FAIRFAX MEDIA ANNUAL REPORT 2018

Going for growth

INFORMATION | MARKETPLACES | ENTERTAINMENT

Fairfax Media


SHANGRI-LA HOTEL

FAIRFAX MEDIA PUTS A SPOTLIGHT ON LIFE - AND HAS DONE SO FOR 187 YEARS. OUR JOURNALISM SHINES BRIGHT.

TODAY. TOMORROW. AND BEYOND.

We have hit our stride - *going for growth* - maximising the growth drivers of our core assets and stepping into the future with great confidence.

Our quality independent journalism, deeply engaging content and great experiences have long been part of the everyday for millions of people.

Our information brands, marketplaces and entertainment assets excite, engage and enrich the lives of millions of Australians and New Zealanders every day.

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

We are the trusted voice, informing and enlightening with our newspapers, websites, radio stations, events and dynamic digital venues for commerce and information.

We are a positive force in our communities, playing an essential role in guaranteeing transparent and open democracy.

Our journalists perform their jobs with independence, insight and integrity. They chase the truth and shine light on institutions and powerful leaders by asking questions that they cannot or will not ask of themselves.

Our people are highly energised and passionate about our mission, bringing vibrancy to their work. Our customers and audiences are the centre of everything we do.

We are at the forefront of the contemporary media sector, driving innovation and growing shareholder value.

Fairfax Media's thriving, modern, diversified portfolio - spanning media, marketing services, real estate services, data, entertainment, and beyond - sustains the important work we do in the communities we serve.

INDEPENDENT. ALWAYS.

Fairfax Media

2018 SNAPSHOT

Information

AUSTRALIAN METRO MEDIA

LEADING METROPOLITAN DIGITAL MEDIA, NEWSPAPERS AND EVENTS

Metro is focused on strengthening earnings and long-term growth by driving digital performance and maximising the print contribution. New products, a simplified technology stack and commercial innovation underpin a next-generation publishing model. Australia's number one masthead *The Sydney Morning Herald*, along with *The Age*, *The Australian Financial Review* and other titles, leverage quality journalism and content to engage large multi-platform audiences. Metro includes other digital assets and Events and Entertainment. Paid digital subscribers for the SMH, *The Age* and *Financial Review* reached around 313,000 and support a growing digital subscription base. A world-first partnership with Google maximises the value of digital audience and programmatic advertising inventory. Cost initiatives offset print advertising declines, with a new era of industry cooperation expected to deliver material cost benefits in FY19.

-6%	+9%	+8%
TOTAL REVENUE	DIGITAL SUBSCRIPTION REVENUE	EBITDA (UNDERLYING)

AUSTRALIAN COMMUNITY MEDIA

LEADING RURAL AND REGIONAL NEWSPAPERS, DIGITAL MEDIA AND EVENTS

ACM is focused on optimising its operating structure to grow digital and maximise cash flows from low capital intensive and profitable print. A network of more than 150 regional and local titles, together with leading agricultural and specialist mastheads and events, reaches and monetises highly-engaged communities. Agricultural titles were particularly resilient. Strong growth in B2B revenues was underpinned by the delivery of a full suite of digital marketing solutions to local businesses via Fairfax Marketing Services. Subscriptions are expected to grow with new local news packages being progressively introduced including paid digital subscriptions in key markets. ACM is making progress in growing its digital presence while optimising its currently profitable long tail of print publications. Continued cost efficiency somewhat offset advertising declines, with further cost reduction measures being implemented.

-9%	-6%	-22%
TOTAL REVENUE	OPERATING COSTS	EBITDA (UNDERLYING)

STUFF

LEADING NEW ZEALAND DIGITAL MEDIA, NEWSPAPERS AND EVENTS

Stuff's strategic focus is on leveraging the enormous power of leading local digital platform Stuff.co.nz and hyper-local community platform Neighbourly, while rationalising print. Stuff and Neighbourly have a combined membership base of 1.2 million and an impressive monthly audience of 2 million. This engaged and loyal membership base has fuelled category expansion via internet service provider Stuff Fibre, new release movie on-demand streaming service Stuff Pix, lead generation partnerships with utilities and financial services providers, and Neighbourly property classifieds. The renaming of the NZ business as Stuff during the year recognises the tremendous power of the Stuff brand, the role it plays in everyday Kiwi life, and its position at the centre of a significant digital growth opportunity. Digital and other non-print revenue is 18% of total and growing rapidly. Ongoing efficiency measures delivered an underlying 4% reduction in costs, somewhat offsetting print advertising declines.

-8%	+21%	-27%
TOTAL REVENUE	DIGITAL REVENUE	EBITDA (UNDERLYING)

Marketplaces

DOMAIN GROUP

REAL ESTATE MEDIA
AND SERVICES

Domain achieved the milestone of becoming a separate ASX-listed entity in November 2017. Fairfax's 59.4% shareholding remains a key strategic asset. Underpinning Domain's value is strong agent relationships across residential and commercial, effective listings parity, large and highly-engaged multiplatform audiences, compelling editorial, and data and insights. These strong fundamentals provide for geographic expansion opportunities and further growth in established markets. Product innovation leadership has resulted in consistently high consumer ratings for Domain's app. Domain has partnered with specialists to operate Domain Loan Finder, Domain Insure and Compare & Connect. Home loans, insurance and utilities connections are large markets adjacent to Domain's core being leveraged to grow transactions revenue. Cost increases reflected investment in staff, property and transactions businesses, somewhat offset by savings in print. Core digital margins increased reflecting strong growth in core digital EBITDA.

+12%	+20%	+13%
TOTAL REVENUE	DIGITAL REVENUE	PRO FORMA EBITDA[1]

Entertainment

STAN

AUSTRALIA'S LEADING
LOCAL SVOD SERVICE

Stan broke through 1 million active subscribers in June 2018. The compelling subscription proposition is underpinned by the exclusive Australian output deals with SHOWTIME, Starz, MGM, a range of exclusive content rights with global studios as well as investment in original local productions. Subscriber growth, combined with the first price increases since launch 3.5 years ago, underpinned 72% growth in subscription revenue. The strength of the operating model is reflected in revenue growth far outpacing the increase in operating costs. Financial and brand support of strategically aligned 50:50 shareholders has leveraged the mass market consumer marketing reach of both companies. Stan is strongly positioned to continue its growth trajectory and in a changing landscape is well placed to benefit from further strategic alignment with global studios and networks.

