

Fairfax Media Limited

ACN 008 663 161

Appendix 4E Preliminary Final Report

Appendix 4E

Preliminary Final Report

Fairfax Media Limited and Controlled Entities

for the period ended 28 June, 2009

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Appendix 4E

Fairfax Media Limited and Controlled Entities

for the period ended 28 June, 2009

Preliminary Final Report

The following sets out the requirements of Appendix 4E and should be cross referenced to the 2009 Consolidated Preliminary Final Report, which is attached.

Results for Announcement to the Market

| Underlying | | | | |
|---|------|-------|----|------------|
| Total revenue | down | 10.6% | to | \$2,599.9m |
| Net profit for the period attributable to members | down | 38.7% | to | \$242.4m |

| Reported | | | | |
|--|------|--------|----|------------|
| Total revenue | down | 10.4% | to | \$2,605.1m |
| Net (loss)/profit for the period attributable to members | down | 198.2% | to | (\$380.1m) |

Refer to the attached market release for the period ended 28 June 2009 for management commentary on the results.

| | Amount per security | Franked amount per security |
|--|------------------------|-----------------------------------|
| 28 June 2009 | | |
| Interim dividend - ordinary securities | 2¢ | 1.5¢ |
| Final dividend - ordinary securities | nil | nil |

NET TANGIBLE ASSETS PER SHARE

| | 28 June 2009 | 29 June 2008 |
|---|--------------|--------------|
| | \$ | \$ |
| Net tangible asset backing per ordinary share | (0.37) | (1.01) |
| Net asset backing per ordinary share | 2.13 | 3.28 |

Appendix 4E

Fairfax Media Limited and Controlled Entities

for the period ended 28 June, 2009

Underlying Trading Performance

| | Note | As reported | | Note | Adjustments | | Underlying trading performance | |
|---|-------|--------------|--------------|------|--------------|--------------|--------------------------------|--------------|
| | | 28 June 2009 | 29 June 2008 | | 28 June 2009 | 29 June 2008 | 28 June 2009 | 29 June 2008 |
| | | \$'000 | \$'000 | | \$'000 | \$'000 | \$'000 | \$'000 |
| Total Revenue | (i) | 2,605,092 | 2,908,963 | | (5,167) | - | 2,599,925 | 2,908,963 |
| Associate profits | (ii) | 2,050 | 8,735 | | - | - | 2,050 | 8,735 |
| Expenses | (iii) | 2,666,141 | 2,099,355 | (v) | (669,171) | (12,817) | 1,996,970 | 2,086,538 |
| Operating EBITDA | | (58,999) | 818,343 | | 664,004 | 12,817 | 605,005 | 831,160 |
| Depreciation & amortisation | | 117,556 | 108,295 | (v) | (316) | 778 | 117,240 | 109,073 |
| EBIT | | (176,555) | 710,048 | | 664,320 | 12,039 | 487,765 | 722,087 |
| Net interest expense | (iv) | 174,861 | 186,875 | | - | - | 174,861 | 186,875 |
| Net (loss)/profit before tax | | (351,416) | 523,173 | | 664,320 | 12,039 | 312,904 | 535,212 |
| Tax expense | | 29,672 | 135,683 | (v) | 41,883 | 3,612 | 71,555 | 139,295 |
| Net (loss)/profit after tax | | (381,088) | 387,490 | | 622,437 | 8,427 | 241,349 | 395,917 |
| Net (loss)/profit attributable to outside equity interest | | (1,038) | 612 | | - | - | (1,038) | 612 |
| Net (loss)/profit attributable to members of the Company | | (380,050) | 386,878 | | 622,437 | 8,427 | 242,387 | 395,305 |
| (Loss)/earnings per share | (vi) | (21.6) | 22.9 | | | | 12.4 | 23.4 |

Notes:

- (i) Revenue from ordinary activities excluding interest income
- (ii) Share of net profits of associates and joint ventures
- (iii) Expenses from ordinary activities excluding depreciation and finance costs
- (iv) Interest income less finance costs
- (v) Significant and non recurring items
- (vi) 29 June 2008 earnings per share has been adjusted to reflect the bonus element inherent in the 3 for 5 rights issue completed in April 2009.

Appendix 4E

Fairfax Media Limited and Controlled Entities

for the period ended 28 June, 2009

Compliance Statement

The following sets out the requirements of Appendix 4E and should be cross referenced to the 2009 Consolidated Preliminary Final Report, which is attached.

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views and other standards acceptable to the ASX.
2. This report and the Accounts upon which the report is based use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on accounts to which one of the following applies:
 - The accounts have been audited
 - The accounts 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 committee.



Sign here:

Date: 24th August 2009

Print Name: Brian McCarthy

Commentary on Results for the Financial Year

Refer to media release.

Consolidated Income Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Note | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|---|-------|--|--|-----------------------------------|-----------------------------------|
| Revenue from operations | 2(A) | 2,599,132 | 2,900,755 | 152 | 1,445 |
| Other revenue and income | 2(B) | 10,390 | 33,252 | 40,512 | 126,509 |
| Total revenue and income | | 2,609,522 | 2,934,007 | 40,664 | 127,954 |
| Share of net profits of associates and joint ventures | 11(C) | 2,050 | 8,735 | - | - |
| Expenses from operations excluding impairment, depreciation, amortisation and finance costs | 3(A) | (2,097,050) | (2,097,973) | (85,926) | (86,003) |
| Depreciation and amortisation | 3(B) | (117,556) | (108,295) | (7,363) | (9,514) |
| Property, plant and equipment, intangible and investment impairment | | (569,091) | (1,382) | (214,000) | - |
| Finance costs | 3(C) | (179,291) | (211,919) | (2) | (5) |
| Net (loss)/profit from operations before income tax expense | | (351,416) | 523,173 | (266,627) | 32,432 |
| Income tax (expense)/benefit | 5 | (29,672) | (135,683) | 21,452 | 26,754 |
| Net (loss)/profit from operations after income tax expense | | (381,088) | 387,490 | (245,175) | 59,186 |
| Net loss/(profit) attributable to minority interest | 26 | 1,038 | (612) | - | - |
| Net (loss)/profit attributable to members of the Company | | (380,050) | 386,878 | (245,175) | 59,186 |
| Earnings per share (cents per share) | | | | | |
| Basic (loss)/earnings per share (cents per share) | 27 | (21.6) | 22.9 | | |
| Diluted (loss)/earnings per share (cents per share) | 27 | (21.6) | 22.5 | | |

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

Consolidated Balance Sheets

Fairfax Media Limited and Controlled Entities as at 28 June, 2009

| | | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|---|-------|--|--|-----------------------------------|-----------------------------------|
| | Note | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 37(B) | 69,124 | 93,864 | 1,680 | 680 |
| Trade and other receivables | 7 | 358,210 | 499,126 | 1,652,813 | 1,277,111 |
| Inventories | 8 | 40,055 | 44,801 | - | - |
| Derivative assets | 16 | 173 | 3,519 | - | - |
| Assets held for sale | 9 | 6,062 | 2,222 | - | - |
| Income tax receivable | | 35,978 | - | 25,829 | - |
| Other current assets | 10 | - | 11,610 | - | - |
| Total current assets | | 509,602 | 655,142 | 1,680,322 | 1,277,791 |
| NON-CURRENT ASSETS | | | | | |
| Receivables | 7 | 2,474 | 3,683 | 398,566 | 401,122 |
| Investments accounted for using the equity method | 11 | 46,668 | 45,690 | - | - |
| Available for sale investments | 12 | 2,157 | 3,547 | - | - |
| Held to maturity investments | 13 | 13,216 | 14,686 | - | - |
| Intangible assets | 14 | 5,888,547 | 6,492,640 | 7,948 | 14,044 |
| Property, plant and equipment | 15 | 863,719 | 875,181 | 12,507 | 16,839 |
| Derivative assets | 16 | 152,742 | 59,417 | - | - |
| Pension assets | 17(A) | - | 5,542 | - | - |
| Deferred tax assets | 18(A) | 114,907 | 128,561 | 10,706 | 9,200 |
| Other financial assets | 19 | 1,175 | 122 | 2,924,215 | 3,143,723 |
| Other non-current assets | 10 | - | 8,890 | - | - |
| Total non-current assets | | 7,085,605 | 7,637,959 | 3,353,942 | 3,584,928 |
| Total assets | | 7,595,207 | 8,293,101 | 5,034,264 | 4,862,719 |
| CURRENT LIABILITIES | | | | | |
| Payables | 20 | 300,479 | 330,045 | 14,946 | 15,900 |
| Interest bearing liabilities | 21 | 183,557 | 15,816 | - | - |
| Derivative liabilities | 16 | 26,757 | 1,006 | - | - |
| Provisions | 22 | 128,692 | 159,837 | 7,202 | 7,385 |
| Current tax liabilities | | 2,454 | 5,456 | - | 14,279 |
| Total current liabilities | | 641,939 | 512,160 | 22,148 | 37,564 |
| NON-CURRENT LIABILITIES | | | | | |
| Interest bearing liabilities | 21 | 1,724,708 | 2,496,133 | - | - |
| Derivative liabilities | 16 | 47,730 | 121,251 | - | - |
| Deferred tax liabilities | 18(A) | 116,595 | 148,931 | 9,867 | 7,643 |
| Provisions | 22 | 49,003 | 45,398 | 401 | 703 |
| Pension liabilities | 17(A) | 2,685 | - | - | - |
| Other non-current liabilities | | 757 | 3,894 | - | - |
| Total non-current liabilities | | 1,941,478 | 2,815,607 | 10,268 | 8,346 |
| Total liabilities | | 2,583,417 | 3,327,767 | 32,416 | 45,910 |
| NET ASSETS | | 5,011,790 | 4,965,334 | 5,001,848 | 4,816,809 |
| EQUITY | | | | | |
| Contributed equity | 23 | 4,928,122 | 4,318,409 | 4,934,237 | 4,324,524 |
| Reserves | 24 | (163,381) | (186,063) | 3,987 | 1,750 |
| Retained profits | 25 | 237,604 | 821,987 | 63,624 | 490,535 |
| Total parent entity interest | | 5,002,345 | 4,954,333 | 5,001,848 | 4,816,809 |
| Minority interest | 26 | 9,445 | 11,001 | - | - |
| TOTAL EQUITY | | 5,011,790 | 4,965,334 | 5,001,848 | 4,816,809 |

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

Consolidated Statements of Recognised Income and Expense

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|---|--|--|-----------------------------------|-----------------------------------|
| Amounts recognised directly in equity | | | | |
| Cashflow hedge reserve, net of tax | (8,021) | 22,046 | - | - |
| Net investment hedge reserve, net of tax | (586) | 24,281 | - | - |
| Foreign currency translation reserve, net of tax | 28,219 | (250,865) | - | - |
| Changes in fair value of available for sale assets, net of tax | 833 | (801) | - | - |
| Actuarial loss on defined benefit plans, net of tax | (5,093) | (4,315) | - | - |
| Tax benefits recognised directly in equity | 7,502 | 8,427 | - | - |
| Reclassification of tax benefits to equity | - | 7,833 | - | - |
| Net income/(expense) recognised directly in equity | 22,854 | (193,394) | - | - |
| Net (loss)/profit from continuing operations after income tax expense | (381,088) | 387,490 | (245,175) | 59,186 |
| Total recognised income and expense for the financial period | (358,234) | 194,096 | (245,175) | 59,186 |
| Total recognised income and expense attributable to minority interest | 1,038 | (612) | - | - |
| Total recognised income and expense attributable to members of the Company | (357,196) | 193,484 | (245,175) | 59,186 |

The above Statements of Recognised Income and Expense should be read in conjunction with the accompanying Notes.

Consolidated Cash Flow Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | | Consolidated 28 June 2009 | Consolidated 29 June 2008 | Company 28 June 2009 | Company 29 June 2008 |
|---|-------|------------------------------|------------------------------|-------------------------|-------------------------|
| | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash flows from operating activities | | | | | |
| Receipts from customers (inclusive of GST) | | 2,957,559 | 3,192,965 | - | 673 |
| Payments to suppliers and employees (inclusive of GST) | | (2,327,923) | (2,461,003) | (77,029) | (76,173) |
| Interest received | | 4,673 | 25,177 | 40,512 | 26,509 |
| Dividends and distributions received | | 3,411 | 8,837 | - | 100,000 |
| Finance costs paid | | (182,962) | (209,511) | (2) | (6) |
| Net income taxes paid | | (69,861) | (136,219) | 4,180 | (26,636) |
| Net cash inflow/(outflow) from operating activities | 37(A) | 384,897 | 420,246 | (32,339) | 24,367 |
| Cash flows from investing activities | | | | | |
| Payment for purchase of controlled entities, associates and joint ventures (net of cash acquired) | | (59,191) | (586,735) | - | (1,389) |
| Payment for purchase of businesses, including mastheads | | (6,738) | (8,189) | - | - |
| Payment for property, plant, equipment and software | | (106,284) | (115,403) | (409) | (7,031) |
| Proceeds from sale of property, plant and equipment | | 16,431 | 5,181 | 4 | - |
| Proceeds from sale of investments and other assets | | 108,449 | 6,481 | - | - |
| Payments for convertible notes | | (1,100) | - | - | - |
| Loans advanced to controlled entities | | - | - | (400,316) | - |
| Loans advanced to other parties | | (17,056) | - | - | - |
| Loans repaid by controlled entities | | - | - | - | 150,085 |
| Net cash (outflow)/inflow from investing activities | | (65,489) | (698,665) | (400,721) | 141,665 |
| Cash flows from financing activities | | | | | |
| Proceeds from issue of shares | | 624,640 | 91,808 | 624,640 | 91,808 |
| Proceeds from issue of shares to minority interest shareholders | | 80 | - | - | - |
| Share issue costs | | (12,131) | - | (12,131) | - |
| Payment for shares acquired by employee share trust | | (12,443) | (14,621) | (12,443) | (14,621) |
| Proceeds from borrowings and other financial liabilities | | 22,511 | 352,763 | - | - |
| Repayment of borrowings and other financial liabilities | | (750,884) | (150,149) | - | - |
| Repayment of medium term notes | | (27,132) | - | - | - |
| Payments of facility fees | | (1,908) | - | - | - |
| Dividends and distributions paid to shareholders including SPS* | | (191,012) | (268,844) | (166,006) | (243,226) |
| Dividends paid to minority interests in subsidiaries | | (461) | (570) | - | - |
| Net cash (outflow)/inflow from financing activities | | (348,740) | 10,387 | 434,060 | (166,039) |
| Net (decrease)/increase in cash and cash equivalents held | | (29,332) | (268,032) | 1,000 | (7) |
| Cash and cash equivalents at beginning of the financial year | | 93,864 | 366,307 | 680 | 687 |
| Effect of exchange rate changes on cash and cash equivalents | | 4,592 | (4,411) | - | - |
| Cash and cash equivalents at end of the financial year | 37(B) | 69,124 | 93,864 | 1,680 | 680 |

* Under the terms of the DRP, \$15.7 million (2008: \$56.2 million) of dividends were paid via the issue of 5,558,472 ordinary shares (2008: 12,820,970 ordinary shares). A cash dividend payment of \$166.0 million (2008: \$243.2 million) was made to ordinary shareholders that did not elect to participate in the DRP.

Total cash dividends for the year totalled \$191.0 million (2008: \$268.8 million); this includes \$25.0 million (2008: \$25.6 million) made to stapled preference shareholders (SPS).

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

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 separate financial statements for Fairfax Media Limited as an individual entity and the consolidated entity consisting of Fairfax Media Limited and its controlled entities.

The financial report is for the period 30 June 2008 to 28 June 2009 (2008: the period 2 July 2007 to 29 June 2008). Reference in this report to 'a year' is to the period ended 28 June 2009 or 29 June 2008 respectively, unless otherwise stated.

(A) BASIS OF PREPARATION

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

As at 28 June 2009, the consolidated entity has net current liabilities of \$132.3 million. The consolidated entity has sufficient committed but unused facilities at the balance sheet date to finance its liabilities as and when they fall due, including maturing liabilities as disclosed in Note 21(B). In the opinion of the directors, Fairfax Media Limited will be able to continue to pay its debts as and when they fall due. As a result the financial report of the Company and its controlled entities has been prepared on a going concern basis.

Historical cost convention

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

Comparatives

Certain comparative amounts have been reclassified to be consistent with current year presentation.

(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 purchase 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.

Minority interest in the earnings and equity of controlled entities is shown separately in the consolidated income statement 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.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

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

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the net identifiable assets acquired represents goodwill (refer to Note 1(E)(i)).

(D) IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash generating unit is the grouping of assets at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

At each balance date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(E) INTANGIBLES

(i) Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is allocated to cash-generating units for the purposes of impairment testing (refer Note 1(D)). Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(ii) Other intangible assets

Mastheads and tradenames

The newspaper mastheads and tradenames have been assessed to have indefinite useful lives. Accordingly, they are not amortised, instead they are tested for impairment annually, or whenever there is an indication that the carrying value may be impaired, and are carried at cost less accumulated impairment losses.

The Group's mastheads and tradenames operate in established markets with limited license conditions and are expected to continue to complement the Group's new media initiatives. On this basis, the directors have determined that 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.

Radio licences

Radio licences, being commercial radio licences held by the consolidated entity under the provisions of the Broadcasting Services Act 1992, have been assessed to have indefinite useful lives. Accordingly, they are not amortised, instead they are tested for impairment annually, or whenever there is an indication that the carrying value may be impaired, and are carried at cost less accumulated impairment losses.

Web-Sites

Internal and external costs directly incurred in the development of web-sites are capitalised and amortised using a straight-line method over the assessed useful lives of the web-sites. Capitalised web-site costs are reviewed annually for potential impairment.

Computer software

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

Other

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

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

Intangible assets are tested for impairment annually (refer to Note 1(D)).

(F) FOREIGN CURRENCY

(i) Currency of presentation

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

(ii) Transactions and balances

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

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

(iii) Group entities

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the borrowings designated as hedges of the net investment in foreign entities are taken directly to a separate component of equity, the net investment hedge reserve.

On disposal of a foreign entity, or borrowings that form part of the net investment are repaid, the deferred cumulative amount of the exchange differences in the net investment hedge reserve relating to that foreign operation is recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(G) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be reliably measured. Advertising and circulation revenue from the sale of newspapers, magazines and other publications is recognised on publication net of expected returns and pricing adjustments. Revenue from rendering of services is recognised when control of a right to be compensated for the services has been attained and the stage of completion of the service contract can be reliably measured. Stage of completion is measured by reference to the services performed to date as a percentage of total estimated services to be performed for each contract. If a contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Revenue from dividends and distributions from controlled entities are recognised by the Company when they are declared by the controlled entities.

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

Revenue from the contribution of services and materials during the production of television programs and the licensing of copyright is recognised when the program is available for delivery, the contract is fully executed and the collectability is reasonably assured. Revenue from the provision of production services is recognised in accordance with the agreement for the project and is brought to account on a stage-of-completion basis. Revenue from royalties due from the ownership of a program copyright is recognised on an accrual basis in accordance with the agreement and is only brought to account where the amount of the royalty can be reliably estimated and collection is reasonably assured.

(H) INCOME TAX AND OTHER TAXES

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributed to temporary differences and to unused tax losses. Deferred tax assets and liabilities are recognised for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity.

Goods and Services Tax (GST)

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

- (i) where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables are stated with the amount of GST included.

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

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

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

Tax consolidation - Australia

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

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

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

(I) LEASES

(i) Finance leases

Assets acquired under finance leases which result in the consolidated entity receiving substantially all the risks and rewards of ownership of the asset are capitalised at the lease's inception at the lower of the fair value of the leased property or the estimated present value of the minimum lease payments. The corresponding finance lease obligation, net of finance charges, is included within interest bearing liabilities. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the liability for each accounting period. The leased asset is included in property, plant and equipment and is depreciated over the shorter of the estimated useful life of the asset or the lease term.

(ii) Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Net rental payments, excluding contingent payments, are recognised as an expense in the income statement on a straight-line basis over the period of the lease.

(iii) Onerous property costs

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

(J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term investments with original maturities of three months or less that are readily convertible to cash and subject to insignificant risk of changes in value. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

(K) TRADE AND OTHER RECEIVABLES

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

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

(L) INVENTORIES

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

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

Program copyright

Expenditure incurred in relation to film and television program copyright is capitalised and allocated against future licensing revenue. Licensing revenue forecasts are reviewed when events or changes in circumstances indicate that forecasts are unachievable, and the remaining capitalised balance is written down to net realisable value. Costs of developing new program concepts are expensed if the program does not proceed.

(M) AVAILABLE FOR SALE INVESTMENTS

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

(N) INVESTMENTS AND OTHER FINANCIAL ASSETS

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

The consolidated entity classifies and measures its investments as follows:

(i) Financial assets at fair value through profit and loss

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

(ii) Loans and receivables

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

(iii) Other financial assets

These assets are non-derivatives that are either designated or not classified in any of the other categories and measured at fair value. Any unrealised gains and losses arising from changes in fair value are included in equity, impairment losses are included in profit and loss. Investments in partnerships are carried at cost less impairment loss.

(iv) Held to maturity investments

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

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

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

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 either fair value hedges (hedges of the fair value of recognised assets or liabilities or a firm commitment) or cash flow hedges (hedges of highly probable forecast transactions).

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. 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. 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.

The consolidated entity's interest rate swaps and cross currency swaps held for hedging purposes are generally accounted for as cash flow hedges.

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.

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) OTHER ASSETS

Film investments

Costs associated with acquiring film investments are capitalised and allocated against future licensing revenue. Licensing revenue forecasts are reviewed regularly and when lower than the capitalised balance the remaining amount is written down to its recoverable amount. Classification of film investments between current and non current is based on when the amounts will be allocated.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

Distribution advances and costs

Advances and costs incurred for television program distribution rights are capitalised and allocated against future licensing revenue. An allowance for unrecoverable advances and costs is recorded where the amount is not expected to be fully recoverable out of future licensing revenue. Classification of distribution advances and costs between current and non current is based on when the amounts will be allocated.

