*Total Shareholder Returns (TSR)	%	(3.4)	(40.5)	(23.9)	11.3	(52.1)

* TSR comprises 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 (refer note 5)

CORPORATE GOVERNANCE

The Company's compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 2nd edition ("ASX Recommendations") is set out in the following table.

		COMPLIANCE	PAGES
Principle 1: Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	✓	29
1.2	Disclose the process for evaluating the performance of senior executives	✓	12 - 25
1.3	Provide the information indicated in the Guide to reporting on Principle 1	✓	12 - 25, 29
Principle 2: Structure the Board to add value			
2.1	A majority of the Board should be independent Directors	✓	30
2.2	The chair should be an independent Director	✓	30
2.3	The roles of chair and Chief Executive Officer should not be exercised by the same individual	✓	30
2.4	The Board should establish a nomination committee	✓	30
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors	✓	30
2.6	Provide the information indicated in Guide to reporting on Principle 2	✓	5 - 6, 9, 30 - 31
Principle 3: Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account legal obligations and the reasonable expectations of shareholders, and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	✓	31
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy	✓	36
3.3	Disclose the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them	✓	36
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board	✓	36
3.5	Provide the information indicated in the Guide to reporting on Principle 3	✓	31, 36
Principle 4: Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee	✓	30
4.2	Structure the audit committee so that it: • consists of only Non-Executive Directors • consists of a majority of independent Directors • is chaired by an independent chair, who is not chair of the Board, and • has at least three members.	✓	30
4.3	The audit committee should have a formal charter	✓	32
4.4	Provide the information indicated in Guide to reporting on Principle 4	✓	9, 32
Principle 5: Make timely and balanced disclosure			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	✓	33
5.2	Provide the information indicated in Guide to reporting on Principle 5	✓	33
Principle 6: Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy	✓	33
6.2	Provide the information indicated in Guide to reporting on Principle 6	✓	33

CORPORATE GOVERNANCE

		COMPLIANCE	PAGES
Principle 7: Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	✓	33 - 34
7.2	Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks	✓	33 - 34
7.3	Board should disclose whether it has received assurance from the Chief Executive (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	✓	33 - 34
7.4	Provide the information indicated in Guide to reporting on Principle 7	✓	33 - 34
Principle 8: Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee	✓	30
8.2	The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent director and has at least three members	✓	30
8.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executive Directors and senior executives	✓	12 - 26
8.4	Provide the information indicated in Guide to reporting on Principle 8	✓	9, 15, 24, 26

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

BOARD OF DIRECTORS

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

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

(a) set the strategic direction of the Fairfax Group

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

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

The qualifications and other details of each member of the Board are set out on pages 5 - 6 of this report.

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

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

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

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

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

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

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

Duties of the Nominations Committee include:

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

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

CORPORATE GOVERNANCE

INDEPENDENT DIRECTORS

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

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

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

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

CODE OF CONDUCT

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

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

The Fairfax Code of Conduct aims to:

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

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

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

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

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

CORPORATE GOVERNANCE

AUDIT AND RISK COMMITTEE

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

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

Under its Charter, all members of the Committee must be Non-Executive Directors. Executives may attend by invitation. The Chair of the Committee is required to be independent and have relevant financial expertise and may not be the Chair of the Board. The members of the Audit and Risk Committee and details of their attendance at Committee meetings are set out on page 9. The Chair of the Committee may, at the Company's expense, obtain external advice, or obtain assistance and information from officers of the Group, or engage other support as reasonably required from time to time.

CHARTER OF AUDIT INDEPENDENCE

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

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

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

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

CORPORATE GOVERNANCE

MARKET DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

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

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

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

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

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

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

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

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

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

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

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

RISK MANAGEMENT AND INTEGRITY OF FINANCIAL REPORTING

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

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

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

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

CORPORATE GOVERNANCE

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

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

The Company's Internal Audit function comprises the 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 may meet with the Audit and Risk Committee in the absence of management. Internal Audit and Risk reports its results to each meeting of the Audit and Risk Committee and the Manager, Corporate Risk and Assurance attends the meetings.

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

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

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

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

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

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

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

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

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

REMUNERATION

Information about the Board's People and Culture Committee, its Charter, the Company's remuneration policies for Non-Executive Directors and the remuneration of the CEO and senior executives is set out in the Remuneration Report beginning on page 12.

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 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

CORPORATE GOVERNANCE

process for authorisation of trading at other times. Designated People means the Directors, CEO, Company Secretary, those employees who report directly to the CEO and those employees who are notified that they are subject to the Policy.

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

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

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

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

SUSTAINABILITY AND CORPORATE RESPONSIBILITY COMMITTEE

The Board has an established a Sustainability and Corporate Responsibility Committee. The Committee's Charter is summarised below.

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

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

The Committee's membership and Chair are determined by the Board from time to time and must consist of at least three Directors. No more than one member may be an executive Director. Other Directors are entitled to attend the Committee meetings. The members of the Sustainability and Corporate Responsibility Committee, and details of their attendance at Committee meetings, are set out on page 9. In order to carry out the Committee's duties, the Chair of the Committee is authorised (at the Company's expense) to engage external advice, obtain assistance and information from officers of the Group and engage such other support as is reasonably required from time to time.

CORPORATE GOVERNANCE

DIVERSITY

The Company is committed to creating a workplace that is fair and inclusive. The measures and actions undertaken to achieve our commitments in the financial year are outlined in the following table:

OVERARCHING MEASURE	SUPPORTING ACTIONS UNDERTAKEN	PERFORMANCE
30% female participation in Senior Management by 2015	• Conducted a pilot "Women in Leadership" presentation and focus group session comprising of 20 senior women from across the Company. • Increased opportunities for flexible work arrangements by expanding the ability to take additional annual leave each year to more staff. • Where identified, high potential women were strategically matched with senior leaders across the business as part of the Fairfax Mentoring Program. More than half of the participants in the program were female. • More than half of the participants in the 2013 Fairfax Leadership Programs were female.	On track to achieving target. There was an increase in the percentage of females in senior management positions to 28% this year, compared to 26% last year.

ACTIONS COMMITTED IN THE LAST REPORT	PROGRESS
Conduct further research to gather robust diversity metrics across the business and in individual business units.	New reporting has been introduced providing management with monthly data on employee demographics. This includes diversity metrics including employment type, gender, tenure, age bracket and job family. The 2013 Workplace Gender Equality Agency report in Australia has been submitted in accordance with the Act. In line with the Act, the report is available on the Fairfax website and the intranet for comment by staff, employee organisations and shareholders. The Company is a member of the Diversity Council of Australia and has recently joined the HR Corporate Executive Board. This enables managers and Human Resources staff to gain access to market trends on and best practice on diversity.
Conduct a pay equity audit across Fairfax Media	To complement the data collected for the 2013 Workplace Gender Equality Act report in Australia, additional analysis was conducted regarding pay equity. Some preliminary findings included: • Across Australia the female percentage difference of average annualised total package value (TPV) for full time and part time staff is -32%. • The largest disparity in job families between male and female TPV is in Printing and Distribution (-35%) and the lowest is in Editorial (-17%). • Further data collection and analysis will be conducted in next financial year to determine possible causes of negative percentage difference for female employees. This will in turn help support specific action plans.
The recruitment process for all Senior Management appointments to include a senior female on the interview panel and at least one female candidate in the shortlist.	There have been several senior executive roles appointed this year where at least one female was included in the recruitment process, and where appropriate, a female candidate was included in the shortlist. Senior executive roles have included: • Chief Financial Officer • Director of Strategy • Managing Director, New Zealand • Group Director, Digital Ventures • Director, Life Media Further work will occur in 2014 for this process to become a standard way of working across the Company.

The Company has submitted and is compliant with the Workplace Gender Equality Act 2012 report in Australia.

The workforce gender demographics were, as at 30 June 2013:

- Proportion of women on the Board: 25%
- Proportion of women in senior management: 28%
- Proportion of women across the organisation: 52%

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

TRADING OVERVIEW

The 2013 financial year saw a continuation of difficult trading conditions with subdued advertising markets in both Australia and New Zealand. Total reported Group revenue declined by 8.2% to $2,033.8 million from the prior year. Operating segment revenue trends, as compared to the prior year, show Metropolitan Media down 11.9%, Regional Media down 10.4% and New Zealand Media down 4.7%. Broadcasting revenue improved 8.1% from the prior year. Group digital revenue increased to $295 million and now comprises 14% of total revenue.

During the year there was a focus on improving circulation revenue by removing unprofitable distribution channels, a reduction in discounting, and a series of cover price increases. As a result, Metropolitan Media circulation revenue increased by 5% in the year.

Our real estate business, Domain, continues to move through the transition from a largely print-based business to a predominantly digital business with 2013 being the first year where digital advertising exceeded print.

The Regional and New Zealand divisions saw deterioration in revenue which accelerated in the second half of the year. Revenue declines were experienced across most advertising categories and improvement in cost reduction run rates assisted in offsetting some of the impact on profitability.

Performance of the Radio division improved in the year, with revenue and market share growth, improved profitability and a higher degree of integration into other parts of the Fairfax Media business.

The decline in Group revenue has been mitigated to some extent by an on-going focus on cost management. Total Group expenses declined by 5.9% to $1,690.5 million, excluding significant items. Metropolitan Media cost reduced by 10.7%, Regional Media by 8.0% and New Zealand Media by 2.3% offset by an increase of 4.8% in Broadcasting and costs associated with the implementation of the Fairfax of the Future program.

The business remains on track to deliver the Fairfax of the Future savings that have previously been communicated. Annualised run-rate savings of $311 million are on track to be delivered by June 2015. We continue to work on further revenue and cost opportunities.

The second half of the financial year saw a number of significant milestones and operational changes, including the launch of the weekday compact editions of The Sydney Morning Herald and The Age in March 2013. We also announced a major restructure of our Australian operations with the formation of Australian Publishing Media as well as moving a number of digital operating businesses to act on a more standalone basis.

In July 2013 we introduced a digital subscriptions model for The Sydney Morning Herald and The Age. We are pleased with the early progress of this important initiative.

As reported in the December 2012 interim results, the company disposed of its US Agricultural Media business for US$79.9m on 14 November 2012, and its remaining 51% interest in Trade Me Group Ltd for A$605.5 million (net of transaction fees) on 21 December 2012. As previously stated, proceeds from the sale of these businesses have been applied to the reduction of debt.

The Group booked a significant impairment charge of $444.6 million after tax in 2013. The charge was predominately in the Regional Media business along with smaller impairment charges in the Metropolitan Media and Broadcasting segments. Details of the nature of the impairment charges can be found in Note 4 and the assumptions used in the estimation of the recoverable amount of intangible assets and the sensitivities around the key assumptions are outlined in Note 14.

FINANCIAL POSITION

Net cash inflow from operating activities was $186.5 million. After capital expenditure of $60.6 million, dividends paid of $61.4 million, the impact of the sale of Trade Me and US Agricultural Media and repayment of borrowings, cash and cash equivalents increased by $171.1 million.

Net debt for covenant purposes was $154.5 million at 30 June 2013 and remains within covenant limits. The Company continues to have substantial headroom with debt repayments in the 2014 financial year covered by $533.5 millon of cash on deposit and undrawn committed facilities, plus free cash flows that will be generated during the year.

On 25 July 2013 the Company completed the redemption of US$224 million of US Private Placement (USPP) notes.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

RECONCILIATION OF STATUTORY TO UNDERLYING PERFORMANCE

		AS REPORTED		SIGNIFICANT ITEMS (IV)		TRADING PERFORMANCE EXCLUDING SIGNIFICANT ITEMS	
	NOTE	30 JUNE 2013 $'000	24 JUNE 2012 $'000	30 JUNE 2013 $'000	24 JUNE 2012 $'000	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Total revenue	(i)	**2,033,786**	2,214,487	**19,830**	–	**2,013,956**	2,214,487
Associate (losses)/profits		**(2,239)**	1,311	**-**	–	**(2,239)**	1,311
Expenses		**(2,150,758)**	(4,860,417)	**(460,302)**	(3,064,628)	**(1,690,456)**	(1,795,789)
Operating EBITDA		**(119,211)**	(2,644,619)	**(440,472)**	(3,064,628)	**321,261**	420,009
Depreciation and amortisation		**(100,762)**	(103,478)	**-**	–	**(100,762)**	(103,478)
EBIT		**(219,973)**	(2,748,097)	**(440,472)**	(3,064,628)	**220,499**	316,531
Net finance costs	(ii)	**(54,967)**	(109,731)	**-**	–	**(54,967)**	(109,731)
Net profit/(loss) before tax		**(274,940)**	(2,857,828)	**(440,472)**	(3,064,628)	**165,532**	206,800
Tax (expense)/benefit		**(37,912)**	73,043	**12,569**	126,807	**(50,481)**	(53,764)
Net profit/(loss) after tax from continuing operations		**(312,852)**	(2,784,785)	**(427,903)**	(2,937,821)	**115,051**	153,036
Net profit after tax from discontinued operations	(iii)	**311,881**	58,982	**283,444**	–	**28,437**	58,982
Net profit/(loss) after tax		**(971)**	(2,725,803)	**(144,459)**	(2,937,821)	**143,488**	212,018
Net profit attributable to non-controlling interest		**(15,461)**	(6,594)	**-**	–	**(15,461)**	(6,594)
Net profit/(loss) attributable to members of the Company		**(16,432)**	(2,732,397)	**(144,459)**	(2,937,821)	**128,027**	205,424
Earnings/(loss) per share		**(0.7)**	(116.2)			**5.4**	8.7

Notes:

(i) Revenue from ordinary activities excluding interest income and trading results of discontinued operations.

(ii) Finance costs less interest income.

(iii) The remaining 51% of Trade Me Group Ltd was disposed of on 21 December 2012 and classified as a discontinued operation. The "As reported" net profit after tax from discontinued operations includes both trading results of this business up to the date of disposal and the profit on disposal. Certain numbers shown here do not correspond to the 2012 financial statements and reflect adjustments due to discontinued operations as detailed in Note 5.

(iv) 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.

RECONCILIATION OF TRADING TO OPERATING CASH FLOW

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Cash flow from trading activities	**376,645**	534,903
Redundancy payments	**(96,018)**	(42,511)
Interest and dividends received	**14,330**	13,591
Finance costs and income tax paid	**(108,506)**	(238,334)
Net cash flow from operating activities	**186,451**	267,649

ANNUAL FINANCIAL REPORT 2013

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

CONSOLIDATED INCOME STATEMENT

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

	NOTE	30 JUNE 2013 $'000	24 JUNE 2012 RESTATED* $'000
Continuing operations			
Revenue from operations	2(A)	**2,010,488**	2,199,881
Other revenue and income	2(B)	**34,902**	25,064
Total revenue and income		**2,045,390**	2,224,945
Share of net (losses)/profits of associates and joint ventures	12(C)	**(2,239)**	1,311
Expenses from operations excluding impairment, depreciation, amortisation and finance costs	3(A)	**(1,690,820)**	(1,995,357)
Depreciation and amortisation	3(B)	**(100,762)**	(103,478)
Impairment of intangibles, investments and property, plant and equipment		**(459,938)**	(2,865,060)
Finance costs	3(C)	**(66,571)**	(120,189)
Net loss from continuing operations before income tax expense		**(274,940)**	(2,857,828)
Income tax (expense)/benefit	6	**(37,912)**	73,043
Net loss from continuing operations after income tax expense		**(312,852)**	(2,784,785)
Discontinued operations			
Net profit from discontinued operations after income tax expense	5	**311,881**	58,982
Net loss after income tax expense		**(971)**	(2,725,803)
Net profit/(loss) is attributable to:			
Non-controlling interest		**15,461**	6,594
Owners of the parent		**(16,432)**	(2,732,397)
		(971)	(2,725,803)
Earnings per share (cents per share)			
Basic loss per share (cents per share)	25	**(0.7)**	(116.2)
Diluted loss per share (cents per share)	25	**(0.7)**	(116.2)
Earnings per share from continuing operations (cents per share)			
Basic loss per share (cents per share)	25	**(13.3)**	(118.4)
Diluted loss per share (cents per share)	25	**(13.3)**	(118.4)

* Certain numbers shown here do not correspond to the 2012 financial statements and reflect adjustments due to discontinued operations as detailed in Note 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 30 JUNE 2013

	NOTE	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Net loss after income tax expense		**(971)**	(2,725,803)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Changes in fair value of available for sale financial assets		**296**	(675)
Changes in fair value of cash flow hedges		**3,407**	(11,869)
Changes in value of net investment hedges		**(18,431)**	(3,568)
Exchange differences on translation of foreign operations		**28,033**	14,352
Income tax relating to these items	6	**4,532**	4,545
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit plans		**2,353**	(3,732)
Income tax relating to these items	6	**(702)**	1,117
Other comprehensive income for the period, net of tax		**19,488**	170
Total comprehensive income for the period		**18,517**	(2,725,633)
Total comprehensive income is attributable to:			
Non-controlling interest		**15,461**	6,594
Owners of the parent		**3,056**	(2,732,227)
		18,517	(2,725,633)

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 30 JUNE 2013

	NOTE	30 JUNE 2013 $'000	24 JUNE 2012 $'000
CURRENT ASSETS			
Cash and cash equivalents	35(B)	**533,531**	358,364
Trade and other receivables	8	**298,330**	334,466
Inventories	9	**30,908**	36,622
Derivative assets	16	**11,018**	123
Assets held for sale	10(A)	**6,979**	25,674
Income tax receivable		**8,466**	2,592
Other financial assets	11	**4,386**	3,914
Total current assets		**893,618**	761,755
NON-CURRENT ASSETS			
Receivables	8	**1,046**	2,479
Investments accounted for using the equity method	12	**80,490**	30,811
Available for sale investments	13	**1,929**	1,991
Intangible assets	14	**1,438,034**	2,502,045
Property, plant and equipment	15	**478,933**	547,004
Derivative assets	16	**7,815**	27,040
Deferred tax assets	17(A)	**107,895**	122,530
Pension assets	21(A)	**709**	149
Other financial assets	11	**6,222**	10,768
Total non-current assets		**2,123,073**	3,244,817
Total assets		**3,016,691**	4,006,572
CURRENT LIABILITIES			
Payables	18	**235,919**	282,637
Interest bearing liabilities	19	**284,323**	6,439
Derivative liabilities	16	**47,978**	-
Liabilities directly associated with held for sale assets	10(B)	**-**	4,956
Provisions	20	**191,319**	193,887
Current tax liabilities		**1,333**	10,680
Total current liabilities		**760,872**	498,599
NON-CURRENT LIABILITIES			
Interest bearing liabilities	19	**353,889**	1,200,934
Derivative liabilities	16	**26,939**	95,628
Deferred tax liabilities	17(A)	**3,581**	15,225
Provisions	20	**53,942**	149,305
Pension liabilities	21(A)	**1,273**	3,933
Other non-current liabilities		**-**	271
Total non-current liabilities		**439,624**	1,465,296
Total liabilities		**1,200,496**	1,963,895
NET ASSETS		**1,816,195**	2,042,677
EQUITY			
Contributed equity	22	**4,646,248**	4,646,248
Reserves	23	**35,517**	(45,520)
Retained profits	24	**(2,867,387)**	(2,805,566)
Total parent entity interest		**1,814,378**	1,795,162
Non-controlling interest		**1,817**	247,515
TOTAL EQUITY		**1,816,195**	2,042,677

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 30 JUNE 2013

	NOTE	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**2,326,259**	2,564,435
Payments to suppliers and employees (inclusive of GST)		**(1,949,614)**	(2,029,532)
Redundancy payments		**(96,018)**	(42,511)
Interest received		**10,963**	9,986
Dividends and distributions received		**3,367**	3,605
Finance costs paid		**(60,456)**	(127,633)
Net income taxes paid		**(48,050)**	(110,701)
Net cash inflow from operating activities	35(A)	**186,451**	267,649
Cash flows from investing activities			
Payment for purchase of controlled entities, associates and joint ventures (net of cash acquired)		**(51,935)**	(13,232)
Payment for purchase of businesses, including mastheads		**(10,048)**	(1,443)
Payment for property, plant, equipment and software		**(60,584)**	(42,788)
Proceeds from sale of property, plant and equipment		**2,047**	3,315
Proceeds from sale of investments, net of transaction fees and cash disposed *		**644,099**	18,237
Loans repaid by other parties		**6,056**	4,750
Net cash inflow/(outflow) from investing activities		**529,635**	(31,161)
Cash flows from financing activities			
Payment for purchase of non-controlling interests in subsidiaries		**(2,999)**	(92)
Proceeds from disposal of non-controlling interest in subsidiary, net of transaction fees **		**-**	421,885
Proceeds from borrowings and other financial liabilities		**-**	321,270
Repayment of borrowings and other financial liabilities		**(480,586)**	(756,933)
Dividends paid to shareholders	7	**(47,040)**	(82,318)
Dividends paid to non-controlling interests in subsidiaries		**(14,407)**	(491)
Net cash outflow from financing activities		**(545,032)**	(96,679)
Net increase in cash and cash equivalents held		**171,054**	139,809
Cash and cash equivalents at beginning of the financial year		**358,364**	207,137
Effect of exchange rate changes on cash and cash equivalents		**4,113**	11,418
Cash and cash equivalents at end of the financial year	35(B)	**533,531**	358,364

* The proceeds relate to the disposal of the remaining 51% interest in Trade Me Group Ltd on 21 December 2012 and the disposal of the US Agricultural Media business on 14 November 2012.