1.1M+	+72%	+23%
ACTIVE SUBSCRIBERS	SUBSCRIPTION REVENUE	OPERATING COSTS

MACQUARIE MEDIA

LEADING NATIONAL
NEWS/TALK/SPORT
RADIO NETWORK

54.5%-owned Macquarie Media is a news/talk/sport radio powerhouse with high-profile talent and the number-one stations in the key markets of Sydney (2GB) and Melbourne (3AW). Capital city stations 2GB, 3AW, 4BC and 6PR and the new Macquarie Sports Radio franchise provide targeted quality programming and content, and opportunities for cross promotion to build network audience strength. A loyal and valuable audience of almost 2 million is monetised through strong advertiser relationships and new advertising categories. The merger of Fairfax Radio Network (FRN) and Macquarie in 2015 has clearly been a success, with significant operational synergies delivered including a cost-efficient national sales and programming footprint and network sales upside. Macquarie's EBITDA margin of 23.8% is significantly ahead of FRN's EBITDA margin of 16.4% prior to the merger.

+4%	#1	+3%
TOTAL REVENUE (UNDERLYING)[2]	STATIONS IN SYDNEY AND MELBOURNE	EBITDA (UNDERLYING)

1. Domain's pro forma reflects Domain's financial results on a separated basis for the full 12 months. Domain separated from Fairfax Media on 22 November 2017.
2. Macquarie Media revenue excludes disposals (as reported by MRN).

Openair Cinema in Sydney's Bondi, operated by Fairfax Events & Entertainment

A NOTE FROM THE CHAIRMAN

NICK FALLOON

We are grateful for your investment in Fairfax. Your support has enabled the Company's multi-year transformation and has allowed us to completely reshape a traditional media model with a large fixed cost base, into a diversified, contemporary portfolio of multimedia, digital and growth-focused assets such as Domain and Stan, with a flexible, lower cost base.

In the face of profound industry disruption, Fairfax's decision some years ago to confront reality and set itself on the path of originating commercially-viable new media, generating a mix of revenues, has proven correct. We are achieving our goal of sustaining independent journalism's public good, while at the same time delivering shareholder value.

Fairfax is in good shape. That's the reason shareholders have the opportunity to benefit from a step-change in growth through the proposed combination of our Company with Nine Entertainment Co. through a merger, announced on 26 July 2018, which is unanimously supported by the Fairfax Board.

The Fairfax Board has carefully considered the proposed transaction and believes it represents compelling value for Fairfax shareholders. The structure of the proposed transaction provides an exciting opportunity for our shareholders to maintain their exposure to Fairfax's growing businesses whilst also participating in the combination benefits with Nine.

The proposed merger is an outcome of media ownership deregulation achieved during the last year. Fairfax consistently supported the reforms because we saw the long-term benefits to shareholders. Media consolidation provides significant potential by leveraging increased scale of audiences and marketing inventory to grow.

The proposed merger of Fairfax and Nine brings together aligned strategies of using expanded audiences and marketing inventory to drive growth:

- Achieving greater scale and relevance to advertisers;
- Increasing advertising market share;
- Strengthening Domain's brand and geographic footprint;
- Increasing Stan's flexibility and optionality for new strategic partnerships; and
- Maximising cross-promotion ratings benefits across Macquarie Media and Nine.

Other benefits include reducing corporate overheads, realising operating synergies and gaining even greater balance sheet strength which will enable further strategic optionality and flexibility.

Fairfax's audience strength is demonstrated by the extensive reach of our media assets connecting with 70% of Australians and 90% of New Zealanders. The power of our marketing platform is demonstrated by the results we deliver across our digital properties, newspapers, radio, events, entertainment and more. Stan and Domain are great examples of the way Fairfax assets can be leveraged to drive growth of businesses.

FINANCIAL RESULTS

In the 2018 financial year, Fairfax delivered total Group revenue of $1,684 million, which was around 3% lower than the prior year. This is a reflection of a solid performance from Domain, moderating print declines at key metropolitan titles, Metro digital advertising growth in the second half of the year, and a strong performance from digital subscriptions.

Group expenses decreased around 4% to $1,408.9 million, reflecting continued cost discipline and efficiency measures, notwithstanding continued investment in growth initiatives.

Fairfax delivered underlying earnings before interest, tax, depreciation and amortisation (EBITDA) of $274.2 million, which pleasingly was around 1% higher than the prior year. Earnings before interest and tax (EBIT) of $217.4 million was 6% lower. Earnings per share (EPS) of 5.4 cents compares with 6.2 cents in the prior year. The Company's dividends totalled 2.9 cents per share.

Underlying net profit after tax of $124.9 million compares with $142.6 million in the prior year. After taking into account significant items, the Company reported a net loss after tax of $63.8 million. The result includes a total significant items loss after tax of $188.7 million, largely relating to impairment charges at Australian Community Media (ACM) and Stuff as well as restructuring and redundancy charges. The Company strengthened its balance sheet, finishing the year with net cash of $9.5 million for wholly-owned entities.

DRIVING DIGITAL

Fairfax's performance is increasingly powered by digital, with 28% of revenue from digital sources in the year. Digital audience strength is a reflection of our businesses moving with consumer trends and leading the way in digital innovation.

Domain has successfully positioned itself as a leading platform at the

Fairfax Media is a leading portfolio of information brands, marketplaces and entertainment assets. Our businesses are focused on driving growth and building shareholder value. We are leveraging our competitive strengths of quality content, premium brands, data and insights and large audiences.

centre of the property ecosystem, powered by its mobile competitive advantage. Domain's market-leading product innovation puts experiences of immense value quite literally into the hands of consumers. Domain's performance is increasingly driven by digital earnings, with 85% of EBITDA from digital sources in the year.

Australian Metro Media's audiences are underpinned by *The Sydney Morning Herald*'s leadership as Australia's most-read masthead across all platforms, *The Age*'s strong position in Victoria, *The Australian Financial Review*'s place as Australia's premier financial daily, locally-focused *The Canberra Times*, *Brisbane Times*, *WAToday*, and numerous lifestyle titles.

Quality journalism and excellent product experiences are key to attracting consumers. Growth in digital subscribers of *The Sydney Morning Herald*, *The Age* and the *Financial Review* to 313,000 demonstrates consumers' increasing willingness to pay for trusted news and insights.

Metro's program of cost-efficient innovation has delivered a stepchange for our consumers' product experience. New websites were launched during the year to grow engagement, drive subscriptions and revenue. Highly immersive ad formats connect advertisers with our premium audiences in brand-safe environments. Metro's digital growth is benefiting from a world-first sales and technology partnership with Google to meet the growing demand for premium programmatic advertising inventory.

The ACM network of more than 150 agricultural and regional mastheads is growing its digital presence across highly-engaged local communities. Drivers of digital advertising include the strong performance from Fairfax Marketing Services which delivers full digital marketing solutions to regional clients, and early-stage digital growth initiatives including subscriptions, e-commerce and transactions.

Stuff and hyper-local community platform Neighbourly are the key assets driving our New Zealand digital growth strategy. The engaged and loyal membership base of these national brands is driving e-commerce and transactions revenue growth.