(P) PROPERTY, PLANT AND EQUIPMENT

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

Recoverable amount

All items of property, plant and equipment are reviewed annually to ensure carrying values are not in excess of recoverable amounts. Recoverable amounts are based upon the present value of expected future cashflows.

Depreciation and amortisation

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

| | |
|----------------------------|----------------|
| Buildings | up to 60 years |
| Printing presses | up to 20 years |
| Other production equipment | up to 15 years |
| Other equipment | up to 40 years |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in the income statement.

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

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before balance date.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(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(I)).

Borrowing costs

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

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate. There were no borrowing costs capitalised during either of the past two financial years.

(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 balance date is recognised in current liabilities. The non-current provision relates to entitlements, including long service leave, which are expected to be payable after twelve months from balance date and are measured as the present value of expected future payments to be made in respect of services, employee departures and periods of service. Expected future payments are discounted using market yields at balance date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

(ii) Share-based payment transactions

Share based compensation benefits can be provided to employees in the form of shares and/or options. No options have been issued by the Company since the 2001 financial year.

The cost of share based payments is recognised over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The market value of shares issued to employees for no cash consideration under the Long Term Incentive Share Plan is recognised as an employee benefits expense over the vesting period (refer to Note 33).

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)).

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(iii) Defined benefit superannuation plans

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

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

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

(iv) Termination benefits

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

(v) Bonus plans

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

(U) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Stapled preference shares are classified as equity (refer Note 23(C)).

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

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

Debentures

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

The debentures are convertible into shares on a one-for-one basis at the option of the holder provided that conversion will not result in a breach of any of the following:

- (i) any provision of the Foreign Acquisitions and Takeovers Act 1975;
- (ii) any undertaking given by the Company to the Foreign Investment Review Board or at the request of the Foreign Investment Review Board from time to time; or
- (iii) any other applicable law including, without limitation the Broadcasting Act 1942.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(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

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Business segments are the consolidated entity's primary reporting format.

(X) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Impairment of goodwill and intangibles with indefinite useful lives

The Group tests annually whether goodwill and intangible assets with indefinite useful lives are impaired. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are detailed in Note 14.

(ii) Income taxes

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

(iii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in Note 33.

The Group measures the cost of share-based payments at fair value at the grant date using the Monte Carlo formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 33.

(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 17.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(v) Held to maturity investments

The Group follows the AASB 139 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances explained in AASB 139, it will be required to reclassify the whole class as available for sale. The investments would therefore be measured at fair value not amortised cost which would result in a corresponding entry in the fair value reserve in shareholders' equity. Furthermore, the entity would not be able to classify any financial assets as held to maturity for the following two financial years.

(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 UIG INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 28 June 2009 reporting periods. The Group and the Company's assessment of the impact of these new standards and interpretations is set out below:

| Reference | Title | Summary | Application date of standard* | Impact on Group financial report | Application date for Group* |
|------------------------------------|--|---|-------------------------------|---|-----------------------------|
| AASB 8 and AASB 2007-3 | Operating Segments and consequential amendments to other Australian Accounting Standards | New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting. | 1 January 2009 | AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. The amendments may have an impact on the Group's segment disclosures in fiscal 2010. | 29 June 2009 |
| AASB 123 (Revised) and AASB 2007-6 | Borrowing Costs and consequential amendments to other Australian Accounting Standards | The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. | 1 January 2009 | These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report. | 29 June 2009 |
| AASB 101 (Revised) and AASB 2007-8 | Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards | Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements. | 1 January 2009 | These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements. | 29 June 2009 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| Reference | Title | Summary | Application date of standard* | Impact on Group financial report | Application date for Group* |
|---|---|--|-------------------------------|--|-----------------------------|
| AASB 2008-1 | Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations | The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. | 1 January 2009 | The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any. | 29 June 2009 |
| AASB 2008-2 | Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation | The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities. | 1 January 2009 | These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments. | 29 June 2009 |
| AASB 3 (Revised) | Business Combinations | The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively. | 1 July 2009 | The Group has not yet concluded on which accounting policy to adopt. | 29 June 2009 |
| AASB 127 (Revised) | Consolidated and Separate Financial Statements | Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction. | 1 July 2009 | If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement. | 29 June 2009 |
| AASB 2008-3 | Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 | Amending standard issued as a consequence of revisions to AASB 3 and AASB 127. | 1 July 2009 | Refer to AASB 3 (Revised) and AASB 127 (Revised) above | 29 June 2009 |
| Amendments to International Financial Reporting Standards | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value. | 1 January 2009 | Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value. | 29 June 2009 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| Reference | Title | Summary | Application date of standard* | Impact on Group financial report | Application date for Group* |
|---|--|---|--|--|-----------------------------|
| Amendments to International Financial Reporting Standards | Improvements to IFRSs | The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. | 1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009. | The Group has not yet determined the extent of the impact of the amendments, if any. | 29 June 2009 |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches. | 1 January 2009 | The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held. | 29 June 2009 |
| AASB Int.17 and AASB 2008-13 | Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110 | The interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions | 1 July 2009 | The interpretation is unlikely to have any impact on the Group. | 29 June 2009 |
| AASB Int 18 | Transfers of Assets from Customers | This interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an exchange transaction. | Applies prospectively to transfers of assets from customers received on or after 1 July 2009 | The Group has not yet determined the extent of the impact of the amendments, if any. | 29 June 2009 |
| AASB 2008-8 | Amendments to Australian Accounting Standards - Eligible Hedged Items | The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist. | 1 July 2009 | The Group has not yet determined the extent of the impact of the amendments, if any. | 29 June 2009 |
| AASB 2009-2 | Amendments to Australian Accounting Standard- Improving Disclosures about Financial Instruments (AASB 4,AASB 7, AASB 1023 & AASB 1038) | The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: - quoted prices in active markets for identical assets or liabilities(level1) - inputs other than quoted price included in level 1 that are observable for the asset or liability, either directly or indirectly; and- inputs for the assets or liabilities that are not based on observable market data. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7. | 1 January 2009 | The Group has not yet determined the extent of the impact of the amendments, if any. | 29 June 2009 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| Reference | Title | Summary | Application date of standard* | Impact on Group financial report | Application date for Group* |
|---|---|--|-------------------------------|--|-----------------------------|
| AASB 2009-4 | Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 2 and AASB 138 and AASB Intp 9 & 16) | The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance is that made to IFRIC 16 which allows qualifying hedge instruments to be held by an entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedge relationships will be eligible for hedge accounting as a result of the amendment. | 1 July 2009 | The Group has not yet determined the extent of the impact of the amendments, if any. | 29 June 2009 |
| AASB 2009-5 | Further amendments to Australian Accounting Standards arising from the Annual Improvement Project (AASB 5,8,101,117, 118, 136 & 139) | The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. | 1 January 2010 | No major impact expected on the Group. | 28 June 2010 |
| Amendments to International Financial Reporting Standards | Amendments to IFRS 2 | The amendments clarify the accounting for group cash settled share based payment transactions in particular the scope of AASB 2 and the interaction between IFRS2 and other standards. An entity that receives goods or services in a share based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction and no matter whether the transaction is settled in shares or cash. The amendments also incorporate guidance previously included in IFRIC 2 and IFRIC 11/IFRS 2-Group and Treasury Share Transactions. As a result, IFRIC 8 & 11 have been withdrawn. | 1 January 2010 | The Group has not yet determined the extent of the impact of the amendments, if any. | 28 June 2010 |

*designates the beginning of the applicable annual reporting period unless otherwise stated

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|---|--|--|-----------------------------------|-----------------------------------|
| 2. Revenues | | | | |
| (A) REVENUE FROM OPERATIONS | | | | |
| Revenue generated from sales of: | | | | |
| Newspapers and magazines | 1,977,187 | 2,276,638 | - | - |
| Broadcasting | 106,320 | 77,538 | - | - |
| Television production | 57,046 | 98,176 | - | - |
| Online and other | 359,371 | 327,508 | 152 | 1,445 |
| Total revenue from sale of goods | 2,499,924 | 2,779,860 | 152 | 1,445 |
| Revenue from printing and other services | 99,208 | 120,895 | - | - |
| Total sales revenue | 2,599,132 | 2,900,755 | 152 | 1,445 |
| (B) OTHER REVENUE AND INCOME | | | | |
| Interest income | | | | |
| Wholly owned controlled entities | - | - | 40,270 | 26,368 |
| Other corporations | 4,430 | 25,044 | 242 | 141 |
| Dividend/distribution revenue | | | | |
| Wholly owned controlled entities | - | - | - | 100,000 |
| Other corporations | 36 | 128 | - | - |
| Net gain on sale of property, plant and equipment | 757 | 2,430 | - | - |
| Net gain on foreign exchange | - | 2,933 | - | - |
| Other | 5,167 | 2,717 | - | - |
| Total other revenue and income | 10,390 | 33,252 | 40,512 | 126,509 |
| Total revenue and income | 2,609,522 | 2,934,007 | 40,664 | 127,954 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|--|--|--|-----------------------------------|-----------------------------------|
| 3. Expenses | | | | |
| (A) EXPENSES BEFORE IMPAIRMENT, DEPRECIATION, AMORTISATION AND FINANCE COSTS | | | | |
| Staff costs excluding staff redundancy costs | 939,358 | 951,943 | 26,424 | 35,654 |
| Staff redundancy costs | 79,727 | 11,423 | 11,631 | 7,446 |
| Newsprint and paper | 265,161 | 311,807 | - | - |
| Distribution and other production costs | 289,810 | 313,006 | - | 2 |
| Promotion and advertising costs | 115,143 | 108,572 | 158 | 343 |
| Rent and outgoings | 68,115 | 62,434 | 3,989 | 1,538 |
| Repairs and maintenance | 32,139 | 32,426 | 2,051 | 6,769 |
| Communication costs | 25,663 | 24,056 | 1,931 | 931 |
| News services | 18,843 | 16,522 | 70 | 31 |
| Computer costs | 22,316 | 19,917 | 7,005 | 5,884 |
| Fringe benefits tax, travel and entertainment | 30,030 | 34,886 | 1,126 | 2,263 |
| Royalties and copyright payments | 24,826 | 44,985 | 123 | 10 |
| Professional fees | 40,849 | 35,947 | 10,614 | 9,942 |
| Other | 145,070 | 130,049 | 20,804 | 15,190 |
| Total expenses before impairment, depreciation, amortisation, and finance costs | 2,097,050 | 2,097,973 | 85,926 | 86,003 |
| (B) DEPRECIATION AND AMORTISATION | | | | |
| Depreciation of freehold property | 5,199 | 4,860 | - | - |
| Depreciation of plant and equipment | 80,227 | 79,834 | 2,523 | 7,183 |
| Amortisation of leasehold property/buildings | 2,905 | 2,303 | 181 | 41 |
| Amortisation of software | 27,307 | 19,385 | 4,659 | 2,290 |
| Amortisation of customer relationships | 1,918 | 1,913 | - | - |
| Total depreciation and amortisation | 117,556 | 108,295 | 7,363 | 9,514 |
| (C) FINANCE COSTS | | | | |
| Finance costs | | | | |
| External corporations/persons | 174,503 | 207,124 | 2 | 5 |
| Finance lease | 4,788 | 4,795 | - | - |
| Total finance costs | 179,291 | 211,919 | 2 | 5 |
| (D) DETAILED EXPENSE DISCLOSURES | | | | |
| Operating lease rental expense | 48,965 | 43,583 | 3,199 | 507 |
| Defined contribution fund expense | 58,222 | 56,053 | 2,439 | 2,460 |
| Share based payments expense | 2,237 | 4,429 | 2,237 | 4,429 |
| Net foreign exchange loss | 2,152 | - | - | - |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|--|--|--|-----------------------------------|-----------------------------------|
| 4. Significant items | | | | |
| The profit after tax from operations includes the following items where disclosure is relevant in explaining the financial performance of the consolidated entity. | | | | |
| Property - Comprising: | | | | |
| Property costs associated with the relocation from Darling Park to the new facility at One Darling Island, Pyrmont | - | (2,398) | - | - |
| Onerous lease property costs * | (8,857) | - | - | - |
| Income tax benefit | 2,657 | 719 | - | - |
| Property loss, net of tax | (6,200) | (1,679) | - | - |
| Intangible and investment impairments - Comprising: | | | | |
| Impairment of mastheads, licences, goodwill and investments | (512,987) | - | (214,000) | - |
| Loss on sale of Southern Star Group | (38,721) | - | - | - |
| Income tax benefit | 6,558 | - | - | - |
| Intangibles and investment impairments, net of tax | (545,150) | - | (214,000) | - |
| Property, plant and equipment impairment and restructuring - Comprising: | | | | |
| Impairment of property, plant and equipment | (23,228) | 778 | - | - |
| Restructuring and redundancy charges | (85,694) | (10,419) | - | - |
| Income tax benefit | 32,668 | 2,893 | - | - |
| Property, plant and equipment impairment and restructuring, net of tax | (76,254) | (6,748) | - | - |
| Gain on repurchase of medium term notes | 5,167 | - | - | - |
| Net significant and non-recurring items after income tax expense | (622,437) | (8,427) | (214,000) | - |

* Onerous lease property costs include costs resulting from excess space due to restructure and relocation to new premises in the Group and the resulting write off of assets and fixtures that could not be relocated.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|--|--|--|-----------------------------------|-----------------------------------|
| 5. Income tax expense | | | | |
| Income tax expense is reconciled to prima facie income tax payable as follows: | | | | |
| Net (loss)/profit before income tax expense | (351,416) | 523,173 | (266,627) | 32,432 |
| Prima facie income tax at 30% (2008: 30%) | (105,425) | 156,952 | (79,988) | 9,730 |
| Tax effect of differences: | | | | |
| Share of net losses/(profits) of associates and joint ventures | 21 | (1,476) | - | - |
| Capital gains taxable/(not taxable) | 9,397 | (6,017) | 1,652 | - |
| Non assessable dividends | (9) | (74) | - | (30,000) |
| Over provision in prior financial years | (8,592) | (2,633) | (5,763) | (2,396) |
| Overseas tax rate and accounting differentials | (20,428) | (13,876) | - | - |
| Temporary differences not recognised on intangible and other asset write-offs | 151,004 | - | 64,200 | - |
| Non-deductible items | 2,286 | 2,555 | 430 | 1,519 |
| Non-deductible depreciation and amortisation | 16 | - | - | - |
| Intragroup provision transfers | - | - | (1,645) | (5,607) |
| Other | 1,402 | 252 | (338) | - |
| Income tax expense/(benefit) | 29,672 | 135,683 | (21,452) | (26,754) |
| Current income tax expense/(benefit) | 21,473 | 156,532 | (21,673) | (20,548) |
| Deferred income tax expense/(benefit) | 16,791 | (18,216) | 5,984 | (3,810) |
| Over provision in prior financial years | (8,592) | (2,633) | (5,763) | (2,396) |
| Income tax expense/(benefit) in the income statement | 29,672 | 135,683 | (21,452) | (26,754) |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|--|--|--|-----------------------------------|-----------------------------------|
| 6. Dividends paid and proposed | | | | |
| (A) ORDINARY SHARES | | | | |
| Interim 2009 75% franked dividend: 2 cents - paid 19 March 2009 (2008: 75% franked 10 cents - paid 31 March 2008) | 30,382 | 151,418 | 30,382 | 151,418 |
| Final 2008 75% franked dividend: 10 cents - paid 2 October 2008 (2007: fully franked 10 cents - paid 27 September 2007) | 151,354 | 147,964 | 151,354 | 147,964 |
| Total dividends paid - ordinary shares | 181,736 | 299,382 | 181,736 | 299,382 |
| (B) STAPLED PREFERENCE SHARES (SPS) | | | | |
| SPS dividend: | | | | |
| 2009: \$3.3580 per share - paid 30 April 2009 | 10,276 | - | - | - |
| 2009: \$4.8138 per share - paid 31 October 2008 | 14,730 | - | - | - |
| 2008: \$4.3341 per share - paid 30 April 2008 | - | 13,262 | - | - |
| 2008: \$4.0404 per share - paid 31 October 2007 | - | 12,356 | - | - |
| Total dividends paid - SPS | 25,006 | 25,618 | - | - |
| Total dividends paid | 206,742 | 325,000 | 181,736 | 299,382 |

(C) DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY

Since balance date no dividends have been declared.

| | Company 2009 \$'000 | Company 2008 \$'000 |
|---|---------------------------|---------------------------|
| (D) FRANKED DIVIDENDS | | |
| Franking account balance as at balance date at 30% (2008: 30%) | 1,158 | 10,030 |
| Franking credits that will arise from the payment of income tax payable balances as at the end of the financial year | - | 7,927 |
| Total franking credits available for subsequent financial years based on a tax rate of 30% | 1,158 | 17,957 |

On a tax-paid basis, the Company's franking account balance is approximately \$1.2 million (2008: \$10.0 million). The Company expects to have sufficient franking account credits arising from payment of income tax payable.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|--------------------------------------|--|--|-----------------------------------|-----------------------------------|
| 7. Receivables | | | | |
| Current | | | | |
| Trade debtors * | 311,521 | 439,427 | - | - |
| Provision for doubtful debts | (9,839) | (9,515) | - | - |
| | 301,682 | 429,912 | - | - |
| Loans to related parties ** | - | - | 1,651,230 | 1,273,644 |
| Loans and deposits | 15,936 | 274 | 21 | - |
| Prepayments | 11,264 | 16,771 | 1,236 | 2,624 |
| Other | 29,328 | 52,169 | 326 | 843 |
| Total current receivables | 358,210 | 499,126 | 1,652,813 | 1,277,111 |
| Non-current | | | | |
| Loans to related parties *** | - | - | 398,566 | 398,566 |
| Loans and deposits | 2,189 | 1,102 | - | - |
| Prepayments | - | 2,008 | - | 2,008 |
| Other | 285 | 573 | - | 548 |
| Total non-current receivables | 2,474 | 3,683 | 398,566 | 401,122 |

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

** Loans to related parties current are non-interest bearing and are repayable at call

*** Loans to related parties non-current are interest bearing deriving interest of 9.5% p.a. and are repayable on 27 June 2015, although this term may be extended upon mutual agreement of the parties

IMPAIRED TRADE DEBTORS

As at 28 June 2009, trade debtors of the Group with a nominal value of \$9.8 million (2008: \$9.5m) were impaired and fully provided for. Refer to Note 38(C) for the factors considered in determining whether trade debtors are impaired.

As at 28 June 2009, an analysis of trade debtors that are not considered as impaired is as follows:

| | Consolidated 2009 \$'000 | Consolidated 2008 \$'000 | Company 2009 \$'000 | Company 2008 \$'000 |
|-----------------------|--------------------------------|--------------------------------|---------------------------|---------------------------|
| Not past due | 158,656 | 239,371 | - | - |
| Past due 0 - 30 days | 115,251 | 148,590 | - | - |
| Past due 31 - 60 days | 14,246 | 21,151 | - | - |
| Past 60 days | 13,529 | 20,800 | - | - |
| | 301,682 | 429,912 | - | - |

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

Movements in the provision for doubtful debts are as follows:

| | Consolidated 2009 \$'000 | Consolidated 2008 \$'000 |
|---|--------------------------------|--------------------------------|
| Balance at the beginning of the financial year | 9,515 | 5,711 |
| Additional provisions | 5,982 | 4,081 |
| Acquisition of controlled entities | - | 2,469 |
| Utilised | (5,691) | (2,566) |
| Exchange differences | 33 | (180) |
| Balance at the end of the financial year | 9,839 | 9,515 |

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|--|--|--|-----------------------------------|-----------------------------------|
| 8. Inventories | | | | |
| Raw materials and stores - at net realisable value | 37,019 | 39,225 | - | - |
| Finished goods - at cost | 2,962 | 3,852 | - | - |
| Work in progress - at cost | 74 | 1,724 | - | - |
| Total inventories | 40,055 | 44,801 | - | - |

9. Assets held for sale

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|-----------------------------------|--|--|-----------------------------------|-----------------------------------|
| Freehold land and buildings | 6,062 | 2,222 | - | - |
| Total assets held for sale | 6,062 | 2,222 | - | - |

A decision was taken prior to 28 June 2009 to sell two properties based in Australia and the UK. On remeasure of the properties at the lower of carrying amount and fair value less costs to sell, an impairment charge of \$1.2 million was recognised against the assets. The sale of the Australian based property is due to settle in the next nine months. The UK property is being actively marketed.