** The proceeds relate to the sale of 34% of Trade Me Group Ltd on 13 December 2011 and the further 15% divestment on 21 June 2012.

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 30 JUNE 2013

		RESERVES										
	CONTRIBUTED EQUITY (NOTE 22) $'000	ASSET REVALUATION RESERVE (NOTE 23) $'000	ACQUISITION RESERVE (NOTE 23) $'000	FOREIGN CURRENCY TRANSLATION RESERVE (NOTE 23) $'000	CASHFLOW HEDGE RESERVE (NOTE 23) $'000	NET INVESTMENT HEDGE RESERVE (NOTE 23) $'000	SHARE-BASED PAYMENT RESERVE (NOTE 23) $'000	GENERAL RESERVE (NOTE 23) $'000	TOTAL RESERVES $'000	RETAINED PROFITS (NOTE 24) $'000	NON-CONTROLLING INTEREST $'000	TOTAL EQUITY $'000
Balance at 24 June 2012	**4,646,248**	**(259)**	**177,759**	**(219,528)**	**(7,088)**	**2,669**	**7,764**	**(6,837)**	**(45,520)**	**(2,805,566)**	**247,515**	**2,042,677**
Loss for the period	-	-	-	-	-	-	-	-	-	(16,432)	15,461	(971)
Other comprehensive income	-	300	-	28,053	2,385	(12,901)	-	-	17,837	1,651	-	19,488
Total comprehensive income for the period	-	300	-	28,053	2,385	(12,901)	-	-	17,837	(14,781)	15,461	18,517
Transactions with owners in their capacity as owners:												
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(47,040)	-	(47,040)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(14,067)	(14,067)
Disposal of subsidiaries, net of tax *	-	-	-	58,876	-	-	(495)	-	58,381	-	(240,798)	(182,417)
Disposal of non-controlling interest in subsidiary	-	-	6,294	-	-	-	-	-	6,294	-	(6,294)	-
Acquisition of non-controlling interest	-	-	(3,005)	-	-	-	-	-	(3,005)	-	-	(3,005)
Share-based payments, net of tax	-	-	-	-	-	-	1,530	-	1,530	-	-	1,530
Total transactions with owners	-	-	3,289	58,876	-	-	1,035	-	63,200	(47,040)	(261,159)	(244,999)
Balance at 30 June 2013	**4,646,248**	**41**	**181,048**	**(132,599)**	**(4,703)**	**(10,232)**	**8,799**	**(6,837)**	**35,517**	**(2,867,387)**	**1,817**	**1,816,195**

* This relates to the disposal of the remaining 51% interest in Trade Me Group Ltd on 21 December 2012 and the disposal of the US Agricultural Media business on 14 November 2012. The Trade Me business has been classified as a discontinued operation. Refer to Note 5 for additional disclosures in relation to its disposal.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

		RESERVES										
	CONTRIBUTED EQUITY (NOTE 22) $'000	ASSET REVALUATION RESERVE (NOTE 23) $'000	ACQUISITION RESERVE (NOTE 23) $'000	FOREIGN CURRENCY TRANSLATION RESERVE (NOTE 23) $'000	CASHFLOW HEDGE RESERVE (NOTE 23) $'000	NET INVESTMENT HEDGE RESERVE (NOTE 23) $'000	SHARE-BASED PAYMENT RESERVE (NOTE 23) $'000	GENERAL RESERVE (NOTE 23) $'000	TOTAL RESERVES $'000	RETAINED PROFITS (NOTE 24) $'000	NON-CONTROLLING INTEREST $'000	TOTAL EQUITY $'000
Balance at 26 June 2011	4,646,248	506	563	(233,884)	1,220	5,167	6,971	(6,837)	(226,294)	11,764	6,990	4,438,708
Loss for the period	-	-	-	-	-	-	-	-	-	(2,732,397)	6,594	(2,725,803)
Other comprehensive income	-	(765)	-	14,356	(8,308)	(2,498)	-	-	2,785	(2,615)	-	170
Total comprehensive income for the period	-	(765)	-	14,356	(8,308)	(2,498)	-	-	2,785	(2,735,012)	6,594	(2,725,633)
Transactions with owners in their capacity as owners:												
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(82,318)	-	(82,318)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(354)	(354)
Disposal of non-controlling interest in subsidiary, net of tax *	-	-	176,479	-	-	-	-	-	176,479	-	235,094	411,573
Acquisition of non-controlling interest	-	-	717	-	-	-	-	-	717	-	(809)	(92)
Share-based payments, net of tax	-	-	-	-	-	-	793	-	793	-	-	793
Total transactions with owners	-	-	177,196	-	-	-	793	-	177,989	(82,318)	233,931	329,602
Balance at 24 June 2012	4,646,248	(259)	177,759	(219,528)	(7,088)	2,669	7,764	(6,837)	(45,520)	(2,805,566)	247,515	2,042,677

* This relates to the sale of 34% of Trade Me Group Ltd on 13 December 2011 and the further 15% divestment on 21 June 2012.

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 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report is for the period 25 June 2012 to 30 June 2013 (2012: the period 27 June 2011 to 24 June 2012). Reference in this report to 'a year' is to the period ended 30 June 2013 or 24 June 2012 respectively, unless otherwise stated.

Fairfax Media Limited is a for profit company limited by ordinary shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

(A) BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Group has prepared the financial statements in compliance with amendments to the *Corporations Act 2001* in June 2010 which removed the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 38.

HISTORICAL COST CONVENTION

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

(B) PRINCIPLES OF CONSOLIDATION

(I) CONTROLLED ENTITIES

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

Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities by the Group (refer to Note 1(C)). All inter-entity transactions, balances and unrealised gains on transactions between Group entities have been eliminated in full.

Non-controlling interests in the earnings and equity of controlled entities are shown separately in the income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(II) ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method. Associates are entities over which the Group has significant influence and are neither subsidiaries or joint ventures.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses are recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates and joint ventures are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

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

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in associates and joint ventures.

(C) ACCOUNTING FOR ACQUISITIONS

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through 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. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

(D) IMPAIRMENT OF ASSETS

Intangibles, property, plant and equipment and investments accounted for using the equity method are tested for impairment annually, or 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. 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets, or groups of assets, which are called cash generating units.

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

(E) INTANGIBLES

(I) GOODWILL

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is not amortised. It is carried at cost less accumulated impairment losses. Impairment losses relating to goodwill cannot be reversed in future periods. Goodwill is allocated to a cash generating unit (CGU) for the purposes of impairment testing. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which goodwill relates. Refer to Note 1(D).

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

(II) OTHER INTANGIBLE ASSETS

Mastheads and tradenames

The majority of mastheads and tradenames have been assessed to have indefinite useful lives. Accordingly, they are not amortised and are carried at cost less accumulated impairment losses. Mastheads and tradenames are tested for impairment in accordance with Note 1(D).

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

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

Radio licences

Radio licences, being commercial radio licences held by the consolidated entity under the provisions of the Broadcasting Services Act 1992, have been assessed to have indefinite useful lives. Accordingly, they are not amortised and are carried at cost less accumulated impairment losses. Radio licences are tested for impairment in accordance with Note 1(D).

Websites

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

Computer software

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

Other

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

basis and adjustments, where applicable, are made on a prospective basis.

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

(F) FOREIGN CURRENCY

(I) CURRENCY OF PRESENTATION

All amounts are expressed in Australian dollars, which is the consolidated entity's presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(II) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity and qualifying cash flow hedges, which are deferred in equity until disposal. Tax charges and credits attributable to exchange differences on borrowings are also recognised in equity.

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

(III) GROUP ENTITIES

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average 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.

(G) REVENUE RECOGNITION

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

Dividend revenue is recognised when the Group's right to receive the payment is established, which is generally when the Board declares the dividend.

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

(H) INCOME TAX AND OTHER TAXES

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributed to temporary differences and to unused tax losses. Deferred tax assets and liabilities are recognised for temporary differences at the 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

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 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.

GOODS AND SERVICES TAX (GST)

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

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

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

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

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

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

TAX CONSOLIDATION – AUSTRALIA

Fairfax Media Limited (the head entity) and its wholly-owned Australian entities implemented the tax consolidation legislation as of 1 July 2003. The current and deferred tax amounts for each member in the tax consolidated group (except for the head entity) have been allocated based on stand-alone calculations that are modified to reflect membership of the tax consolidated group.

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

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Fairfax Media Limited for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits transferred to Fairfax Media Limited under the tax consolidation legislation. Assets or liabilities arising under tax funding arrangements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. The amounts receivable/payable under the tax funding arrangements are due upon demand from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

(I) LEASES

(I) FINANCE LEASES

Assets acquired under finance leases which result in the consolidated entity receiving substantially all the risks and rewards of ownership of the asset are capitalised at the lease's inception at the lower of the fair value of the leased property or the estimated present value of the minimum lease payments. The corresponding finance lease obligation, net of finance charges, is included within interest bearing liabilities. The interest element is allocated to accounting periods during

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

the lease term to reflect a constant rate of interest on the remaining balance of the liability for each accounting period. The leased asset is included in property, plant and equipment and is depreciated over the shorter of the estimated useful life of the asset or the lease term.

(II) OPERATING LEASES

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Net rental payments, excluding contingent payments, are recognised as an expense in the income statement on a straight-line basis over the period of the lease.

(III) ONEROUS PROPERTY COSTS

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

(J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term investments with original maturities of three months or less that are readily convertible to cash and subject to insignificant risk of changes in value.

Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

(K) TRADE AND OTHER RECEIVABLES

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

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

(L) INVENTORIES

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

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

(M) AVAILABLE FOR SALE INVESTMENTS

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

(N) INVESTMENTS AND OTHER FINANCIAL ASSETS

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

The consolidated entity classifies and measures its investments as follows:

(I) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

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

(II) LOANS AND RECEIVABLES

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

(III) OTHER FINANCIAL ASSETS

These assets are non-derivatives that are either designated or not classified in any of the other categories and measured at fair value. Any unrealised gains and losses arising from changes in fair value are included in equity, impairment losses are included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(IV) HELD TO MATURITY INVESTMENTS

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

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

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

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

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

Hedge accounting

For the purposes of hedge accounting, hedges are classified as:

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

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement within finance costs. Where the adjustment is to the carrying amount of a hedged interest bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

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

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs. Gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

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

Net investment hedge

Hedges of a net investment in a foreign operation are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in 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.

Derivatives that do not qualify for hedge accounting

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

(O) PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

(P) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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.

(Q) TRADE AND OTHER PAYABLES

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

(R) PROVISIONS

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the 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 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.

(S) INTEREST BEARING LIABILITIES

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

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

BORROWING COSTS

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

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than twelve months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(T) EMPLOYEE BENEFITS

(I) WAGES, SALARIES, ANNUAL LEAVE AND LONG SERVICE LEAVE

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

The employee benefit liability expected to be settled within twelve months from 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 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(II) SHARE-BASED PAYMENT TRANSACTIONS

Share-based compensation benefits can be provided to employees in the form of 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 (refer to Note 31).

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

(III) DEFINED BENEFIT SUPERANNUATION PLANS

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

An asset or liability in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses), less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Actuarial gains and losses are recognised in retained earnings in the periods in which they arise.

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

(IV) TERMINATION BENEFITS

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

(V) BONUS PLANS

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

(U) CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

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

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

DEBENTURES

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

(V) EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

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

DILUTED EARNINGS PER SHARE

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

(W) SEGMENT REPORTING

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

Operating segments have been identified based on the information provided to the chief operating decision makers, being the Board of Directors, Chief Executive Officer and Chief Financial Officer and are disclosed in Note 37.

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

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

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

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

(X) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(I) IMPAIRMENT OF GOODWILL AND INTANGIBLES WITH INDEFINITE USEFUL LIVES

The Group tests annually or at each reporting date where there is an indication of impairment. This requires an estimation of the recoverable amount of the cash generating units (CGU), using a value in use methodology, as detailed in Note 1(D).

The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives, along with a sensitivity analysis, are detailed in Note 14.

(II) INCOME TAXES

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

(III) SHARE-BASED PAYMENT TRANSACTIONS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

fair value is determined by an external independent valuer using a Monte Carlo model, using the assumptions detailed in Note 31.

(IV) DEFINED BENEFIT PLANS

Various actuarial assumptions are required when determining the Group's superannuation plan obligations. These assumptions and the related carrying amounts are discussed in Note 21.

(V) RESTRUCTURING AND REDUNDANCY PROVISION

A provision for restructuring and redundancy has been disclosed in Note 20 as a result of the Group having a constructive obligation and a detailed formal plan for restructuring.

(Y) ROUNDING OF AMOUNTS

The consolidated entity is of a kind referred to in Class Order 98/0100, as amended by Class Order 04/667, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial report. Amounts in this report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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

(I) CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

As of 25 June 2012, the Group has adopted AASB 2011-9 Amendments to Australian Accounting Standards – AASB 101 Presentation of Items of Other Comprehensive Income. The adoption resulted in a disclosure change in the Statement of Comprehensive Income.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is as follows:

- AASB 10 Consolidated Financial Statements (applicable to the Group from 1 July 2013)
  This standard broadens the situations where an entity is likely to be considered to control another entity and includes new guidance for determining control of an entity. Based on investments held at 30 June 2013 there will be no impact on the Group.
- AASB 11 Joint Arrangements (applicable to the Group from 1 July 2013)
  This standard uses the principle of control in AASB 10 to define joint control and removes the option to choose to account for jointly controlled entities using the proportionate consolidation method or the equity method. This standard will have no impact on the Group.
- AASB 12 Disclosure of Interests in Other Entities (applicable to the Group from 1 July 2013)
  The standard introduces new disclosures about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. This standard is not expected to have a significant impact on the Group.
- AASB 13 Fair Value Measurement (applicable to the Group from 1 July 2013)
  The standard establishes a single source of guidance for determining the fair value of assets and liabilities. This standard is not expected to have a significant impact on the Group.
- AASB 119 Employee Benefits (applicable to the Group from 1 July 2013)
  This amendment revises the accounting for defined benefit plans and changes the definition of short-term employee benefits. The Group has yet to fully assess the prior year impact of this amendment.
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (applicable to the Group from 1 July 2013)
  This amendment deletes from AASB 124 individual key management personnel (KMP) disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. This amendment is not expected to have a significant impact on the Group.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 and AASB 132] (applicable to the Group from 1 July 2013)
  This amendment requires disclosure of the effect or potential effect of netting arrangements. This amendment will have no impact on the Group.

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:

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (applicable to the Group from 30 June 2014); and
- AASB 9 Financial Instruments (applicable to the Group from 29 June 2015).

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

2. REVENUES

	30 JUNE 2013 $'000	24 JUNE 2012 RESTATED * $'000
(A) REVENUE FROM OPERATIONS		
Total revenue from sale of goods **	**489,764**	453,931
Total revenue from services	**1,520,724**	1,745,950
Total revenue from operations	**2,010,488**	2,199,881
(B) OTHER REVENUE AND INCOME		
Interest income	**11,604**	10,458
Dividend revenue	**112**	142
Foreign exchange gains	**1,541**	8,767
Gains on sale of property, plant and equipment	**1,011**	135
Gains on sale of controlled entities	**19,830**	–
Gain on derivative at fair value through profit and loss	**785**	3,900
Other	**19**	1,662
Total other revenue and income	**34,902**	25,064
Total revenue and income	**2,045,390**	2,224,945

* Certain numbers shown here do not correspond to the 2012 financial statements and reflect adjustments due to discontinued operations as detailed in Note 5.