Since launching in January 2015, our 50%-owned subscription video-on-demand platform Stan has established itself as the leading Australian streaming brand and dominant local SVOD platform. Stan is a strongly positioned digital growth asset with a differentiated content offering from global studios and local productions.

GOING FOR GROWTH

During the year, your Company delivered against our strategies and opportunities outlined in the 2017 Annual Report. Across our three business groups - Domain, Publishing and Investments - we implemented our three priorities:

- Growing by building on core strengths and maximising opportunities;
- Transforming through cost efficiency and business model innovation; and
- Building value through strategic decision-making and portfolio management.

Your Company has made excellent progress in implementing our strategy. In his report, CEO Greg Hywood outlines our mission to maximise our core assets - *going for growth*. He details key milestones delivered and momentum underpinning our strong and valuable portfolio.

As flagged in last year's report, the Board determined that Domain was ready to take the next step in its evolution by becoming a separate Australian Securities Exchange-listed company. This milestone was achieved in November 2017. Eligible Fairfax shareholders received a direct interest in Domain representing 40% of the shares in the company. Fairfax retains a 59.4% shareholding in Domain, a business which has excellent fundamentals and is building on its strong residential core and expanding its property ecosystem.

At the core of Domain are strong agent relationships, large and highly-engaged multiplatform audiences and a motivated and talented team. We welcome the appointment of Jason Pellegrino as Domain's new CEO from late August 2018. Jason's leadership acumen and track record for inspiring and driving performance as CEO of Google Australia & New Zealand will be instrumental in taking Domain to its next exciting stage of growth.

Our three Publishing businesses - Australian Metro Media, ACM and Stuff in New Zealand - are underpinned by a new revenue model which is multifaceted and moves well beyond the traditional reliance on advertising, print subscriptions and circulation. It leverages premium brands, quality journalism and audiences of great scale. While this model has lower revenue than in the past, it is more sustainable and valuable, featuring multiple business models and revenue streams.

Our key publishing assets of large audiences and marketing inventory are being leveraged to build and grow businesses. The success of this can be seen in Domain and Stan.

A NOTE FROM THE CHAIRMAN CONT'D.

$124.9M
UNDERLYING NET PROFIT AFTER TAX

2.9¢
TOTAL DIVIDENDS PER SHARE (PARTIALLY FRANKED)

$9.5M
NET CASH WHOLLY OWNED ENTITIES
(AS AT 24 JUNE 2018)

Our publishing businesses are profitable and generating valuable cash flows. Each has benefited from an ongoing emphasis on digital publishing innovation, a continuing focus on cost and efficiency, efforts to maximise print earnings, and the development of new revenue opportunities. Recent industry cooperation is a welcome development.

Metro is strengthening earnings and long-term growth by driving digital performance and maximising the print contribution. EBITDA momentum has been strengthened by Google programmatic advertising arrangements, moderating print advertising declines and continued cost efficiency.

ACM is a well-managed, high cash-generating business. It is delivering strong B2B revenue growth and seeing early upside from the roll-out of local news subscription initiatives.

In New Zealand, Stuff.co.nz's enormous power as the leading local website with an audience of 2 million is being leveraged to grow digital, transactional and advertising revenues with great success. The de-duplicated membership base of Stuff and Neighbourly of 1.1 million provides a significant digital growth opportunity.

In December 2017, the New Zealand High Court dismissed our appeal of the New Zealand Commerce Commission's decision not to clear or authorise the proposed merger of Stuff and NZME. The companies continue to believe the NZCC was wrong in fact and law and pursued an appeal of the High Court decision via the higher Court of Appeal, which was heard in June 2018. While the merger implementation agreement with NZME is no longer current, both parties have agreed to re-engage on potential transaction terms pending the Court of Appeal's decision, which is expected later in calendar 2018.

Our Investment portfolio comprises key assets of Stan and 54.5%-owned ASX-listed radio broadcaster Macquarie Media. Stan is delivering impressive growth having achieved a subscriber base of 1.1 million in just over three years. Macquarie is robust and maintaining impressive ratings performance. The merger of Macquarie with Fairfax Radio Network in 2015 has clearly been a success with significant operational synergies delivered and an uplift in margin from 16.4% to 23.8%.

OUR COMPANY

Your Board and the Company's management have not let up in their efforts to create and unlock shareholder value from Fairfax's unique combination of assets and strategies. The Fairfax Board believes that the proposed merger of Fairfax and Nine is the best path ahead for Fairfax shareholders. Our shareholders will share in the upside of the combined businesses and benefit from the premium in the Nine offer. Fairfax's proud 187-year history of journalism, editorial independence and integrity would carry on, having gained a stronger and more sustainable position for the future.

The proposed transaction will, subject to shareholder and other required approvals, be implemented by Nine acquiring all Fairfax shares under a scheme of arrangement. Completion is anticipated towards the end of calendar 2018.

The Directors of Fairfax will unanimously recommend that Fairfax shareholders vote in favour of the merger in the absence of a superior proposal and subject to an independent expert concluding that the proposed transaction is in the best interests of Fairfax shareholders.

Shareholders will receive a scheme booklet containing information in relation to the proposed transaction, and details of the shareholder vote relating to the proposed transaction.

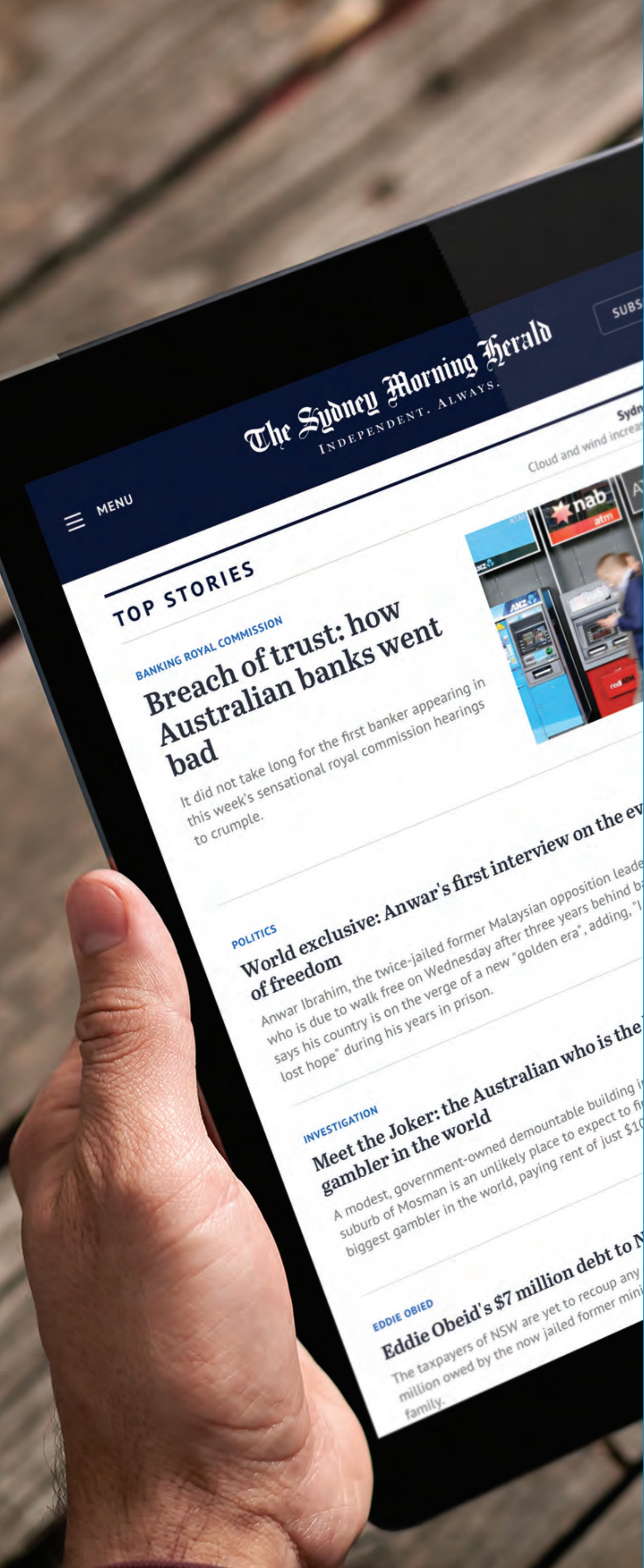
The Board and I look forward to the Company's Annual General Meeting in November 2018. The timing and agenda will be detailed in the formal notice of meeting.