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|---|--|--|-----------------------------------|-----------------------------------|
| 10. Other assets | | | | |
| Current | | | | |
| Distribution advances and costs | - | 5,903 | - | - |
| Film investments | - | 12,449 | - | - |
| Provision for impairment of film investments | - | (6,742) | - | - |
| | - | 5,707 | - | - |
| Total other current assets | - | 11,610 | - | - |
| Non-current | | | | |
| Distribution advances and costs | - | 29,847 | - | - |
| Provision for impairment of distribution advances and costs | - | (20,957) | - | - |
| Total other non-current assets | - | 8,890 | - | - |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Note | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|--|--------|--|--|-----------------------------------|-----------------------------------|
| 11. Investments accounted for using the equity method | | | | | |
| Shares in associates | (A)(i) | 26,632 | 14,764 | - | - |
| Shares in joint ventures | (B)(i) | 20,036 | 30,926 | - | - |
| Total investments accounted for using the equity method | | 46,668 | 45,690 | - | - |

(A) INTERESTS IN ASSOCIATES

| Name of Company | Principal Activity | Place of Incorporation | Ownership interest | |
|---|--|---------------------------|--------------------|--------------|
| | | | 28 June 2009 | 29 June 2008 |
| Australian Associated Press Pty Ltd | News agency business and information service | Australia | 47.0% | 47.0% |
| Autobase Limited | E-commerce: online vehicle dealer automotive website | New Zealand | 25.4% | 25.4% |
| Digital Radio Broadcasting Melbourne Pty Ltd* | Digital audio broadcasting | Australia | 18.0% | 18.0% |
| Digital Radio Broadcasting Perth Pty Ltd* | Digital audio broadcasting | Australia | 33.4% | 33.4% |
| Digital Radio Broadcasting Brisbane Pty Ltd* | Digital audio broadcasting | Australia | 25.0% | 25.0% |
| Digital Radio Broadcasting Sydney Pty Ltd* | Digital audio broadcasting | Australia | 11.3% | 9.0% |
| Earth Hour Limited | Environmental promotion | Australia | 33.3% | 33.3% |
| Executive Publishing Network Pty Ltd** | Magazine publishing | Australia | 30.0% | 30.0% |
| Guardian Print Limited | Printing facility | New Zealand | 25.0% | 25.0% |
| Homebush Transmitters Pty Ltd | Rental of a transmission facility | Australia | 50.0% | 50.0% |
| Newspaper House Limited | Property ownership | New Zealand | 45.5% | 45.5% |
| New Zealand Press Association Ltd | News agency business and financial information service | New Zealand | 49.2% | 49.2% |
| NGA.net Pty Ltd | Provider of e-recruitment software to corporations | Australia | 30.0% | 30.0% |
| Online Marketing Group Pty Limited*** | E-commerce: Online marketing | Australia | 48.0% | - |
| Perth FM Facilities Pty Ltd | Rental of a transmission facility | Australia | 33.3% | 33.3% |
| Times Newspapers Limited | Newspaper publishing | New Zealand | 49.9% | 49.9% |

* Investments in Digital Radio Broadcasting companies acquired on 28 April 2008.

** This company was deregistered on 22 July 2009.

*** Investment was acquired on 22 October 2008.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 |
|---|--|--|
| (i) Carrying amount of investment in associates | | |
| Balance at the beginning of the financial year | 14,764 | 13,545 |
| Investments in associates acquired during the year | 12,641 | 100 |
| Adjustment for foreign exchange revaluation | 19 | (868) |
| Share of associates' net (loss)/profit after income tax expense | (405) | 2,427 |
| Dividends received/receivable from associates | (387) | (340) |
| Investments in associates disposed during the year | - | (100) |
| Balance at end of the financial year | 26,632 | 14,764 |
| (ii) Share of associates' profits | | |
| (Loss)/profit before income tax expense | (450) | 2,607 |
| Income tax benefit/(expense) | 45 | (180) |
| Net (loss)/profit after income tax expense | (405) | 2,427 |
| (iii) Share of associates' assets and liabilities | | |
| Current assets | 13,969 | 10,434 |
| Non-current assets | 23,633 | 21,436 |
| Total assets | 37,602 | 31,870 |
| Current liabilities | 9,894 | 5,739 |
| Non-current liabilities | 4,176 | 3,104 |
| Total liabilities | 14,070 | 8,843 |

(B) INTERESTS IN JOINT VENTURES

| Name of Company | Principal Activity | Place of Incorporation | Ownership interest | |
|---------------------------------------|--------------------------------------|---------------------------|--------------------|--------------|
| | | | 28 June 2009 | 29 June 2008 |
| Advantate Pty Ltd | E-commerce: Online Marketing | Australia | 50.0% | 50.0% |
| Columbia Press Pty Ltd | Newspaper publishing and printing | Australia | 50.0% | 50.0% |
| Endemol Southern Star (NZ) Pty Ltd* | Television program production | New Zealand | - | 49.0% |
| Endemol Southern Star Pty Ltd* | Television program production | Australia | - | 49.0% |
| Fermax Distribution Company Pty Ltd** | Letterbox distribution of newspapers | Australia | 50.0% | - |
| Gilgandra Newspapers Pty Ltd | Newspaper publishing and printing | Australia | 50.0% | 50.0% |
| Gippsland Regional Partnership | Newspaper publishing and printing | Australia | 50.0% | 50.0% |
| Hi-5 Operations Pty Ltd* | Television program production | Australia | - | 50.0% |
| The Columbia Group Pty Ltd | Newspaper publishing and printing | Australia | 50.0% | 50.0% |
| Torch Publishing Company Pty Ltd | Newspaper publishing and printing | Australia | 50.0% | 50.0% |

* Investment in joint venture was disposed of as part of the sale of the Southern Star Group on 6 April 2009.

** Investment was acquired on 2 July 2008.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 |
|--|--|--|
| (i) Carrying amount of investment in joint ventures | | |
| Balance at the beginning of the financial year | 30,926 | 20,933 |
| Share of joint ventures' net profit after income tax expense | 2,455 | 6,308 |
| Interests in joint venture acquired during the year | 1,150 | 12,053 |
| Dividends received/receivable from joint venture | (3,023) | (8,368) |
| Investment in joint venture disposed during the year | (11,472) | - |
| Balance at end of the financial year | 20,036 | 30,926 |
| (ii) Share of joint ventures' profits | | |
| Revenues | 27,845 | 31,999 |
| Expenses | (24,477) | (23,991) |
| Profit before income tax expense | 3,368 | 8,008 |
| Income tax expense | (913) | (1,700) |
| Net profit after income tax expense | 2,455 | 6,308 |
| (iii) Share of joint ventures' assets and liabilities | | |
| Current assets | 4,151 | 17,636 |
| Non-current assets | 18,720 | 10,840 |
| Total assets | 22,871 | 28,476 |
| Current liabilities | 2,491 | 9,559 |
| Non-current liabilities | 465 | 1,154 |
| Total liabilities | 2,956 | 10,713 |
| (C) SHARE OF NET PROFITS OF ASSOCIATES AND JOINT VENTURES | | |
| Profit before income tax expense | 2,918 | 10,615 |
| Income tax expense | (868) | (1,880) |
| Net profit after income tax expense | 2,050 | 8,735 |

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|---|--|--|-----------------------------------|-----------------------------------|
| 12. Available for sale investments | | | | |
| Listed equity securities - at fair value | 2,157 | 3,547 | - | - |
| Total available for sale investments | 2,157 | 3,547 | - | - |

Available for sale investments consist of investments in ordinary shares and have no fixed maturity date. During the financial year, an impairment charge of \$2.2 million (2008: \$1.4 million) was recognised in the income statement in respect of several investments due to a significant decline in the share price of the investments during the financial year.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|---|--|--|-----------------------------------|-----------------------------------|
| 13. Held to maturity investments | | | | |
| Bonds | 13,216 | 14,686 | - | - |
| Total held to maturity investments | 13,216 | 14,686 | - | - |

The annuity bonds issued by Paperbonds Limited, which were acquired on 8 March 2006 and are to be held to maturity in September 2015, have a face value of \$20.0 million. They are indexed to the consumer price index (CPI).

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|--------------------------------|--|--|-----------------------------------|-----------------------------------|
| 14. Intangible assets | | | | |
| Mastheads and tradenames | 3,353,633 | 3,715,455 | - | - |
| Software | 61,726 | 62,250 | 7,948 | 14,044 |
| Customer relationships | 12,380 | 14,298 | - | - |
| Radio licences | 132,217 | 146,245 | - | - |
| Goodwill | 2,328,591 | 2,554,392 | - | - |
| Total intangible assets | 5,888,547 | 6,492,640 | 7,948 | 14,044 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

RECONCILIATIONS

Reconciliations of the carrying amount of each class of intangible at the beginning and end of the current financial year are set out below:

| | Note | Radio licences \$'000 | Customer relationships \$'000 | Mastheads & tradenames \$'000 | Software \$'000 | Goodwill \$'000 | Total \$'000 |
|--|------|-----------------------------|-------------------------------------|-------------------------------------|--------------------|--------------------|------------------|
| (i) Consolidated | | | | | | | |
| At 1 July 2007 | | | | | | | |
| Cost | | 17,000 | 17,303 | 3,795,649 | 163,421 | 2,255,513 | 6,248,886 |
| Accumulated amortisation and impairment | | - | (892) | (6,666) | (110,285) | - | (117,843) |
| Net carrying amount | | 17,000 | 16,411 | 3,788,983 | 53,136 | 2,255,513 | 6,131,043 |
| Period ended 29 June 2008 | | | | | | | |
| Balance at beginning of the financial year | | 17,000 | 16,411 | 3,788,983 | 53,136 | 2,255,513 | 6,131,043 |
| Additions | | - | - | 27,035 | 28,864 | 7,937 | 63,836 |
| Disposals | | (6,369) | - | - | (106) | - | (6,475) |
| Acquisition of business combinations | | 135,614 | (200) | 39,885 | 1,438 | 372,472 | 549,209 |
| Amortisation charge | 3(B) | - | (1,913) | - | (19,385) | - | (21,298) |
| Exchange differences | | - | - | (140,448) | (1,697) | (81,530) | (223,675) |
| At 29 June 2008, net of accumulated amortisation and impairment | | 146,245 | 14,298 | 3,715,455 | 62,250 | 2,554,392 | 6,492,640 |
| At 29 June 2008 | | | | | | | |
| Cost | | 146,245 | 17,103 | 3,722,121 | 188,748 | 2,554,392 | 6,628,609 |
| Accumulated amortisation and impairment | | - | (2,805) | (6,666) | (126,498) | - | (135,969) |
| Net carrying amount | | 146,245 | 14,298 | 3,715,455 | 62,250 | 2,554,392 | 6,492,640 |
| Period ended 28 June 2009 | | | | | | | |
| Balance at beginning of the financial year | | 146,245 | 14,298 | 3,715,455 | 62,250 | 2,554,392 | 6,492,640 |
| Additions | | 27 | - | 662 | 26,345 | - | 27,034 |
| Disposals | | - | - | - | (4,298) | (93,692) | (97,990) |
| Acquisition of business combinations | | 10,406 | - | 1,723 | 4,651 | (594) | 16,186 |
| Amortisation charge | 3(B) | - | (1,918) | - | (27,307) | - | (29,225) |
| Impairment | | (24,461) | - | (381,270) | - | (138,045) | (543,776) |
| Exchange differences | | - | - | 17,063 | 85 | 6,530 | 23,678 |
| At 28 June 2009, net of accumulated amortisation and impairment | | 132,217 | 12,380 | 3,353,633 | 61,726 | 2,328,591 | 5,888,547 |
| At 28 June 2009 | | | | | | | |
| Cost | | 156,678 | 17,103 | 3,732,273 | 211,432 | 2,435,308 | 6,552,794 |
| Accumulated amortisation and impairment | | (24,461) | (4,723) | (378,640) | (149,706) | (106,717) | (664,247) |
| Net carrying amount | | 132,217 | 12,380 | 3,353,633 | 61,726 | 2,328,591 | 5,888,547 |
| (ii) Company | | | | | | | |
| At 1 July 2007 | | | | | | | |
| Cost | | - | - | - | 56,466 | - | 56,466 |
| Accumulated amortisation and impairment | | - | - | - | (35,049) | - | (35,049) |
| Net carrying amount | | - | - | - | 21,417 | - | 21,417 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | | | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|--|------|---|--|--|-----------------------------------|-----------------------------------|
| Period ended 29 June 2008 | | | | | | |
| Balance at beginning of the financial year | - | - | - | 21,417 | - | 21,417 |
| Additions | - | - | - | 1,833 | - | 1,833 |
| Disposals | - | - | - | (35) | - | (35) |
| Amortisation charge | 3(B) | - | - | (2,290) | - | (2,290) |
| Intercompany transfers | - | - | - | (6,881) | - | (6,881) |
| At 29 June 2008, net of accumulated amortisation and impairment | | | | 14,044 | | 14,044 |
| At 29 June 2008 | | | | | | |
| Cost | - | - | - | 53,392 | - | 53,392 |
| Accumulated amortisation and impairment | - | - | - | (39,348) | - | (39,348) |
| Net carrying amount | | | | 14,044 | | 14,044 |
| Period ended 28 June 2009 | | | | | | |
| Balance at beginning of the financial year | - | - | - | 14,044 | - | 14,044 |
| Additions | - | - | - | 576 | - | 576 |
| Disposals | - | - | - | (4) | - | (4) |
| Amortisation charge | 3(B) | - | - | (4,659) | - | (4,659) |
| Intercompany transfers | - | - | - | (2,009) | - | (2,009) |
| At 28 June 2009, net of accumulated amortisation and impairment | | | | 7,948 | | 7,948 |
| At 28 June 2009 | | | | | | |
| Cost | - | - | - | 53,776 | - | 53,776 |
| Accumulated amortisation and impairment | - | - | - | (45,828) | - | (45,828) |
| Net carrying amount | | | | 7,948 | | 7,948 |

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

Goodwill is allocated to CGU groups which represent the economic entity's main operational groups within geographic regions. The recoverable amount of each CGU which includes goodwill or indefinite life intangibles has been reviewed.

The recoverable amount of each CGU is determined based on value-in-use calculations using a five year cashflow projection and a terminal value. This method resulted in a higher recoverable amount than the fair value less costs to sell method. These calculations use cash flow projections based on financial budgets approved by the Directors for the 2010 financial year, after an adjustment for central overheads. Cash flows beyond the 2010 period are extrapolated using the estimated growth rates stated at (v) below. The growth rates do not exceed the long-term average historical growth rate for the businesses in which the CGU operates.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(iv) Allocation of goodwill and non-amortising intangibles to CGUs

For the financial year ended 28 June 2009, the consolidated entity allocated goodwill and non-amortising intangibles to the following CGU Groups:

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 |
|---|--|--|
| Allocation of goodwill to CGU Groups | | |
| New South Wales Metropolitan and Community Publications | 14,485 | 11,795 |
| Victorian Metropolitan and Community Publications | 54,854 | 54,623 |
| Regional Publications | 231,139 | 230,338 |
| Business Publications | 2,128 | 16,216 |
| Agricultural Publications | 20,521 | 39,863 |
| New Zealand Publications | - | 2,824 |
| Australian Digital | 70,911 | 66,969 |
| New Zealand Digital | 576,093 | 568,299 |
| Fairfax Radio Networks and Southern Star Group * | 178,937 | 363,230 |
| Fairfax Printing | 577,910 | 577,910 |
| Australian Printing and Publishing | 601,613 | 622,325 |
| Total goodwill | 2,328,591 | 2,554,392 |
| Allocation of non-amortising intangibles to CGU Groups | | |
| New South Wales Metropolitan and Community Publications | 434,082 | 650,779 |
| Victorian Metropolitan and Community Publications | 443,711 | 436,906 |
| Regional Publications | 1,082,339 | 1,175,697 |
| Business Publications | 162,523 | 167,050 |
| Agricultural Publications | 362,608 | 371,480 |
| New Zealand Publications | 833,753 | 879,181 |
| Australian Digital | 8,450 | 8,450 |
| New Zealand Digital | 26,167 | 25,912 |
| Fairfax Radio Networks and Southern Star Group * | 132,217 | 146,245 |
| Total indefinite life intangibles | 3,485,850 | 3,861,700 |
| Total goodwill and indefinite life intangibles | 5,814,441 | 6,416,092 |

* Southern Star Group was disposed of on the 6 April 2009.

No goodwill or indefinite life intangibles are allocated to a CGU in the Company.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

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

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

- no significant increase in budgeted gross margin or growth rate from the 28 June 2009 financial year for fiscal 2010. This is based on past performance, anticipated market conditions and expected efficiency improvements.
- growth rates of 3% for digital transaction CGUs, between 5% to 12.5% for publication CGUs and between 10% to 12.5% for combined online/publication CGUs for years 1 to 5.
- the weighted average growth rates used are consistent with forecasts included in industry reports.
- the budgeted exchange rate prevailing at balance date is used when converting foreign cashflows on foreign mastheads. The exchange rate of 1.30 has been applied to New Zealand mastheads.
- the post-tax discount rate applied to the cash flow projections was 9.8% (2008: 10.5%).
- a terminal value of 2.75% has been used (2008: 3%) for cashflows from year 6 onwards.

(vi) Impact of possible change in key assumptions

If the discount rate applied to the cash flow projections was increased by 0.2%, an aggregated impairment of \$55.2 million would result across three CGUs. If a 10.5% discount rate was applied an aggregated impairment of \$403.7 million would result across various CGUs. Management does not consider that there are any other reasonably possible changes in any of the key assumptions which would cause the carrying amount of any of the CGU Groups to exceed its recoverable amount.

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|--|--|--|-----------------------------------|-----------------------------------|
| 15. Property, plant and equipment | | | | |
| Freehold land and buildings | | | | |
| At cost | 272,176 | 266,515 | - | - |
| Provision for depreciation | (25,895) | (22,228) | - | - |
| Total freehold land and buildings | 246,281 | 244,287 | - | - |
| Leasehold buildings | | | | |
| At cost | 84,811 | 80,897 | 2,193 | 256 |
| Provision for depreciation | (20,560) | (18,325) | (414) | (116) |
| Total leasehold buildings | 64,251 | 62,572 | 1,779 | 140 |
| Plant and equipment | | | | |
| At cost | 1,173,383 | 1,163,748 | 39,078 | 37,740 |
| Provision for depreciation | (710,076) | (679,664) | (29,248) | (26,268) |
| Total plant and equipment | 463,307 | 484,084 | 9,830 | 11,472 |
| Capital works in progress - at cost | 89,880 | 84,238 | 898 | 5,227 |
| Total property, plant and equipment | 863,719 | 875,181 | 12,507 | 16,839 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

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 |
|--|------|--|--|----------------------------------|----------------------------------|-----------------|
| (i) Consolidated | | | | | | |
| At 1 July 2007 | | | | | | |
| Cost | | 39,111 | 253,719 | 80,887 | 1,127,646 | 1,501,363 |
| Accumulated depreciation and impairment | | - | (17,491) | (15,793) | (608,035) | (641,319) |
| Net carrying amount | | 39,111 | 236,228 | 65,094 | 519,611 | 860,044 |
| Period ended 29 June 2008 | | | | | | |
| Balance at beginning of financial year | | 39,111 | 236,228 | 65,094 | 519,611 | 860,044 |
| Additions/capitalisations | | 46,624 | 1,683 | 816 | 37,089 | 86,212 |
| Disposals | | - | (6,699) | (89) | (11,035) | (17,823) |
| Acquisition of controlled entities | | 25 | 25,329 | 1,616 | 23,512 | 50,482 |
| Depreciation charge | 3(B) | - | (4,860) | (2,303) | (79,834) | (86,997) |
| Assets classified as held for sale | 9 | - | (1,096) | (1,126) | - | (2,222) |
| Transfers to other asset categories | | - | - | (1,082) | 1,082 | - |
| Exchange differences | | (1,522) | (6,298) | (354) | (6,341) | (14,515) |
| At 29 June 2008, net of accumulated depreciation and impairment | | 84,238 | 244,287 | 62,572 | 484,084 | 875,181 |
| At 29 June 2008 | | | | | | |
| Cost | | 84,238 | 266,515 | 80,897 | 1,163,748 | 1,595,398 |
| Accumulated depreciation and impairment | | - | (22,228) | (18,325) | (679,664) | (720,217) |
| Net carrying amount | | 84,238 | 244,287 | 62,572 | 484,084 | 875,181 |
| Period ended 28 June 2009 | | | | | | |
| Balance at beginning of financial year | | 84,238 | 244,287 | 62,572 | 484,084 | 875,181 |
| Additions/capitalisations | | 6,194 | 10,440 | 6,248 | 81,572 | 104,454 |
| Disposals | | (402) | (478) | (1,732) | (2,449) | (5,061) |
| Acquisition of controlled entities | | - | 2,703 | 442 | 1,823 | 4,968 |
| Depreciation charge | 3(B) | - | (5,199) | (2,905) | (80,227) | (88,331) |
| Assets classified as held for sale | 9 | - | (5,527) | - | - | (5,527) |
| Transfers to other asset categories | | - | (235) | (392) | 627 | - |
| Impairment | | - | (511) | - | (22,566) | (23,077) |
| Exchange differences | | (150) | 801 | 18 | 443 | 1,112 |
| At 28 June 2009, net of accumulated depreciation and impairment | | 89,880 | 246,281 | 64,251 | 463,307 | 863,719 |

Following a review of recoverable amount, an impairment charge of \$22.6m has been recorded against printing press assets at one of the Group's production facilities during the period.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

At 28 June 2009

| | | | | | |
|---|---------------|----------------|---------------|----------------|----------------|
| Cost | 89,880 | 272,176 | 84,811 | 1,173,383 | 1,620,250 |
| Accumulated depreciation and impairment | - | (25,895) | (20,560) | (710,076) | (756,531) |
| Net carrying amount | 89,880 | 246,281 | 64,251 | 463,307 | 863,719 |

(ii) Company

At 1 July 2007

| | | | | | |
|---|--------------|----------|------------|---------------|---------------|
| Cost | 5,332 | - | 582 | 44,959 | 50,873 |
| Accumulated depreciation and impairment | - | - | (144) | (27,566) | (27,710) |
| Net carrying amount | 5,332 | - | 438 | 17,393 | 23,163 |

Period ended 29 June 2008

| | | | | | |
|--|-------|---|-------|---------|---------|
| Balance at beginning of financial year | 5,332 | - | 438 | 17,393 | 23,163 |
| Additions/capitalisations | (105) | - | - | 3,217 | 3,112 |
| Disposals | - | - | - | (7) | (7) |
| Intercompany transfers | - | - | (257) | (1,948) | (2,205) |
| Depreciation charge | 3(B) | - | (41) | (7,183) | (7,224) |

At 29 June 2008, net of accumulated depreciation and impairment

| | | | | | |
|--|-------|---|-----|--------|--------|
| | 5,227 | - | 140 | 11,472 | 16,839 |
|--|-------|---|-----|--------|--------|