** Revenue from the sale of goods includes revenue from circulation, subscription, printing and printing-related products. Circulation revenue will be impacted by fees payable for home delivery of newspapers which were previously netted against revenue in the prior year. Following a change in contractual terms, the fees have been disclosed in distribution costs in the current year.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

3. EXPENSES

	30 JUNE 2013 $'000	24 JUNE 2012 RESTATED * $'000
(A) EXPENSES BEFORE IMPAIRMENT, DEPRECIATION, AMORTISATION AND FINANCE COSTS		
Staff costs excluding staff redundancy costs	**786,915**	844,693
Redundancy costs	**522**	199,533
Newsprint and paper	**165,487**	209,988
Distribution costs **	**151,069**	138,320
Production costs	**157,801**	183,368
Promotion and advertising costs	**107,831**	109,537
Rent and outgoings	**63,903**	59,899
Repairs and maintenance	**29,129**	29,767
Outsourced services	**3,517**	–
Communication costs	**19,812**	22,174
Maintenance and other computer costs	**25,218**	24,352
Fringe benefits tax, travel and entertainment	**25,179**	25,468
Other	**154,437**	148,258
Total expenses before impairment, depreciation, amortisation and finance costs	**1,690,820**	1,995,357
(B) DEPRECIATION AND AMORTISATION		
Depreciation of freehold property	**5,370**	5,109
Depreciation of plant and equipment	**60,024**	65,520
Amortisation of leasehold buildings	**3,745**	4,287
Amortisation of tradenames	**31**	28
Amortisation of software	**29,485**	26,155
Amortisation of customer relationships	**2,107**	2,379
Total depreciation and amortisation	**100,762**	103,478
(C) FINANCE COSTS		
External parties	**56,734**	118,954
Finance lease	**4,513**	3,896
Hedge ineffectiveness	**5,324**	(2,661)
Total finance costs	**66,571**	120,189
(D) DETAILED EXPENSE DISCLOSURES		
Operating lease rental expense	**43,077**	40,455
Defined contribution superannuation expense	**53,275**	57,689
Share-based payment expense	**1,695**	916

* Certain numbers shown here do not correspond to the 2012 financial statements and reflect adjustments due to discontinued operations as detailed in Note 5.

** In the prior year, fees payable for home delivery of newspapers were netted against revenue. Following a change in contractual terms, the fees have been disclosed in distribution costs in the current year.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

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.

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

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Impairment of intangibles, investments, inventories and property, plant and equipment – Comprising:		
Impairment of mastheads, goodwill, licences, customer relationships and software	**(418,655)**	(2,758,061)
Impairment of investments, inventories and property, plant and equipment	**(37,189)**	(106,120)
Income tax benefit	**11,232**	66,689
Impairment of intangibles, investments, inventories and property, plant and equipment, net of tax	**(444,612)**	(2,797,492)
Restructuring and redundancy – Comprising:		
Restructuring and redundancy charges	**(4,458)**	(200,447)
Income tax benefit	**1,337**	60,118
Restructuring and redundancy, net of tax	**(3,121)**	(140,329)
Gains on sale of controlled entities – Comprising:		
Gain on sale of US Agricultural Media business disclosed in other revenue and income *	**19,830**	–
Gain on sale of Trade Me business disclosed in net profit from discontinued operations **	**283,444**	–
Income tax expense	**–**	–
Gains on sale of controlled entities, net of tax	**303,274**	–
Net significant items after income tax	**(144,459)**	(2,937,821)

* On 14 November 2012, the Group disposed of the US Agricultural Media business for US$79.9 million.

** On 21 December 2012, the Group disposed of its remaining 51% interest in Trade Me Group Ltd for proceeds of A$605.5 million net of transaction fees. Previous disposals of the Group's interest in this entity have resulted in a gain on sale of $182.8 million recorded in equity as an acquisition reserve while the Group still retained control.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

5. DISCONTINUED OPERATIONS

On 21 December 2012, the Group disposed of its remaining 51% interest in Trade Me Group Ltd for proceeds of A$605.5 million net of transaction fees.

The Trade Me business had its own operating segment within the segment reporting disclosures (refer Note 37).

As at 30 June 2013, the Trade Me business has been classified as a discontinued operation. The financial information presented below is for the period ended 21 December 2012 and the comparative period is for the year ended 24 June 2012.

	2013 $'000	2012 $'000
Total revenue and income	60,871	114,243
Share of net profits of associates and joint ventures	-	435
Expenses	(21,229)	(34,694)
Net profit before income tax expense	39,642	79,984
Income tax expense	(11,205)	(21,002)
Net profit after income tax expense	28,437	58,982
Gain on sale of discontinued operations *	283,444	-
Income tax expense	-	-
Net profit from discontinued operations after income tax expense	311,881	58,982

* The gain on sale is associated with the disposal of the Group's 51% interest in Trade Me Group Ltd. Previous disposals of the Group's interest in this entity have resulted in a gain on sale of $182.8 million recorded in equity as an acquisition reserve while the Group still retained control.

	2013 ¢ PER SHARE	2012 ¢ PER SHARE
Earnings per share		
Basic earnings per share from discontinued operations	13.3	2.5
Diluted earnings per share from discontinued operations	13.3	2.5

	2013 $'000	2012 $'000
Cash flows of discontinued operations		
The net cash flows incurred by discontinued operations are as follows:		
Operating	27,010	56,489
Investing	(4,020)	(21,275)
Financing	(26,894)	(9,393)
Net cash (outflow)/inflow	(3,904)	25,821

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

6. INCOME TAX EXPENSE

CONSOLIDATED INCOME STATEMENT

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

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Net loss from continuing operations before income tax expense	(274,940)	(2,857,828)
Net profit from discontinued operations before income tax expense	323,086	79,984
Profit/(loss) before income tax expense	**48,146**	(2,777,844)
Prima facie income tax at 30% (2012: 30%)	14,444	(833,353)
Tax effect of differences:		
Overseas tax rate and accounting differentials	(8,030)	4,289
Share of net losses/(profits) of associates and joint ventures	1,313	(442)
Capital gains not taxable	(83,774)	(552)
Non-assessable dividends	(5)	(11)
(Under)/over provision in respect of current tax in prior financial years	(941)	3,420
Under provision in respect of deferred tax in prior financial years	(966)	(5,475)
Temporary differences not recognised on intangible and other asset write-offs	125,486	780,269
Non-deductible items	2,309	2,861
Impact of tax consolidation	-	(2,612)
Other	(719)	(435)
Income tax expense/(benefit)	**49,117**	(52,041)
Income tax expense/(benefit) for continuing operations	37,912	(73,043)
Income tax expense for discontinued operations	11,205	21,002
Income tax expense/(benefit)	**49,117**	(52,041)

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

Current income tax expense	27,620	39,325
Deferred income tax expense/(benefit)	11,233	(115,584)
(Under)/over provision in respect of current tax in prior financial years	(941)	3,216
Income tax expense/(benefit) in the income statement	**37,912**	(73,043)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Unrealised gain/(loss) on available for sale financial assets	4	(90)
Net (loss)/gain on actuarial gains and losses	(702)	1,117
Net (loss)/gain on revaluation of cash flow hedges	(1,022)	3,561
Net gain on hedge of net investment	5,530	1,070
Net gain on exchange differences on translation of foreign operations	20	4
Income tax on items of other comprehensive income	**3,830**	5,662

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

7. DIVIDENDS PAID AND PROPOSED

(A) ORDINARY SHARES

	CONSOLIDATED 30 JUNE 2013 $'000	CONSOLIDATED 24 JUNE 2012 $'000	COMPANY 30 JUNE 2013 $'000	COMPANY 24 JUNE 2012 $'000
Interim 2013 dividend: fully franked 1.0 cent – paid 20 March 2013 (2012: fully franked dividend 2.0 cents – paid 21 March 2012)	**23,520**	47,039	**23,520**	47,039
2012 dividend: fully franked 1.0 cent – paid 21 September 2012 (2011: fully franked dividend 1.5 cents – paid 27 September 2011)	**23,520**	35,279	**23,520**	35,279
Total dividends paid	**47,040**	82,318	**47,040**	82,318

(B) DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY

Since reporting date the Directors have declared a dividend of 1.0 cent per fully paid ordinary share, fully franked at the corporate tax rate of 30%. The aggregate amount of the dividend to be paid on 17 September 2013 out of profits, but not recognised as a liability at the end of the year, is expected to be $23.5 million.

	COMPANY 2013 $'000	COMPANY 2012 $'000
(C) FRANKED DIVIDENDS		
Franking account balance as at reporting date at 30% (2012: 30%)	**60,043**	74,182
Reduction in franking credits that will arise from the receipt of income tax receivable balances as at the end of the financial year	**(3,901)**	(778)
Franking credits that will arise from the payment of income tax payable balances as at the end of the financial year	**-**	
Total franking credits available for subsequent financial years based on a tax rate of 30%	**56,142**	73,404

On a tax-paid basis, the Company's franking account balance is approximately $60.0 million (2012: $74.2 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 of approximately $10.1 million.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

8. RECEIVABLES

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Current		
Trade debtors *	**274,797**	316,940
Provision for doubtful debts	**(10,014)**	(10,059)
	264,783	306,881
Loans and deposits	**3,045**	52
Prepayments	**11,919**	12,763
Other	**18,583**	14,770
Total current receivables	**298,330**	334,466
Non-current		
Loans and deposits	**716**	1,539
Other	**330**	940
Total non-current receivables	**1,046**	2,479

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

IMPAIRED TRADE DEBTORS

As at 30 June 2013, trade debtors of the Group with a nominal value of $10.0 million (2012: $10.1 million) were impaired and provided for. No individual amount within the provision for doubtful debts is material. Refer to Note 36(C) for the factors considered in determining whether trade debtors are impaired.

As at 30 June 2013, an analysis of trade debtors that are not considered impaired is as follows:

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Not past due	**205,999**	224,013
Past due 0 – 30 days	**45,960**	64,103
Past due 31 – 60 days	**8,291**	11,633
Past 60 days	**4,533**	7,132
	264,783	306,881

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 do not contain impaired assets.

Movements in the provision for doubtful debts are as follows:

	2013 $'000	2012 $'000
Balance at the beginning of the financial year	**10,059**	10,061
Additional provisions	**4,807**	3,576
Acquisition of controlled entities	**–**	5
Disposal of controlled entities	**(80)**	(318)
Discontinued operations	**(56)**	–
Receivables written off as uncollectible	**(4,886)**	(3,290)
Exchange differences	**170**	25
Balance at the end of the financial year	**10,014**	10,059

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

9. INVENTORIES

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Raw materials and stores – at net realisable value	**25,552**	31,815
Finished goods – at cost	**4,358**	4,242
Work in progress – at cost	**998**	565
Total inventories	**30,908**	36,622

During the year, newsprint and paper expense (excluding cartage) of $164.0 million (2012: $208.6 million) was recognised in the income statement.

During the year, a $6.1 million (2012: nil) write down to net realisable value on raw materials and stores was recognised within other expenses in the income statement.

10. ASSETS AND LIABILITIES HELD FOR SALE

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
(A) Assets held for sale		
Freehold land and buildings	**6,979**	8,949
Plant and equipment	**-**	514
Fairfax Community Network Ltd disposal group		
Intangible assets	**-**	15,262
Other assets	**-**	949
Total assets held for sale	**6,979**	25,674

(B) Liabilities directly associated with held for sale assets		
Fairfax Community Network Ltd disposal group		
Provisions	**-**	3,918
Other liabilities	**-**	1,038
Total liabilities directly associated with held for sale assets	**-**	4,956

FREEHOLD LAND AND BUILDINGS

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 the current year, three of these properties 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. An impairment charge of $0.5 million (2012: nil) was recognised in the income statement against the assets.

FAIRFAX COMMUNITY NETWORK LTD DISPOSAL GROUP

On 13 July 2012, the sale of Fairfax Community Network Ltd was completed.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

11. OTHER FINANCIAL ASSETS

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
CURRENT		
Loan receivable	**4,386**	3,914
Total current other financial assets	**4,386**	3,914
NON-CURRENT		
Shares in unlisted entities – at fair value	**67**	67
Loan receivable	**6,155**	10,701
Total non-current other financial assets	**6,222**	10,768

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

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	NOTE	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Shares in associates	(A)	**63,103**	12,671
Shares in joint ventures	(B)	**17,387**	18,140
Total investments accounted for using the equity method		**80,490**	30,811

(A) INTERESTS IN ASSOCIATES

NAME OF COMPANY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION	OWNERSHIP INTEREST 30 JUNE 2013	OWNERSHIP INTEREST 24 JUNE 2012
Australian Associated Press Pty Ltd	News agency business and information service	Australia	**47.0%**	47.0%
Digital Radio Broadcasting Melbourne Pty Ltd (i)	Digital audio broadcasting	Australia	**18.2%**	18.2%
Digital Radio Broadcasting Perth Pty Ltd	Digital audio broadcasting	Australia	**33.3%**	33.3%
Digital Radio Broadcasting Brisbane Pty Ltd	Digital audio broadcasting	Australia	**25.0%**	25.0%
Digital Radio Broadcasting Sydney Pty Ltd (i)	Digital audio broadcasting	Australia	**11.3%**	11.3%
Earth Hour Limited	Environmental promotion	Australia	**33.3%**	33.3%
Homebush Transmitters Pty Ltd	Rental of a transmission facility	Australia	**50.0%**	50.0%
MMP Holdings Pty Ltd (ii)	Community newspaper publisher	Australia	**50.01%**	–
Newspaper House Limited (iii)	Property ownership	New Zealand	**–**	45.5%
New Zealand Press Association Ltd	News agency business and financial information service	New Zealand	**49.2%**	49.2%
NGA.net Pty Ltd	Provider of e-recruitment software to corporations	Australia	**24.6%**	24.6%
Perth FM Facilities Pty Ltd	Rental of a transmission facility	Australia	**33.3%**	33.3%
The Video Network Pty Ltd (iv)	Internet delivered television network	Australia	**28.6%**	–
Times Newspapers Limited	Newspaper publishing	New Zealand	**49.9%**	49.9%
Xchange IT Software Pty Ltd	Provider of EDI software	Australia	**33.3%**	33.3%
Xchange IT Newsagents Pty Ltd	Provider of EDI software	Australia	**25.0%**	25.0%

(i) The Group has significant influence in the entity due to its right to participate in policy setting for the entity.

(ii) Investment was acquired on 13 July 2012. 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. The investment has been classified as an associate, rather than a joint venture, as all significant decisions do not require unanimous consent.

(iii) Company was deregistered on 23 April 2013.

(iv) Investment was acquired on 21 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 JUNE 2013 $'000	24 JUNE 2012 RESTATED (v) $'000
(i) Share of associates' profits		
Revenue	**76,193**	44,586
Loss before income tax expense	**(1,856)**	(1,029)
Non-recurring impairment charge in associate	**(2,805)**	–
Income tax (expense)/benefit	**(96)**	29
Net loss after income tax expense	**(4,757)**	(1,000)
(ii) Share of associates' assets and liabilities		
Current assets	**18,205**	15,136
Non-current assets	**30,685**	24,158
Total assets	**48,890**	39,294
Current liabilities	**13,627**	11,057
Non-current liabilities	**3,280**	4,315
Total liabilities	**16,907**	15,372

(v) Certain income statement numbers shown here do not correspond to the 2012 financial statements and reflect adjustments due to discontinued operations as detailed in Note 5.

(B) INTERESTS IN JOINT VENTURES

NAME OF COMPANY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION	OWNERSHIP INTEREST 30 JUNE 2013	OWNERSHIP INTEREST 24 JUNE 2012
Dog Lovers Show Pty Limited	Organisation of canine industry exhibitions	Australia	**50.0%**	50.0%
Farm Progress/VX LLC (vi)	Organisation of agricultural events	USA	**–**	50.0%
Fermax Distribution Company Pty Ltd	Letterbox distribution of newspapers	Australia	**50.0%**	50.0%
Gilgandra Newspapers Pty Ltd	Newspaper publishing and printing	Australia	**50.0%**	50.0%
Gippsland Regional Publications Partnership	Newspaper publishing and printing	Australia	**50.0%**	50.0%
Torch Publishing Company Pty Ltd	Newspaper publishing and printing	Australia	**50.0%**	50.0%

(vi) Investment was disposed as part of the US Agricultural Media business sale on 14 November 2012.

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
(i) Share of joint ventures' profits		
Revenues	**11,257**	11,274
Expenses	**(8,631)**	(8,812)
Profit before income tax expense	**2,626**	2,462
Income tax expense	**(108)**	(151)
Net profit after income tax expense	**2,518**	2,311
(ii) Share of joint ventures' assets and liabilities		
Current assets	**4,786**	4,107
Non-current assets	**16,466**	16,990
Total assets	**21,252**	21,097
Current liabilities	**1,223**	1,198
Non-current liabilities	**257**	339
Total liabilities	**1,480**	1,537

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

(Loss)/profit before income tax expense	**(2,035)**	1,433
Income tax expense	**(204)**	(122)
Net (loss)/profit after income tax expense	**(2,239)**	1,311

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

13. AVAILABLE FOR SALE INVESTMENTS

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Listed equity securities – at fair value	**1,929**	1,991
Total available for sale investments	**1,929**	1,991

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

During the year, an impairment charge of $0.4 million was recognised in the income statement due to a significant decline in the share price in respect of one investment.