I would like to take this opportunity to thank my fellow Board members for their contribution to the strong position that Fairfax is in today. Their guidance, support and expertise have been invaluable in navigating the Company through many pivotal moments. I acknowledge Sandra McPhee who in November 2017 retired as a Director of the Company after more than seven years.

Our people make our business great. On behalf of the Board, I would like to thank everyone at Fairfax for their skills, commitment and dedication to the important work they do. It has been a truly extraordinary year of change and progress. I admire the impressive way our people have risen to every challenge - and opportunity - they have faced.

I would like to take this opportunity to acknowledge the great leadership of Greg Hywood. Over the past seven years Greg has decisively and determinedly worked to modernise Fairfax, drive digital growth, and secure the future of independent journalism. This transformation is a credit to everyone who has been part of the Fairfax journey. Our contemporary media Company is stepping into the future with great confidence.

Nick Falloon
Chairman



Going for growth

INFORMATION

Fairfax is leading digital publishing innovation in Australia and New Zealand. Our trusted brands, and quality, independent journalism, content and events attract large-scale audiences. Our multi-faceted revenue model leverages the market-leading positions of *The Sydney Morning Herald* and *Stuff.co.nz*, and other titles, attracting loyal subscribers and members. A sustainable and increasingly valuable digitally-driven portfolio of news, business, sport and lifestyle brands connects marketers to our multi-platform audiences.

The Sydney Morning Herald

THE LAND | stuff

A NOTE FROM THE CEO

GREG HYWOOD

I am pleased to be able to say that your Company has performed well in the last 12 months.

As the Chairman has noted, the proposed merger of Fairfax Media and Nine Entertainment Co. presents an exciting new phase in our Company's development. We have long believed that media consolidation provided enormous potential to leverage increased scale of audiences and marketing inventory to grow our assets - driving value-creation and delivering long-term benefits to our shareholders. The proposed merger puts the important work we do through our independent journalism on an even stronger and more sustainable footing for the future.

During the year, our businesses - spanning information brands, marketplaces and entertainment assets - maintained a growth focus and delivered good cost outcomes that will underpin future performance:

- 59.4%-owned real estate media and services business Domain delivered strong digital revenue growth of 20% in its first full-year result as a separate ASX-listed company, while maintaining an unrelenting focus on cost efficiency with print expenses down 15%;
- Australian Metro Media achieved its second consecutive year of EBITDA growth, with print showing signs of stability, digital advertising growth in the second half and costs down 8%;
- Australian Community Media generated valuable cash flows and maintained strong cost discipline with a 6% reduction in expenses;
- Stuff in New Zealand achieved digital revenue growth of 21% while delivering an underlying cost improvement of 4%;
- 50%-owned subscription video-on-demand service Stan has more than 1.1 million active subscribers and delivered 72% subscription revenue growth while controlling operating cost growth at 23%; and
- 54.5%-owned radio broadcaster Macquarie Media reported underlying revenue growth of 4% underpinned by 9% growth from primary stations, with expenses contained.

Business model innovation, strategic decision-making skills and cost management discipline run through our veins. I am particularly pleased to note that Corporate overheads reduced 51% during the year.

Below I have detailed the key milestones achieved in our mission to maximise our core assets - *going for growth* - and momentum underpinning our strong and valuable portfolio across Domain, Publishing and Investments.

DOMAIN GROUP

We achieved the important milestone of Domain becoming a separate ASX-listed entity in November 2017. Domain is in terrific shape. It has large audiences, effective parity in agents and listings, mobile innovation leadership, a highly competitive app with more than 6.5 million downloads, increasing depth penetration, an expanding geographic footprint, and is broadening into the property ecosystem through new transactions businesses spanning home loans, insurance services and utilities connections.

Domain's highlights for the year include residential depth revenue increasing 24%, benefiting from a 21% increase in residential mobile enquiries, yield gains, and higher penetration of premium Platinum products. This strong residential performance fuelled higher core digital revenue growth along with an increased contribution from developers and commercial. Overall, Domain delivered 20% digital revenue growth driven by core digital along with new transactions businesses. Print revenue declined 13% reflecting the transition to a digital business, somewhat offset by the launch of the Domain glossy magazine format.

Domain's underlying costs increased 11% on a pro forma basis as a result of continued investment in staff, workspace and new transactions businesses, offset by a reduction in print expenses of 15%.

Domain achieved underlying digital EBITDA growth of 17% and Group EBITDA of 12.5% underpinning margin expansion. On a like-for-like basis, core digital margins increased from 44.2% to 45.1% and Group margins increased from 32.1% to 32.4%.

Domain has strong fundamentals and ongoing opportunities for growth. Some recent cyclicality in the Australian property market has not dented our great confidence in Domain's future.

GROUP PUBLISHING

We have made excellent progress in creating the new revenue model that underpins our three Publishing businesses. As outlined in last year's Annual Report, the multi-faceted model moves well beyond the traditional reliance on advertising, print subscriptions and circulation. This involves leveraging our key assets of premium brands, quality journalism and large-scale audiences.