At 29 June 2008

| | | | | | |
|---|--------------|----------|------------|---------------|---------------|
| Cost | 5,227 | - | 256 | 37,740 | 43,223 |
| Accumulated depreciation and impairment | - | - | (116) | (26,268) | (26,384) |
| Net carrying amount | 5,227 | - | 140 | 11,472 | 16,839 |

Period ended 28 June 2009

| | | | | | |
|--|---------|---|-------|---------|---------|
| Balance at beginning of financial year | 5,227 | - | 140 | 11,472 | 16,839 |
| Additions/capitalisations | (4,329) | - | 2,591 | 1,571 | (167) |
| Disposals | - | - | (634) | (197) | (831) |
| Intercompany transfers | - | - | (137) | (493) | (630) |
| Depreciation charge | 3(B) | - | (181) | (2,523) | (2,704) |

At 28 June 2009, net of accumulated depreciation and impairment

| | | | | | |
|--|-----|---|-------|-------|--------|
| | 898 | - | 1,779 | 9,830 | 12,507 |
|--|-----|---|-------|-------|--------|

At 28 June 2009

| | | | | | |
|---|------------|----------|--------------|--------------|---------------|
| Cost | 898 | - | 2,193 | 39,078 | 42,169 |
| Accumulated depreciation and impairment | - | - | (414) | (29,248) | (29,662) |
| Net carrying amount | 898 | - | 1,779 | 9,830 | 12,507 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|---|--|--|-----------------------------------|-----------------------------------|
| 16. Derivative financial instruments | | | | |
| Current assets | | | | |
| Forward contracts - cash flow hedges | 173 | 3,519 | - | - |
| Total current derivative assets | 173 | 3,519 | - | - |
| Non-current assets | | | | |
| Interest rate swap - cash flow hedge | - | 20,277 | - | - |
| Cross currency swap - cash flow hedge | 95,303 | 17,583 | - | - |
| Cross currency swap - fair value hedge | 38,677 | 107 | - | - |
| Cross currency swap - net investment hedge | 18,762 | 21,437 | - | - |
| Forward contracts - cash flow hedges | - | 13 | - | - |
| Total non-current derivative assets | 152,742 | 59,417 | - | - |
| Current liabilities | | | | |
| Cross currency swap - cash flow hedge | 26,007 | - | - | - |
| Share swap - fair value to profit and loss | 486 | 719 | - | - |
| Forward contracts - cash flow hedges | 264 | 287 | - | - |
| Total current derivative liabilities | 26,757 | 1,006 | - | - |
| Non-current liabilities | | | | |
| Interest rate swap - cash flow hedge | 29,605 | - | - | - |
| Cross currency swap - fair value hedge | 17,628 | 92,751 | - | - |
| Cross currency swap - cash flow hedge | 497 | 8,757 | - | - |
| Cross currency swap - fair value to profit and loss | - | 19,737 | - | - |
| Forward contracts - cash flow hedges | - | 6 | - | - |
| Total non-current derivative liabilities | 47,730 | 121,251 | - | - |

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

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

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

(A) HEDGING ACTIVITIES

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

At 28 June 2009, the Group held interest rate swaps and cross currency swaps designated as hedges of future contracted interest payments on the EUR denominated Eurobonds. The combined swaps are being used to hedge a combination of future movements in interest rates and foreign currency exchange rates.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

At 28 June 2009, the notional principal amounts and period of expiry of the swaps are as follows:

| | Maturity date | Interest rate | |
|---|---------------|---------------|-------|
| | | 2009 | 2008 |
| Pay fixed, receive floating - AUD\$550m | 15 June 2012 | 7.60% | 7.60% |

The swaps designated to cash flow hedges cover approximately 98% of the Eurobond principal outstanding, with the remaining 2% of the Eurobond hedges designated as fair value hedges. The contracts require settlement on interest receivable annually and interest payable each 90 days. These dates coincide with the interest payable dates on the underlying Eurobond.

At 28 June 2009, the Group held cross currency swaps designated as hedges of future contracted interest payments on the USD denominated senior notes issued in July 2007. The cross currency swaps are being used to hedge a combination of future movements in interest rates and foreign currency exchange rates.

At 28 June 2009, the notional principal amounts and period of expiry of the swaps for each counterparty are as follows:

| | Maturity date | Interest rate | |
|--|---------------|---------------|-------|
| | | 2009 | 2008 |
| 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 28 June 2009, the Group held a cross currency swap designated as hedging the future contracted interest payments on the NZD denominated Redeemable Preference Shares (RPS) issued in May 2005. The cross currency swap is being used to hedge a combination of future movements in interest rates and foreign currency exchange rates.

At 28 June 2009, the notional principal amount and period of expiry of the swap are as follows:

| | Maturity date | Interest rate | |
|---|---------------|---------------|-------|
| | | 2009 | 2008 |
| Pay fixed, receive floating - AUD\$173.6m | 15 June 2010 | 4.95% | 4.95% |

The contract requires settlement on interest receivable and interest payable each 90 days. These dates coincide with the interest payable dates on the underlying RPS.

At 28 June 2009, 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 28 June 2009, the notional principal amount and period of expiry of the swap are as follows:

| | Maturity date | Interest rate | |
|---|-----------------|---------------|------|
| | | 2009 | 2008 |
| Pay fixed, receive floating - AUD\$125m | 12 October 2015 | 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 28 June 2009, the above hedges were assessed to be highly effective with a combined unrealised loss in fair value of \$6.4 million (2008: \$19.3 million gain) recognised in equity for the period. During the period an unrealised loss of \$2.0 million (2008: \$0.2 million unrealised gain) was recognised in the income statement attributable to the ineffective portion of the cash flow hedges.

During the year an unrealised loss of \$1.9 million was transferred from equity to the income statement (2008: \$1.3 million unrealised gain).

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(ii) Cash flow hedges - foreign exchange contracts

At 28 June 2009, the Group held a number of forward exchange contracts to hedge future foreign capital purchase commitments across the Australian and New Zealand business. The contracts are timed to mature as payments are scheduled to be made to suppliers.

The cash flows are expected to occur over the next twelve months. At 28 June 2009, the details of the outstanding contracts are:

| | 2009 * | 2008 * | Weighted average exchange rate | |
|--|--------|---------|--------------------------------|--------|
| | | | 2009 | 2008 |
| | \$'000 | \$'000 | | |
| Buy CHF/Sell AUD - Maturity 0 - 12 months | - | 2,688 | - | 0.9245 |
| Buy USD/Sell AUD - Maturity 0 - 12 months | 367 | 2,226 | 0.9038 | 0.9220 |
| Buy EUR/Sell AUD - Maturity 0 - 12 months | 2,634 | 2,657 | 0.5238 | 0.6208 |
| Buy EUR/Sell NZD - Maturity 0 - 12 months | 5,111 | 5,231 | 0.4647 | 0.4882 |
| Buy EUR/Sell NZD - Maturity 13 - 24 months | - | 2,375 | - | 0.4647 |
| Buy GBP/Sell NZD - Maturity 0 - 12 months | - | 258 | - | 0.3532 |
| Buy AUD/Sell NZD - Maturity 0 -12 months | - | 113,505 | - | 1.2285 |
| Buy CHF/Sell NZD - Maturity 0 - 12 months | 939 | 2,723 | 0.7322 | 0.7562 |
| Buy CHF/Sell NZD - Maturity 13 - 24 months | - | 509 | - | 0.7216 |
| Buy AUD/Sell GBP - Maturity 0 -12 months | - | 428 | - | 0.4266 |

* The amounts disclosed represent currency bought measured at the contracted rate.

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

At 28 June 2009, the hedges were assessed to be highly effective with a loss of \$2.7 million (2008: \$2.8 million gain) recognised in equity for the period. The amount removed from equity and included in the initial measurement of capital purchases during the period to 28 June 2009 was a \$1.0 million gain (2008: \$1.2 million loss), resulting in a decrease to the capital asset base. The amount removed from equity and included in expenses from operations for the period was \$2.1 million of losses (2008: nil)

(iii) Fair value hedges

At 28 June 2009, the Group held cross currency swap agreements designated to changes in the underlying value of USD denominated senior notes (refer to Note 21). The terms of certain cross currency swap agreements exchange USD obligations into AUD obligations and other agreements exchange USD obligations into NZD obligations. The latter are also designated to hedge value changes in the Group's New Zealand controlled entities (excluding Trade Me Limited), as discussed in Note (iv) below.

At 28 June 2009, the Group also held cross currency swap agreements partly designated to changes in the underlying value of the EUR denominated Eurobond (refer to Note 21). The terms of the cross currency swap exchange EUR obligations into AUD obligations. This swap has been 98% designated to a cash flow hedge, as discussed in (i) above.

At 28 June 2009, the cross currency swap agreements had a combined value of \$10.9 million (2008: \$92.6 million).

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

The terms of these cross currency swaps are as follows:

| | Maturity date |
|---|-----------------|
| Pay floating AUD receive fixed USD - USD \$50m | 15 January 2011 |
| Pay floating AUD receive fixed USD - USD \$125m | 10 July 2014 |
| Pay floating AUD receive floating USD - USD \$25m | 10 July 2014 |
| Pay floating NZD receive fixed USD - USD \$40m | 15 January 2019 |
| Pay floating NZD receive fixed USD - USD \$90m | 15 January 2016 |
| Pay floating NZD receive fixed USD - USD \$50m | 15 January 2014 |
| Pay floating AUD receive fixed EUR - EUR \$4m | 15 June 2012 |

For the Group, the remeasurement of the hedged items resulted in a loss before tax of \$101.5 million (2008: \$15.7 million gain) and the changes in the fair value of the hedging instruments resulted in a gain before tax of \$103.6 million (2008: \$15.5 million loss) resulting in a net gain before tax of \$2.1 million (2008: \$0.3 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 Independent News Limited in June 2003.

At 28 June 2009, the hedges were assessed to be highly effective with an unrealised loss of \$0.6 million (2008: \$24.3 million gain) recognised in equity. During the current financial period there was an unrealised loss of \$1.8 million (2008: \$0.2 million) recognised in the income statement attributable to the ineffective portion of the net investment hedges.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

17. Pension assets and liabilities

SUPERANNUATION PLAN

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

The superannuation arrangements in Australia are managed in a sub-plan of the Mercer Super Trust, called Fairfax 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 are defined contribution plans with the exception of the Fairfax NZ Retirement Fund which also has a defined benefit section, this defined benefit section is closed to new members.

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

The NZ Retirement Fund includes investments in respect of members of the NZ Defined Benefit Plan and investments in respect of the NZ Defined Contribution Plan.

The following sets out details in respect of the defined benefit plans only and in the case of the Fairfax NZ Retirement Fund, excludes \$44.0 million (2008: \$56.6 million) of defined contribution assets and entitlements.

| | Consolidated 28 June 2009 | Consolidated 29 June 2008 | Company 28 June 2009 | Company 29 June 2008 |
|--|------------------------------|------------------------------|-------------------------|-------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (A) BALANCE SHEET | | | | |
| The amounts recognised in the balance sheet are determined as follows: | | | | |
| Present value of the defined benefit obligation | (20,560) | (24,254) | - | - |
| Fair value of defined benefit plan assets | 17,875 | 29,796 | - | - |
| Net pension (liabilities) / assets | (2,685) | 5,542 | - | - |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 | Consolidated 29 June 2008 | Company 28 June 2009 | Company 29 June 2008 |
|--|------------------------------|------------------------------|-------------------------|-------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (B) RECONCILIATION OF THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION | | | | |
| Balance at the beginning of the financial year | 24,254 | 20,048 | - | - |
| Current service cost | 928 | 3,255 | - | - |
| Interest cost | 1,408 | 3,763 | - | - |
| Contributions by employees | 68 | 3,717 | - | - |
| Actuarial (gains) and losses | (173) | (2,955) | - | - |
| Benefits paid | (66) | (9,097) | - | - |
| Taxes, premiums and expenses paid | (147) | (708) | - | - |
| Exchange differences on foreign plans | 4 | (64) | - | - |
| Curtailments | 209 | - | - | - |
| Settlements | (5,925) | - | - | - |
| Transfers in | - | 6,295 | - | - |
| Balance at the end of the financial year defined benefit obligations | 20,560 | 24,254 | - | - |
| (C) RECONCILIATION OF THE FAIR VALUE OF PLAN ASSETS | | | | |
| Balance at the beginning of the financial year | 29,796 | 33,429 | - | - |
| Expected return on plan assets | 2,012 | 5,602 | - | - |
| Actuarial gains and (losses) | (7,425) | (8,958) | - | - |
| Contributions by Group companies and employees | (381) | 3,828 | - | - |
| Benefits paid | (66) | (9,097) | - | - |
| Taxes, premiums & expenses paid | (147) | (708) | - | - |
| Exchange differences on foreign plans | 11 | (595) | - | - |
| Settlements | (5,925) | - | - | - |
| Transfers in | - | 6,295 | - | - |
| Balance at the end of the financial year defined benefit assets | 17,875 | 29,796 | - | - |
| (D) AMOUNTS RECOGNISED IN INCOME STATEMENT | | | | |
| The amounts recognised in the income statement are as follows: | | | | |
| Current service cost | 928 | 3,255 | - | - |
| Interest cost | 1,408 | 3,763 | - | - |
| Curtailments | 209 | - | - | - |
| Expected return on plan assets | (2,012) | (5,602) | - | - |
| Total included in employee benefits expense | 533 | 1,416 | - | - |
| Actual return on plan assets | (4,862) | (3,274) | - | - |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(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:

| | Consolidated 28 June 2009 | Consolidated 29 June 2008 | Company 28 June 2009 | Company 29 June 2008 |
|---------------------------|------------------------------|------------------------------|-------------------------|-------------------------|
| | % | % | % | % |
| Cash | 7 | 6 | - | - |
| Australian equities | 22 | 20 | - | - |
| Overseas equities | 33 | 34 | - | - |
| Fixed interest securities | 24 | 24 | - | - |
| Property | 7 | 7 | - | - |
| Other | 7 | 9 | - | - |

(F) PRINCIPAL ACTUARIAL ASSUMPTIONS

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

| | Consolidated 2009 | Consolidated 2008 | Company 2009 | Company 2008 |
|--------------------------------|----------------------|----------------------|-----------------|-----------------|
| | % | % | % | % |
| Discount rate | 4.7 | 5.2 | - | - |
| Expected return on plan assets | 6.3 | 6.5 | - | - |
| 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 6.3% p.a. rate of return, net of tax and expenses (2008: 6.5% p.a).

(G) EMPLOYER CONTRIBUTIONS

Employer contributions to the defined benefit section of the plans are based on recommendations by the plans' actuaries. Actuarial assessments are made at three yearly intervals and the last actuarial assessment of Fairfax Super was carried out as at 1 July 2008 by Mercer Human Resource Consulting Pty Ltd. The last actuarial assessments of Fairfax NZ Retirement Fund and Fairfax NZ Senior Executive Superannuation Scheme were carried out as at 1 April 2008 by AoN Consulting New Zealand Limited. Fairfax New Zealand Superannuation Fund is a defined contribution fund and does 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 2010 financial year are nil (parent entity: \$nil).

(H) NET FINANCIAL POSITION OF PLAN

In accordance with AAS 25 Financial Reporting by Superannuation Plans the plans' net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as a surplus of \$3.4 million at the most recent financial position of the plans, being 1 July 2008 for Australia and 1 April 2008 for New Zealand. As such, the assets of each of the plans are sufficient to satisfy all benefits that would have vested under the plans in the event of termination of the plans and voluntary or compulsory termination of employment of each employee.

Notes to the Financial Statements

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The directors, based on the advice of the trustees of the plan, are not aware of any changes in circumstances since the date of the most recent financial statements of the plans (1 July 2008 for Australia and 1 April 2008 for New Zealand), which would have a material impact on the overall financial position of the defined benefit plan.

(I) HISTORIC SUMMARY

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|--------------|---------------|---------------|--------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Defined benefit plan obligation | (21,836) | (19,424) | (20,048) | (24,254) | (20,560) |
| Plan assets | 28,652 | 30,100 | 33,429 | 29,796 | 17,875 |
| Surplus/(deficit) | 6,816 | 10,676 | 13,381 | 5,542 | (2,685) |
| Experience adjustments arising on plan liabilities | (1,457) | (2,152) | (2,032) | 7,678 | 7,773 |
| Experience adjustments arising on plan assets | 644 | (892) | (1,038) | (3,132) | (8,278) |

18. 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 | |
|--|----------------|--------------|----------------|--------------|-----------------|--------------|
| | 28 June 2009 | 29 June 2008 | 28 June 2009 | 29 June 2008 | 28 June 2009 | 29 June 2008 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| (i) Consolidated | | | | | | |
| Property, plant and equipment | 10,293 | 19,018 | 24,084 | 38,220 | (13,791) | (19,202) |
| Inventories | - | - | 2,788 | 4,114 | (2,788) | (4,114) |
| Investments | - | (345) | 10,498 | 6,102 | (10,498) | (6,447) |
| Intangible assets | 6,685 | 5,453 | 44,301 | 44,300 | (37,616) | (38,847) |
| Other assets | 23,831 | 36,774 | 24,187 | 39,042 | (356) | (2,268) |
| Provisions | 52,826 | 50,608 | - | - | 52,826 | 50,608 |
| Payables | 10,288 | 7,986 | - | - | 10,288 | 7,986 |
| Other liabilities | 3,255 | 2,739 | 53 | 105 | 3,202 | 2,634 |
| Tax losses | 1,510 | 18 | - | - | 1,510 | 18 |
| Film production and distribution | - | 1,532 | - | 9,584 | - | (8,052) |
| Other | 6,219 | 4,778 | 10,684 | 7,464 | (4,465) | (2,686) |
| Net deferred tax assets/liabilities | 114,907 | 128,561 | 116,595 | 148,931 | (1,688) | (20,370) |
| (ii) Company | | | | | | |
| Property, plant & equipment | - | - | 2,771 | 3,630 | (2,771) | (3,630) |
| Intangible assets | 6,215 | 5,178 | - | - | 6,215 | 5,178 |
| Other assets | - | - | - | 2 | - | (2) |
| Employee provisions | 2,281 | 2,426 | - | - | 2,281 | 2,426 |
| Accruals | 2,061 | 1,405 | - | - | 2,061 | 1,405 |
| Other | 149 | 191 | 7,096 | 4,011 | (6,947) | (3,820) |
| Net deferred tax assets/liabilities | 10,706 | 9,200 | 9,867 | 7,643 | 839 | 1,557 |

There are no unrecognised deferred tax assets other than unrealised and carried forward realised capital losses for which no deferred tax asset has been recognised.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(B) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

| | Balance 29 June 2008 | Recognised on acquisition | Recognised in income | Recognised in equity | Balances disposed | Balance 28 June 2009 |
|----------------------------------|-------------------------|------------------------------|-------------------------|-------------------------|----------------------|-------------------------|
| (i) Consolidated | | | | | | |
| Property, plant and equipment | (19,202) | (1,474) | 7,101 | - | (216) | (13,791) |
| Inventories | (4,114) | - | 1,326 | - | - | (2,788) |
| Investments | (6,447) | - | (4,102) | - | 51 | (10,498) |
| Intangible assets | (38,847) | (2,117) | 3,348 | - | - | (37,616) |
| Other assets | (2,268) | 17 | (527) | 2,379 | 43 | (356) |
| Provisions | 50,608 | 1,158 | 1,590 | - | (530) | 52,826 |
| Payables | 7,986 | - | 3,022 | - | (720) | 10,288 |
| Other liabilities | 2,634 | - | 568 | - | - | 3,202 |
| Tax losses | 18 | - | 1,492 | - | - | 1,510 |
| Film production and distribution | (8,052) | 409 | 234 | - | 7,409 | - |
| Other | (2,686) | 41 | 2,739 | (4,559) | - | (4,465) |
| | (20,370) | (1,966) | 16,791 | (2,180) | 6,037 | (1,688) |
| (ii) Company | | | | | | |
| Property, plant and equipment | (3,630) | - | 859 | - | - | (2,771) |
| Intangible assets | 5,178 | - | 1,037 | - | - | 6,215 |
| Other financial assets | (2) | - | 2 | - | - | - |
| Provisions | 2,426 | - | (145) | - | - | 2,281 |
| Payables | 1,405 | - | 656 | - | - | 2,061 |
| Other | (3,820) | - | 3,575 | (6,702) | - | (6,947) |
| | 1,557 | - | 5,984 | (6,702) | - | 839 |
| (i) Consolidated | | | | | | |
| | Balance 1 July 2007 | Recognised on acquisition | Recognised in income | Recognised in equity | Balances disposed | Balance 29 June 2008 |
| Property, plant and equipment | (8,661) | (13,874) | 3,333 | - | - | (19,202) |
| Inventories | (3,875) | - | (239) | - | - | (4,114) |
| Investments | (3,310) | (2,613) | (524) | - | - | (6,447) |
| Intangible assets | (30,987) | (9,751) | 1,891 | - | - | (38,847) |
| Other assets | 19,985 | 230 | (15,797) | (6,686) | - | (2,268) |
| Provisions | 45,371 | 3,341 | 1,896 | - | - | 50,608 |
| Payables | 7,432 | 526 | 28 | - | - | 7,986 |
| Other liabilities | 1,303 | 117 | 1,214 | - | - | 2,634 |
| Tax losses | 4,656 | - | (4,638) | - | - | 18 |
| Film production and distribution | - | (1,168) | (6,884) | - | - | (8,052) |
| Other | (4,196) | 6 | 1,504 | - | - | (2,686) |
| | 27,718 | (23,186) | (18,216) | (6,686) | - | (20,370) |
| (ii) Company | | | | | | |
| Property, plant and equipment | (3,939) | - | 309 | - | - | (3,630) |
| Intangible assets | 4,459 | - | 719 | - | - | 5,178 |
| Other financial assets | - | - | (2) | - | - | (2) |
| Provisions | 1,976 | - | 450 | - | - | 2,426 |
| Payables | 2,232 | - | (827) | - | - | 1,405 |
| Other | 639 | - | (4,459) | - | - | (3,820) |
| | 5,367 | - | (3,810) | - | - | 1,557 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|---|--|--|-----------------------------------|-----------------------------------|
| 19. Other financial assets | | | | |
| Shares in controlled entities - at cost | - | - | 3,138,215 | 3,143,723 |
| Provision for diminution | - | - | (214,000) | - |
| Shares in unlisted entities - at cost | 1,175 | 122 | - | - |
| Total other financial assets | 1,175 | 122 | 2,924,215 | 3,143,723 |