14. INTANGIBLE ASSETS

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Mastheads and tradenames	**966,223**	1,286,843
Goodwill	**294,385**	1,009,085
Radio licences	**114,037**	121,637
Software	**56,840**	76,006
Customer relationships	**6,549**	8,474
Total intangible assets	**1,438,034**	2,502,045

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 $'000	GOODWILL $'000	RADIO LICENCES $'000	SOFTWARE $'000	CUSTOMER RELATIONSHIPS $'000	TOTAL $'000
At 26 June 2011							
Cost		3,714,053	2,468,101	156,678	253,229	8,008	6,600,069
Accumulated amortisation and impairment		(459,657)	(669,083)	(24,461)	(182,205)	(4,555)	(1,339,961)
Net carrying amount		3,254,396	1,799,018	132,217	71,024	3,453	5,260,108
Period ended 24 June 2012							
Balance at beginning of the financial year		3,254,396	1,799,018	132,217	71,024	3,453	5,260,108
Additions		1,443	46	–	17,011	–	18,500
Capitalisations from works in progress	15	–	–	–	7,843	–	7,843
Reallocation from purchase price accounting		–	(8,263)	–	2,899	7,384	2,020
Disposals		–	(2,000)	(10,580)	(134)	–	(12,714)
Assets classified as held for sale		(15,211)	(11)	–	(40)	–	(15,262)
Acquisition through business combinations		2,895	6,518	–	5,675	–	15,088
Amortisation for continuing operations	3(B)	(28)	–	–	(26,155)	(2,379)	(28,562)
Amortisation for discontinued operations		–	–	–	(2,113)	–	(2,113)
Impairment		(1,963,624)	(794,295)	–	(251)	–	(2,758,170)
Exchange differences		6,972	8,072	–	247	16	15,307
At 24 June 2012, net of accumulated amortisation and impairment		1,286,843	1,009,085	121,637	76,006	8,474	2,502,045

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

14. INTANGIBLE ASSETS

	NOTE	MASTHEADS & TRADENAMES $'000	GOODWILL $'000	RADIO LICENCES $'000	SOFTWARE $'000	CUSTOMER RELATIONSHIPS $'000	TOTAL $'000
At 24 June 2012							
Cost		3,692,719	2,455,250	143,700	269,976	15,417	6,577,062
Accumulated amortisation and impairment		(2,405,876)	(1,446,165)	(22,063)	(193,970)	(6,943)	(4,075,017)
Net carrying amount		1,286,843	1,009,085	121,637	76,006	8,474	2,502,045
Period ended 30 June 2013							
Balance at beginning of the financial year		**1,286,843**	**1,009,085**	**121,637**	**76,006**	**8,474**	**2,502,045**
Additions		**-**	**-**	**-**	**7,954**	**-**	**7,954**
Capitalisations from works in progress	15	**-**	**-**	**-**	**9,364**	**-**	**9,364**
Disposals		**-**	**-**	**-**	**(286)**	**-**	**(286)**
Discontinued operations		**(26,199)**	**(585,939)**	**-**	**(8,814)**	**-**	**(620,952)**
Disposal of controlled entities		**(26,196)**	**(23,143)**	**-**	**(96)**	**-**	**(49,435)**
Acquisition through business combinations		**1,766**	**13,872**	**-**	**2,154**	**375**	**18,167**
Amortisation for continuing operations	3(B)	**(31)**	**-**	**-**	**(29,485)**	**(2,107)**	**(31,623)**
Amortisation for discontinued operations		**-**	**-**	**-**	**(2,010)**	**-**	**(2,010)**
Impairment		**(280,100)**	**(130,706)**	**(7,600)**	**-**	**(249)**	**(418,655)**
Exchange differences		**10,140**	**11,216**	**-**	**2,053**	**56**	**23,465**
At 30 June 2013, net of accumulated amortisation and impairment		**966,223**	**294,385**	**114,037**	**56,840**	**6,549**	**1,438,034**
At 30 June 2013							
Cost		**3,707,070**	**1,809,157**	**143,700**	**276,874**	**15,921**	**5,952,722**
Accumulated amortisation and impairment		**(2,740,847)**	**(1,514,772)**	**(29,663)**	**(220,034)**	**(9,372)**	**(4,514,688)**
Net carrying amount		**966,223**	**294,385**	**114,037**	**56,840**	**6,549**	**1,438,034**

The carrying value of intangibles should be considered with reference to accounting policies described in Note 1(D) and (E). The carrying value of intangible assets is an area of significant accounting estimate and judgement as described in Note 1(X) of the Group's accounting policies. The assumptions used in this estimation of recoverable amount and the sensitivities around the key assumptions are outlined in (i)-(ii) below.

(I) IMPAIRMENT OF CASH GENERATING UNITS (CGU) INCLUDING GOODWILL AND INDEFINITE LIFE ASSETS

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

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

Year 1 cash flows

This is based upon the annual budget for 2014 which includes the impact of the Fairfax of the Future program.

Year 2 and 3 cash flows

These cash flows are forecast using year 1 as a base and a growth or decline factor applied to revenue and expenses in years 2 and 3. The rate of change takes account of management's best estimate of the likely results in these periods, industry forecasts, historical actual rates and the impact of the Fairfax of the Future restructure. Revenue declines of between 3% and 8.5% have been used in publishing where management expect the cyclical downturn and structural change to continue.
In the digital businesses, revenue growth of 5% to 25% depending on the maturity of the market, has been adopted including the introduction of digital subscription models. Expenses have been adjusted to account for the revenue growth or decline, Fairfax of the Future restructuring and other committed management initiatives.

Terminal growth factor

A terminal growth factor that estimates the long term average growth for that CGU is applied to the year 3 cash flows into perpetuity. A rate of 3.5% (2012: 3.5%) has been used for digital cash flows. Metropolitan Media, Australian Regional Media, New Zealand Media and Printing Operations were calculated at nil growth (2012: Regional/New Zealand 2.5%; Metropolitan/ Printing nil) and Broadcasting calculated at 2.5% (2012: 2.5%).

NOTES TO THE FINANCIAL STATEMENTS

14. INTANGIBLE ASSETS

Discount rate

The discount rate is an estimate of the post-tax rate that reflects current market assessment of the time value of money and the risks specific to the CGU. The post-tax discount rates applied to the CGU Groups' cash flow projections were in a range producing a mid point of 11.0% for Australian and 10.9% for New Zealand Media (2012: Aust: 11.5%; NZ: 11.2%), 12.9% for Australian Online (2012: 12.8%) and 12.7% for New Zealand Online (2012: 12.6%).

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

(II) IMPACT OF POSSIBLE CHANGE IN KEY ASSUMPTIONS

Holding all assumptions constant, if year 1 cash flow forecasts declined by 5%, an additional impairment in aggregate of $50 million would arise for the Regional, Metropolitan, Agricultural and New Zealand CGU Groups. If year 1 cash flow forecasts increased by 5%, in aggregate, the impairment would be reduced by $34 million.

Holding all assumptions constant, if year 3 cash flow forecasts declined by 5%, an additional impairment in aggregate of $64 million would arise for the Regional, Metropolitan, Agricultural and New Zealand CGU Groups. If year 3 cash flow forecasts increased by 5%, in aggregate, the impairment would be reduced by $21 million.

Holding all assumptions constant, if the discount rate applied to the cash flow projections was increased by 0.5%, an additional impairment of $59 million would arise for the Regional, Metropolitan, Agricultural and New Zealand CGU Groups. If the rate was decreased by 0.5%, the impairment would be reduced by $25 million.

Holding all assumptions constant, if terminal growth factors were reduced by a further 0.5% across all CGU's then a further impairment of $49 million would arise for the Regional, Metropolitan, Agricultural and New Zealand CGU Groups. If terminal growth factors were increased by 0.5% across all CGU's then the impairment would be reduced by $22 million.

(III) ALLOCATION OF GOODWILL, LICENCES, MASTHEADS AND TRADENAMES TO CGUS

For the financial year ended 30 June 2013, goodwill, licences, mastheads and tradenames were allocated to the CGU Groups below. The table below also indicates which operating segment each CGU Group belongs to. Operating segments are defined at Note 1(W) and Note 37 with further disclosure on the results for each operating segment.

At 30 June 2013	OPERATING SEGMENT	GOODWILL $'000	LICENCES, MASTHEADS AND TRADENAMES $'000	TOTAL $'000
Allocation to CGU Groups				
Metropolitan Media	Metropolitan Media	**33,041**	**393,389**	**426,430**
Australian Digital Transactions	Metropolitan Media	**205,159**	**18,739**	**223,898**
Australian Regional Media	Fairfax Regional Media	**–**	**283,519**	**283,519**
Agricultural Media	Fairfax Regional Media	**–**	**122,333**	**122,333**
Broadcasting	Broadcasting	**56,185**	**114,037**	**170,222**
New Zealand Media	New Zealand Media	**–**	**148,243**	**148,243**
Total goodwill, licences, mastheads and tradenames		**294,385**	**1,080,260**	**1,374,645**

At 24 June 2012	OPERATING SEGMENT	GOODWILL $'000	LICENCES, MASTHEADS AND TRADENAMES $'000	TOTAL $'000
Allocation to CGU Groups				
Metropolitan Media	Metropolitan Media	33,041	393,390	426,431
Australian Digital Transactions	Metropolitan Media	192,057	23,750	215,807
Australian Regional Media	Fairfax Regional Media	121,987	473,453	595,440
Agricultural Media	Fairfax Regional Media	31,861	232,747	264,608
Broadcasting	Broadcasting	56,185	121,637	177,822
New Zealand Media	New Zealand Media	–	137,790	137,790
Trade Me (discontinued operation)	Trade Me	573,954	25,713	599,667
Total goodwill, licences, mastheads and tradenames		1,009,085	1,408,480	2,417,565

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

15. PROPERTY, PLANT AND EQUIPMENT

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Freehold land and buildings		
At cost	**273,198**	257,582
Accumulated depreciation and impairment	**(59,774)**	(38,220)
Total freehold land and buildings	**213,424**	219,362
Leasehold buildings		
At cost	**110,574**	103,904
Accumulated depreciation and impairment	**(70,785)**	(36,166)
Total leasehold buildings	**39,789**	67,738
Plant and equipment		
At cost	**1,061,360**	1,083,690
Accumulated depreciation and impairment	**(868,862)**	(831,535)
Total plant and equipment	**192,498**	252,155
Capital works in progress – at cost	**33,222**	7,749
Total property, plant and equipment	**478,933**	547,004

RECONCILIATIONS

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

	NOTE	CAPITAL WORKS IN PROGRESS $'000	FREEHOLD LAND & BUILDINGS $'000	LEASEHOLD BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
At 26 June 2011						
Cost		16,547	267,103	100,101	1,112,149	1,495,900
Accumulated depreciation and impairment		–	(34,530)	(25,285)	(713,739)	(773,554)
Net carrying amount		16,547	232,573	74,816	398,410	722,346
Period ended 24 June 2012						
Balance at beginning of financial year		16,547	232,573	74,816	398,410	722,346
Additions/capitalisations		(936)	781	3,274	23,917	27,036
Capitalisation to software	14	(7,843)	–	–	–	(7,843)
Disposals		(38)	(2,654)	(181)	(2,044)	(4,917)
Acquisition through business combinations		–	–	11	185	196
Depreciation for continuing operations	3(B)	–	(5,109)	(4,287)	(65,520)	(74,916)
Depreciation for discontinued operations		–	–	–	(1,912)	(1,912)
Assets classified as held for sale	10	–	(6,881)	(96)	(783)	(7,760)
Impairment		–	–	(6,039)	(100,559)	(106,598)
Exchange differences		19	652	240	461	1,372
At 24 June 2012, net of accumulated depreciation and impairment		7,749	219,362	67,738	252,155	547,004
At 24 June 2012						
Cost		7,749	257,582	103,904	1,083,690	1,452,925
Accumulated depreciation and impairment		–	(38,220)	(36,166)	(831,535)	(905,921)
Net carrying amount		7,749	219,362	67,738	252,155	547,004

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

15. PROPERTY, PLANT AND EQUIPMENT

	NOTE	CAPITAL WORKS IN PROGRESS $'000	FREEHOLD LAND & BUILDINGS $'000	LEASEHOLD BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
Period ended 30 June 2013						
Balance at beginning of financial year		**7,749**	**219,362**	**67,738**	**252,155**	**547,004**
Additions/capitalisations		**35,715**	**2,313**	**762**	**13,130**	**51,920**
Capitalisation to software	14	**(9,364)**	**-**	**-**	**-**	**(9,364)**
Disposals		**-**	**(259)**	**-**	**(2,132)**	**(2,391)**
Disposal of controlled entities		**-**	**(979)**	**(209)**	**(406)**	**(1,594)**
Discontinued operations		**(1,047)**	**-**	**(46)**	**(3,111)**	**(4,204)**
Acquisition through business combinations		**-**	**1,350**	**4**	**1,218**	**2,572**
Depreciation for continuing operations	3(B)	**-**	**(5,370)**	**(3,745)**	**(60,024)**	**(69,139)**
Depreciation for discontinued operations		**-**	**-**	**-**	**(1,114)**	**(1,114)**
Assets classified as held for sale	10	**-**	**1,052**	**-**	**524**	**1,576**
Reclasses between asset categories		**123**	**4,838**	**2,692**	**(7,653)**	**-**
Impairment		**-**	**(11,430)**	**(27,534)**	**(1,967)**	**(40,931)**
Exchange differences		**46**	**2,547**	**127**	**1,878**	**4,598**
At 30 June 2013, net of accumulated depreciation and impairment		**33,222**	**213,424**	**39,789**	**192,498**	**478,933**
At 30 June 2013						
Cost		**33,222**	**273,198**	**110,574**	**1,061,360**	**1,478,354**
Accumulated depreciation and impairment		**-**	**(59,774)**	**(70,785)**	**(868,862)**	**(999,421)**
Net carrying amount		**33,222**	**213,424**	**39,789**	**192,498**	**478,933**

During the current year, an impairment charge of $40.9 million was recorded on property, plant and equipment. This impairment primarily relates to leasehold improvements and freehold land and buildings at various sites in the Group's print network. The impairment was recognised following a review of the fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Current assets		
Cross currency swap – cash flow hedge	**3,193**	–
Cross currency swap – net investment hedge	**5,617**	–
Forward contracts	**1,808**	123
Call option derivative	**400**	–
Total current derivative assets	**11,018**	123
Non-current assets		
Cross currency swap – cash flow hedge	**7,107**	2,464
Cross currency swap – net investment hedge	**708**	23,976
Call option derivative	**–**	600
Total non-current derivative assets	**7,815**	27,040
Current liabilities		
Interest rate swap – cash flow hedge	**4,381**	–
Cross currency swap – cash flow hedge	**598**	–
Cross currency swap – fair value hedge	**35,741**	–
Forward contracts	**822**	–
Obligation under put option *	**6,436**	–
Total current derivative liabilities	**47,978**	–
Non-current liabilities		
Interest rate swap – cash flow hedge	**19,453**	27,243
Cross currency swap – fair value hedge	**7,290**	59,172
Cross currency swap – cash flow hedge	**196**	1,792
Obligation under put option *	**–**	7,421
Total non-current derivative liabilities	**26,939**	95,628

* Present value of exercise price of the put option over subsidiary shares. The put and the call option are exercisable in the period July 2013 – September 2013.

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

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

The derivatives entered into are over the counter instruments within liquid markets.

HEDGING ACTIVITIES

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

At 30 June 2013, 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.

NOTES TO THE FINANCIAL STATEMENTS

16. DERIVATIVE FINANCIAL INSTRUMENTS

At 30 June 2013, the notional principal amounts and period of expiry of the swaps for each counterparty are as follows:

		INTEREST RATE	
	MATURITY DATE	2013	2012
Pay fixed, receive floating – AUD$59.5m	10 July 2017	7.52%	7.52%
Pay fixed, receive floating – AUD$59.5m	10 July 2017	7.46%	7.46%

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

At 30 June 2013, the Group held an interest rate swap designated as hedging the future contracted interest payments on AUD denominated bank borrowings. The interest rate swap is being used to hedge future movements in interest rates.

At 30 June 2013, the notional principal amount and period of expiry of the swap is as follows:

		INTEREST RATE	
	MATURITY DATE	2013	2012
Pay fixed, receive floating – AUD$125m	12 October 2015	6.52%	6.52%

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

At 30 June 2013, the above hedges were assessed to be highly effective with a combined unrealised gain in fair value of $1.7 million (2012: $8.3 million loss) recognised in equity for the period. During the period an unrealised loss of $0.4 million (2012: $0.1 million unrealised gain) was recognised in the income statement attributable to the ineffective portion of the cash flow hedges.

During the year there was no gain or losses transferred from equity to the income statement (2012: $1.2 million gain).

(II) CASH FLOW HEDGES – FOREIGN EXCHANGE CONTRACTS

During the year, forward exchange contracts were used by the Group to hedge future foreign capital and non-capital purchase commitments across the Australian and New Zealand business. The contracts are timed to mature as payments are scheduled to be made to suppliers. At 30 June 2013, the Group held forward exchange contracts of $1.0 million (2012: $0.1 million).

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

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

(III) FAIR VALUE HEDGES

At 30 June 2013, the Group held cross currency swap agreements designated as hedging changes in the underlying value of USD denominated senior notes (refer to Note 19). 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 (iv) below.

At 30 June 2013, the cross currency swap agreements had a combined derivative liability position of $43.0 million (2012: $59.2 million).

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

The terms of these cross currency swaps are as follows:

	MATURITY DATE
Pay floating AUD receive fixed USD – USD$125m	10 July 2014
Pay floating AUD receive floating USD – USD$25m	10 July 2014
Pay floating NZD receive fixed USD – USD$50m	15 January 2014
Pay floating NZD receive fixed USD – USD$90m	15 January 2016
Pay floating NZD receive fixed USD – USD$40m	15 January 2019

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

16. DERIVATIVE FINANCIAL INSTRUMENTS

For the Group, the remeasurement of the hedged items resulted in a loss before tax of $21.4 million (2012: $11.0 million loss) and the changes in the fair value of the hedging instruments resulted in a gain before tax of $16.1 million (2012: $14.6 million gain) resulting in a net loss before tax of $5.3 million (2012: $3.6 million gain) recorded in finance costs.

(IV) NET INVESTMENT HEDGES

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

At 30 June 2013, the hedges were assessed to be highly effective with an unrealised loss of $12.9 million (2012: $2.5 million loss) recognised in equity. During the current financial period there was an unrealised loss of $0.8 million (2012: $0.2 million gain) recognised in the income statement attributable to the ineffective portion of the net investment hedges.

17. DEFERRED TAX ASSETS AND LIABILITIES

(A) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	30 JUNE 2013 $'000	24 JUNE 2012 $'000	**30 JUNE 2013 $'000**	24 JUNE 2012 $'000	**30 JUNE 2013 $'000**	24 JUNE 2012 $'000
Property, plant and equipment	**11,607**	16,117	**10,111**	22,275	**1,496**	(6,158)
Inventories	**-**	-	**3,055**	3,121	**(3,055)**	(3,121)
Investments	**-**	-	**515**	1,133	**(515)**	(1,133)
Intangible assets	**6,286**	6,278	**5,038**	13,018	**1,248**	(6,740)
Other assets	**16,946**	18,792	**4,182**	17,487	**12,764**	1,305
Provisions	**62,524**	100,620	**-**	-	**62,524**	100,620
Payables	**10,669**	15,004	**-**	-	**10,669**	15,004
Other liabilities	**9,747**	4,917	**475**	393	**9,272**	4,524
Tax losses	**8,144**	-	**-**	-	**8,144**	-
Other	**1,415**	2,853	**(352)**	(151)	**1,767**	3,004
Gross deferred tax assets/liabilities	**127,338**	164,581	**23,024**	57,276	**104,314**	107,305
Set-off of deferred tax assets/liabilities	**(19,443)**	(42,051)	**(19,443)**	(42,051)	**-**	-
Net deferred tax assets/liabilities	**107,895**	122,530	**3,581**	15,225	**104,314**	107,305

(B) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

	BALANCE 24 JUNE 2012	RECOGNISED ON ACQUISITION	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCES DISPOSED	DISCONTINUED OPERATIONS	**BALANCE 30 JUNE 2013**
Property, plant and equipment	(6,158)	(102)	7,659	-	55	42	**1,496**
Inventories	(3,121)	-	66	-	-	-	**(3,055)**
Investments	(1,133)	-	614	4	-	-	**(515)**
Intangible assets	(6,740)	(113)	(647)	-	8,748	-	**1,248**
Other assets	1,305	-	10,205	4,190	(1,987)	(949)	**12,764**
Provisions	100,620	195	(38,078)	-	-	(213)	**62,524**
Payables	15,004	47	(4,058)	-	-	(324)	**10,669**
Other liabilities	4,524	-	4,881	-	-	(133)	**9,272**
Tax losses	-	-	8,144	-	-	-	**8,144**
Other	3,004	4	(19)	(1,211)	-	(11)	**1,767**
	107,305	31	(11,233)	2,983	6,816	(1,588)	**104,314**

NOTES TO THE FINANCIAL STATEMENTS

17. DEFERRED TAX ASSETS AND LIABILITIES

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

(C) TAX LOSSES AND FUTURE DEDUCTIBLE TEMPORARY DIFFERENCES

The Group has realised Australian capital losses for which no deferred tax asset is recognised on the balance sheet of $280.0 million (2012: $216.5 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 $770.2 million (2012: $684.7 million).