Fairfax Media is in a strong position. Over the past seven years, we have taken the big decisions to build businesses such as Domain and Stan. We have addressed legacy cost issues to de-risk our business and give it time to adjust to the structural change it confronted. We have hit our stride *going for growth* - maximising the growth drivers of our core assets - and are stepping into the future with great confidence.

Advertising support from our publishing businesses has been instrumental in Domain's fast rise to become a serious competitor in the Australian property listings scene, as well as the incredible scale and subscriber momentum Stan has achieved in just over three years since launching.

Our Publishing businesses are emerging from a period of great change. Each is profitable, generating valuable cash flows, and positioned with distinct markets, products and strategy to leverage growth. What they have in common is an ongoing emphasis on digital publishing; continued focus on cost and efficiency; initiatives to maximise print earnings; and a focus on developing new revenue opportunities.

The printing agreements with News Corp Australia announced in July 2018 herald a new era of greater industry cooperation. The new arrangements deliver us greater cost variabilisation, reduced capital intensity, and further extend the cash-generating life of print. There is further opportunity to extend this new phase of cost-out through greater industry efficiency measures.

Metro is a remarkable transformation success story. For the past seven years we have taken this business through radical change. We have reached the point where we can see a strong future for the business. Product innovation has delivered a step-change for both consumers and advertisers. This has included new websites and apps to grow engagement and drive subscriptions and revenue. Our journalism is stronger than ever. We are investing heavily in quality editorial. It is a key competitive point of difference and at the heart of our premium brands and audiences.

A new advertising model underpins the Metro business. Our industry-leading sales and technology partnership with Google is maximising the value of our brands, audiences and advertising for programmatic buyers. We are seeing signs of print revenue mitigation as a result of a new industry-aligned vertical sales structure driving deeper, direct and more valuable partnerships with advertisers, and leveraging our rich data, audience expertise and insights.

Cost efficiency is a core capability. The Metro business now operates on an enhanced technology platform, having replaced complex legacy systems with new fit-for-purpose, agile, flexible and much lower cost solutions. During the year, Metro expenses declined 8%, underpinning the business's second consecutive year of EBITDA growth to $53.1 million.

The Sydney Morning Herald, *The Age* and *The Australian Financial Review* grew paid digital subscribers to 313,000, with year-on-year growth across the three mastheads. Digital subscription revenue increased 9%.

During the year, Australian Community Media continued to optimise its operating structure to grow digital and maximise cash flows of low capital intensive and profitable print. Close community connections - across 13 daily and more than 130 non-daily regional titles, nine community titles and 10 specialist agricultural titles - underpin the revenue model and provide opportunities for e-commerce, transactions, digital subscriptions and B2B growth. The strength of market-leading agricultural mastheads, such as *The Land*, is reflected in our titles' 81% penetration of all professional farmers. The agricultural sector has shown earnings resilience in the face of newspaper industry disruption.

ACM's continued strong cost discipline delivered a 6% reduction in expenses and underpinned the EBITDA margin of 16% for the year.

The renaming of our New Zealand business as Stuff recognises the important role the brand plays in everyday Kiwi life and its position as the centrepiece of a significant digital growth opportunity. We are resetting Stuff to take advantage of its digital platform. This involves the rationalisation of some unprofitable print publications. The pain of the restructuring efforts will prove worth it as the benefits start to flow in future years and bring forward the time when increases in digital revenue will outweigh declines in print. Digital and non-print revenue now represent 18% of Stuff's total revenue.

Stuff is leveraging its immense audience, which has grown 42% over the past two years, to diversify its revenue base new categories such as internet service provider Stuff Fibre, electricity provider energyclubnz, new release movies-on-demand streaming service Stuff Pix, and more.

As in Australia, we are believers in the benefits of media consolidation in the New Zealand environment. With the strength of its digital assets and audience, profitable print and 90% population reach, Stuff is in the box seat to participate.

$274.2M
UNDERLYING EBITDA

28%
DIGITAL AS % OF REVENUE

$260M
CASHFLOW FROM TRADING

BUILDING VALUE

During the year we continued to focus on building value in our strategic investments. These include high-growth digital business Stan and news/talk/sport radio powerhouse Macquarie Media.

Stan has achieved a subscriber base of impressive scale and is delivering strong active subscriber momentum. In the three months to July 2018, Stan delivered record quarterly net and gross additions to exceed 1.1 million active subscribers. Stan's subscriber growth, combined with the first price increase since launch three years ago, underpins 72% growth in subscription revenue. The strong operating model is reflected in revenue growth far outpacing the increase in operating costs, driving a 50% reduction in EBITDA losses between Q1 and Q4 of FY18.

Stan is cementing its position as the leading streaming brand and dominant local streaming platform, underpinned by its compelling subscription proposition. This includes its exclusive Australian output deals with SHOWTIME, Starz, MGM and a range of exclusive content rights with global studios as well as investment in original local productions.

Stan is well placed to continue its growth trajectory and in a changing landscape is well placed to benefit from strategic alignment with global studios and networks.

Macquarie Media is strong with high-profile talent and the number-one stations in the key markets of Sydney and Melbourne. 2GB, 3AW, 4BC and 6PR and the recently launched Macquarie Sports Radio franchise provide quality programming and content and opportunities for cross promotion to build network audience strength. A loyal and valuable audience of almost 2 million listeners is monetised through strong advertiser relationships and new advertiser categories.

STEPPING INTO THE FUTURE

The 2018 financial performance underlines the strength of Fairfax's diversified portfolio of businesses spanning Domain, Publishing and Investments.

The success of our growth and transformation initiatives to build shareholder value is demonstrated by the value that Nine Entertainment Co. sees in Fairfax and the significant upside which the proposed merger would unlock. Media consolidation provides for the creation of a powerful growth engine through the combination of audiences and marketing platforms.

Our businesses are in great shape. Each has strategies to leverage competitive strengths and drive growth momentum:

- Domain is turbocharging digital growth and expanding into the broader property ecosystem;
- Publishing is profitable, generating valuable cash flows and leveraging audience strength and marketing inventory for growth;
- Radio is robust and growing revenues via strong advertiser relationships and category expansion;
- Stan is accelerating its subscriber momentum and growth trajectory.

Like the Chairman, I want to acknowledge the support shareholders have provided Fairfax as we have transformed the Company. We are in this position of great opportunity because of that support and the extraordinary efforts of our great people. I thank everyone at Fairfax for their contribution. It is an honour and privilege for me to be part of the work we do. Our people should be immensely proud of what we have achieved in building the commercial success of our business in order to sustain the important contribution we make in our communities.

Our quality, independent journalism is of great importance to democracy and ensuring open and transparent public life. I have no doubt it will remain an enduring force and go from strength to strength into the future.