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|-------------------------------|--|--|-----------------------------------|-----------------------------------|
| 20. Payables | | | | |
| Trade and other payables * | 211,288 | 226,917 | 14,946 | 15,900 |
| Interest payable | 19,376 | 26,403 | - | - |
| Income in advance | 69,815 | 76,725 | - | - |
| Total current payables | 300,479 | 330,045 | 14,946 | 15,900 |

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

| | Note | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|---|------|--|--|-----------------------------------|-----------------------------------|
| 21. Interest bearing liabilities | | | | | |
| Current interest bearing liabilities - unsecured | | | | | |
| Finance lease liability | (D) | 3,334 | 3,194 | - | - |
| Other loans | (D) | 10,072 | 8,665 | - | - |
| Redeemable Preference Shares | (E) | 147,978 | - | - | - |
| Bank borrowings | (B) | 22,173 | - | - | - |
| Current interest bearing liabilities - secured | | | | | |
| Bank borrowings | (B) | - | 3,957 | - | - |
| Total current interest bearing liabilities | | 183,557 | 15,816 | - | - |
| Non-current interest bearing liabilities - unsecured | | | | | |
| Bank borrowings | (B) | 237,706 | 973,109 | - | - |
| Redeemable Preference Shares | (E) | - | 146,401 | - | - |
| Other loans | | | | | |
| Senior notes | (C) | 638,371 | 519,676 | - | - |
| Medium term notes | (F) | 167,481 | 199,682 | - | - |
| Eurobonds | (G) | 607,537 | 570,249 | - | - |
| Other | (D) | 51,609 | 61,680 | - | - |
| Finance lease liability | (D) | 22,004 | 25,336 | - | - |
| Total non-current interest bearing liabilities | | 1,724,708 | 2,496,133 | - | - |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 | Consolidated 29 June 2008 | Company 28 June 2009 | Company 29 June 2008 |
|---|------------------------------|------------------------------|-------------------------|-------------------------|
| Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Net debt for financial covenant purposes | | | | |
| Cash and cash equivalents | (69,124) | (93,864) | - | - |
| Current interest bearing liabilities | 183,557 | 15,816 | - | - |
| Non-current interest bearing liabilities | 1,724,708 | 2,496,133 | - | - |
| Derivative financial instruments (assets) / liabilities * | (56,793) | 98,166 | - | - |
| Net debt for financial covenant purposes | 1,782,348 | 2,516,251 | - | - |

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

(A) FINANCING ARRANGEMENTS

The Group net debt for financial covenant purposes, taking into account all debt related derivative financial instruments, was \$1,782 million as at 28 June 2009 (2008: \$2,516 million).

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

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

(B) BANK BORROWINGS

Current

A NZ\$50 million revolving committed cash advance facility is available to the Group until June 2010. At 28 June 2009, NZ\$27.7 million was drawn down (2008: nil).

Non-current

A \$1,200 million syndicated bank facility is available to the Group until periods ranging from April 2011 to April 2013. At 28 June 2009, \$125 million was drawn down (2008: \$850 million). The interest rate for the drawings under this facility is the applicable bank bill rate plus a credit margin.

A \$200 million revolving committed cash advance facility is available to the group until September 2010. At 28 June 2009, \$115 million was drawn down (2008: \$125 million). The interest rate for 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\$307.9 million) in January 2004 with a fixed coupon of between 4.74% p.a. and 5.85% p.a. payable semi-annually in arrears. The interest and principal on the Senior Notes are payable in US dollars and were swapped into floating rate New Zealand dollars and floating rate Australian dollars via cross-currency swaps. This issue of Senior Notes comprises maturities ranging from January 2011 to January 2019. The weighted average maturity of the issue is approximately five and a half years. The applicable cross-currency swap credit margin includes the cost of hedging all currency risk and future interest and principal repayments on a quarterly basis.

The Group issued further Senior Notes in the US private placement market with a principle value of US\$250 million (A\$330.4 million) in July 2007 comprising maturities ranging from July 2014 to July 2017. The weighted average maturity of this issue is approximately 6.2 years. The issued notes include fixed rate coupon notes, paying a weighted average coupon of 6.4% p.a. semi annually in arrears, and floating rate coupon notes. The interest and principle on the Senior Notes are payable in US dollars and were swapped into fixed and floating rate Australian dollars via cross-currency swaps. An additional 1.00% p.a. step up margin is payable on the coupons, effective from 10 July 2009, following a downgrade of the Group's credit rating during the period.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(D) OTHER LOANS AND FINANCE LEASE LIABILITY

The Chullora printing facility in Sydney is partially financed by a finance lease facility and loans with a maturity date of September 2015. There is a CPI indexed annuity loan with principal and interest outstanding of \$41.3 million (2008: \$45.5 million) and a finance lease of \$25.3 million (2008: \$28.5 million), which was entered into in February 1996. There is also principal and interest outstanding of \$20.4 million (2008: \$24.9 million) in the form of a fixed rate loan with an established drawdown and repayment schedule.

(E) REDEEMABLE PREFERENCE SHARES (RPS)

The Group issued Redeemable Preference Shares in New Zealand in May 2005 with a principal value of NZ\$186.5 million (A\$147.9 million) currently paying a fixed one year coupon of 3.97% p.a. payable quarterly in arrears. The Redeemable Preference Shares mature in June 2010. The interest and principal on the Redeemable Preference Shares are payable in New Zealand dollars and were swapped into fixed rate Australian dollars via a cross-currency swap. 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.

(F) MEDIUM TERM NOTES (MTNs)

On 27 June 2006, the Group issued \$200 million of MTNs with a maturity date of 27 June 2011. The MTNs were issued at a fixed coupon of 6.865% p.a. In May 2009, the Group repurchased and cancelled \$32.3 million of the outstanding MTNs.

(G) EUROBONDS

On 15 June 2007 the Group issued €350 million guaranteed notes with a maturity date of 15 June 2012. The notes pay a fixed coupon of 5.25% p.a. payable annually in arrears. The interest and principal on the notes are payable in Euro and were swapped into fixed rate Australian dollars via cross-currency swaps. An additional 1.00% p.a. step up margin is payable on the fixed coupon, effective from 15 June 2009, following a downgrade of the Group's credit rating during the period.

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|--|--|--|-----------------------------------|-----------------------------------|
| 22. Provisions | | | | |
| Current | | | | |
| Employee benefits | 101,697 | 113,793 | 5,291 | 6,990 |
| Defamation | 4,927 | 2,228 | - | - |
| Property | 6,850 | 1,603 | - | - |
| Consideration payable under earn out arrangement | 4,357 | 37,959 | - | - |
| Redundancy | 10,590 | 581 | 1,911 | 395 |
| Other | 271 | 3,673 | - | - |
| Total current provisions | 128,692 | 159,837 | 7,202 | 7,385 |
| Non-current | | | | |
| Employee benefits | 13,087 | 13,108 | 401 | 703 |
| Property | 35,435 | 31,533 | - | - |
| Other | 481 | 757 | - | - |
| Total non-current provisions | 49,003 | 45,398 | 401 | 703 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

RECONCILIATION

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

| | Consolidated Defamation 2009 \$'000 | Consolidated Property 2009 \$'000 | Consolidated Earn out 2009 \$'000 | Consolidated Redundancy 2009 \$'000 | Consolidated Other 2009 \$'000 | Company Redundancy 2009 \$'000 |
|---|--|--|--|--|---|---|
| Current | | | | | | |
| Balance at beginning of the financial year | 2,228 | 1,603 | 37,959 | 581 | 3,673 | 395 |
| Additional provision | 9,937 | 7,189 | 4,919 | 81,513 | - | 2,270 |
| Utilised | (7,241) | (1,942) | (38,006) | (71,504) | (3,327) | (754) |
| Disposal of controlled entities | - | - | - | - | (75) | - |
| Exchange differences | 3 | - | (515) | - | - | - |
| Balance at end of the financial year | 4,927 | 6,850 | 4,357 | 10,590 | 271 | 1,911 |
| Non-current | | | | | | |
| Balance at beginning of the financial year | - | 31,533 | - | - | 757 | - |
| Additional provision | - | 4,874 | - | - | - | - |
| Utilised | - | (976) | - | - | (276) | - |
| Exchange differences | - | 4 | - | - | - | - |
| Balance at end of the financial year | - | 35,435 | - | - | 481 | - |

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 insignificant matters across the Group. At the date of this report there were no legal actions against the consolidated entity that have not been adequately provided for or that are expected to have a material impact on the Group.

(iii) Property

The provision for property costs is in respect of make good provisions, deferred lease incentives and onerous lease provisions. The make good provisions and deferred lease incentives are amortised over the shorter of the term of the lease or the useful life of the assets, being up to 20 years. Onerous lease provisions have been made on various group properties as a result of expected relocations in the coming year.

(iv) Earn out

The provision for earn out relates to amounts in relation to recent acquisitions which are payable contingent on the achievement of specified financial performance criteria by the entity acquired.

(v) Redundancy

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

(vi) 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 28 June, 2009

| | Note | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|---|------|--|--|-----------------------------------|-----------------------------------|
| 23. Contributed equity | | | | | |
| Ordinary Shares | | | | | |
| 2,351,955,725 ordinary shares fully paid (2008: 1,513,544,248) | (A) | 4,667,990 | 4,039,131 | 4,667,990 | 4,039,131 |
| Unvested Employee Incentive Shares | | | | | |
| 8,411,794 unvested employee incentive shares (2008: 3,384,916) | (B) | (33,031) | (13,885) | (33,031) | (13,885) |
| Stapled Preference Shares (SPS) | | | | | |
| 3,000,000 stapled preference shares (2008: 3,000,000) | (C) | 293,163 | 293,163 | 299,278 | 299,278 |
| Debentures | | | | | |
| 281 debentures fully paid (2008: 281) | (D) | * | * | * | * |
| Total contributed equity | | 4,928,122 | 4,318,409 | 4,934,237 | 4,324,524 |

* Amount is less than \$1000

RECONCILIATIONS

Reconciliations of each class of contributed equity at the beginning and end of the current financial year are set out below:

| | 28 June 2009 No. of shares | 29 June 2008 No. of shares | 28 June 2009 \$'000 | 29 June 2008 \$'000 |
|---|-------------------------------|-------------------------------|------------------------|------------------------|
| Consolidated | | | | |
| (A) ORDINARY SHARES | | | | |
| Balance at beginning of the financial year | 1,513,544,248 | 1,479,640,401 | 4,039,131 | 3,891,162 |
| Dividend reinvestment plan issue - 2 October 2008 | 5,558,472 | - | 15,731 | - |
| Dividend reinvestment plan issue - 27 September 2007 | - | 12,820,970 | - | 56,156 |
| Share issue - 6 April 2009 Retail offer | 164,479,456 | - | 123,360 | - |
| Share issue - 13 March 2009 Institutional offer | 668,373,549 | - | 501,280 | - |
| Share issue - 7 August 2007 Adjustment to Rural Press acquisition share issue | - | 900 | - | 5 |
| Share issue - 27 September 2007 Merrill Lynch final dividend underwriting | - | 21,081,977 | - | 91,808 |
| Share issue costs | - | - | (11,512) | - |
| Balance at end of the financial year | 2,351,955,725 | 1,513,544,248 | 4,667,990 | 4,039,131 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | 28 June 2009 | 29 June 2008 | 28 June 2009 | 29 June 2008 |
|---|------------------|------------------|------------------|------------------|
| | No. of shares | No. of shares | \$'000 | \$'000 |
| (B) UNVESTED EMPLOYEE INCENTIVE SHARES | | | | |
| Balance at beginning of the financial year | 3,384,916 | - | (13,885) | - |
| Share acquisition - 27 March 2009 | 1,126,794 | - | (845) | - |
| Share acquisition - 26 August 2008 | 3,900,084 | - | (11,599) | - |
| Share acquisition - 22 February 2008 | - | 1,700,000 | - | (6,969) |
| Share acquisition - 25 February 2008 | - | 1,684,916 | - | (6,916) |
| Tax expense recognised directly in equity | - | - | (6,702) | - |
| Balance at end of the financial year | 8,411,794 | 3,384,916 | (33,031) | (13,885) |
| (C) STAPLED PREFERENCE SHARES (SPS) | | | | |
| Balance at beginning of the financial year | 3,000,000 | 3,000,000 | 293,163 | 293,163 |
| Balance at end of the financial year | 3,000,000 | 3,000,000 | 293,163 | 293,163 |
| (D) DEBENTURES | | | | |
| Balance at beginning of the financial year | 281 | 281 | * | * |
| Balance at end of the financial year | 281 | 281 | * | * |
| Total contributed equity | | | 4,928,122 | 4,318,409 |

* 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.

Rights Issue

On 3 April 2009, the Company completed a 3 for 5 accelerated non-renounceable pro-rata entitlement offer, raising a total of \$624.6 million. The Company used the proceeds of the entitlement offer to pay down a substantial part of a syndicated bank facility maturing in 2011 and 2012.

Dividend Reinvestment Plan

Fairfax Media Limited introduced a Dividend Reinvestment Plan (DRP) to eligible shareholders during the financial year ended 30 June 2004.

Under the terms of the DRP eligible shareholders are able to elect to reinvest their dividends in additional Fairfax shares, free of any brokerage or other transaction costs. Shares are issued and/or transferred to DRP participants at a predetermined price, less any discount that the directors may elect to apply from time to time. During the financial year ended 28 June 2009, 5,558,472 ordinary shares (2008: 12,820,970 ordinary shares) were issued under the terms of the DRP.

(B) Unvested Employee Incentive Shares

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(C) Stapled Preference Shares (SPS)

The SPS (FXJPB), which was issued on 23 March 2006 for a face value of \$100 per share, is a stapled security comprising a fully paid SPS Preference Share issued by the Company, Fairfax Media Limited and a fully paid unsecured note issued by Fairfax Group Finance New Zealand Limited, a wholly owned entity of the Company. Holders of the SPS are not entitled to vote.

Distribution payments are at the discretion of directors however distributions, in the form of interest on the notes, are expected to be paid semi-annually in arrears each April and October, and rank in preference to ordinary shareholders and equally with preference shareholders. The distribution rate is calculated as the sum of the six month bank bill swap rate and the margin, which is determined by the issuers or adjusted to the step-up margin (2.25%). Distributions are non-cumulative. Total distribution payments in the year to SPS was \$25,005,709 (2008: \$25,618,128).

The SPS are perpetual however Fairfax has the right to repurchase the SPS for cash or convert the SPS into a variable number of ordinary shares from April 2011 or earlier in certain circumstances (an assignment event). In the event an assignment event occurs, the SPS are 'unstapled' and the unsecured notes assigned to a wholly owned Fairfax subsidiary. The SPS holders would continue to hold a listed SPS preference share issued by the Company and discretionary dividends on the preference shares, which may be franked.

The two securities may not be traded separately prior to an assignment event and an assignment event does not itself give the Company the right to repurchase or convert the SPS. Holders are never entitled to both interest on the unsecured notes and dividends on the SPS preference shares at the same time.

(D) Debentures

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Note | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|--|------|--|--|-----------------------------------|-----------------------------------|
| 24. Reserves | | | | | |
| Asset revaluation reserve, net of tax | (A) | 32 | (801) | - | - |
| Foreign currency translation reserve, net of tax | (B) | (173,662) | (201,881) | - | - |
| Cashflow hedge reserve, net of tax | (C) | 7,286 | 15,307 | - | - |
| Net investment hedge reserve, net of tax | (D) | (1,024) | (438) | - | - |
| Share-based payment reserve, net of tax | (E) | 3,987 | 1,750 | 3,987 | 1,750 |
| Total reserves | | (163,381) | (186,063) | 3,987 | 1,750 |
| (A) Asset revaluation reserve | | | | | |
| Balance at beginning of the financial year | | (801) | - | - | - |
| Revaluation of available for sale investments | | (1,358) | (2,183) | - | - |
| Impairment losses transferred to net profit | | 2,191 | 1,382 | - | - |
| Tax effect of net loss on available for sale investment | | - | - | - | - |
| Balance at end of the financial year | | 32 | (801) | - | - |
| (B) Foreign currency translation reserve | | | | | |
| Balance at beginning of the financial year | | (201,881) | 48,984 | - | - |
| Transfer to loss on disposal | | 1,192 | - | - | - |
| Net exchange differences on currency translation, net of tax | | 27,027 | (250,865) | - | - |
| Balance at end of the financial year | | (173,662) | (201,881) | - | - |
| (C) Cashflow hedge reserve | | | | | |
| Balance at beginning of the financial year | | 15,307 | (6,739) | - | - |
| Effective portion of changes in value of cashflow hedges | | (11,495) | 31,079 | - | - |
| Tax effect of net changes on cashflow hedges | | 3,474 | (9,033) | - | - |
| Balance at end of the financial year | | 7,286 | 15,307 | - | - |
| (D) Net investment hedge reserve | | | | | |
| Balance at beginning of the financial year | | (438) | (24,719) | - | - |
| Effective portion of changes in value of net investment hedges | | (836) | 34,654 | - | - |
| Tax effect on net investment hedges | | 250 | (10,373) | - | - |
| Balance at end of the financial year | | (1,024) | (438) | - | - |
| (E) Share-based payment reserve | | | | | |
| Balance at beginning of the financial year | | 1,750 | (1,943) | 1,750 | (1,943) |
| Share-based payment expense | | 2,237 | 4,429 | 2,237 | 4,429 |
| Transfer to Share Trust to fund acquisition of shares | | - | (736) | - | (736) |
| Balance at end of the financial year | | 3,987 | 1,750 | 3,987 | 1,750 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

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(F). Refer to further disclosures at Note 16.

(E) Share-based payment reserve

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

| | | Consolidated 28 June 2009 | Consolidated 29 June 2008 | Company 28 June 2009 | Company 29 June 2008 |
|--|------|------------------------------|------------------------------|-------------------------|-------------------------|
| | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| 25. Retained profits | | | | | |
| Balance at beginning of the financial year | | 821,987 | 748,164 | 490,535 | 730,731 |
| Net (loss)/profit for the financial year | | (380,050) | 386,878 | (245,175) | 59,186 |
| Actuarial (loss)/gain on defined benefit plans, net of tax | | (5,093) | (4,315) | - | - |
| Tax benefits recognised directly in equity | | 7,502 | 8,427 | - | - |
| Reclassification of tax benefits to equity | | - | 7,833 | - | - |
| Total available for appropriation | | 444,346 | 1,146,987 | 245,360 | 789,917 |
| Dividends paid | 6 | (206,742) | (325,000) | (181,736) | (299,382) |
| Balance at end of the financial year | | 237,604 | 821,987 | 63,624 | 490,535 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 | Company 28 June 2009 \$'000 | Company 29 June 2008 \$'000 |
|---|--|--|-----------------------------------|-----------------------------------|
| 26. Minority interest | | | | |
| Interest in: | | | | |
| Contributed equity | 1,783 | 4,898 | - | - |
| Reserves | 7,679 | 8,585 | - | - |
| Retained profits | (17) | (2,482) | - | - |
| Balance at end of the financial year | 9,445 | 11,001 | - | - |

RECONCILIATION

| | | | | |
|---|--------------|---------------|----------|----------|
| Balance at beginning of the financial year | 11,001 | 12,922 | - | - |
| Acquisition of controlled entities | 234 | 1,587 | - | - |
| Disposal of controlled entities | (287) | - | - | - |
| Acquisition of minority interest balances in previously controlled entities | - | (3,636) | - | - |
| Share of (loss)/profit for the period | (1,038) | 612 | - | - |
| Distribution to minority interest | (461) | (570) | - | - |
| Exchange differences | (4) | 86 | - | - |
| Balance at end of the financial year | 9,445 | 11,001 | - | - |

| | Consolidated 28 June 2009 ¢ per share | Consolidated 29 June 2008 ¢ per share |
|--|---|---|
| 27. Earnings per share | | |
| Basic (loss) / earnings per share | | |
| After significant and non-recurring items less SPS dividend (net of tax) * | (21.6) | 22.9 |
| Diluted (loss) / earnings per share | | |
| After significant and non-recurring items (net of tax) * | (21.6) | 22.5 |

| | Consolidated 28 June 2009 \$'000 | Consolidated 29 June 2008 \$'000 |
|--|--|--|
| Earnings reconciliation - basic | | |
| Net (loss) / profit attributable to members of the Company | (380,050) | 386,878 |
| Less Dividends on SPS (net of tax) | (15,683) | (17,164) |
| Basic (loss) / earnings after significant and non-recurring items less SPS dividend | (395,733) | 369,714 |
| Earnings reconciliation - diluted | | |
| Net (loss) / profit attributable to members of the Company | (380,050) | 386,878 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Consolidated 28 June 2009 | Consolidated 29 June 2008 |
|---|------------------------------|------------------------------|
| | Number '000 | Number '000 |
| Weighted average number of ordinary shares used in calculating basic EPS | 1,832,788 | 1,616,910 |
| SPS | 247,889 | 99,208 |
| Weighted average number of ordinary shares used in calculating diluted EPS | 2,080,677 | 1,716,118 |

* The 2008 basic and dilutive earnings per share has been adjusted to reflect the bonus element inherent in the 3 for 5 rights issue completed on the 3 April 2009 where the Company raised a total of \$624.6 million. Refer to Note 23(A).