(D) FUTURE ASSESSABLE TEMPORARY DIFFERENCES

At 30 June 2013, 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 (2012: Nil).

18. PAYABLES

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Trade and other payables *	**160,726**	204,233
Interest payable	**9,445**	12,038
Income in advance	**65,748**	66,366
Total current payables	**235,919**	282,637

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

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

19. INTEREST BEARING LIABILITIES

	NOTE	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Current interest bearing liabilities – unsecured			
Other loans			
Senior notes	(C)	**277,700**	–
Other	(D)	**2,185**	2,308
Finance lease liability	(D)	**4,438**	4,131
Total current interest bearing liabilities		**284,323**	6,439
Non-current interest bearing liabilities – unsecured			
Bank borrowings	(B)	**123,548**	718,177
Other loans			
Senior notes	(C)	**220,508**	466,302
Other	(D)	**3,819**	6,003
Finance lease liability	(D)	**6,014**	10,452
Total non-current interest bearing liabilities		**353,889**	1,200,934

NET DEBT FOR FINANCIAL COVENANT PURPOSES

Cash and cash equivalents	**(533,531)**	(358,364)
Current interest bearing liabilities	**284,323**	6,439
Non-current interest bearing liabilities	**353,889**	1,200,934
Derivative financial instruments liabilities *	**49,812**	65,089
Net debt for financial covenant purposes	**154,493**	914,098

* 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 for financial covenant purposes, taking into account all debt related derivative financial instruments, was $154.5 million as at 30 June 2013 (2012: $914.1 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 Fairfax Media Limited and are covered by deeds of negative pledge.

(B) BANK BORROWINGS

A $441.6 million syndicated bank facility (2012: $1,155.6 million) is available to the Group maturing in April 2015. At 30 June 2013, $125.0 million was drawn down (2012: $590.0 million). 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. In January 2011 Senior Notes of US$50 million were repaid. The weighted average maturity of the issue is approximately 2.7 years. The applicable cross currency swap credit margin includes the cost of hedging all currency risk and future interest and principal repayments on a quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS

19. INTEREST BEARING LIABILITIES

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. The weighted average maturity of this issue is approximately 2.1 years. The issued notes include fixed rate coupon notes, paying a weighted average coupon of 6.9% p.a. semi-annually in arrears, and floating rate coupon notes. The interest and principal on the Senior Notes are payable in US dollars and were swapped into fixed and floating rate Australian dollars via cross currency swaps. An additional 1.0% p.a. step up margin is payable on the coupons, effective from 10 July 2009.

Refer to Note 39 for details of events that have occurred subsequent to reporting date in relation to the early redemption of the Senior Notes.

(D) OTHER LOANS AND FINANCE LEASE LIABILITY

The Chullora printing facility in Sydney is partially financed by a finance lease facility and loans with a maturity date of 30 September 2015. This comprises a finance lease of $10.5 million (2012: $14.6 million), which was entered into in February 1996, and principal and interest outstanding of $6.0 million (2012: $8.3 million) in the form of a fixed rate loan with an established repayment schedule.

20. PROVISIONS

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Current		
Employee benefits	**92,198**	99,385
Defamation	**3,072**	2,849
Property	**686**	576
Restructuring and redundancy	**94,640**	90,889
Other	**723**	188
Total current provisions	**191,319**	193,887
Non-current		
Employee benefits	**12,529**	14,750
Property	**40,433**	37,539
Restructuring and redundancy	**–**	97,016
Other	**980**	–
Total non-current provisions	**53,942**	149,305

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

20. PROVISIONS

RECONCILIATION

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

	DEFAMATION $'000	PROPERTY $'000	RESTRUCTURING AND REDUNDANCY $'000	OTHER $'000
At 24 June 2012				
Current	2,849	576	90,889	188
Non-current	–	37,539	97,016	–
Total provisions, excluding employee benefits	2,849	38,115	187,905	188
Period ended 30 June 2013				
Balance at beginning of the financial year	**2,849**	**38,115**	**187,905**	**188**
Additional provision	**1,751**	**4,603**	**522**	**1,896**
Utilised	**(1,528)**	**(1,619)**	**(96,018)**	**(381)**
Transfers from liabilities classified as held for sale	**-**	**-**	**2,083**	**-**
Discontinued operations	**-**	**(54)**	**-**	**-**
Exchange differences	**-**	**74**	**148**	**-**
Balance at end of the financial year	**3,072**	**41,119**	**94,640**	**1,703**
At 30 June 2013				
Current	**3,072**	**686**	**94,640**	**723**
Non-current	**-**	**40,433**	**-**	**980**
Total provisions, excluding employee benefits	**3,072**	**41,119**	**94,640**	**1,703**

NATURE AND TIMING OF PROVISIONS

(I) EMPLOYEE BENEFITS

Provisions for employee benefits include liabilities for annual leave and long service leave and are measured at the amounts expected to be paid when the liabilities are settled, refer to Note 1(T)(i).

(II) DEFAMATION

From time to time, entities in the Group are sued for defamation and similar matters in the ordinary course of business. The defamation provision maintained is with respect to various matters across the Group. At the date of this report there were no legal actions against the consolidated entity that have not been adequately provided for or that are expected to have a material impact on the Group.

(III) PROPERTY

The provision for property costs is in respect of make good provisions, deferred lease incentives and onerous lease provisions. The make good provisions and deferred lease incentives are amortised over the shorter of the term of the lease or the useful life of the assets, being up to sixteen years.

(IV) RESTRUCTURING 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.

(V) OTHER

Other provisions includes various other costs relating to the business.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

21. PENSION ASSETS AND LIABILITIES

SUPERANNUATION PLAN

The Group contributes to defined contribution and defined benefit plans which provide benefits to employees and their nominated dependants on retirement, disability or death. All defined benefit plans are closed to new members.

The superannuation arrangements in Australia are managed in a sub-plan of the Mercer Super Trust, called Fairfax Media Super. The Trustee of the Trust is Mercer Investment Nominees Limited. The superannuation arrangements in New Zealand are managed by AoN Consulting New Zealand Limited in three funds – Fairfax NZ Retirement Fund, Fairfax New Zealand Superannuation Fund and Fairfax NZ Senior Executive Superannuation Scheme. All New Zealand funds have defined contribution plans and the Fairfax NZ Retirement Fund has a defined benefit section.

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

The following sets out details in respect of the defined benefit plans only and in the case of the Fairfax NZ Retirement Fund, excludes $59.2 million (2012: $49.8 million) of defined contribution assets and entitlements.

	NOTE	**30 JUNE 2013 $'000**	24 JUNE 2012 $'000
(A) BALANCE SHEET			
The amounts recognised in the balance sheet are determined as follows:			
Pension assets		**709**	149
Pension liabilities		**(1,273)**	(3,933)
Net pension liabilities		**(564)**	(3,784)
Present value of the defined benefit plan obligation	(B)	**(14,128)**	(21,974)
Fair value of defined benefit plan assets	(C)	**13,564**	18,190
Net pension liabilities		**(564)**	(3,784)
(B) RECONCILIATION OF THE PRESENT VALUE OF DEFINED BENEFIT PLAN OBLIGATION			
Balance at the beginning of the financial year		**21,974**	22,644
Current service cost		**768**	917
Interest cost		**497**	999
Contributions by employees		**160**	234
Actuarial (gains)/losses		**(463)**	2,364
Benefits paid		**(3,376)**	(1,585)
Taxes, premiums and expenses paid		**(109)**	(590)
Exchange differences on foreign plans		**24**	4
Curtailments		**(924)**	(410)
Settlements		**(4,423)**	(2,603)
Balance at the end of the financial year		**14,128**	21,974
(C) RECONCILIATION OF THE FAIR VALUE OF DEFINED BENEFIT PLAN ASSETS			
Balance at the beginning of the financial year		**18,190**	19,309
Expected return on plan assets		**1,131**	1,257
Actuarial losses/(gains)		**1,890**	(1,368)
Contributions by Group companies and employees		**204**	3,761
Benefits paid		**(3,376)**	(1,585)
Taxes, premiums and expenses paid		**(109)**	(590)
Exchange differences on foreign plans		**57**	9
Settlements		**(4,423)**	(2,603)
Balance at the end of the financial year		**13,564**	18,190

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

21. PENSION ASSETS AND LIABILITIES

	30 JUNE 2013 $'000	24 JUNE 2012 $'000

(D) AMOUNTS RECOGNISED IN INCOME STATEMENT

The amounts recognised in the income statement are as follows:

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Current service cost	**768**	917
Interest cost	**497**	999
Curtailments	**(924)**	(410)
Expected return on plan assets	**(1,131)**	(1,257)
Total included in employee benefits expense	**(790)**	249
Actual return on plan assets	**2,527**	(40)

(E) CATEGORIES OF PLAN ASSETS

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

	30 JUNE 2013 %	24 JUNE 2012 %
Cash	**26**	6
Australian equities	**18**	25
Overseas equities	**26**	28
Fixed interest securities	**17**	19
Property	**4**	7
Other	**9**	15

(F) PRINCIPAL ACTUARIAL ASSUMPTIONS

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

	2013 %	2012 %
Discount rate	**2.7**	2.6
Expected return on plan assets	**6.8**	7.0
Future salary increases	**4.0**	4.0

The expected rate of return on assets has been determined by weighting the expected long term return for each class by the target allocation of assets to each asset class. This resulted in a 6.8% p.a. rate of return, net of tax and expenses (2012: 7.0% p.a.).

(G) EMPLOYER CONTRIBUTIONS

Employer contributions to the defined benefit section of the plans are based on recommendations by the plans' actuaries. Actuarial assessments are made at two yearly intervals for Australia and the last actuarial assessment of Fairfax Media Super was carried out as at 1 July 2012 by Mercer Human Resource Consulting Pty Ltd. Actuarial assessments are made at three yearly intervals for New Zealand and the last actuarial assessment of Fairfax NZ Retirement Fund was carried out as at 1 April 2011 by AoN Consulting New Zealand Limited. Fairfax New Zealand Superannuation Fund and Fairfax NZ Senior Executive Superannuation Scheme are defined contribution funds and do not require an actuarial assessment.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the aggregate funding method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their working lifetimes.

Total employer contributions expected to be paid by Group companies for the 2014 financial year are $0.9 million.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

21. PENSION ASSETS AND LIABILITIES

(H) NET FINANCIAL POSITION OF PLAN

In accordance with AAS 25 Financial Reporting by Superannuation Plans the plans' net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as a deficit of $2 million at the most recent financial position of the plans, being 1 July 2012 for Australia and 1 April 2011 for New Zealand. In accordance with the actuarial assessment of Fairfax Media Super as at 1 July 2012, additional contributions are being made to meet the financing objective of the plan.

The Directors, based on the advice of the trustees of the plan, are not aware of any changes in circumstances since the date of the most recent financial statements of the plans (1 July 2012 for Australia and 1 April 2011 for New Zealand), which would have a material impact on the overall financial position of the defined benefit plan.

(I) HISTORIC SUMMARY

	2009 $'000	2010 $'000	2011 $'000	2012 $'000	**2013** **$'000**
Defined benefit plan obligation	(20,560)	(21,512)	(22,644)	(21,974)	**(14,128)**
Defined benefit plan assets	17,875	16,712	19,309	18,190	**13,564**
Deficit	(2,685)	(4,800)	(3,335)	(3,784)	**(564)**
Experience adjustments arising on plan liabilities	(1,513)	1,551	(490)	-	**795**
Experience adjustments arising on plan assets	6,283	(756)	(585)	1,184	**(841)**

22. CONTRIBUTED EQUITY

	NOTE	**30 JUNE 2013** **$'000**	24 JUNE 2012 $'000
Ordinary shares			
2,351,955,725 ordinary shares authorised and fully paid (2012: 2,351,955,725)	(A)	**4,667,944**	4,667,944
Unvested employee incentive shares			
11,723,026 unvested employee incentive shares (2012: 11,723,026)	(B)	**(21,696)**	(21,696)
Debentures			
281 debentures fully paid (2012: 281)	(C)	*	*
Total contributed equity		**4,646,248**	4,646,248

* Amount is less than $1000

RECONCILIATIONS

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

	30 JUNE 2013 **NO. OF SHARES**	24 JUNE 2012 NO. OF SHARES	**30 JUNE 2013** **$'000**	24 JUNE 2012 $'000
(A) ORDINARY SHARES				
Balance at beginning of the financial year	**2,351,955,725**	2,351,955,725	**4,667,944**	4,667,944
Balance at end of the financial year	**2,351,955,725**	2,351,955,725	**4,667,944**	4,667,944
(B) UNVESTED EMPLOYEE INCENTIVE SHARES				
Balance at beginning of the financial year	**11,723,026**	11,723,026	**(21,696)**	(21,696)
Balance at end of the financial year	**11,723,026**	11,723,026	**(21,696)**	(21,696)

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

22. CONTRIBUTED EQUITY

	30 JUNE 2013 NO. OF SHARES	24 JUNE 2012 NO. OF SHARES	30 JUNE 2013 $'000	24 JUNE 2012 $'000
(C) DEBENTURES				
Balance at beginning of the financial year	**281**	281	*	*
Balance at end of the financial year	**281**	281	*	*
Total contributed equity	**2,363,678,751**	2,363,678,751	**4,646,248**	4,646,248

* Amount is less than $1000

TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

(A) ORDINARY SHARES

Ordinary shares entitle the holder to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

(B) UNVESTED EMPLOYEE INCENTIVE SHARES

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

(C) DEBENTURES

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

23. RESERVES

	NOTE	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Asset revaluation reserve, net of tax	(A)	**41**	(259)
Foreign currency translation reserve, net of tax	(B)	**(132,599)**	(219,528)
Cashflow hedge reserve, net of tax	(C)	**(4,703)**	(7,088)
Net investment hedge reserve, net of tax	(D)	**(10,232)**	2,669
Share-based payment reserve, net of tax	(E)	**8,799**	7,764
Acquisition reserve	(F)	**181,048**	177,759
General reserve	(G)	**(6,837)**	(6,837)
Total reserves		**35,517**	(45,520)

(A) ASSET REVALUATION RESERVE

Balance at beginning of the financial year	**(259)**	506
Revaluation of available for sale investments	**(61)**	(675)
Impairment losses transferred to the income statement	**357**	–
Tax effect on available for sale investments	**4**	(90)
Balance at end of the financial year	**41**	(259)

(B) FOREIGN CURRENCY TRANSLATION RESERVE

Balance at beginning of the financial year	**(219,528)**	(233,884)
Exchange differences on currency translation	**28,033**	14,356
Disposal of subsidiaries, net of tax	**58,876**	–
Tax effect of net changes on foreign currency translation reserve	**20**	–
Balance at end of the financial year	**(132,599)**	(219,528)

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

23. RESERVES

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
(C) CASHFLOW HEDGE RESERVE		
Balance at beginning of the financial year	**(7,088)**	1,220
Gains/(losses) arising during the year on interest rate and cross currency swaps	**2,543**	(10,731)
Gains arising during the year on currency forward contracts	**864**	82
Reclassification adjustments for gains included in the income statement	**–**	(1,220)
Tax effect of net changes on cashflow hedges	**(1,022)**	3,561
Balance at end of the financial year	**(4,703)**	(7,088)
(D) NET INVESTMENT HEDGE RESERVE		
Balance at beginning of the financial year	**2,669**	5,167
Effective portion of changes in value of net investment hedges	**(18,431)**	(3,568)
Tax effect on net investment hedges	**5,530**	1,070
Balance at end of the financial year	**(10,232)**	2,669
(E) SHARE-BASED PAYMENT RESERVE		
Balance at beginning of the financial year	**7,764**	6,971
Share-based payment expense	**2,038**	1,068
Disposal of subsidiaries, net of tax	**(495)**	–
Tax effect on share-based payment expense	**(508)**	(275)
Balance at end of the financial year	**8,799**	7,764
(F) ACQUISITION RESERVE		
Balance at beginning of the financial year	**177,759**	563
Acquisition of non-controlling interest	**(3,005)**	717
Disposal of non-controlling interest in subsidiary	**6,294**	187,321
Tax effect of disposal of non-controlling interest in subsidiary	**–**	(10,842)
Balance at end of the financial year	**181,048**	177,759
(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)

NATURE AND PURPOSE OF RESERVES

(A) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. From 1 July 2004, changes in the fair value of investments classified as available for sale investments are recognised in the asset revaluation reserve, as described in Note 1(M).

(B) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising on translation of foreign controlled entities and associated funding of foreign controlled entities, as described in Note 1(F).

(C) Cashflow hedge reserve

The hedging reserve is used to record the portion of gains and losses on a hedging instrument in a cash flow hedge that is determined to be an effective hedge, as described in Note 1(N). Refer to further disclosures at Note 16.

(D) Net investment hedge reserve

The net investment hedge reserve is used to record gains and losses on a hedging instruments in a fair value hedge, as described in Note 1(N). Refer to further disclosures at Note 16.

(E) Share-based payment reserve

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 1(T)(ii).