Greg Hywood
Chief Executive Officer
& Managing Director

> **"I want to acknowledge the support shareholders have provided Fairfax as we have transformed the Company. We are in this position of great opportunity because of that support and the extraordinary efforts of our great people.**

Going for growth

MARKETPLACES

Fairfax's 59.4% shareholding in real estate media and services business Domain is the centrepiece of a broader portfolio of digitally-driven transactions businesses, spanning real estate listings and services, cars, jobs, dating and more. Domain now operates as a standalone business having built a strong platform to service the property ecosystem including through new transactions businesses spanning home loans, insurance services and utilities connections.

Domain

OUR CORPORATE RESPONSIBILITY & SUSTAINABILITY

Fairfax Media has been putting a spotlight on life for 187 years, delivering a public good to the millions of Australians and New Zealanders we serve.

Our products, services, policies and 'the way we do business' reflect our commitment to being a positive force in our communities and performing an essential role in guaranteeing transparent and open democracy. Our position at the forefront of modern media allows us to drive innovation and grow shareholder value. Our people are highly energised and passionate, bringing vibrancy to the work we do.

How we do CSR

Across our Australian and New Zealand operations we focus on making a positive contribution in our communities. The interests of our customers, employees, shareholders, communities and the environment is always front of mind. We consider the impact our business has on our stakeholders - and the consequences for our long-term financial viability - in setting and implementing our strategy and plans.

We integrate CSR objectives and strategies into our business processes, practices and stakeholder management in order to achieve our goal of creating both corporate and social value for the long-term.

We operate a mostly decentralised CSR program. In addition to company-wide approaches, our businesses take responsibility for implementing specific and targeted strategies and programs.

This approach ensures the alignment of CSR priorities to business activities and practices. It also maximises benefits to local communities, customers and staff - and as a result - our Company as a whole.

Everyone at Fairfax is empowered to bring CSR to life through their work and actions they take. Our people are encouraged to be thoughtful and take a 'big picture' view of the social, cultural and economic impact they have on communities. We work together to earn and maintain our stakeholders' trust, confidence and respect.

Fairfax is committed to transparency in disclosure of key performance indicators including environmental, financial and social, as part of our CSR reporting.

Governance of CSR

Fairfax's People and Culture Board Sub-Committee oversees CSR and sustainability, including environmental reporting and performance, in line with the Committee's Charter. Our executive leadership team is deeply engaged in CSR issues and initiatives. A Corporate Responsibility team, in collaboration with leaders across the business, operates and drives the delivery of the CSR program. Our corporate governance framework, policies and practices are described in detail in the Annual Report. Policies and training provide guidance and reinforce expectations of ethical behaviour, responsible conduct, and transparency.

Stuff's 'Thin Ice' special investigated the two-decade retreat of the Franz Josef glacier (Photo: Alden Williams)

OUR COMMITMENTS TO OPERATING A RESPONSIBLE BUSINESS

01/

STRENGTHENING COMMUNITY

Our quality, independent journalism makes communities stronger, more open and transparent. It serves as a source of timely and reliable news and information, which enhances civil society. Our 'Independent. Always.' editorial has absolute integrity. We operate with a robust code of ethics and we understand and respect the role our journalism has in influencing change and the social agenda, providing a safe platform for public interest discussion and debate.

We aim to strengthen human connection through our products and services. Our business and our people are active participants in communities and endeavour to be forces for good. We show respect and protect our trusted position and reputation by being responsible and acting ethically. We leverage our audience reach to raise awareness of important social causes via our media assets.

02/

ENVIRONMENTAL STEWARDSHIP

Our entire organisation is involved in environmental sustainability work - focusing on energy, carbon, water and waste reduction. We are committed to ensuring appropriate plans, systems and policies are in place to meet legislative environmental compliance and community expectations. We strive to continually improve environmental sustainability by taking advantage of innovation. This includes supporting our people in environmental education and initiatives to safeguard the environment, as well as using our audience reach to raise awareness of environmental initiatives within our communities.

03/

EMPOWERING PEOPLE

We value and encourage innovation from everyone at Fairfax. We operate a safe, diverse, inclusive and respectful culture - empowering people to do their best. We help our people to thrive and are committed to ensuring everyone's rights are respected - from our employees and suppliers, to customers. This includes considerations of privacy and data security.
A strong foundation of principles guides our decision-making and expectations. Our social licence to operate and our business success relies on maintaining the trust and respect of all our stakeholders. Incorporating CSR into our 'way of doing business' creates a culture which is embedded in our day-to-day business activities across all areas of the organisation and reinforced through positive employee relations, people practices and community interaction.

04/

BUILDING SHAREHOLDER VALUE

Over 187 years, Fairfax has embraced technological advances and disruption and responded by transforming and adapting our business. We recognise that financial viability and sustainability of the organisation is an integral CSR goal. Without a viable and successful commercial model, Fairfax would be unable to provide services for our customers, employees and community. Our long-term viability relies on maintaining an unrelenting commitment to embracing innovation and transformation, because without profitability and the ability to return value to our shareholders, no other CSR goals are achievable.

01/ STRENGTHENING COMMUNITY

Our journalism has a powerful role in influencing change and the social agenda. It is a valuable source of timely and reliable information in the communities we serve. We amplify important issues and encourage community voices in the public debates our coverage sparks.

Our journalists pursue the truth without fear or favour, operating with a robust code of ethics and internal processes to ensure reporting is accurate and fair-minded. This uncompromising approach is reflected in the "Independent. Always." editorial position of our mastheads. We celebrate and promote this position as our point of difference and competitive advantage in news media. Fairfax actively supports and funds media industry self-regulation as a member of the Australian Press Council.

Throughout the year, our journalism was recognised through multiple awards and commendations.

Championing Community Voice

Banking Royal Commission: The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, established on 14 December 2017, is a credit to several years of reporting by *The Age* and *Herald*'s business journalists, led by Adele Ferguson, exposing scandals in the financial services sector. This included ABC/Fairfax's "CommInsure" investigation.

Global #MeToo Movement: In November 2017, the *Herald*'s investigations team, along with the ABC, chronicled decades of sexual harassment behaviour by Don Burke, one of the most popular men in Australia's entertainment industry. This was the first major #MeToo investigation in Australia.

Chemical Contamination: *Katherine Times* editor Chris McLennan won the 'Pete Davies Memorial Campaigning Journalism Award' in November 2017 for his coverage of chemical contamination in the local water supply. The journalism overcame government opposition and resulted in a new water treatment unit.

Chinese Influence in Australia: Persistent investigative work by Nick McKenzie and Richard Baker into Chinese Influence in Australia changed the national debate about Australia's relationship with China. The November 2017 stories defined the issue for the nation and reverberated across the globe, prompted major national security reforms, and caused then senator Sam Dastyari to quit federal Parliament. The investigation resulted in foreign agents' registration legislation, new espionage laws and a proposed ban on foreign donations.