28. 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:

| | Consolidated 28 June 2009 | Consolidated 29 June 2008 | Company 28 June 2009 | Company 29 June 2008 |
|---|------------------------------|------------------------------|-------------------------|-------------------------|
| Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 44,019 | 49,682 | 147 | - |
| Later than one year and not later than five years | 132,345 | 140,014 | 74 | - |
| Later than five years | 332,860 | 326,224 | - | - |
| Total operating lease commitments | 509,224 | 515,920 | 221 | - |

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

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

FINANCE LEASE COMMITMENTS - GROUP AS LESSEE

The Group has a finance lease for plant and machinery with a carrying amount of \$32.5m (2008: \$33.7m). The lease has an average lease term of six years (2008: seven years) and a weighted average interest rate of 13.4% (2008: 13.4%).

Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

| | | | | |
|---|----------------|---------|---|---|
| Within one year | 5,076 | 5,076 | - | - |
| Later than one year and not later than five years | 20,304 | 20,303 | - | - |
| Later than five years | 6,345 | 11,420 | - | - |
| Minimum lease payments | 31,725 | 36,799 | - | - |
| Less future finance charges | (6,387) | (8,269) | - | - |
| Total finance lease liability | 25,338 | 28,530 | - | - |
| Classified as: | | | | |
| Current interest bearing liabilities | 3,334 | 3,194 | - | - |
| Non-current interest bearing liabilities | 22,004 | 25,336 | - | - |
| Total finance lease liability | 25,338 | 28,530 | - | - |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

CONTINGENT RENTALS UNDER FINANCE LEASE

A component of the finance lease payments are contingent on movements in the consumer price index. At balance date, the contingent rent payable over the remaining lease term of 6 years is \$25.5 million (2008: \$27.6 million).

CAPITAL COMMITMENTS

At 28 June 2009, 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:

| | | | | |
|---|---------------|---------------|----------|----------|
| Within one year | 12,645 | 28,999 | - | - |
| Later than one year and not later than five years | - | 18,545 | - | - |
| Later than five years | - | - | - | - |
| Total capital commitments | 12,645 | 47,544 | - | - |

29. Contingencies

EARN OUT AGREEMENT - INVESTSMART FINANCIAL SERVICES PTY LTD AND GO EAST FURNITURE COMPANY PTY LTD

The consolidated entity has an earn out agreement which represents a contingent liability at 28 June 2009 relating to the acquisition of InvestSMART Financial Services Pty Ltd and Go East Furniture Company Pty Ltd.

Additional cash consideration of up to \$38.0 million will be payable by the consolidated entity if the above business achieves specified financial performance criteria.

The amount of the earn out is based on the earnings before interest, tax, depreciation and amortisation (EBITDA) of the acquired business. The earn out target covers the 12 month period up to 30 September 2010.

A liability for the earn out has not been recognised at 28 June 2009 as the amount of the earn out is subject to a variety of factors including market behaviour, competition, trading volumes and activity and cannot be reliably determined at this stage.

When the earn out is probable and can be reliably measured, the liability will be accounted for as an additional acquisition cost and added to the carrying amount of the investment as goodwill.

EARN OUT AGREEMENT - THE WEATHER COMPANY PTY LTD

A provision of \$3.8 million for the earn out agreement relating to this acquisition has been recognised as at 28 June 2009.

This provision has been recognised as it is considered probable that the earn out targets will be achieved. The provision has been accounted for as an additional acquisition cost and added to the carrying amount of the investment in The Weather Company Pty Ltd as goodwill.

EARN OUT AGREEMENT - RED ROCK SOFTWARE LTD

A provision of \$0.6 million for the earn out agreement relating to this acquisition has been recognised as at 28 June 2009.

This provision has been recognised as it is considered probable that the earn out target will be achieved. The provision has been accounted for as an additional acquisition cost and added to the carrying amount of the investment in Red Rock Software Ltd as goodwill.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

GUARANTEES

Under the terms of ASIC Class Order 98/1418 (as amended), the Company and certain controlled entities (refer Note 30), have guaranteed any deficiency of funds if any entity to the class order is wound-up. No such deficiency exists at balance date.

DEFAMATION

From time to time, entities in the Group are sued for defamation and similar matters in the ordinary course of business.

At the date of this report, there were no legal actions against the consolidated entity, other than those recognised at Note 22, that are expected to result in a material impact.

30. Controlled entities

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

| | Notes | Country of Incorporation | Ownership interest | |
|--|-------|--------------------------|--------------------|-----------|
| | | | 2009 % | 2008 % |
| Fairfax Media Limited | (a) | Australia | | |
| CONTROLLED ENTITIES | | | | |
| 5AU Broadcasters Proprietary Limited | (a) | Australia | 100 | 100 |
| ACN 074 162 888 Pty Ltd | | Australia | 100 | 100 |
| ACN 083 365 799 Pty Ltd | | Australia | 100 | 100 |
| ACN 101 806 302 Pty Ltd | (a) | Australia | 100 | 100 |
| Agricultural Publishers Pty Limited | (a) | Australia | 100 | 100 |
| Associated Newspapers Ltd | (a) | Australia | 100 | 100 |
| Australian Property Monitors Pty Limited | (a) | Australia | 100 | 100 |
| Border Mail Printing Pty Ltd | (a) | Australia | 100 | 100 |
| Bridge Printing Office Pty Limited | (a) | Australia | 100 | 100 |
| Bundaberg Broadcasters Pty Ltd | (a) | Australia | 100 | 100 |
| Bundaberg Narrowcasters Pty Ltd | | Australia | 100 | 100 |
| Canweb Printing Pty Limited (in Liq) | | Australia | 100 | 100 |
| Carpentaria Newspapers Pty Ltd | (a) | Australia | 100 | 100 |
| Central Districts Field Days Limited | | New Zealand | 100 | 100 |
| Commerce Australia Pty Ltd | | Australia | 75 | 75 |
| Communication Associates Limited | | New Zealand | 100 | 100 |
| Constellar Press & Printing Pty Limited (in Liq) | | Australia | 100 | 100 |
| Country Publishers Pty Ltd | (a) | Australia | 100 | 100 |
| CountryCars.com.au Pty Ltd | (a) | Australia | 100 | 100 |
| Creative House Publications Pty Ltd | | Australia | 60 | 60 |
| Cudgegong Newspapers Pty Ltd | | Australia | 100 | 100 |
| David Syme & Co Pty Limited | (a) | Australia | 100 | 100 |
| Debt Retrieval Agency Limited | | New Zealand | 100 | 100 |
| Digital Radio Australia Pty Limited | (a) | Australia | 100 | 100 |
| Esperance Holdings Pty Ltd | | Australia | 100 | 100 |
| Examiner Properties Pty Ltd | (a) | Australia | 100 | 100 |
| F@rming Online Pty Ltd | | Australia | 100 | 100 |
| Fairfax Business Media (South Asia) Pte Limited | | Singapore | 100 | 100 |
| Fairfax Business Media Pte Limited | | Singapore | 100 | 100 |
| Fairfax Business Media Sdn. Bhd. | | Malaysia | 100 | 100 |
| Fairfax Business Publications (Hong Kong) Ltd (in Liq) | | Hong Kong | 100 | 100 |
| Fairfax Community Network Limited | (a) | Australia | 100 | 100 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Notes | Country of Incorporation | Ownership interest | |
|---|-------|-----------------------------|--------------------|-----------|
| | | | 2009 % | 2008 % |
| CONTROLLED ENTITIES | | | | |
| Fairfax Community Newspapers Pty Limited | (a) | Australia | 100 | 100 |
| Fairfax Corporation Pty Limited | (a) | Australia | 100 | 100 |
| Fairfax Digital Australia & New Zealand Pty Ltd | (a) | Australia | 100 | 100 |
| Fairfax Digital Limited | (a) | Australia | 100 | 100 |
| Fairfax EEC Limited (in Liq) | | United Kingdom | 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 Publications Pty Limited | (a) | Australia | 100 | 100 |
| Fairfax New Zealand Finance Limited | | Australia | 100 | 100 |
| Fairfax New Zealand Holdings Limited | | New Zealand | 100 | 100 |
| Fairfax New Zealand Limited | | New Zealand | 100 | 100 |
| Fairfax News Network Pty Limited | (a) | Australia | 100 | 100 |
| Fairfax Print Holdings Pty Limited | (a) | Australia | 100 | 100 |
| Fairfax Printers Pty Limited | (a) | Australia | 100 | 100 |
| Fairfax Radio Network Pty Limited | (a) | Australia | 100 | 100 |
| Fairfax Radio Syndication Pty Limited | (a) | Australia | 100 | 100 |
| Fairfax Regional Printers Pty Limited | (a) | Australia | 100 | 100 |
| Fantasports Australia Pty Ltd | | Australia | 100 | 100 |
| Farm Progress Companies, Inc | | United States | 100 | 100 |
| Farm Progress Holding Co, Inc | | United States | 100 | 100 |
| Farm Progress Insurance Services, Inc | | United States | 100 | 100 |
| Financial Essentials Pty Ltd | (a) | Australia | 100 | 100 |
| Go East Furniture Company Pty Ltd | (a) | Australia | 100 | 100 |
| Golden Mail Pty Limited | | Australia | 66 | 66 |
| Harris and Company Pty Limited | (a) | Australia | 100 | 100 |
| Harris Enterprises Pty Ltd | (a) | Australia | 100 | 100 |
| Harris Print Pty Ltd | (a) | Australia | 100 | 100 |
| Harris Publications Pty Ltd | | Australia | 100 | 100 |
| Hunter Distribution Network Pty Ltd | (a) | Australia | 100 | 100 |
| Illawarra Newspaper Holdings Pty Ltd | (a) | Australia | 100 | 100 |
| Indiana Prairie Farmer Insurance Services, Inc | | United States | 100 | 100 |
| InvestSMART Financial Services Pty Ltd | | Australia | 100 | 100 |
| InvestSMART Limited | | New Zealand | 100 | 100 |
| J&R Graphics Pty Limited (in Liq) | | Australia | 100 | 100 |
| John Fairfax & Sons Ltd | (a) | Australia | 100 | 100 |
| John Fairfax (US) Limited | | United States | 100 | 100 |
| John Fairfax Limited | (a) | Australia | 100 | 100 |
| Lanson Investments Pty Ltd | (a) | Australia | 100 | 100 |
| Large Publications Pty Ltd (in Liq) | | Australia | 79 | 79 |
| Leeton Newspapers Pty Ltd | (a) | Australia | 100 | 100 |
| Lime Digital Pty Limited | (a) | Australia | 100 | 100 |
| Macleay Valley Happynings Pty Ltd (in Liq) | | Australia | 100 | 100 |
| Mayas Pty Ltd | | Australia | 100 | 100 |
| Mayas Unit Trust | | Australia | 100 | 100 |
| Media Investments Pty Ltd | (a) | Australia | 100 | 100 |
| Melbourne Community Newspapers Pty Ltd | | Australia | 100 | 100 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Notes | Country of Incorporation | Ownership interest | |
|--|-------|-----------------------------|--------------------|-----------|
| | | | 2009 % | 2008 % |
| CONTROLLED ENTITIES | | | | |
| Merredin Advertiser Pty Ltd | | Australia | 100 | 100 |
| Metropolis Media Pty Ltd (in Liq) | | Australia | 100 | 100 |
| Micosh Pty Ltd | (a) | Australia | 100 | 100 |
| Miller Publishing Co, Inc | | United States | 100 | 100 |
| Milton Ulladulla Publishing Co. Pty Ltd | | Australia | 60 | 60 |
| Mistcue Pty Limited | | Australia | 65 | 65 |
| Mountain Press Pty Ltd | | Australia | 88 | 88 |
| NE Investments Pty Ltd (in Liq) | | Australia | 100 | 100 |
| Newcastle Newspapers 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 | | New Zealand | 100 | 100 |
| Old Friends Limited | | New Zealand | 100 | 100 |
| Online Services International Limited | | New Zealand | 100 | 100 |
| Online Travel Limited | (b) | New Zealand | 100 | - |
| OSF Australia Pty Limited | (c) | Australia | 100 | - |
| Oxford Scientific Films Limited | | United Kingdom | 100 | 100 |
| Personal Investment Direct Access Pty Limited | | Australia | 100 | 100 |
| Port Lincoln Times Pty Ltd | (a) | Australia | 100 | 100 |
| Port Stephens Publishers Pty Ltd | (a) | Australia | 100 | 100 |
| Port Stephens Publishers Trust | | Australia | 100 | 100 |
| Pro-Ag Pty Ltd (in Liq) | | Australia | 100 | 100 |
| Queensland Community Newspapers Pty Limited | (a) | Australia | 100 | 100 |
| Radio 1278 Melbourne Pty Limited | (a) | Australia | 100 | 100 |
| Radio 2UE Sydney Pty Ltd | (a) | Australia | 100 | 100 |
| Radio 3AW Melbourne Pty Limited | (a) | Australia | 100 | 100 |
| Radio 4BC Brisbane Pty Limited | (a) | Australia | 100 | 100 |
| Radio 4BH Brisbane Pty Limited | (a) | Australia | 100 | 100 |
| Radio 6PR Perth Pty Limited | (a) | Australia | 100 | 100 |
| Radio 96FM Perth Pty Limited | (a) | Australia | 100 | 100 |
| Red Rock Software Limited | (d) | New Zealand | 100 | - |
| Regional Printers Pty Limited | (a) | Australia | 100 | 100 |
| Regional Publishers (Tasmania) Pty Ltd | (a) | Australia | 100 | 100 |
| Regional Publishers (Victoria) Pty Limited | (a) | Australia | 100 | 100 |
| Regional Publishers (Western Victoria) Pty Limited | (a) | Australia | 100 | 100 |
| Regional Publishers Pty Ltd | (a) | Australia | 100 | 100 |
| Riverina Newspapers (Griffith) Pty Ltd | (a) | Australia | 100 | 100 |
| RP Interactive Pty Ltd | | Australia | 100 | 100 |
| RPL Technology Pty Limited (in Liq) | | Australia | 100 | 100 |
| RSVP.com.au Pty Limited | (a) | Australia | 100 | 100 |
| Rural Press (North Queensland) Pty Limited | | Australia | 100 | 100 |
| Rural Press (USA) Limited | | United States | 100 | 100 |
| Rural Press Ltd | (a) | Australia | 100 | 100 |
| Rural Press Printing (Victoria) Pty Limited | (a) | Australia | 100 | 100 |
| Rural Press Printing Pty Limited | (a) | Australia | 100 | 100 |
| Rural Press Queensland Pty Ltd | (a) | Australia | 100 | 100 |
| Rural Press Regional Media (WA) Pty Limited | (a) | Australia | 100 | 100 |
| Rural Press Share Plan Pty Limited | | Australia | 100 | 100 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Notes | Country of Incorporation | Ownership interest | |
|--|-------|-----------------------------|--------------------|-----------|
| | | | 2009 % | 2008 % |
| CONTROLLED ENTITIES | | | | |
| Rural Press USA Inc | | United States | 100 | 100 |
| Rural Publishers Pty Limited | (a) | Australia | 100 | 100 |
| Southern Weekly Partnership | | Australia | 51 | 51 |
| S.A. Regional Media Pty Limited | (a) | Australia | 100 | 100 |
| Satellite Interactive Marketing Pty Limited | | Australia | 100 | 100 |
| Satellite Music Australia Pty Limited | (a) | Australia | 100 | 100 |
| Snowy Mountains Publications Pty Ltd (in Liq) | | Australia | 100 | 100 |
| Stayz Limited | | New Zealand | 100 | 100 |
| Stayz Pty Limited | (a) | Australia | 100 | 100 |
| Stock Journal Publishers Pty Ltd | (a) | Australia | 100 | 100 |
| Suzannenic Pty Limited | (a) | Australia | 100 | 100 |
| The Advocate Newspaper Proprietary Limited | (a) | Australia | 100 | 100 |
| The Age Company Ltd | (a) | Australia | 100 | 100 |
| The Age Print Company Pty Ltd | (a) | Australia | 100 | 100 |
| The Barossa News Pty Limited | (a) | Australia | 100 | 100 |
| The Border Morning Mail Limited | (a) | Australia | 100 | 100 |
| The Border News Partnership | | Australia | 63 | 63 |
| The Examiner Newspaper Pty Ltd | (a) | Australia | 100 | 100 |
| The Federal Capital Press of Australia Pty Limited | (a) | Australia | 100 | 100 |
| The Independent News Pty Ltd | (a) | Australia | 100 | 100 |
| The Murrumbidgee Irrigator Pty Ltd | (a) | Australia | 100 | 100 |
| The Printing Press Pty Limited | (a) | Australia | 100 | 100 |
| The Queanbeyan Age Proprietary Limited (in Liq) | | Australia | 100 | 100 |
| TheVine.com.au Pty Ltd | | Australia | 70 | 70 |
| The Wagga Daily Advertiser Pty Ltd | (a) | Australia | 100 | 100 |
| The Warrnambool Standard Pty Ltd | (a) | Australia | 100 | 100 |
| The Weather Company Pty Limited | | Australia | 75 | 75 |
| Tofua Holdings Pty Ltd (in Liq) | | Australia | 100 | 100 |
| Trade Me Limited | | New Zealand | 100 | 100 |
| Tricom Group Pty Ltd | (a) | Australia | 100 | 100 |
| Vianet Trustee Limited | (e) | New Zealand | 100 | - |
| West Australian Rural Media Pty Ltd | (a) | Australia | 100 | 100 |
| Western 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) Incorporated on 11 May 2009.

(c) Incorporated on 16 January 2009.

(d) Acquired on 31 March 2009.

(e) Acquired on 11 May 2009.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

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 28 June 2009 and consolidated balance sheet as at 28 June 2009, comprising the members of the Closed Group after eliminating all transactions between members are set out below:

(A) BALANCE SHEET

| | 2009 \$'000 | 2008 \$'000 |
|---|------------------|------------------|
| Current assets | | |
| Cash and cash equivalents | 24,592 | 40,634 |
| Trade and other receivables | 289,321 | 413,447 |
| Inventories | 35,466 | 38,395 |
| Derivative assets | 46 | 3,314 |
| Assets held for sale | 5,527 | 1,096 |
| Other current assets | 35,978 | 11,610 |
| Total current assets | 390,930 | 508,496 |
| Non-current assets | | |
| Receivables | 576,037 | 517,084 |
| Investments accounted for using the equity method | 44,947 | 43,926 |
| Available for sale investments | 2,157 | 3,547 |
| Held to maturity investments | 13,216 | 14,686 |
| Intangible assets | 4,003,600 | 4,829,520 |
| Property, plant and equipment | 706,638 | 780,222 |
| Derivative assets | 130,392 | 59,403 |
| Pension asset | 531 | 4,858 |
| Deferred tax assets | 91,929 | 107,080 |
| Other financial assets | 1,144,266 | 1,277,473 |
| Other non-current assets | - | 8,890 |
| Total non-current assets | 6,713,713 | 7,646,689 |
| Total assets | 7,104,643 | 8,155,185 |
| Current liabilities | | |
| Payables | 221,662 | 269,023 |
| Interest bearing liabilities | 12,259 | 15,816 |
| Derivative liabilities | 26,757 | 919 |
| Provisions | 114,073 | 111,630 |
| Current tax liabilities | 1,274 | 2,018 |
| Total current liabilities | 376,025 | 399,406 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | 2009 \$'000 | 2008 \$'000 |
|--|------------------|------------------|
| Non-current liabilities | | |
| Interest bearing liabilities | 1,427,075 | 2,352,638 |
| Derivative liabilities | 47,729 | 149,295 |
| Deferred tax liabilities | 84,663 | 116,042 |
| Provisions | 47,040 | 44,052 |
| Pension liabilities | 2,685 | - |
| Other | - | 2,881 |
| Total non-current liabilities | 1,609,192 | 2,664,908 |
| Total liabilities | 1,985,217 | 3,064,314 |
| Net assets | 5,119,426 | 5,090,871 |
| Equity | | |
| Contributed equity | 4,928,122 | 4,318,409 |
| Reserves | (61,544) | 137,334 |
| Retained profits | 252,848 | 635,128 |
| Total equity | 5,119,426 | 5,090,871 |
| (B) INCOME STATEMENT | | |
| Total revenue | 1,968,112 | 2,322,237 |
| Share of net (losses)/profits of associates and joint ventures | (76) | 8,478 |
| Expenses before finance costs | (2,185,766) | (1,874,469) |
| Finance costs | (54,317) | (104,699) |
| Net (loss)/profit from operations before income tax expense | (272,047) | 351,547 |
| Income tax expense | (22,494) | (95,254) |
| Net (loss)/profit from operations after income tax expense | (294,541) | 256,293 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

31. Acquisition and disposal of controlled entities

(A) ACQUISITIONS

The consolidated entity gained control over the following entities or publishing assets during the year:

| Entity or business acquired | Principal activity | Date of Acquisition | Ownership Interest |
|-------------------------------|--|---------------------|--------------------|
| Connect 4 | Financial information services | 31 July 2008 | (i) |
| Waiheke Marketplace | Newspaper publishing | 28 August 2008 | (ii) |
| D-Scene | Newspaper publishing | 15 September 2008 | (iii) |
| Katherine Times | Newspaper publishing | 21 October 2008 | (iv) |
| New Zealand Lifestyle Block | Magazine publishing | 24 October 2008 | (v) |
| Infego Communications Limited | Magazine publishing | 14 November 2008 | (vi) |
| Red Rock Software Limited | Online holiday accommodation advertising | 31 March 2009 | 100% |
| Vianet International Limited | Online tourism solution provider | 11 May 2009 | (vii) |

- (i) The business assets of Connect 4 were acquired, including the Connect 4 trademark and the www.connect4.com.au domain name.
- (ii) The publishing assets of Waiheke Marketplace were acquired, including the Waiheke Marketplace and Property Lifestyle masthead.
- (iii) The publishing assets of D-Scene were acquired, including the D-Scene masthead.
- (iv) The publishing assets of Katherine Times were acquired, including the Katherine Times masthead.
- (v) The publishing assets of New Zealand Lifestyle Block were acquired, including the New Zealand Lifestyle Block masthead.
- (vi) The publishing assets of Infego Communications Limited were acquired, including the Unlimited, Actv8, Exec.Ed. and Start Up Mastheads.
- (vii) The business assets of Vianet International Limited were acquired, including a 100% share of Vianet Trustee Limited.