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

23. RESERVES

(F) Acquisition reserve

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

(G) General reserve

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

24. RETAINED PROFITS

	NOTE	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Balance at beginning of the financial year		**(2,805,566)**	11,764
Net loss for the financial year		**(16,432)**	(2,732,397)
Actuarial gain/(loss) on defined benefit plans, net of tax		**1,651**	(2,615)
Dividends paid	7	**(47,040)**	(82,318)
Balance at end of the financial year		**(2,867,387)**	(2,805,566)

25. EARNINGS PER SHARE

	30 JUNE 2013 ¢ PER SHARE	24 JUNE 2012 ¢ PER SHARE
Basic earnings per share		
Net loss attributable to owners of the parent	**(0.7)**	(116.2)
Net loss from continuing operations	**(13.3)**	(118.4)
Diluted earnings per share		
Net loss attributable to owners of the parent	**(0.7)**	(116.2)
Net loss from continuing operations	**(13.3)**	(118.4)

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Earnings reconciliation – basic		
Net loss attributable to owners of the parent	**(16,432)**	(2,732,397)
Net loss from continuing operations	**(312,852)**	(2,784,785)
Earnings reconciliation – diluted		
Net loss attributable to owners of the parent	**(16,432)**	(2,732,397)
Net loss from continuing operations	**(312,852)**	(2,784,785)

	30 JUNE 2013 NUMBER '000	24 JUNE 2012 NUMBER $'000
Weighted average number of ordinary shares used in calculating basic EPS	**2,351,956**	2,351,956
Weighted average number of ordinary shares used in calculating diluted EPS	**2,351,956**	2,351,956

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

26. 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:

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Within one year	**39,861**	41,805
Later than one year and not later than five years	**122,219**	140,921
Later than five years	**284,111**	311,320
Total operating lease commitments	**446,191**	494,046

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 five and sixteen years. All property leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

FINANCE LEASE COMMITMENTS – GROUP AS LESSEE

The Group has a finance lease for property, plant and machinery with a carrying amount of $8.2 million (2012: $28.9 million). The lease has a remaining term of two years (2012: three years) and a weighted average interest rate of 13.3% (2012: 13.3%). Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

	NOTE	MINIMUM PAYMENTS **2013 $'000**	PRESENT VALUE OF PAYMENTS **2013 $'000**	MINIMUM PAYMENTS 2012 $'000	PRESENT VALUE OF PAYMENTS 2012 $'000
Within one year		**5,076**	**4,438**	5,076	4,131
Later than one year and not later than five years		**6,344**	**6,014**	11,420	10,452
Later than five years		**-**	**-**	-	-
Minimum lease payments		**11,420**	**10,452**	16,496	14,583
Less future finance charges		**(968)**	**-**	(1,913)	-
Total finance lease liability	19(D)	**10,452**	**10,452**	14,583	14,583

CONTINGENT RENTALS UNDER FINANCE LEASE

A component of the finance lease payments are contingent on movements in the consumer price index. At reporting date, the rent payable over the remaining lease term of two years which is subject to such movements amounts to $10.4 million (2012: $14.4 million).

CAPITAL COMMITMENTS

At 30 June 2013, 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:

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Within one year	**30,407**	1,322
Later than one year and not later than five years	**-**	-
Later than five years	**-**	-
Total capital commitments	**30,407**	1,322

Commitments contracted at reporting date include a $29.1 million upgrade to the regional printing network.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

27. 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.

The Group has provided a bank guarantee of $2.5 million in relation to a property sublease for a period of 30 months commencing 4 July 2013.

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 20, that are expected to result in a material impact.

28. CONTROLLED ENTITIES

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

			OWNERSHIP INTEREST	
	NOTES	COUNTRY OF INCORPORATION	**2013 %**	2012 %
Fairfax Media Limited	(a)	Australia		
CONTROLLED ENTITIES				
2GTHR Pty Ltd	(a), (b)	Australia	**100**	–
ACN 000 128 281 Pty Ltd	(n)	Australia	**100**	100
ACN 000 834 257 Pty Ltd	(h)	Australia	**100**	100
ACN 001 004 815 Pty Ltd	(m)	Australia	**100**	100
ACN 001 260 671 Pty Ltd	(l)	Australia	**100**	100
ACN 091 950 462 Pty Ltd	(j)	Australia	**100**	100
ACN 101 806 302 Pty Ltd	(a)	Australia	**100**	100
ACN 113 587 527 Pty Ltd	(k)	Australia	**100**	100
Agricultural Publishers Pty Limited	(a)	Australia	**100**	100
Allure Media Pty Ltd	(a), (b)	Australia	**100**	–
Associated Newspapers Ltd	(a)	Australia	**100**	100
Aussie Destinations (1) Pty Ltd	(a)	Australia	**100**	100
Australian Property Monitors Pty Limited	(a)	Australia	**100**	100
AZXC Pty Ltd	(a)	Australia	**100**	100
Border Mail Printing Pty Ltd	(a)	Australia	**100**	100
Bridge Printing Office Pty Limited	(a)	Australia	**100**	100
Carpentaria Newspapers Pty Ltd	(a)	Australia	**100**	100
Central Districts Field Days Limited	(g)	New Zealand	**-**	100
Commerce Australia Pty Ltd	(a)	Australia	**100**	100
Communication Associates Limited	(f)	New Zealand	**-**	100
Country Publishers Pty Ltd	(a)	Australia	**100**	100
CountryCars.com.au Pty Ltd	(a)	Australia	**100**	100
Creative House Publications Pty Ltd		Australia	**60**	60
David Syme & Co Pty Limited	(a)	Australia	**100**	100
Debt Retrieval Agency Limited		New Zealand	**100**	100
Examiner Properties Pty Ltd	(a)	Australia	**100**	100
Fairfax Business Media (South Asia) Pte Ltd		Singapore	**100**	100
Fairfax Business Media Pte Ltd		Singapore	**100**	100
Fairfax Business Media Sdn. Bhd.		Malaysia	**100**	100
Fairfax Community Newspapers Pty Limited	(a)	Australia	**100**	100
Fairfax Corporation Pty Limited	(a)	Australia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

28. CONTROLLED ENTITIES

	NOTES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2013 %	2012 %
Fairfax Digital Holdings NZ Limited		New Zealand	**100**	100
Fairfax Digital Assets NZ Limited		New Zealand	**100**	100
Fairfax Digital Australia & New Zealand Pty Limited	(a)	Australia	**100**	100
Fairfax Digital Limited	(a)	Australia	**100**	100
Fairfax Group Finance New Zealand Limited		New Zealand	**100**	100
Fairfax Media (UK) Limited		United Kingdom	**100**	100
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 Productions UK Limited		United Kingdom	**100**	100
Fairfax Media Publications Pty Limited	(a)	Australia	**100**	100
Fairfax New Zealand Holdings Limited		New Zealand	**100**	100
Fairfax New Zealand Limited		New Zealand	**100**	100
Fairfax News Network Pty Limited	(a)	Australia	**100**	100
Fairfax OF Limited		New Zealand	**100**	100
Fairfax OSI Limited		New Zealand	**100**	100
Fairfax Print Holdings Pty Limited	(a)	Australia	**100**	100
Fairfax Printers Pty Limited	(a)	Australia	**100**	100
Fairfax Radio Network Pty Limited	(a)	Australia	**100**	100
Fairfax Radio Syndication Pty Limited	(a)	Australia	**100**	100
Fairfax Regional Media (Tasmania) Pty Limited	(a)	Australia	**100**	100
Fairfax Regional Printers Pty Limited	(a)	Australia	**100**	100
Farm Progress Companies, Inc	(d)	United States	**-**	100
Farm Progress Holding Co, Inc	(d)	United States	**-**	100
Farm Progress Insurance Services, Inc	(d)	United States	**-**	100
Financial Essentials Pty Ltd	(a)	Australia	**100**	100
Find a Babysitter Pty Ltd	(a)	Australia	**100**	100
Golden Mail Pty Limited		Australia	**66**	66
Gunnedah Publishing Co Pty Ltd	(a)	Australia	**100**	100
Harris and Company Pty Limited	(a)	Australia	**100**	100
Harris Enterprises Pty Ltd	(a)	Australia	**100**	100
Harris Print Pty Ltd	(a)	Australia	**100**	100
Hunter Distribution Network Pty Ltd	(a)	Australia	**100**	100
Illawarra Newspapers Holdings Pty Ltd	(a)	Australia	**100**	100
Indiana Prairie Farmer Insurance Services, Inc	(d)	United States	**-**	100
Integrated Publication Solutions Pty Limited	(a)	Australia	**100**	100
Internet Marketing Australia Pty Ltd	(a)	Australia	**100**	100
Internet Products Sales & Services Pty Ltd	(a)	Australia	**100**	100
InvestSMART Financial Services Pty Ltd		Australia	**100**	100
John Fairfax & Sons Ltd	(a)	Australia	**100**	100
John Fairfax (US) Limited		United States	**100**	100
John Fairfax Limited	(a)	Australia	**100**	100
Lime Digital Pty Limited		Australia	**100**	100
Mackamedia Pty Ltd	(a)	Australia	**100**	100
Mamiko Co Pty Ltd	(a)	Australia	**100**	100
Mayas Pty Ltd		Australia	**100**	100
Mayas Unit Trust		Australia	**100**	100
Media Investments Pty Ltd	(a)	Australia	**100**	100
Micosh Pty Ltd		Australia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

28. CONTROLLED ENTITIES

			OWNERSHIP INTEREST	
	NOTES	COUNTRY OF INCORPORATION	**2013 %**	2012 %
Miller Publishing Co, Inc	(d)	United States	**-**	100
Milton Ulladulla Publishing Co. Pty Ltd	(a)	Australia	**100**	100
Mistcue Pty Limited		Australia	**65**	65
MMP Community Network Limited	(c), (i)	Australia	**-**	100
Mountain Press Pty Ltd		Australia	**88**	88
Namoi Media & Marketing Pty Ltd	(a)	Australia	**100**	100
Netus Pty Ltd	(a), (b)	Australia	**100**	–
Newcastle Newspapers Pty Ltd	(a)	Australia	**100**	100
Newsagents Direct Distribution Pty Ltd	(a)	Australia	**100**	100
North Australian News Pty Ltd	(a)	Australia	**100**	100
Northern Newspapers Pty Ltd	(a)	Australia	**100**	100
NZ Rural Press Limited	(g)	New Zealand	**-**	100
Occupancy Pty Limited		Australia	**97**	95
Ollority Pty Ltd	(a)	Australia	**100**	100
Online Marketing Group Pty Limited	(a)	Australia	**100**	100
OSF Australia Pty Limited		Australia	**100**	100
Personal Investment Direct Access Pty Limited		Australia	**100**	100
Port Lincoln Times Pty Ltd	(a)	Australia	**100**	100
Port Stephens Publishers Pty Ltd	(a)	Australia	**100**	100
Port Stephens Publishers Trust		Australia	**100**	100
Queensland Community Newspapers Pty Ltd	(a)	Australia	**100**	100
Radio 1278 Melbourne Pty Limited	(a)	Australia	**100**	100
Radio 2UE Sydney Pty Ltd	(a)	Australia	**100**	100
Radio 3AW Melbourne Pty Limited	(a)	Australia	**100**	100
Radio 4BC Brisbane Pty Limited	(a)	Australia	**100**	100
Radio 4BH Brisbane Pty Limited	(a)	Australia	**100**	100
Radio 6PR Perth Pty Limited	(a)	Australia	**100**	100
Radio 96FM Perth Pty Limited	(a)	Australia	**100**	100
Regional Press Australia Pty Limited		Australia	**100**	100
Regional Printers Pty Limited	(a)	Australia	**100**	100
Regional Publishers (Tasmania) Pty Ltd	(a)	Australia	**100**	100
Regional Publishers (Victoria) Pty Limited	(a)	Australia	**100**	100
Regional Publishers (Western Victoria) Pty Limited	(a)	Australia	**100**	100
Regional Publishers Pty Ltd	(a)	Australia	**100**	100
RSVP.com.au Pty Limited	(a)	Australia	**100**	100
Rural Press (USA) Inc	(d)	United States	**-**	100
Rural Press (USA) Limited	(d)	United States	**-**	100
Rural Press Printing (Victoria) Pty Limited	(a)	Australia	**100**	100
Rural Press Printing Pty Limited	(a)	Australia	**100**	100
Rural Press Pty Limited	(a)	Australia	**100**	100
Rural Press Queensland Pty Ltd	(a)	Australia	**100**	100
Rural Press Regional Media (WA) Pty Limited	(a)	Australia	**100**	100
Rural Publishers Pty Limited	(a)	Australia	**100**	100
Southern Weekly Partnership		Australia	**75**	75
S.A. Regional Media Pty Limited	(a)	Australia	**100**	100
Satellite Music Australia Pty Limited	(a)	Australia	**100**	100
Stayz Limited		New Zealand	**97**	95
Stayz Pty Limited		Australia	**97**	95
Stock Journal Publishers Pty Ltd	(a)	Australia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

28. CONTROLLED ENTITIES

	NOTES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2013 %	2012 %
Suzannenic Pty Limited	(a)	Australia	**100**	100
The Advocate Newspaper Proprietary Limited	(a)	Australia	**100**	100
The Age Company Pty Ltd	(a)	Australia	**100**	100
The Age Print Company Pty Limited	(a)	Australia	**100**	100
The Barossa News Pty Limited	(a)	Australia	**100**	100
The Border Morning Mail Pty Limited	(a)	Australia	**100**	100
The Border News Partnership		Australia	**63**	63
The Federal Capital Press of Australia Pty Limited	(a)	Australia	**100**	100
The Independent News Pty Ltd	(a)	Australia	**100**	100
TheVine.com.au Pty Limited		Australia	**70**	70
The Wagga Daily Advertiser Pty Ltd	(a)	Australia	**100**	100
The Warrnambool Standard Pty Ltd	(a)	Australia	**100**	100
The Weather Company Pty Limited		Australia	**75**	75
Trade Me Group Ltd	(e)	New Zealand	**-**	51
Trade Me Ltd	(e)	New Zealand	**-**	51
Tricom Group Pty Ltd		Australia	**100**	100
Weatherzone Japan LLC		Japan	**75**	75
West Australian Rural Media Pty Ltd	(a)	Australia	**100**	100
West Australian Primary Industry Press Pty Ltd	(a)	Australia	**100**	100
Western Magazine Pty Ltd		Australia	**75**	75
Western Magazine Settlement Trust		Australia	**75**	75
Whyalla News Properties Pty Ltd	(a)	Australia	**100**	100
Winbourne Pty Limited	(a)	Australia	**100**	100

(a) The Company and the controlled entities incorporated within Australia are party to Class Order 98/1418 (as amended) issued by the Australian Securities & Investment Commission. These entities have entered into a Deed of Cross Guarantee dated June 2007 (as varied from time to time) under which each entity guarantees the debts of the others. These companies represent a 'Closed Group' for the purposes of the Class Order and there are no other members of the 'Extended Closed Group'. Under the Class Order, these entities have been relieved from the requirements of the *Corporations Act 2001* with regard to the preparation, audit and publication of accounts.

(b) Acquired on 21 December 2012.

(c) This company was formerly called Fairfax Community Network Ltd and was disposed on 13 July 2012.

(d) Disposed on 14 November 2012.

(e) Disposed on 21 December 2012.

(f) Amalgamated with Fairfax New Zealand Limited on 1 July 2012.

(g) Amalgamated with Fairfax New Zealand Limited on 1 October 2012.

(h) This company was formerly called Cudgegong Newspapers Pty Ltd.

(i) This company was formerly called Fairfax Community Network Limited.

(j) This company was formerly called Fairfax Media Operations Pty Limited.

(k) This company was formerly called Fairfax New Zealand Finance Pty Limited.

(l) This company was formerly called Leeton Newspapers Pty Ltd.

(m) This company was formerly called Riverina Newspapers (Griffith) Pty Ltd.

(n) This company was formerly called The Murrumbidgee Irrigator Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

28. CONTROLLED ENTITIES

DEED OF CROSS GUARANTEE

Fairfax Media Limited and certain wholly-owned entities (the 'Closed Group') identified at (a) above are parties to a Deed of Cross Guarantee under ASIC Class Order 98/1418 (as amended). Pursuant to the requirements of that Class Order, a summarised consolidated income statement for the period ended 30 June 2013 and consolidated balance sheet as at 30 June 2013, comprising the members of the Closed Group after eliminating all transactions between members are set out below:

(A) BALANCE SHEET

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Current assets		
Cash and cash equivalents	**449,780**	56,029
Trade and other receivables	**244,349**	263,250
Inventories	**25,394**	31,756
Derivative assets	**11,018**	123
Assets held for sale	**3,176**	18,268
Income tax receivable	**3,200**	14,345
Other financial assets	**4,386**	3,914
Total current assets	**741,303**	387,685
Non-current assets		
Receivables	**19,611**	258,134
Investments accounted for using the equity method	**80,396**	30,551
Available for sale investments	**1,929**	1,991
Intangible assets	**1,213,572**	1,637,134
Property, plant and equipment	**406,958**	470,352
Derivative assets	**7,815**	27,040
Deferred tax assets	**109,159**	119,635
Other financial assets	**647,107**	1,042,873
Total non-current assets	**2,486,547**	3,587,710
Total assets	**3,227,850**	3,975,395
Current liabilities		
Payables	**176,052**	203,475
Interest bearing liabilities	**284,323**	6,439
Derivative liabilities	**41,957**	-
Liabilities directly associated with held for sale assets	**-**	4,956
Provisions	**175,630**	180,090
Current tax liabilities	**-**	2,595
Total current liabilities	**677,962**	397,555
Non-current liabilities		
Interest bearing liabilities	**353,889**	1,070,560
Derivative liabilities	**26,939**	89,607
Provisions	**51,467**	146,534
Pension liabilities	**1,273**	3,933
Total non-current liabilities	**433,568**	1,310,634
Total liabilities	**1,111,530**	1,708,189
Net assets	**2,116,320**	2,267,206
Equity		
Contributed equity	**4,646,248**	4,646,248
Reserves	**(66,921)**	(53,283)
Retained losses	**(2,463,007)**	(2,325,759)
Total equity	**2,116,320**	2,267,206

NOTES TO THE FINANCIAL STATEMENTS

28. CONTROLLED ENTITIES

(B) INCOME STATEMENT

Total revenue	**1,834,598**	1,782,584
Share of net profits of associates and joint ventures	**(2,251)**	1,244
Expenses before finance costs	**(1,895,265)**	(3,956,037)
Finance costs	**(58,683)**	(66,569)
Net loss from operations before income tax expense	**(121,601)**	(2,238,778)
Income tax (expense)/benefit	**(13,812)**	76,738
Net loss from operations after income tax expense	**(135,413)**	(2,162,040)

29. ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES

(A) ACQUISITIONS

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

ENTITY OR BUSINESS ACQUIRED	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	OWNERSHIP INTEREST
Beaudesert Times Pty Ltd	Newspaper publisher	27 August 2012	(i)
Tradevine Limited	Online e-commerce management	27 August 2012	(ii)
YesBookit Partnership	Online accommodation advertising	29 October 2012	(iii)
Midac Technologies Pty Ltd	Online accommodation advertising	29 October 2012	(iii)
Baches and Holiday Homes to Rent Limited	Holiday accommodation classifieds	12 December 2012	(ii)
2GTHR Pty Ltd	Investor in online business	21 December 2012	100%
Netus Pty Ltd	Investor in online business	21 December 2012	100%
Allure Media Pty Ltd	Online publisher	21 December 2012	100%

(i) The business of Beaudesert Times Pty Ltd was acquired.

(ii) The businesses of Tradevine Limited and Baches and Holiday Homes to Rent Limited were acquired by Trade Me Group Ltd. The businesses were subsequently disposed of with Trade Me Group Ltd (refer Note 29(B)).

(iii) The businesses of YesBookit Partnership and Midac Technologies Pty Ltd were acquired.