Get Swift and Big Un Investigations: *The Australian Financial Review*'s reporting on small-cap technology companies Get Swift (by Tony Boyd and Jemima Whyte in December 2017) and Big Un Limited (by Jonathan Shapiro in February 2018) revealed investors were kept in the dark about facts that could be considered materially important. The reporting put heavy focus on the role and function of the Australian Securities Exchange and the Australian Securities and Investments Commission. It ultimately led to a tightening of listings rules, greater scrutiny of the small-cap sector and tougher vetting of companies.

Royal Commission into Institutional Responses to Child Sexual Abuse: Five years after the *Newcastle Herald* launched its successful campaign for a national inquiry into clergy abuse, the Royal Commission into Institutional Responses to Child Sexual Abuse reached its conclusion with a report published in December 2017. The *Herald*'s work on the campaign was officially acknowledged when the report was handed down and the masthead continues to lead coverage on the issue.

Caught: Investigative journalists from the *Stuff Circuit* team travelled to Vanuatu to interview six Indonesian fisherman imprisoned for the murder of their Chinese captain onboard a tuna fishing boat, the Tunago 61. The interview was part of an investigation, alongside Greenpeace, into human rights abuses and modern-day slavery on the high seas, and whether slave-tainted tuna ends up on plates or in pet food in New Zealand.

CPA Australia: *The Australian Financial Review*'s investigation into the management of CPA Australia highlighted serious issues of governance, ethical concerns and board responsibilities. Joe Aston, Edmund Tadros, Aaron Patrick and Patrick Durkin won the Westpac Financial Journalist of the Year Award in May 2018 for their reporting.

Losing Paul: An investigative series and podcast by *The Canberra Times* in January 2018 focused on systemic problems with prescription drugs. Based on the story of Paul Fennessy and his death by overdose, the series has resulted in a public apology from the government to Paul's family and funding for real-time prescription monitoring.

Photo: *The Sun-Herald* City2Surf legend participant Kerry Heinecke (centre) (Photo: Salty Dingo)

Maintaining Trust

Fairfax aims to be a good corporate citizen and maintain the highest standard of ethics in all its dealings in the interests of our people, customers and communities. This includes issues relating to protecting personal data and privacy. We regularly review our privacy policy and data security measures to ensure they are in line with contemporary standards and expectations. We monitor international trends relating to data protection and are responsive to how these may influence Australian data protection and privacy regulations in the future. Our crisis management framework considers cyber security risks and protections against financial, reputational and privacy implications. We take steps to build organisational resilience and deterrence against such threats.

We show respect and protect our trusted voice by being responsible. We actively support and make a positive contribution to the hundreds of communities in which we operate. We do this in many different ways, each unique to the role we play in individual communities. This includes via sponsorships, collaborations, public advocacy, fundraising campaigns, as well as providing financial and in-kind support to charitable and other worthwhile causes.

Giving Back

During the year, our Metro mastheads contributed around $7.5 million in advertising to a variety of charities and other community initiatives. Cash and advertising support from our network of rural and regional newspapers and websites totalled around $2.2 million. Fairfax's 54.5%-owned radio business Macquarie Media provides extensive support to national and local not-for-profit organisations through its involvement in community-based activities, sponsorships and community service announcement airtime.

Recognising the important role our regional and rural mastheads have in local communities, in October 2017, our Australian Community Media group in Victoria held a community journalism day involving site tours and conversations between employees, readers and customers. *The Examiner* in Launceston regularly connects with its local community in Tasmania through the Community Barbecue Roadshow, which raises money for the town's Rotary clubs to disperse back into the community. *The Examiner*, together with *The Advocate* in Burnie, runs a six-week 'Mission Possible' campaign – partnering with City Mission to gather canned goods for people in need. *The Examiner* also participates in Winter Relief and Empty Stocking appeals and supports the David Chaplin Trust for sick children. *The Advocate* supports children's cancer charities through Going for Gold.

We play an active role in local communities through our Fairfax Events business which operates lifestyle, sport and entertainment events and festivals throughout Australia and New Zealand, attracting millions of participants. In the 2018 financial year, our events businesses in Australia and New Zealand helped raise more than $6.1 million and NZ$225,000, respectively, for charity and community initiatives. We facilitate and promote fundraising by participants at sporting events via Everydayhero, and encourage fundraising at our food events.

Working with OzHarvest, we have raised enough money to create 100,000 meals for those in need across Australia. In New Zealand, the annual Round the Bays fun run in Auckland has raised approximately NZ$2.6 million for charitable causes and initiatives over 17 years. NZ House & Garden House Tours supports the Breast Cancer Foundation NZ and this year was assisted by Fairfax with a NZ$60,000 cash donation and NZ$100,000 media campaign.

Fairfax supported the Kids Cancer Project to help raise $350,000 for childhood cancer research. This included advertisements that ran across *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review* during Childhood Cancer Awareness Month in September 2017. The campaign reached 4.2 million Australians and helped drive more than 9000 pledges of support.

The Sydney Morning Herald's 'Year 12 with cancer: Gabbie's story' shined a light on the experience of fighting cancer in a powerfully intimate way. It was recognised at the Society of Publishers in Asia Awards in June 2018 for Excellence in Journalistic innovation. The judges' commented: "The short, graphic novel-type vignettes brought readers into the heart of Gabbie's struggles and experience of fighting cancer in a powerfully intimate way – and one which few 3000-word stories could have matched."

Fairfax contributes to community good through our foundation sponsorship of the Australian Science Media Centre (AusSMC) - an independent, not-for-profit service aimed at better informing public debate on major science issues; and support of the Tech Girls Movement, encouraging school-age girls to develop a passion for STEM (Science, Technology, Engineering and Mathematics) education and careers.

Neighbourly.co.nz is a driving force behind a number of national initiatives including the Great Community Clean Up, AMI Community Grants and Resene's Colour your Community scheme which have brought thousands of people together to help increase social capital within neighbourhoods.

Our newspapers, websites and other platforms have an important role in working with our community partners to generate promotional exposure. By driving conversations that matter and creating connections that count in the communities we serve, we use our trusted voice to deliver a powerful public good.

Examples of leveraging editorial to champion local and community issues includes the Port Macquarie News' support of the campaign against domestic violence, including via White Ribbon Day and other initiatives; along with various mastheads running powerful editorial leaders in support of marriage equality.

The immense public good that can be delivered through editorial coverage and the positive influence of editorial stories can also be seen in the *The Bay Post*'s 'Grey Grit' stories on the aged community in Batemans Bay embracing health and fitness, which included a profile of a 97-year-old bowler and a 94-year-old weightlifter. Another example is the special interactive series, 'A Tale of Two Cities', by *Stuff* and Newshub, which brought into sharp focus the gap in wealth and inequality in Auckland through the Auckland Prosperity Index and stories of 'haves' and 'have nots'.