For additional information refer to Note 32(B).

(B) DISPOSALS

The consolidated entity disposed of its interests in the following entities or publishing assets during the year:

| Entity or business disposed | Principal activity | Date of Disposal | Ownership Interest |
|---|--|-------------------|--------------------|
| Carnival Film & Television Limited | Television production | 19 September 2008 | 75% |
| Southern Star Group Limited and its controlled entities | Television production and distribution | 6 April 2009 | 100% |
| Real Estate Publications Australasia Pty Limited | Magazine publishing | 22 April 2009 | 55% |
| Homes Pictorial Publications Unit Trust | Magazine publishing | 22 April 2009 | 55% |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

32. Business combinations

(A) SOUTHERN CROSS BROADCASTING

On 9 November 2007 certain assets and liabilities of Southern Cross Broadcasting were acquired.

At 29 June 2008, the purchase price allocation for this business combination was based on provisional information. During the financial year ended 28 June 2009, the purchase price allocation was finalised. The impact of this was a decrease to goodwill of \$13.8 million. The fair value of the identifiable assets and liabilities of Southern Cross Broadcasting as at the date of acquisition were:

| | Recognised on acquisition | Acquiree's carrying amounts |
|---|------------------------------|--------------------------------|
| | \$'000 | \$'000 |
| Value of net assets acquired | | |
| Cash and cash equivalents | 17,784 | 17,784 |
| Receivables | 72,230 | 72,815 |
| Inventories | 963 | 963 |
| Investments accounted for using the equity method | 5,605 | 5,505 |
| Property, plant and equipment | 34,278 | 30,145 |
| Intangible assets | 162,906 | 148,269 |
| Assets available for sale | 3,324 | 3,324 |
| Other current assets | 17,896 | 17,896 |
| Current tax assets | 3,012 | 3,012 |
| Deferred income tax asset | 11,602 | 25,973 |
| Total assets | 329,600 | 325,686 |
| Payables | 77,832 | 77,817 |
| Interest bearing liabilities | 347 | 347 |
| Provisions | 10,932 | 10,932 |
| Other non current liabilities | 1,177 | 1,177 |
| Current tax liability | 2,434 | - |
| Deferred tax liability | 16,318 | 7,582 |
| Total liabilities | 109,040 | 97,855 |
| Value of identifiable net assets | 220,560 | 227,831 |
| Outside equity interest in net assets | (257) | - |
| Goodwill arising on acquisition | 316,480 | - |
| Total identifiable net assets and goodwill | 536,783 | 227,831 |
| Consideration | | |
| Purchase consideration - cash | 532,374 | |
| Costs directly attributable to the acquisition | 4,409 | |
| Total consideration | 536,783 | |
| Net cash outflow on acquisition | | |
| Net cash acquired with subsidiary | 17,784 | |
| Cash paid | (536,783) | |
| Net cash outflow | (518,999) | |

(B) OTHER ACQUISITIONS DURING THE PERIOD

Other acquisitions, none of which were individually significant to the consolidated entity, are listed in Note 31(A).

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

The purchase allocation of these acquisitions has not been finalised and provisional accounting has been applied. The assets and liabilities acquired were:

| | Recognised on acquisition | Acquiree's carrying amounts |
|---|------------------------------|--------------------------------|
| | \$'000 | \$'000 |
| Value of net assets acquired | | |
| Cash and cash receivables | 257 | 257 |
| Receivables | 347 | 357 |
| Property, plant and equipment | 403 | 403 |
| Intangible assets | 2,080 | 2,080 |
| Total assets | 3,087 | 3,097 |
| Payables | 1,027 | 1,027 |
| Current tax liabilities | 14 | 14 |
| Provisions | 118 | 118 |
| Total liabilities | 1,159 | 1,159 |
| Value of identifiable net assets | 1,928 | 1,938 |
| Goodwill arising on acquisition | 4,514 | - |
| Total identifiable net assets and goodwill | 6,442 | 1,938 |
| Consideration | | |
| Purchase consideration - cash | 5,800 | |
| Contingent consideration | 600 | |
| Costs directly attributable to the acquisition | 42 | |
| Total consideration | 6,442 | |
| Net cash outflow on acquisition | | |
| Net cash acquired with subsidiary | 257 | |
| Cash paid | (5,842) | |
| Net cash outflow | (5,585) | |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

33. Employee benefits

(A) NUMBER OF EMPLOYEES

As at 28 June 2009 the consolidated entity employed 8,979 full time employees (2008: 9,800) and 1,828 part-time and casual employees (2008: 2,106). This includes 2,254 (2008: 2,353) full-time employees and 363 (2008: 488) part-time and casual employees in New Zealand.

(B) EMPLOYEE SHARE PLANS

The Company had three employee share plans during the period. All three plans have been suspended pending review of the revised tax treatment on employee share plans announced by the Federal Government in May 2009. Prior to suspension, the terms of each plan were as set out below:

1. Fairfax Exempt Employee Share Plan

This plan is open to all permanent full-time and part-time Australian employees with more than twelve months service with the consolidated entity in Australia. Under this Plan, participants may salary sacrifice up to \$1,000 of pre tax salary per annum for 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 permanent full-time and part-time Australian employees with more than twelve months service with the consolidated entity in Australia. Under this Plan, participants may salary sacrifice a minimum of \$3,000 and up to a maximum of 25% of salary per annum for 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 pre-fixed dates.

3. Long Term Incentive Scheme

2006 - 2007 Equity-based incentive schemes (EBIS)

Under the 2006-2007 EBIS, which applied for bonuses earned in the 2006 and 2007 financial years, one third of the annual bonus earned by senior executives reporting to the CEO was deferred. The deferred amount was remitted to the trustee of the Employee Share Plan to purchase shares on market and allocates the shares inside the Plan to the relevant executive. Each executive's allocated shares vest three years after the allocation date subject to ongoing employment requirements.

2008 and ongoing equity-based incentive scheme

The long term incentive plan is available to certain permanent full-time and part-time employees of the consolidated entity.

Under this plan, the cash value of a percentage of an eligible employee's annual total fixed remuneration will be in the form of rights to Fairfax shares, which are beneficially held in a trust. The shares will vest if the eligible employee remains in employment three calendar years from the date the rights 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.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

34. 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:

| | Consolidated 28 June 2009 | Consolidated 29 June 2008 | Company 28 June 2009 | Company 29 June 2008 |
|--|------------------------------|------------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ | \$ |
| Audit services | | | | |
| Ernst & Young Australia | | | | |
| Audit and review of financial reports | 1,466,000 | 1,788,000 | 1,466,000 | 1,788,000 |
| Affiliates of Ernst & Young Australia | | | | |
| Audit and review of financial reports | 319,000 | 360,000 | 319,000 | 360,000 |
| Total audit services | 1,785,000 | 2,148,000 | 1,785,000 | 2,148,000 |
| Other assurance services | | | | |
| Ernst & Young Australia | | | | |
| Regulatory and contractually required audits | 272,840 | 296,000 | - | - |
| Other | 119,233 | 136,975 | 59,905 | 8,240 |
| Affiliates of Ernst & Young Australia | | | | |
| Regulatory and contractually required audits | 268,946 | 321,869 | - | - |
| Other | 13,546 | 29,723 | - | - |
| Total other assurance services | 674,565 | 784,567 | 59,905 | 8,240 |
| Total remuneration for assurance services | 2,459,565 | 2,932,567 | 1,844,905 | 2,156,240 |
| Non assurance services | | | | |
| Ernst & Young Australia | | | | |
| Other services | 582 | 11,732 | 582 | - |
| Affiliates of Ernst & Young Australia | | | | |
| Other services | 10,765 | 11,413 | - | - |
| Total non assurance services | 11,347 | 23,145 | 582 | - |
| Total remuneration of auditors | 2,470,912 | 2,955,712 | 1,845,487 | 2,156,240 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

35. Director and executive disclosures

(A) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

(i) Shareholdings

| | Balance 29 June 2008 | Net change Other | Balance 28 June 2009 | Post year-end acquisitions | Post year-end disposals | Post year-end balance |
|---------------------------------|-------------------------|---------------------|-------------------------|-------------------------------|----------------------------|--------------------------|
| Directors | | | | | | |
| RJ Walker | 1,035,251 | 972,948 | 2,008,199 | - | - | 2,008,199 |
| RC Corbett | 40,091 | 59,115 | 99,206 | - | - | 99,206 |
| D Evans | 52,448 | 109,934 | 162,382 | - | - | 162,382 |
| JB Fairfax | 216,482,782 | 18,943,999 | 235,426,781 | - | - | 235,426,781 |
| N Fairfax | 2,412,351 | 1,480,130 | 3,892,481 | - | - | 3,892,481 |
| JM King | 46,068 | 21,135 | 67,203 | - | - | 67,203 |
| DE Kirk** | 371,280 | (371,280) | - | - | - | - |
| B McCarthy | 1,463,027 | 201,016 | 1,664,043 | - | - | 1,664,043 |
| R Savage | 19,996 | 27,903 | 47,899 | - | - | 47,899 |
| P Young | 25,183 | 106,564 | 131,747 | - | - | 131,747 |
| Key management personnel | | | | | | |
| G Hambly | 133,772 | 44,809 | 178,581 | - | - | 178,581 |
| J Matthews | - | 46,667 | 46,667 | - | - | 46,667 |
| J Withers | 3,296 | - | 3,296 | - | - | 3,296 |
| S Narayan*** | 57,888 | 94,042 | 151,930 | - | - | - |
| B Cassell* | 775,847 | 285,167 | 1,061,014 | - | - | 1,061,014 |
| Total | 222,919,280 | 22,022,149 | 244,941,429 | - | - | 244,789,499 |

* B Cassell replaced S Narayan as Chief Financial Officer in May 2009.

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

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Balance 1 July 2007 | Net change Other | Balance 29 June 2008 | Post year-end acquisitions | Post year-end disposals | Post year-end balance |
|---------------------------------|------------------------|---------------------|-------------------------|-------------------------------|----------------------------|--------------------------|
| Directors | | | | | | |
| RJ Walker | 1,014,300 | 20,951 | 1,035,251 | 28,297 | - | 1,063,548 |
| MD Burrows ** | 45,712 | 8,943 | 54,655 | - | - | 54,655 |
| RC Corbett | 29,540 | 10,551 | 40,091 | 3,989 | - | 44,080 |
| D Evans | 13,801 | 38,647 | 52,448 | 3,547 | - | 55,995 |
| JB Fairfax | 216,501,147 | (18,365) | 216,482,782 | 3,103 | - | 216,485,885 |
| N Fairfax | 1,210,113 | 1,202,238 | 2,412,351 | 3,989 | - | 2,416,340 |
| JM King | 47,252 | (1,184) | 46,068 | 3,325 | - | 49,393 |
| DE Kirk | 324,405 | 46,875 | 371,280 | - | - | 371,280 |
| R Savage | - | 19,996 | 19,996 | 3,324 | - | 23,320 |
| P Young | 12,367 | 12,816 | 25,183 | - | - | 25,183 |
| Key management personnel | | | | | | |
| B McCarthy | 1,484,934 | (21,907) | 1,463,027 | - | - | 1,463,027 |
| G Hambly | 115,569 | 18,203 | 133,772 | - | - | 133,772 |
| J Matthews | - | - | - | - | - | - |
| J Withers | 3,296 | - | 3,296 | - | - | 3,296 |
| S Narayan | 22,981 | 34,907 | 57,888 | - | - | 57,888 |
| Total | 220,825,417 | 1,372,671 | 222,198,088 | 49,574 | - | 222,247,662 |

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

Stapled Preference Shares (SPS)

SPS held, acquired or disposed of in the financial year ended 28 June 2009 by directors or key management personnel have been disclosed in the table above.

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

| | Opening Balance 29 June 2008 | Granted as remuneration | Net change Other **** | Closing Balance 28 June 2009 |
|---------------------------------|---------------------------------|----------------------------|--------------------------|---------------------------------|
| Directors | | | | |
| DE Kirk** | 739,511 | 857,489 | (1,403,326) | 193,674 |
| B McCarthy | 292,299 | 402,180 | - | 694,479 |
| Key management personnel | | | | |
| G Hambly | 139,512 | 110,969 | (36,409) | 214,072 |
| J Matthews | 107,648 | 126,101 | - | 233,749 |
| J Withers | - | - | - | - |
| S Narayan*** | 256,848 | 269,016 | (486,340) | 39,524 |
| B Cassell | 87,983 | 121,057 | - | 209,040 |
| Total | 1,623,801 | 1,886,812 | (1,926,075) | 1,584,538 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

| | Opening Balance 1 July 2007 | Granted as remuneration | Net change Other **** | Closing Balance 29 June 2008 |
|---------------------------------|--------------------------------|----------------------------|--------------------------|---------------------------------|
| Directors | | | | |
| DE Kirk | 116,297 | 623,214 | - | 739,511 |
| Key management personnel | | | | |
| B McCarthy | - | 292,299 | - | 292,299 |
| G Hambly | 109,438 | 80,651 | (50,577) | 139,512 |
| J Matthews | 15,999 | 91,649 | | 107,648 |
| J Withers | - | - | - | - |
| S Narayan | 120,613 | 195,518 | (59,283) | 256,848 |
| Total | 362,347 | 1,283,331 | (109,860) | 1,535,818 |

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

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

**** Net change movements include forfeitures.

(C) LOANS TO KEY MANAGEMENT PERSONNEL

(i) Aggregates for key management personnel

There were no loans issued 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 28 June 2009 (2008: nil).

(ii) Individuals with loans above \$100,000 during the financial year

There are no outstanding loans above \$100,000 for the financial years ended 28 June 2009 and 29 June 2008.

(D) OTHER TRANSACTIONS WITH 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.

During the year as part of the 3 for 5 rights issue, Fairfax Media Limited entered into an arms length transaction with ABN Amro Group (now owned by the Royal Bank of Scotland) resulting in fees paid to ABN of \$5.8 million. Peter Young was a senior advisor of ABN Amro during this period.

During the prior year Fairfax Media Limited entered into arms length transactions with Lazard LLC resulting in fees paid to Lazard for the 2008 year of \$3.3 million. Mr Mark Burrows, who resigned as Fairfax Group Deputy Chairman on 31 January 2008, was Managing Director of Lazard LLC and Chairman of Lazard Australia at that date.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

36. 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 30.

(C) KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in Note 35.

(D) TRANSACTIONS WITH RELATED PARTIES

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

| | Sales to related parties \$'000 | Purchases from related parties \$'000 | Amount owed by related parties \$'000 | Amount owed to related parties \$'000 |
|---------------------|--|--|--|--|
| Consolidated | | | | |
| 28 June 2009 | 4,986 | 17,876 | 2,606 | 458 |
| 29 June 2008 | 4,573 | 13,736 | 322 | 239 |
| Company | | | | |
| 28 June 2009 | - | - | - | - |
| 29 June 2008 | - | 20 | - | - |

Fairfax Media Limited has undertaken transactions with its controlled entities during the year including the issue and receipt of loans and management fees. On consolidation, all such transactions have been eliminated in full.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

37. Notes to the cash flow statements

| | Note | Consolidated | Consolidated | Company | Company |
|--|------|------------------|--------------|------------------|--------------|
| | | 28 June 2009 | 29 June 2008 | 28 June 2009 | 29 June 2008 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| (A) RECONCILIATION OF NET (LOSS)/PROFIT AFTER INCOME TAX EXPENSE TO NET CASH INFLOW FROM OPERATING ACTIVITIES | | | | | |
| Net (loss)/profit for the financial year | | (381,088) | 387,490 | (245,175) | 59,186 |
| Non-cash items | | | | | |
| Depreciation and amortisation | 3(B) | 117,556 | 108,295 | 7,363 | 9,514 |
| Impairment of property, plant and equipment, intangibles and investments | | 569,091 | 1,382 | 214,000 | - |
| Amortisation of borrowing costs | | 3,917 | 3,508 | - | - |
| Share of profits of associates and joint ventures not received as dividends or distributions | | 1,325 | (27) | - | - |
| Straight-line rent adjustment | | 1,658 | 5,080 | - | - |
| Net loss/(gain) on disposal of property, plant and equipment | | 264 | (2,430) | 6 | 42 |
| Net loss on disposal of investments | | 5,224 | - | 5,533 | - |
| Net gain on disposal of other assets | | - | (1,400) | - | - |
| Fair value adjustment to derivatives | | (1,071) | (1,115) | - | - |
| Gain on repurchase of medium term notes | | (5,167) | - | - | - |
| Net foreign currency loss/(gain) | | 3,173 | (5,410) | - | - |
| Share based payment expense | | 2,237 | 4,429 | 2,237 | 4,429 |
| Non-cash superannuation expense | | 982 | 1,461 | - | - |
| Changes in operating assets and liabilities, net of effects from acquisitions | | | | | |
| Decrease/(increase) in trade receivables | | 84,261 | 377 | (14) | 785 |
| Decrease/(increase) in other receivables | | 16,396 | (18,455) | 2,446 | 1,279 |
| Decrease in inventories | | 1,643 | 3,785 | - | - |
| Decrease in other assets | | 2,307 | 6,286 | - | - |
| (Decrease)/increase in payables | | (3,073) | (40,900) | (978) | 1,264 |
| Increase/(decrease) in provisions | | 5,451 | (34,023) | (485) | 1,259 |
| (Decrease)/increase in tax balances | | (40,189) | 1,913 | (17,272) | (53,391) |
| Net cash inflow/(outflow) from operating activities | | 384,897 | 420,246 | (32,339) | 24,367 |

(B) RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

| | | | | |
|--|---------------|--------|--------------|-----|
| Cash on hand and at bank | 69,124 | 93,864 | 1,680 | 680 |
| Total cash at end of the financial year | 69,124 | 93,864 | 1,680 | 680 |

(C) NON-CASH INVESTING AND FINANCING ACTIVITIES

Dividends satisfied by the issue of shares under the dividend reinvestment plan are shown in Note 23(A).

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

38. Financial and capital risk management

Financial risk management

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

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

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

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

Capital risk management

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

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

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

- sufficient finance for the business is maintained at a reasonable cost;
- sufficient funds are available for the business to implement its capital expenditure and business acquisition strategies;
- distributions to shareholders are maintained at a payout ratio of approximately 20% of net profit; and
- where excess funds arise with respect to the funds required to enact the Group's business strategies, consideration is given to possible returns of equity to shareholders.

The Group's financial strategy is to maintain the net debt to underlying EBITDA ratio around 3.0 times (2008: 3.0 to 3.5 times) and maintain an investment grade credit rating. In May 2009, the Group's S&P credit rating was reduced from BBB- to BB+. Notwithstanding this restatement, the Group's target credit rating remains investment grade.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

The net debt to EBITDA ratio for the Group at 28 June 2009 and 29 June 2008 is as follows:

| | Note | Consolidated 2009 \$'000 | Consolidated 2008 \$'000 |
|--|------|--------------------------------|--------------------------------|
| Net debt for financial covenant purposes | 21 | 1,782,348 | 2,516,251 |
| EBITDA * | | 610,226 | 840,573 |
| Net debt to EBITDA ratio | | 2.9 | 3.0 |

* 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 or (loss) arising from mark to market revaluations of financial instruments. In respect of the first 12 month period after the acquisition of any acquired business, EBITDA will include acquired EBITDA in respect of the acquired business for any period not covered in the consolidated EBITDA of the Group.