(B) DISPOSALS

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

ENTITY OR BUSINESS DISPOSED	PRINCIPAL ACTIVITY	DATE OF DISPOSAL	OWNERSHIP INTEREST
Fairfax Community Network Ltd	Community newspaper publisher	13 July 2012	100% (i)
Rural Press USA Ltd	Agricultural publishing	14 November 2012	100%
Rural Press USA Inc	Agricultural publishing	14 November 2012	100%
Farm Progress Holding Company Inc	Agricultural publishing	14 November 2012	100%
Farm Progress Companies Inc	Agricultural publishing	14 November 2012	100%
The Miller Publishing Company Inc	Agricultural publishing	14 November 2012	100%
Farm Progress Insurance Services Inc	Agricultural publishing	14 November 2012	100%
Indiana Prairie Farmer Insurance Services Inc	Agricultural publishing	14 November 2012	100%
Trade Me Group Ltd	Internet-auction website	21 December 2012	51%
Trade Me Ltd	Internet-auction website	21 December 2012	51%

(i) Fairfax Community Network Ltd was sold to the MMP Holdings Pty Ltd venture. Refer to Note 12 for the Group's share of this venture.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

30. BUSINESS COMBINATIONS

ACQUISITIONS DURING THE PERIOD

Acquisitions, none of which were individually significant to the consolidated entity, are listed in Note 29(A).

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

	RECOGNISED ON ACQUISITION $'000
Value of net assets acquired	
Cash and cash equivalents	13,159
Receivables	1,269
Inventories	225
Property, plant and equipment	2,572
Investments and other assets	2,470
Intangible assets	4,295
Deferred tax assets	285
Total assets	24,275
Payables	1,549
Provisions	649
Current tax liabilities	209
Deferred tax liabilities	254
Total liabilities	2,661
Value of identifiable net assets	21,614
Goodwill arising on acquisition	13,872
Total identifiable net assets and goodwill attributable to the Group	35,486
Purchase consideration	
Cash paid	32,372
Contingent consideration liability	3,114
Total purchase consideration	35,486
Net cash outflow on acquisition	
Net cash acquired with subsidiary	13,159
Cash paid	(32,372)
Net cash outflow	(19,213)

The income statement includes revenue and net profit for the year ended 30 June 2013 of $11.9 million and $1.3 million respectively, as a result of acquisitions of business combinations made during the reporting period. Had the acquisitions occurred at the beginning of the reporting period, the income statement would have included revenue and net profit of $16.5 million and $1.1 million respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

31. EMPLOYEE BENEFITS

(A) NUMBER OF EMPLOYEES

As at 30 June 2013 the consolidated entity employed 7,043 full-time employees (2012: 8,416) and 1,384 part-time and casual employees (2012: 1,748). This includes 1,813 (2012: 2,094) full-time employees and 285 (2012: 310) 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 full-time and part-time employees of the consolidated entity.

2008 – 2012 Financial Year

Under this plan, the cash value of a percentage of an eligible executive's annual total fixed remuneration will be in the form of nominally allocated Fairfax shares, which are beneficially held in a trust. The shares will vest if the eligible employee remains in employment three years from the date the nominal shares are allocated and certain performance hurdles are satisfied. If the allocation does not vest at the end of year three, a re-test of the performance hurdles occurs in the fourth year. There are currently no cash settlement alternatives. Dividends on the allocated shares during the vesting period are paid directly to the eligible employee and the Company does not have any recourse to dividends paid.

2013 Financial Year

For 2013, participants in the plan received an allocation of performance rights (rights) which allow the executive to acquire shares for no consideration subject to achievement of the performance hurdles. No dividends are payable to participants on the unvested rights.

The number of rights to which a participant is entitled will depend on the participant's role and responsibilities. Allocations are set at a fixed percentage of the executive's fixed remuneration at the time they participate in the scheme. The value of the rights at the time of allocation is determined by an independent external valuer.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

32. 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:

	30 JUNE 2013 $	24 JUNE 2012 $
Audit services		
Ernst & Young Australia		
Audit and review of financial reports	**1,088,401**	1,031,030
Affiliates of Ernst & Young Australia		
Audit and review of financial reports	**244,044**	266,770
Non Ernst & Young Firms		
Audit and review of financial reports	**26,498**	25,854
Total audit services	**1,358,943**	1,323,654
Other assurance services		
Ernst & Young Australia		
Regulatory and contractually required audits	**243,809**	238,692
Other	**225,449**	376,167
Affiliates of Ernst & Young Australia		
Regulatory and contractually required audits	**98,020**	213,515
Other	**-**	603,008
Non Ernst & Young Firms		
Regulatory and contractually required audits	**8,151**	11,818
Other	**-**	-
Total other assurance services	**575,429**	1,443,200
Total remuneration for assurance services	**1,934,372**	2,766,854
Non assurance services		
Ernst & Young Australia		
Other services	**-**	1,000
Affiliates of Ernst & Young Australia		
Other services	**-**	-
Non Ernst & Young Firms		
Other services	**-**	-
Total non assurance services	**-**	1,000
Total remuneration of auditors	**1,934,372**	2,767,854

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

33. DIRECTOR AND EXECUTIVE DISCLOSURES

(A) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

(I) SHAREHOLDINGS

2013	BALANCE 24 JUNE 2012	NET CHANGE OTHER	BALANCE 30 JUNE 2013	POST YEAR-END ACQUISITIONS	POST YEAR-END DISPOSALS	POST YEAR-END BALANCE
Directors						
R Corbett	**99,206**	**-**	**99,206**	**-**	**-**	**99,206**
J Cowin	**-**	**3,000,000**	**3,000,000**	**-**	**-**	**3,000,000**
G Hywood	**118,343**	**200,000**	**318,343**	**-**	**-**	**318,343**
S McPhee	**40,220**	**70,673**	**110,893**	**-**	**-**	**110,893**
J Millar	**-**	**100,000**	**100,000**	**-**	**-**	**100,000**
S Morgan	**1,564,668**	**-**	**1,564,668**	**-**	**-**	**1,564,668**
L Nicholls	**40,387**	**67,371**	**107,758**	**-**	**-**	**107,758**
P Young	**131,117**	**-**	**131,117**	**-**	**-**	**131,117**
M Anderson	**-**	**-**	**-**	**-**	**-**	**-**
Key management personnel						
B Cassell *	**1,061,014**	**-**	**1,061,014**	**-**	**-**	**1,061,014**
G Hambly	**104,815**	**-**	**104,815**	**-**	**-**	**104,815**
D Housego	**-**	**291,139**	**291,139**	**-**	**-**	**291,139**
A Williams	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,159,770**	**3,729,183**	**6,888,953**	**-**	**-**	**6,888,953**

2012	BALANCE 26 JUNE 2011	NET CHANGE OTHER	BALANCE 24 JUNE 2012	POST YEAR-END ACQUISITIONS	POST YEAR-END DISPOSALS	POST YEAR-END BALANCE
Directors						
R Corbett	99,206	–	99,206	–	–	99,206
NJ Fairfax *	3,892,481	–	3,892,481	–	–	3,892,481
G Hywood	–	118,343	118,343	–	–	118,343
S McPhee	4,783	35,437	40,220	13,156	–	53,376
S Morgan	181,500	1,383,168	1,564,668	–	–	1,564,668
L Nicholls	5,401	34,986	40,387	12,875	–	53,262
R Savage *	47,899	–	47,899	–	–	47,899
P Young	131,117	–	131,117	–	–	131,117
M Anderson	–	–	–	–	–	–
Key management personnel						
B Cassell *	1,061,014	–	1,061,014	–	–	1,061,014
G Hambly	177,631	(72,816)	104,815	–	–	104,815
A Lam-Po-Tang **	–	–	–	–	–	–
C Maher **	641	–	641	–	–	641
M Williams **	1,281	–	1,281	–	–	1,281
Total	5,602,954	1,499,118	7,102,072	26,031	–	7,128,103

* In the case of retired Directors, the closing balance represents the number of shares at the date the Director retired from the Board. For KMP, the closing balance represents the number of shares at the date of resignation. NJ Fairfax resigned from the Board on 29 November 2011 and R Savage on 30 June 2012. B Cassell ceased in the position of CFO on 3 December 2012, on which date he was appointed Project Director and no longer considered KMP.

** Following the structural changes within the Group this person no longer met the definition of a KMP since 25 June 2012.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

33. DIRECTOR AND EXECUTIVE DISCLOSURES

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

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

2013	OPENING BALANCE 24 JUNE 2012	GRANTED AS REMUNERATION	NET CHANGE OTHER ***	CLOSING BALANCE 30 JUNE 2013
Directors				
G Hywood	**1,514,491**	**8,888,889**	**-**	**10,403,380**
Key management personnel				
B Cassell *	**785,983**	**-**	**(121,057)**	**664,926**
G Hambly	**717,949**	**2,083,333**	**(110,969)**	**2,690,313**
D Housego	**-**	**3,666,667**	**-**	**3,666,667**
A Williams	**-**	**1,837,124**	**-**	**1,837,124**
Total	**3,018,423**	**16,476,013**	**(232,026)**	**19,262,410**

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

* In the case of retired Directors, the closing balance represents the number of shares at the date the Director retired from the Board. For KMP, the closing balance represents the number of shares at the date of resignation. NJ Fairfax resigned from the Board on 29 November 2011 and R Savage on 30 June 2012. B Cassell ceased in the position of CFO on 3 December 2012, on which date he was appointed Project Director and no longer considered KMP.

** Following the structural changes within the Group this person no longer met the definition of a KMP since 25 June 2012.

*** Net change movements include forfeitures.

(C) LOANS TO KEY MANAGEMENT PERSONNEL

(I) AGGREGATES FOR KEY MANAGEMENT PERSONNEL

There were no loans made to Directors of Fairfax Media Limited or to other key management personnel of the Group, including their personally related parties, during the financial period ended 30 June 2013 (2012: Nil).

(II) INDIVIDUALS WITH LOANS DURING THE FINANCIAL YEAR

There are no outstanding loans for the financial years ended 30 June 2013 and 24 June 2012.

(D) OPTIONS

No options over unissued shares in the Company were in existence at the beginning of the financial year, or granted during, or since the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

34. RELATED PARTY TRANSACTIONS

(A) ULTIMATE PARENT

Fairfax Media Limited is the ultimate parent company.

(B) CONTROLLED ENTITIES

Interests in controlled entities are set out in Note 28.

(C) KEY MANAGEMENT PERSONNEL

A number of Directors of Fairfax Media Limited also hold directorships with other corporations which provide and receive goods or services to and from the Fairfax Group in the ordinary course of business on normal terms and conditions. None of these Directors derive any direct personal benefit from the transactions between the Fairfax Group and these corporations.

Transactions were entered into during the financial year with the Directors of Fairfax Media Limited and its controlled entities or with Director-related entities, which:

- occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the Director or Director-related entity at arm's length in the same circumstances;
- do not have the potential to adversely affect decisions about the allocation of scarce resources or discharge the responsibility of the Directors; or
- are minor or domestic in nature.

(D) TRANSACTIONS WITH RELATED PARTIES

The following transactions 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				
30 June 2013	13,688	7,307	246	3,413
24 June 2012	2,690	9,110	2,412	115
Joint ventures				
30 June 2013	54	241	–	1
24 June 2012	116	2,905	3	–

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

35. NOTES TO THE CASH FLOW STATEMENT

	NOTE	30 JUNE 2013 $'000	24 JUNE 2012 $'000
(A) RECONCILIATION OF NET LOSS AFTER INCOME TAX EXPENSE TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Net loss for the period		**(971)**	(2,725,803)
Non-cash items			
Depreciation and amortisation for continuing operations	3(B)	**100,762**	103,478
Depreciation and amortisation for discontinued operations		**3,124**	4,025
Impairment of property, plant and equipment, intangibles and investments		**459,938**	2,865,060
Amortisation of borrowing costs		**1,191**	1,921
Share of losses of associates and joint ventures not received as dividends		**5,528**	1,717
Straight-line rent adjustment		**513**	470
Net loss on disposal of property, plant and equipment		**92**	401
Net gain on disposal of investments and other assets		**(299,413)**	(1,005)
Fair value adjustment to derivatives		**4,539**	(6,561)
Net foreign currency loss/(gain)		**660**	(9,070)
Share-based payment expense		**2,038**	1,068
Non-cash superannuation expense		**(833)**	(716)
Gain on revaluation of investment in associate		**-**	(2,541)
Other non-operating gains		**142**	19
Changes in operating assets and liabilities, net of effects from acquisitions			
Decrease in trade receivables		**34,033**	33,924
Decrease in other receivables		**7,611**	3,121
Decrease in inventories		**6,180**	2,506
Increase in other assets		**(788)**	(919)
(Decrease)/increase in payables		**(41,020)**	6,897
(Decrease)/increase in provisions		**(100,942)**	155,398
Increase/(decrease) in tax balances		**4,067**	(165,741)
Net cash inflow from operating activities		**186,451**	267,649

(B) RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

Cash on hand and at bank	**533,531**	358,364
Total cash at end of the financial year	**533,531**	358,364

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

36. 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; and
- sufficient funds are available for the business to implement its capital expenditure and business acquisition strategies.

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

The net debt to EBITDA ratio for the Group at 30 June 2013 and 24 June 2012 is as follows:

	NOTE	**2013 $'000**	2012 $'000
Net debt for financial covenant purposes	19	**154,493**	914,098
EBITDA *		**366,474**	506,022
Net debt to EBITDA ratio		**0.42**	1.81

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

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

36. FINANCIAL AND CAPITAL RISK MANAGEMENT

RISK FACTORS

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

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

(A) INTEREST RATE RISK

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

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

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

The Group 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 swap agreements to manage these risks. The Group designates which of its financial assets and financial liabilities are exposed to a fair value or cash flow interest rate risk, such as financial assets and liabilities with a fixed interest rate or financial assets and financial liabilities with a floating interest rate that is reset as market rates change.

The Group hedges the currency risk on foreign currency borrowings by entering into cross currency swaps, which have the economic effect of converting foreign currency borrowings to local currency borrowings. Over the counter derivative contracts are carried at fair value, which are estimated using valuation techniques based wherever possible on assumptions supported by observable market prices or rates prevailing at the 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 30 June 2013	FLOATING RATE $'000	FIXED RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
Financial assets				
Cash and cash equivalents	533,531	-	-	533,531
Trade and other receivables	-	-	287,457	287,457
Available for sale investments	-	-	1,929	1,929
Other financial assets	10,541	-	67	10,608
Derivatives	6,325	-	12,508	18,833
Total financial assets	550,397	-	301,961	852,358
Financial liabilities				
Payables	-	-	235,919	235,919
Interest bearing liabilities:				
Bank borrowings and loans	123,549	6,003	-	129,552
Senior notes	27,338	470,870	-	498,208
Finance lease liability	10,452	-	-	10,452
Total interest bearing liabilities	161,339	476,873	-	638,212
Derivatives	43,826	23,833	7,258	74,917
Total financial liabilities	205,165	500,706	243,177	949,048
Total interest bearing liabilities	161,339	476,873	-	638,212
Notional principal hedged	(123,526)	(116,495)	-	(240,021)
Net exposure to cash flow interest rate risk	37,813	360,378	-	398,191

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL AND CAPITAL RISK MANAGEMENT

As at 24 June 2012	FLOATING RATE $'000	FIXED RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
Financial assets				
Cash and cash equivalents	358,364	–	–	358,364
Trade and other receivables	–	–	323,242	323,242
Available for sale investments	–	–	1,991	1,991
Other financial assets	14,615	–	67	14,682
Derivatives	23,976	–	3,187	27,163
Total financial assets	396,955	–	328,487	725,442
Financial liabilities				
Payables	–	–	282,637	282,637
Interest bearing liabilities:				
Bank borrowings and loans	718,177	8,311	–	726,488
Senior notes	24,361	441,941	–	466,302
Finance lease liability	14,583	–	–	14,583
Total interest bearing liabilities	757,121	450,252	–	1,207,373
Derivatives	60,964	27,243	7,421	95,628
Total financial liabilities	818,085	477,495	290,058	1,585,638
Total interest bearing liabilities	757,121	450,252	–	1,207,373
Notional principal hedged	(122,132)	(108,525)	–	(230,657)
Net exposure to cash flow interest rate risk	634,989	341,727	–	976,716

Sensitivity analysis

The table below shows 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. Concurrent movements in interest rates and parallel shifts in the yield curves are assumed.

A sensitivity of 30% (2012: 30%) has been selected as this is considered reasonable given the current level of both short term and long term Australian interest rates. A 30% sensitivity would move short term interest rates at 30 June 2013 from around 2.82% to 3.67% representing a 85 basis point shift (2012: 106 basis point shift).

In 2013, 66% (2012: 72%) of the Group's debt, taking into account all underlying exposures and related hedges was denominated in Australian Dollars; therefore, only the movement in Australian interest rates is used in this sensitivity analysis.

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

	IMPACT ON POST-TAX PROFIT		IMPACT ON EQUITY	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
If interest rates were 30% higher with all other variables held constant - increase/(decrease)	**(2,603)**	(4,352)	**1,670**	2,663
If interest rates were 30% lower with all other variables held constant - increase/(decrease)	**2,603**	4,352	**(1,704)**	(2,755)

(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.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

36. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

- United States Dollars; and
- New Zealand Dollars.

Forward foreign exchange contracts are used to hedge the Group's known non-debt related foreign currency risks. These contracts generally have maturities of less than twelve months after the 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 tables below show the effect on net profit and equity after income tax as at reporting date from a 15% weaker/stronger base currency movement in exchange rates at that date on a total derivative portfolio with all other variables held constant.

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

(A) AUD / NZD

Comparing the Australian Dollar exchange rate against the New Zealand Dollar, a 15% weaker Australian Dollar would result in an exchange rate of 1.0045 and a 15% stronger Australian Dollar in an exchange rate of 1.3590 based on the year end rate of 1.1818. This range is considered reasonable given over the last five years, the Australian Dollar exchange rate against the New Zealand Dollar has traded in the range of 1.0781 to 1.3746.

	IMPACT ON POST-TAX PROFIT		IMPACT ON EQUITY (HEDGING RESERVES) *	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
If the AUD exchange rate was 15% weaker against the NZD with all other variables held constant – increase/(decrease)	**852**	1,092	**(31,522)**	(29,424)
If the AUD exchange rate was 15% stronger against the NZD with all other variables held constant – increase/(decrease)	**(630)**	(1,932)	**23,299**	21,748

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

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL AND CAPITAL RISK MANAGEMENT

(B) AUD / USD

Comparing the Australian Dollar exchange rate against the United States Dollar, a 15% weaker Australian Dollar would result in an exchange rate of 0.7763 and a 15% stronger Australian Dollar in an exchange rate of 1.0503 based on the year end rate of 0.9133. This range is considered reasonable given over the last five years, the Australian Dollar exchange rate against the United States Dollar has traded in the range of 0.6120 to 1.1028.

	IMPACT ON POST-TAX PROFIT		IMPACT ON EQUITY (CASH FLOW HEDGE RESERVE)	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
If the AUD exchange rate was 15% weaker against the USD with all other variables held constant – increase/(decrease)	**1**	(1)	**(1,249)**	(1,496)
If the AUD exchange rate was 15% stronger against the USD with all other variables held constant – increase/(decrease)	**(3)**	(148)	**1,786**	2,955

(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 30 June 2013 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 8 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 19(B) for details of the Group's unused credit facilities at 30 June 2013.

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.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

36. FINANCIAL AND CAPITAL RISK MANAGEMENT

As at 30 June 2013	(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	**(235,919)**	**-**	**-**	**-**
Bank borrowings and loans	**(9,101)**	**(133,366)**	**(516)**	**-**
Notes and bonds	**(276,057)**	**(122,009)**	**(108,390)**	**-**
Finance lease liability	**(9,453)**	**(9,848)**	**(2,533)**	**-**
Derivatives – inflows*				
Cross currency swaps – foreign leg (fixed)**	**248,714**	**122,009**	**108,443**	**-**
Cross currency swaps – foreign leg (variable)**	**27,388**	**-**	**-**	**-**
Forward foreign currency contracts	**28,203**	**-**	**-**	**-**
Derivatives – outflows*				
Cross currency swaps – AUD leg (fixed)**	**(43,221)**	**(6,149)**	**(94,560)**	**-**
Cross currency swaps – AUD leg (variable)**	**(58,491)**	**(125,059)**	**-**	**-**
Cross currency swaps – NZD leg (variable)**	**(224,510)**	**(892)**	**(26,742)**	**-**
Interest rate swaps ***	**(4,275)**	**(4,275)**	**(127,138)**	**-**
Forward foreign currency contracts	**(25,937)**	**-**	**-**	**-**
Put option	**(6,436)**	**-**	**-**	**-**

As at 24 June 2012	(NOMINAL CASH FLOWS) 1 YEAR OR LESS $'000	1 TO 2 YEARS $'000	2 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
Financial liabilities*				
Payables	(282,637)	–	–	–
Bank borrowings and loans	(44,862)	(193,485)	(603,881)	–
Notes and bonds	(27,111)	(75,478)	(275,674)	(142,900)
Finance lease liability	(11,323)	(9,491)	(12,428)	–
Derivatives – inflows*				
Cross currency swaps – foreign leg (fixed)**	26,584	75,073	251,027	143,006
Cross currency swaps – foreign leg (variable)**	527	527	24,873	–
Forward foreign currency contracts	64,328	–	–	–
Derivatives – outflows*				
Cross currency swaps – AUD leg (fixed)**	(8,911)	(8,911)	(26,734)	(119,221)
Cross currency swaps – AUD leg (variable)**	(9,000)	(9,000)	(178,712)	–
Cross currency swaps – NZD leg (variable)**	(8,128)	(71,327)	(127,294)	(54,264)
Interest rate swaps ***	(2,825)	(2,825)	(129,238)	–
Forward foreign currency contracts	(64,428)	–	–	–
Put option	(3,711)	(3,710)	–	–

* 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.

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

36. FINANCIAL AND CAPITAL RISK MANAGEMENT

(E) FAIR VALUE

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

	CARRYING VALUE 2013 $'000	FAIR VALUE 2013 $'000	CARRYING VALUE 2012 $'000	FAIR VALUE 2012 $'000
Financial assets				
Cash and cash equivalents	**533,531**	**533,531**	358,364	358,364
Receivables	**287,457**	**287,457**	323,242	323,242
Derivative assets	**18,833**	**18,833**	27,163	27,163
Available for sale investments	**1,929**	**1,929**	1,991	1,991
Other financial assets	**10,608**	**10,608**	14,682	14,682
	852,358	**852,358**	725,442	725,442
Financial liabilities				
Payables	**235,919**	**235,919**	282,637	282,637
Interest bearing liabilities:				
Bank borrowings	**129,552**	**129,552**	726,488	726,488
Senior notes	**498,208**	**498,848**	466,302	467,348
Finance lease liability	**10,452**	**17,929**	14,583	23,840
Derivative liabilities	**74,917**	**74,917**	95,628	95,628
	949,048	**957,165**	1,585,638	1,595,941

Market values have been used to determine the fair value of listed available for sale investments.

The fair value of the senior notes and lease liabilities have been calculated by discounting the future cash flows by interest rates for liabilities with similar risk profiles. The discount rates applied range from 1.93% to 13.29% (2012: 2.12% to 13.32%).

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

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

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

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

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

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

As at 30 June 2013	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Derivative assets	**–**	**18,833**	**–**	**18,833**
Available for sale investments	**1,929**	**–**	**–**	**1,929**
	1,929	**18,833**	**–**	**20,762**
Financial liabilities				
Derivative liabilities	**–**	**74,917**	**–**	**74,917**
	–	**74,917**	**–**	**74,917**

As at 24 June 2012	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Derivative assets	–	27,163	–	27,163
Available for sale investments	1,991	–	–	1,991
	1,991	27,163	–	29,154
Financial liabilities				
Derivative liabilities	–	95,628	–	95,628
	–	95,628	–	95,628

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

37. 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.

During the 2013 financial year, the Printing Operations division was restructured to form part of corporate services. As a result, Printing Operations is no longer a reportable segment and its results have been allocated to the Metropolitan Media, Fairfax Regional Media and New Zealand Media segments. The Group is organised into five reportable segments based on aggregated operating segments determined by similar product and services provided, economic characteristics and geographical considerations.

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

On 21 December 2012, the Group disposed of its remaining 51% interest in Trade Me Group Ltd. The Group disposed of the US Agricultural Media business on 14 November 2012. The US Agricultural Media business was part of the Fairfax Regional Media reportable segment.

REPORTABLE SEGMENT	PRODUCTS AND SERVICES
Fairfax Regional Media	Newspaper publishing and online for all Australian regional and agricultural media.
Metropolitan Media	Metropolitan news, sport, lifestyle and business media across various platforms including print, online, tablet and mobile. Also includes classifieds for metropolitan and community publications and transactional businesses.
New Zealand Media	Newspaper, magazine and general publishing and online for all New Zealand media.
Broadcasting	Metropolitan radio networks.
Other	Comprises corporate and other entities not included in the segments above.
Trade Me (discontinued operations)	Transactional businesses of Trade Me in New Zealand.

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

(B) RESULTS BY OPERATING SEGMENT

The segment information provided to the Board of Directors, CEO and CFO for the reportable segments for the year ended 30 June 2013 is as follows:

	SEGMENT REVENUE $'000	INTERSEGMENT REVENUE $'000	REVENUE FROM EXTERNAL CUSTOMERS $'000	UNDERLYING EBIT $'000
30 June 2013				
Fairfax Regional Media	**573,354**	**(2,281)**	**571,073**	**133,705**
Metropolitan Media	**1,003,400**	**(9,695)**	**993,705**	**48,800**
New Zealand Media	**339,334**	**55**	**339,389**	**49,494**
Broadcasting	**105,374**	**(273)**	**105,101**	**15,482**
Other	**2,449**	**-**	**2,449**	**(26,982)**
Total for continuing operations	**2,023,911**	**(12,194)**	**2,011,717**	**220,499**
Trade Me (discontinued operations)	**60,187**	**-**	**60,187**	**41,634**
Total for the Group	**2,084,098**	**(12,194)**	**2,071,904**	**262,133**

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

37. SEGMENT REPORTING

	SEGMENT REVENUE $'000	INTERSEGMENT REVENUE $'000	REVENUE FROM EXTERNAL CUSTOMERS $'000	UNDERLYING EBIT $'000
24 June 2012				
Fairfax Regional Media	634,050	(2,223)	631,827	168,670
Metropolitan Media	1,132,997	(2,402)	1,130,595	72,571
New Zealand Media	348,262	(653)	347,609	59,539
Broadcasting	97,164	(67)	97,097	11,304
Other	8,670	–	8,670	4,447
Total for continuing operations	2,221,143	(5,345)	2,215,798	316,531
Trade Me (discontinued operations)	114,014	–	114,014	81,987
Total for the Group	2,335,157	(5,345)	2,329,812	398,518

(C) OTHER SEGMENT INFORMATION

(I) SEGMENT REVENUE

Segment revenue reconciles to total revenue and income as follows:

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Total segment revenue from external customers for continuing operations	**2,011,717**	2,215,798
Interest income	**11,604**	10,458
Share of net losses/(profits) of associates and joint ventures	**2,239**	(1,311)
Gains on sale of controlled entities	**19,830**	–
Total revenue and income	**2,045,390**	2,224,945

Revenue from external customers includes the operating segments share of net profits from associates and joint ventures. Transactions between operating segments relating to advertising are at a discount from the rate card and management charges between operating segments 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 $1,686.1 million (2012: $1,870.3 million) and the amount of revenue from external customers in New Zealand is $359.3 million (2012: $354.6 million). Segment revenues are allocated based on the country in which the customer is located.

(II) SEGMENT RESULT – EBIT

The Board of Directors, CEO and CFO assess the performance of the operating segments based on a measure of underlying EBIT. This measurement basis excludes the effects of significant items from the operating segments such as restructuring costs and goodwill, masthead or radio licence impairments when the impairment is the result of an isolated, significant event. The gains on the sale of Trade Me and the US Agricultural Media business have been excluded from the reportable segment results.

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

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

	30 JUNE 2013 $'000	24 JUNE 2012 RESTATED * $'000
Underlying EBIT for continuing operations	**220,499**	316,531
Interest income	**11,604**	10,458
Finance costs	**(66,571)**	(120,189)
Gains on sale of controlled entities in other revenue and income	**19,830**	–
Impairment of mastheads, goodwill, licences, customer relationships and software	**(418,655)**	(2,758,061)
Impairment of investments, inventories and property, plant and equipment	**(37,189)**	(106,120)
Restructuring and redundancy charges	**(4,458)**	(200,447)
Reported net loss before tax	**(274,940)**	(2,857,828)

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 30 JUNE 2013

37. SEGMENT REPORTING

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.

- Certain numbers shown here do not correspond to the 2012 financial statements and reflect adjustments due to discontinued operations as detailed in Note 5.

A summary of significant items by operating segments is provided for the period ended 30 June 2013 and 24 June 2012.

	IMPAIRMENT OF MASTHEADS, GOODWILL, LICENCES AND CUSTOMER RELATIONSHIPS $'000	IMPAIRMENT OF INVESTMENTS, INVENTORIES AND PROPERTY, PLANT AND EQUIPMENT $'000	RESTRUCTURING AND REDUNDANCY CHARGES $'000	GAIN ON SALE OF US AGRICULTURAL MEDIA BUSINESS $'000	TOTAL $'000
30 June 2013					
Fairfax Regional Media	**406,055**	**-**	**2,844**	**-**	**408,899**
Metropolitan Media	**5,000**	**36,832**	**-**	**-**	**41,832**
New Zealand Media	**-**	**-**	**-**	**-**	**-**
Broadcasting	**7,600**	**-**	**-**	**-**	**7,600**
Other	**-**	**357**	**1,614**	**(19,830)**	**(17,859)**
Consolidated entity	**418,655**	**37,189**	**4,458**	**(19,830)**	**440,472**

	IMPAIRMENT OF MASTHEADS, GOODWILL, CUSTOMER RELATIONSHIPS AND SOFTWARE $'000	IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS $'000	RESTRUCTURING AND REDUNDANCY CHARGES $'000	TOTAL $'000
24 June 2012				
Fairfax Regional Media	1,186,746	–	10,625	1,197,371
Metropolitan Media	912,823	92,926	102,269	1,108,018
New Zealand Media	608,351	10,266	70	618,687
Broadcasting	50,000	721	720	51,441
Other	141	2,207	86,763	89,111
Consolidated entity	2,758,061	106,120	200,447	3,064,628

In the prior year, $225.4 million of goodwill impairment and $159.7 million of other impairment and restructuring charges were recorded in the Printing Operations segment. This has been restated by reallocating $225.4m to Fairfax Regional Media and $159.7m to Metropolitan Media.

(III) SEGMENT ASSETS

The total of non-current assets other than financial instruments, deferred tax assets and employment benefit assets (there are no rights arising under insurance contracts) located in Australia is $1,773.0 million (2012: $2,217.8 million) and the total of these non-current assets located in New Zealand is $227.4 million (2012: $866.5 million). Segment assets are allocated to countries based on where the assets are located.

NOTES TO THE FINANCIAL STATEMENTS

38. 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.

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Financial position of parent entity		
Current assets	**1,419,568**	1,647,871
Total assets	**1,829,633**	2,061,419
Current liabilities	**12,912**	18,323
Total liabilities	**13,438**	18,742
Total equity of parent entity		
Contributed equity	**4,646,248**	4,646,248
General reserve	**(722)**	(722)
Acquisition reserve	**(10,672)**	(10,672)
Share-based payment reserve	**8,799**	7,612
Retained losses	**(2,827,458)**	(2,599,789)
Total equity	**1,816,195**	2,042,677
Result of parent entity		
Loss for the period	**(180,630)**	(2,303,255)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(180,630)**	(2,303,255)

Fairfax Media Limited has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries within the Closed Group. Further details regarding the deed are set out in Note 28.

OPERATING LEASE COMMITMENTS – PARENT ENTITY AS LESSEE

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

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

	30 JUNE 2013 $'000	24 JUNE 2012 $'000
Within one year	**109**	161
Later than one year and not later than five years	**-**	82
Later than five years	**-**	-
Total operating lease commitments	**109**	243

39. EVENTS SUBSEQUENT TO REPORTING DATE

The Group undertook a tender offer to repurchase some of its outstanding Senior Notes in July 2013. Acceptances under the tender totalled US$224 million of the outstanding total of US$430 million. The repurchased notes comprised US$25 million of floating rate notes and US$199 million of fixed rate notes. Approximately A$270 million of funds were used to repurchase the Senior Notes through the exercise of US$224 million of existing cross currency swaps. The early redemption of the Senior Notes will result in a $4.6 million gain net of tax recorded in the income statement in the 2014 financial year.

In July 2013, the Group entered into a new loan facility for NZ$40 million. The loan facility is available to the Group until July 2015.

On 13 August, the Group entered into an agreement to sell InvestSMART to Australasian Wealth Investments Limited (AWI) for cash consideration of $7 million. The completion of the transaction is dependent on a capital raising process by AWI.

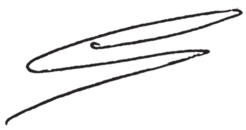
DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:
   (a) the financial 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 30 June 2013 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 30 June 2013.

On behalf of the Board

Roger Corbett, AO
Chairman



Greg Hywood
Chief Executive Officer and Managing Director

22 August 2013

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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Independent auditor's report to the members Fairfax Media Limited

Report on the financial report

We have audited the accompanying financial report of Fairfax Media Limited, which comprises the consolidated balance sheet as at 30 June 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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 30 June 2013 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 12 to 27 of the directors' report for the year ended 30 June 2013. 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 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Douglas Bain
Partner
Sydney
22 August 2013

SHAREHOLDER INFORMATION

FAIRFAX MEDIA LIMITED

TWENTY LARGEST HOLDERS OF SECURITIES AT 8 AUGUST 2013

	NUMBER OF SECURITIES	%
ORDINARY SHARES (FXJ)		
National Nominees Limited	554,960,002	23.60
HSBC Custody Nominees (Australia) Limited	336,995,490	14.33
Timeview Enterprises Pty Ltd	328,382,124	13.96
JP Morgan Nominees Australia Limited	255,505,636	10.86
Citicorp Nominees Pty Limited	135,097,982	5.74
BNP Paribas Noms Pty Ltd <DRP>	89,037,139	3.79
JP Morgan Nominees Australia Limited <CASH INCOME A/C>	52,380,598	2.23
Citicorp Nominees Pty Limited <COLONIAL FIRST STATE INV A/C>	35,759,546	1.52
RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	24,916,653	1.06
Hanrine Investments Pty Ltd	24,073,540	1.02
AMP Life Limited	21,858,829	0.93
Pacific Custodians Pty Limited <EXECUTIVE ESP TST A/C>	12,089,742	0.51
UBS Nominees Pty Ltd	11,626,443	0.49
QIC Limited	10,586,367	0.45
UBS Wealth Management Australia Nominees Pty Ltd	8,350,877	0.36
BNP Paribas Nominees Pty Ltd ACF Pengana <DRP A/C>	6,500,000	0.28
Sandhurst Trustees Ltd <ENDEAVOR ASSET MGMT MDA A/C>	6,114,162	0.26
Y S Chains Pty Ltd	5,800,000	0.25
CS Fourth Nominees Pty Ltd	4,759,263	0.20
Warbont Nominees Pty Ltd <ACCUMULATION ENTREPOT A/C>	4,329,108	0.18
	1,929,123,501	82.02

DEBENTURES		
National Financial Services Corp.	281	100

OPTIONS

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

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as shown in substantial shareholder notices received by the Company as at 8 August 2013 are:

	ORDINARY SHARES
Hancock Prospecting Pty Ltd	352,455,664
Gutenberg Investments Pty Ltd	3,554,783
(pursuant to Consultation Agreement)	356,010,447
Allan Gray Australia Pty Ltd	268,884,017
National Australia Bank Limited Group	252,089,402
Maple-Brown Abbott Limited	186,558,910
Ausbil Dexia Limited	149,340,606
SAS Trustee Corporation	118,279,205
IOOF Holdings Limited	117,884,540
Dimensional Fund Advisors Group	117,713,482

SHAREHOLDER INFORMATION

DISTRIBUTION OF HOLDINGS AT 8 AUGUST 2013

NO. OF SECURITIES	NO. OF ORDINARY SHAREHOLDERS	NO. OF DEBENTURE HOLDERS
1 – 1,000	8,936	1
1,001 – 5,000	13,881	–
5,001 – 10,000	4,925	–
10,001 – 100,000	6,298	–
100,001 and over	480	–
Total number of holders	34,520	1
Number of holders holding less than a marketable parcel	7,386	–

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, 7 November 2013 at the Banquet Hall, Level 1, Sydney Masonic Centre, corner Castlereagh and Goulburn Streets, Sydney NSW.

FINANCIAL CALENDAR 2014

Interim result	February 2014
Preliminary final result	August 2014
Annual General Meeting	November 2014

COMPANY SECRETARY

Gail Hambly

REGISTERED OFFICE

1 Darling Island Road,
Pyrmont NSW 2009
Ph: +61 2 9282 2833
Fax: +61 2 9282 1633

SHARE REGISTRY

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Ph: 1300 888 062 (toll free within Australia)
Ph: +61 2 8280 7670
Fax: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

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.fxj.com.au. The Company's family of websites can be accessed through www.fairfax.com.au

HOW TO OBTAIN THE FAIRFAX ANNUAL REPORT

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

CONSOLIDATION OF SHAREHOLDINGS

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

DIRECT PAYMENT TO SHAREHOLDERS' ACCOUNTS

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

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