Risk factors

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

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

(A) INTEREST RATE RISK

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

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

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

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

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

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

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

Consolidated

As at 28 June 2009

| | Floating rate \$'000 | Fixed rate \$'000 | Non- interest bearing \$'000 | Total \$'000 |
|------------------------------------|----------------------------|-------------------------|---------------------------------------|------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 69,124 | - | - | 69,124 |
| Trade and other receivables | - | - | 346,946 | 346,946 |
| Available for sale investments | - | - | 2,157 | 2,157 |
| Held to maturity investments | 13,216 | - | - | 13,216 |
| Other financial assets | - | - | 1,175 | 1,175 |
| Derivatives | 47,873 | 104,869 | - | 152,742 |
| Total financial assets | 130,213 | 104,869 | 350,278 | 585,360 |
| Financial liabilities | | | | |
| Payables | - | - | 300,479 | 300,479 |
| Interest bearing liabilities: | | | | |
| Bank borrowings and loans | 301,171 | 20,389 | - | 321,560 |
| Senior notes | 30,976 | 607,395 | - | 638,371 |
| Eurobonds | - | 607,537 | - | 607,537 |
| Medium term notes | - | 167,481 | - | 167,481 |
| Finance lease liability | 25,338 | - | - | 25,338 |
| Redeemable preference shares (RPS) | - | 147,978 | - | 147,978 |
| Total interest bearing liabilities | 357,485 | 1,550,780 | - | 1,908,265 |
| Derivatives | 18,125 | 55,612 | - | 73,737 |
| Total financial liabilities | 375,610 | 1,606,392 | 300,479 | 2,282,481 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

Consolidated

As at 29 June 2008

| | Floating rate \$'000 | Fixed rate \$'000 | Non- interest bearing \$'000 | Total \$'000 |
|------------------------------------|----------------------------|-------------------------|---------------------------------------|------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 93,864 | - | - | 93,864 |
| Trade and other receivables | - | - | 482,355 | 482,355 |
| Available for sale investments | - | - | 3,547 | 3,547 |
| Held to maturity investments | 14,686 | - | - | 14,686 |
| Other financial assets | - | - | 122 | 122 |
| Derivatives | 21,544 | 37,860 | - | 59,404 |
| Total financial assets | 130,094 | 37,860 | 486,024 | 653,978 |
| Financial liabilities | | | | |
| Payables | - | - | 330,045 | 330,045 |
| Interest bearing liabilities: | | | | |
| Bank borrowings and loans | 1,022,527 | 24,884 | - | 1,047,411 |
| Senior notes | 26,729 | 492,947 | - | 519,676 |
| Eurobonds | - | 570,249 | - | 570,249 |
| Medium term notes | - | 199,682 | - | 199,682 |
| Finance lease liability | 28,530 | - | - | 28,530 |
| Redeemable preference shares (RPS) | - | 146,401 | - | 146,401 |
| Total interest bearing liabilities | 1,077,786 | 1,434,163 | - | 2,511,949 |
| Derivatives | 94,390 | 19,737 | - | 114,127 |
| Total financial liabilities | 1,172,176 | 1,453,900 | 330,045 | 2,956,121 |

Company

As at 28 June 2009

| | Floating rate \$'000 | Fixed rate \$'000 | Non- interest bearing \$'000 | Total \$'000 |
|------------------------------------|----------------------------|-------------------------|---------------------------------------|------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 1,680 | - | - | 1,680 |
| Trade and other receivables | - | 398,566 | 1,651,577 | 2,050,143 |
| Total financial assets | 1,680 | 398,566 | 1,651,577 | 2,051,823 |
| Financial liabilities | | | | |
| Payables | - | - | 14,946 | 14,946 |
| Total financial liabilities | - | - | 14,946 | 14,946 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

Company

As at 29 June 2008

| | Floating rate \$'000 | Fixed rate \$'000 | Non- interest bearing \$'000 | Total \$'000 |
|------------------------------------|----------------------------|-------------------------|---------------------------------------|------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 680 | - | - | 680 |
| Trade and other receivables | - | 398,566 | 1,274,487 | 1,673,053 |
| Total financial assets | 680 | 398,566 | 1,274,487 | 1,673,733 |
| Financial liabilities | | | | |
| Payables | - | - | 15,900 | 15,900 |
| Total financial liabilities | - | - | 15,900 | 15,900 |

Sensitivity analysis

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

A sensitivity of 30% (2008: 10%) 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 28 June 2009 from around 3.24% to 4.21% representing a 97 basis point shift (2008: 78 basis point shift).

In 2009, 86% (2008: 92%) 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 | |
|--|---------------------------|----------------|------------------|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Consolidated | | | | |
| If interest rates were 30% higher with all other variables held constant - increase/(decrease) | (6,397) | (12,455) | 1,554 | (1,761) |
| If interest rates were 30% lower with all other variables held constant - increase/(decrease) | 6,397 | 12,455 | (1,307) | 1,761 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(B) FOREIGN CURRENCY RISK

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

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

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

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

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

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

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

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

Refer to Note 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 balance date from a 10% 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 10% 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.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(a) AUD / NZD

Comparing the Australian Dollar exchange rate against the New Zealand Dollar, a 10% weaker Australian Dollar would result in an exchange rate of 1.1244 and a 10% stronger Australian Dollar in an exchange rate of 1.3742 based on the year end rate of 1.2493. 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 1.0421 to 1.2692.

| | Impact on post-tax profit | | Impact on equity (hedging reserves) * | |
|--|---------------------------|----------------|--|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Consolidated | | | | |
| If the AUD exchange rate was 10% weaker against the NZD with all other variables held constant - increase/(decrease) | 5,457 | 368 | (21,838) | (26,392) |
| If the AUD exchange rate was 10% stronger against the NZD with all other variables held constant - increase/(decrease) | (2,460) | 81 | 20,496 | 21,797 |

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

(b) AUD / USD

Comparing the Australian Dollar exchange rate against the United States Dollar, a 10% weaker Australian Dollar would result in an exchange rate of 0.7261 and a 10% stronger Australian Dollar in an exchange rate of 0.8875 based on the year end rate of 0.8068. 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 0.6021 to 0.9788.

| | Impact on post-tax profit | | Impact on equity (cash flow hedge reserve) | |
|--|---------------------------|----------------|---|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Consolidated | | | | |
| If the AUD exchange rate was 10% weaker against the USD with all other variables held constant - increase/(decrease) | (499) | 116 | 2,710 | 1,836 |
| If the AUD exchange rate was 10% stronger against the USD with all other variables held constant - increase/(decrease) | 322 | (95) | (2,224) | (1,509) |

(c) AUD / EUR

Comparing the Australian Dollar exchange rate against the Euro, a 10% weaker Australian Dollar would result in an exchange rate of 0.5164 and a 10% stronger Australian Dollar in an exchange rate of 0.6312 based on the year end rate of 0.5738. This range is considered reasonable given over the last five years, the Australian Dollar exchange rate against the Euro has traded in the range of 0.4796 to 0.6460.

| | Impact on post-tax profit | | Impact on equity (cash flow hedge reserve) | |
|---|---------------------------|----------------|---|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Consolidated | | | | |
| If the AUD exchange rate was 10% weaker against the Euro with all other variables held constant - increase/(decrease) | - | - | 2,304 | (787) |
| If the AUD exchange rate was 10% stronger against the Euro with all other variables held constant - increase/(decrease) | (2,200) | (53) | (72) | 643 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(d) NZD / EUR

Comparing the New Zealand Dollar exchange rate against the Euro, a 10% weaker New Zealand Dollar would result in an exchange rate of 0.4136 and a 10% stronger New Zealand Dollar in an exchange rate of 0.5056 based on the year end rate of 0.4596. This range is considered reasonable given over the last five years, the New Zealand Dollar exchange rate against the Euro has traded in the range of 0.3911 to 0.6127.

| | Impact on post-tax profit | | Impact on equity (cash flow hedge reserve) | |
|---|---------------------------|----------------|---|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Consolidated | | | | |
| If the NZD exchange rate was 10% weaker against the Euro with all other variables held constant - increase/(decrease) | - | - | 330 | 923 |
| If the NZD exchange rate was 10% stronger against the Euro with all other variables held constant - increase/(decrease) | - | - | (268) | (753) |

* Amounts disclosed in Australian Dollar terms

The Company is not exposed to any foreign currency risks on borrowings.

(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 28 June 2009 counterparty credit risk was limited to financial institutions with credit ratings ranging from A- to AA.

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

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

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(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.

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

As at 28 June 2009

| | Consolidated | | | | Company | |
|---|-----------------------------|---------------------------|---------------------------|--------------------------------|-----------------------------|---------------------------|
| | (Nominal cash flows) | | | | (Nominal cash flows) | |
| | 1 year or less \$'000 | 1 to 2 years \$'000 | 2 to 5 years \$'000 | More than 5 years \$'000 | 1 year or less \$'000 | 1 to 2 years \$'000 |
| Financial liabilities* | | | | | | |
| Payables | (300,479) | - | - | - | (14,946) | - |
| Bank borrowings and loans | (24,392) | (257,850) | (35,953) | (15,533) | - | - |
| Notes and bonds | (84,834) | (314,721) | (749,522) | (598,378) | - | - |
| Finance lease liability | (8,126) | (8,441) | (27,424) | (12,467) | - | - |
| Redeemable Preference Shares (RPS) | (153,223) | - | - | - | - | - |
| Derivatives - inflows* | | | | | | |
| Cross currency swaps - foreign leg (fixed)** | 218,533 | 127,283 | 793,481 | 504,759 | - | - |
| Cross currency swaps - foreign leg (variable)** | 363 | 363 | 1,088 | 31,349 | - | - |
| Forward foreign currency contracts** | 7,743 | - | - | - | - | - |
| Derivatives - outflows* | | | | | | |
| Cross currency swaps - AUD leg (fixed)** | (206,303) | (24,110) | (241,933) | (154,622) | - | - |
| Cross currency swaps - AUD leg (variable)** | (23,942) | (94,843) | (392,234) | (185,472) | - | - |
| Cross currency swaps - NZD leg (variable)** | (9,352) | (9,352) | (93,533) | (188,987) | - | - |
| Interest rate swaps *** | (16,846) | (16,846) | (25,284) | (6,328) | - | - |
| Forward foreign currency contracts** | (7,880) | - | - | - | - | - |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

As at 29 June 2008

| | Consolidated | | | | Company | |
|---|-----------------------------|---------------------------|---------------------------|--------------------------------|-----------------------------|---------------------------|
| | (Nominal cash flows) | | | | (Nominal cash flows) | |
| | 1 year or less \$'000 | 1 to 2 years \$'000 | 2 to 5 years \$'000 | More than 5 years \$'000 | 1 year or less \$'000 | 1 to 2 years \$'000 |
| Financial liabilities* | | | | | | |
| Payables | (330,045) | - | - | - | (15,900) | - |
| Bank borrowings and loans | (101,272) | (513,356) | (640,431) | (27,178) | - | - |
| Notes and bonds | (72,787) | (72,787) | (972,424) | (512,577) | - | - |
| Finance lease liability | (7,847) | (8,144) | (26,397) | (22,023) | - | - |
| Redeemable Preference Shares (RPS) | (9,210) | (156,630) | - | - | - | - |
| Derivatives - inflows* | | | | | | |
| Cross currency swaps - foreign leg (fixed)** | 67,392 | 214,812 | 764,822 | 485,651 | - | - |
| Cross currency swaps - foreign leg (variable)** | 875 | 875 | 2,624 | 26,927 | - | - |
| Forward foreign currency contracts** | 139,721 | - | - | - | - | - |
| Derivatives - outflows* | | | | | | |
| Cross currency swaps - AUD leg (fixed)** | (32,703) | (205,950) | (256,549) | (154,866) | - | - |
| Cross currency swaps - AUD leg (variable)** | (51,758) | (51,758) | (522,428) | (194,354) | - | - |
| Cross currency swaps - NZD leg (variable)** | (22,632) | (22,632) | (67,897) | (293,491) | - | - |
| Forward foreign currency contracts** | (137,044) | - | - | - | - | - |

* 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 28 June, 2009

(E) FAIR VALUE

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

| | Carrying value 2009 \$'000 | Fair value 2009 \$'000 | Carrying value 2008 \$'000 | Fair value 2008 \$'000 |
|--------------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|
| Consolidated | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 69,124 | 69,124 | 93,864 | 93,864 |
| Receivables | 346,932 | 346,932 | 482,355 | 482,355 |
| Derivative assets | 152,915 | 152,915 | 62,936 | 62,936 |
| Available for sale investments | 2,157 | 2,157 | 3,547 | 3,547 |
| Held to maturity investments | 13,216 | 13,216 | 14,686 | 14,686 |
| Other financial assets | 1,175 | 1,175 | 122 | 122 |
| | 585,519 | 585,519 | 657,510 | 657,510 |
| Financial liabilities | | | | |
| Payables | 300,479 | 300,479 | 330,045 | 330,045 |
| Interest bearing liabilities | | | | |
| - bank borrowings | 321,560 | 321,558 | 1,047,411 | 1,047,411 |
| - Eurobonds | 607,537 | 609,741 | 570,249 | 573,296 |
| - senior notes | 638,371 | 640,583 | 519,676 | 522,280 |
| - medium term notes | 167,481 | 167,700 | 199,682 | 200,000 |
| - lease liability | 25,338 | 36,187 | 28,530 | 38,897 |
| - Redeemable Preference Shares (RPS) | 147,978 | 149,123 | 146,401 | 148,623 |
| Derivative liabilities | 74,487 | 74,487 | 122,257 | 122,257 |
| | 2,283,231 | 2,299,858 | 2,964,251 | 2,982,809 |
| Company | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 1,680 | 1,680 | 680 | 680 |
| Receivables | 2,050,143 | 2,050,143 | 1,673,053 | 1,673,053 |
| | 2,051,823 | 2,051,823 | 1,673,733 | 1,673,733 |
| Financial liabilities | | | | |
| Payables | 14,946 | 14,946 | 15,900 | 15,900 |
| | 14,946 | 14,946 | 15,900 | 15,900 |

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

The fair value of the senior notes and lease liabilities have been calculated by discounting the future cash flows by interest rates for liabilities with similar risk profiles. The discount rates applied range from 2.66% to 13.38% (2008: 5.75% to 13.38%).

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

39. Segment reporting

Business segments

The consolidated entity is organised into three business segments, publishing & printing, digital and broadcasting. The publishing & printing segment comprises newspaper, magazine and general publishing and printing. Revenues are generated from circulation sales, printing and the sale of advertising in those publications. The digital segment incorporates the Group's online sites including news, classifieds and transactional businesses. Broadcasting comprises radio stations and licences and television production.

Geographical segments

The consolidated entity operates predominantly in two geographic segments, Australia and New Zealand.

(A) PRIMARY REPORTING FORMAT - BUSINESS SEGMENT

(i) Results

| | Printing & Publishing | Digital | Broadcasting | Other | Consolidated entity |
|--|-----------------------|----------------|----------------|------------------|---------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 28 June 2009 | | | | | |
| Sales to external customers | 2,239,267 | 187,785 | 171,821 | 1,052 | 2,599,925 |
| Intersegment sales | - | 347 | - | - | 347 |
| Total revenue | 2,239,267 | 188,132 | 171,821 | 1,052 | 2,600,272 |
| Intersegment elimination | | | | | (347) |
| Other revenue | | | | 9,597 | 9,597 |
| Total segment revenue | 2,239,267 | 188,132 | 171,821 | 10,649 | 2,609,522 |
| Segment profit/(loss) from operations before income tax expense | (133,395) | 77,123 | (42,636) | (77,647) | (176,555) |
| Unallocated revenue less unallocated expenses | | | | (174,861) | (174,861) |
| Net (loss)/profit from operations before income tax expense | | | | (252,508) | (351,416) |
| Income tax expense | | | | (29,672) | (29,672) |
| Net (loss)/profit after income tax expense | | | | (282,180) | (381,088) |
| 29 June 2008 | | | | | |
| Sales to external customers | 2,555,847 | 169,856 | 185,528 | - | 2,911,231 |
| Intersegment sales | - | - | - | - | - |
| Total revenue | 2,555,847 | 169,856 | 185,528 | - | 2,911,231 |
| Intersegment elimination | | | | | - |
| Other revenue | | | | 22,776 | 22,776 |
| Total segment revenue | 2,555,847 | 169,856 | 185,528 | 22,776 | 2,934,007 |
| Segment profit/(loss) from operations before income tax expense | 632,346 | 81,704 | 33,426 | (37,428) | 710,048 |
| Unallocated revenue less unallocated expenses | | | | (186,875) | (186,875) |
| Net profit from operations before income tax expense | | | | (224,303) | 523,173 |
| Income tax expense | | | | (135,683) | (135,683) |
| Net profit after income tax expense | | | | (359,986) | 387,490 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(ii) Assets and liabilities

28 June 2009

| | Printing & Publishing \$'000 | Digital \$'000 | Broadcasting \$'000 | Other \$'000 | Consolidated entity \$'000 |
|--------------------------|---------------------------------|-------------------|------------------------|-----------------|-------------------------------|
| Assets | | | | | |
| Segment assets | 5,996,018 | 807,486 | 347,029 | 293,774 | 7,444,307 |
| Unallocated assets | | | | | 150,900 |
| Total assets | | | | | 7,595,207 |
| Liabilities | | | | | |
| Segment liabilities | 331,003 | 37,568 | 23,871 | 163,662 | 556,104 |
| Unallocated liabilities | | | | | 2,027,313 |
| Total liabilities | | | | | 2,583,417 |
| Net assets | | | | | 5,011,790 |

29 June 2008

| | Printing & Publishing \$'000 | Digital \$'000 | Broadcasting \$'000 | Other \$'000 | Consolidated entity \$'000 |
|--------------------------|---------------------------------|-------------------|------------------------|-----------------|-------------------------------|
| Assets | | | | | |
| Segment assets | 6,562,522 | 769,799 | 656,484 | 175,713 | 8,164,518 |
| Unallocated assets | | | | | 128,583 |
| Total assets | | | | | 8,293,101 |
| Liabilities | | | | | |
| Segment liabilities | 299,797 | 31,691 | 94,294 | 235,649 | 661,431 |
| Unallocated liabilities | | | | | 2,666,336 |
| Total liabilities | | | | | 3,327,767 |
| Net assets | | | | | 4,965,334 |

(iii) Other detailed segment disclosures

| | Printing & Publishing \$'000 | Digital \$'000 | Broadcasting \$'000 | Other \$'000 | Consolidated entity \$'000 |
|--|---------------------------------|-------------------|------------------------|-----------------|-------------------------------|
| 28 June 2009 | | | | | |
| Equity method investments included in segment assets | 26,882 | 12,423 | 433 | 6,930 | 46,668 |
| Acquisition of property, plant and equipment, intangible assets and other non-current assets | 81,508 | 21,652 | 4,232 | 24,096 | 131,488 |
| Depreciation and amortisation | 98,774 | 13,909 | 3,099 | 1,774 | 117,556 |
| Impairment of property, plant and equipment, intangibles and investments | 463,984 | - | 71,589 | 33,518 | 569,091 |
| Other non-cash expenses | 154,214 | 9,494 | 4,422 | 18,564 | 186,694 |
| 29 June 2008 | | | | | |
| Equity method investments included in segment assets | 27,650 | 977 | 9,686 | 7,377 | 45,690 |
| Acquisition of property, plant and equipment, intangible assets and other non-current assets | 92,277 | 19,281 | 1,959 | 36,531 | 150,048 |
| Depreciation and amortisation | 91,901 | 9,769 | 3,965 | 2,660 | 108,295 |
| Impairment of property, plant and equipment, intangibles and investments | - | - | - | 1,382 | 1,382 |
| Other non-cash expenses | 80,197 | 5,762 | 2,204 | 21,102 | 109,265 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(B) SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENT

(i) Results

| | Australia \$'000 | New Zealand \$'000 | Consolidated entity \$'000 |
|--|---------------------|-----------------------|----------------------------------|
| 28 June 2009 | | | |
| Segment revenue | 2,103,386 | 496,539 | 2,599,925 |
| Total revenue | 2,103,386 | 496,539 | 2,599,925 |
| Other unallocated revenue | - | - | 9,597 |
| Total segment revenue | 2,103,386 | 496,539 | 2,609,522 |
| Segment profit/(loss) from operations before income tax expense | (251,810) | 70,088 | (176,555) |
| Unallocated revenue less unallocated expenses | - | - | (174,861) |
| Net (loss)/profit from operations before income tax expense | (251,810) | 70,088 | (351,416) |
| Income tax expense | - | - | (29,672) |
| Net (loss)/profit after income tax expense | (251,810) | 70,088 | (381,088) |

| | Australia \$'000 | New Zealand \$'000 | Consolidated entity \$'000 |
|---|---------------------|-----------------------|----------------------------------|
| 29 June 2008 | | | |
| Segment revenue | 2,322,100 | 586,863 | 2,908,963 |
| Total revenue | 2,322,100 | 586,863 | 2,908,963 |
| Other unallocated revenue | - | - | 25,044 |
| Total segment revenue | 2,322,100 | 586,863 | 2,934,007 |
| Segment profit from operations before income tax expense | 498,738 | 211,310 | 710,048 |
| Unallocated revenue less unallocated expenses | - | - | (186,875) |
| Net profit from operations before income tax expense | 498,738 | 211,310 | 523,173 |
| Income tax expense | - | - | (135,683) |
| Net profit after income tax expense | 498,738 | 211,310 | 387,490 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

(ii) Assets and liabilities

28 June 2009

| | Australia \$'000 | New Zealand \$'000 | Consolidated entity \$'000 |
|--------------------------|---------------------|-----------------------|----------------------------------|
| Assets | | | |
| Segment assets | 6,984,296 | 460,026 | 7,444,322 |
| Unallocated assets | | | 150,885 |
| Total assets | | | 7,595,207 |
| Liabilities | | | |
| Segment liabilities | 474,227 | 81,876 | 556,103 |
| Unallocated liabilities | | | 2,027,314 |
| Total liabilities | | | 2,583,417 |
| Net assets | | | 5,011,790 |

29 June 2008

| | Australia \$'000 | New Zealand \$'000 | Consolidated entity \$'000 |
|--------------------------|---------------------|-----------------------|----------------------------------|
| Assets | | | |
| Segment assets | 6,489,637 | 1,674,903 | 8,164,540 |
| Unallocated assets | | | 128,561 |
| Total assets | | | 8,293,101 |
| Liabilities | | | |
| Segment liabilities | 550,518 | 110,913 | 661,431 |
| Unallocated liabilities | | | 2,666,336 |
| Total liabilities | | | 3,327,767 |
| Net assets | | | 4,965,334 |

(iii) Other detailed segment disclosures

| | Australia 28 June 2009 \$'000 | New Zealand 28 June 2009 \$'000 | Australia 29 June 2008 \$'000 | New Zealand 29 June 2008 \$'000 |
|--|-------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
| Equity method investments included in segment assets | 44,933 | 1,735 | 43,926 | 1,764 |
| Acquisition of property, plant and equipment, intangible assets and other non-current assets | 96,778 | 34,710 | 115,508 | 34,540 |
| Depreciation and amortisation | 101,762 | 15,794 | 94,131 | 14,164 |
| Impairment of property, plant and equipment, intangibles and investments | 504,720 | 64,371 | 1,382 | - |
| Other non-cash expenses | 165,337 | 21,357 | 95,963 | 13,302 |

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities for the period ended 28 June, 2009

40. Events subsequent to balance sheet date

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