Other examples include the *The Warrnambool Standard*'s successful campaign to maintain Deakin University's local tertiary education facility; Fairfax mastheads in Tasmania raised awareness of road safety over the Christmas break; the 'Fix It Now' campaign run by Fairfax mastheads on the South Coast NSW put a spotlight on road safety along a dangerous stretch of the Princes Highway and won much-needed funding for major safety upgrades; and *The Southern Highland News*' advocated to establish a much-needed renal unit at Bowral Hospital.

The *Nelson Mail* and *Stuff* expanded the award-winning 'Wasp Wipeout' campaign to three new regions throughout the summer and raised over $100,000 through crowd funding, corporate sponsorship and grants. The initiative signed up around 500 volunteers to help the Department of Conservation in efforts to eradicate environmentally destructive wasps in the Nelson-Tasman, Marlborough, Coromandel and Canterbury regions.

Our mastheads are active participants in their local communities. For example, in the NSW Hunter region, *The Maitland Mercury*, *Dungog Chronicle*, *Hunter Valley News*, *Scone Advocate* and *Newcastle Herald* partnered with charity Rural Aid's 'Buy A Bale' campaign to help support drought-stricken local farmers. The Big Dry Drought Appeal, which raises funds to buy hay, water and groceries for farming families in local areas, has been extended to more than 30 Fairfax mastheads across other drought-affected regions and raised more than $2.5 million, and counting.

The 'Ripple Effect' initiative of *Stuff*, Neighbourly and crowdfunding site Givealittle, leverages discounted advertising to encourage businesses to raise funds for environmental, health and safety causes. It has raised more than NZ$20,000 since starting in April 2018.

Fairfax encourages employees to be generous to their community by being an active participant in it. This includes volunteering for community causes. The Company operates a workplace-giving program, More than Words, established in 2005 as a way for staff to make pre-tax charitable donations.

02/ ENVIRONMENTAL STEWARDSHIP

Fairfax's Environmental Policy sets out our commitment to managing and improving environmental performance across all business activities. We are working towards achieving ISO 14001 compliance by 2020. We monitor, measure and report on the effectiveness of sustainable business practices across the Company's portfolio and assets.

This includes undertaking environmental audits of key facilities and operations based on site risk profiles and energy utilisation. Since 2011, 15 key facilities across Fairfax have been subject to comprehensive environmental compliance audits using ISO 14001 standards. To date, the audits have not identified any significant environmental non-compliance. An ongoing annual audit program is scheduled.

In the 2018 financial year, Fairfax has not received or been subject to any environmental breaches, improvement notices, fines or non-compliance notices from any regulatory bodies; and there were no environmental accidents as a result of the Company's business operations.

In 2011, we set a carbon reduction target of 20% to 25% reduction by 2020 measured against the 2011 base performance for our Australian operations as defined by NGERS (National Greenhouse Energy Reporting Scheme). From FY11/12 to FY16/17, Fairfax has achieved a carbon reduction in excess of 55% of Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions for Australian operations including Domain, which became a separate ASX-listed entity from 22 November 2017. The Company is committed to further reductions. Fairfax is participating in Carbon Disclosure Project (CDP) program in 2018.

Photo: Dr Lisa Searle protesting in the Frankland River area of the Tarkine in Tasmania (Photo: Joe Armao)

The table below provides Fairfax's historical performance against the 2020 reduction target. 2016-17 data is provided as 2017-18 data is not available until October 2018 which is after publication of this report. To maintain consistency the GHG figures are from the NGERS report.

Fairfax, assisted by its facilities management provider, performed baseline assessments in 2011 to set targets and track progress made towards sustainability goals, including via metrics relating to energy, water, solid waste and greenhouse gas emissions. All capital expenditure includes environmental considerations relating to energy consumption, efficiency and waste generation.

Our Environmental Impacts and Aspects register identifies four key areas of focus of the Company: energy consumption; waste to landfill; fleet emissions; and water consumption.

We work closely with our suppliers and the printing and publishing community to reduce our impact on the environment and to monitor compliance to agreed supply standards. We are a co-signatory to the sixth National Environmental Sustainability Agreement (NESA), launched in September 2015, between all governments and publishers in Australia. The NESA continues the proud collaboration over more than 20 years between all Government entities and the Australian publishing industry, which has delivered Australian newsprint recycling rates among the highest in the world as well as many other enviable environmental outcomes.

Fairfax's printing division is a member of NewsMediaWorks' Environmental Advisory Group which advocates to advance newsprint recycling, improve product stewardship and promote sustainability. Newsprint used to produce Fairfax products comes from sustainable plantation forests and contains on average 30% recycled fibre.

Raising awareness

Fairfax performs a vital role in educating, informing and raising awareness in the community about important sustainability and environmental issues. Our journalism fosters greater understanding and community awareness of environmental and sustainability concerns - generating public interest and influencing the social agenda.

Some examples of Fairfax journalism raising awareness of important environmental issues includes:

Wild Asset: An investigative special and three-part podcast series by *The Advocate*'s Lachlan Bennett and Imogen Elliott examined the multifaceted issues surrounding the Tarkine wilderness area in North-West Tasmania. The series won a Tasmanian Media Award for Best Feature, Documentary or Current Affairs.

ENVIRONMENTAL IMPACTS AND ASPECTS REGISTER

	2020 TARGET	FY18 RESULT
ELECTRICITY	20% reduction in electricity consumption	15.7% decrease in electricity consumption across Australian operations
Fairfax is continuing the consolidation of property and printing assets for both owned and leased premises in Australia and New Zealand. The result will reduce floor space, energy consumption and property running and maintenance costs. Ongoing replacement of high energy lighting is continuing across printing facilities.		
OFFICE WASTE	50% reduction in office waste to landfill	33% diversion from landfill across Australian operations
Fairfax, in conjunction with its facilities management provider, continues the operation of a waste segregation program. Bins on office floors allow for the separation of waste and recycling. After the success of the coffee cup recycling trial at the Pyrmont, Sydney, offices, this program continued with success in FY18.		
EVENTS WASTE[1]	100% reduction in Events waste to landfill	74.3% diversion from landfill
Fairfax Events is currently working with local councils to improve sustainability initiatives in addition to entering into a partnership with a compost facility for *The Sydney Morning Herald* Half Marathon to increase waste diversion from landfill. Almost half a ton of disposable cups were composted which normally would have gone to landfill.		
PRINT WASTE	20% reduction in printed waste	242 tonnes reduction in waste
Chemical-free plate processing technology has been a continued success in FY18 as a result of the trial in FY17. This new technology reduces water usage, waste and provides more environmentally conscious methods for the disposal of processing chemicals. Print waste will decrease further with closure of several print sites following the printing agreements entered into with News Corp.		
WATER USAGE (PRINT SITES)	20% reduction in water usage at print sites	9% reduction in water usage in Australia
In addition to property consolidation, print site managers have key performance indicators set around environmental performance including printed waste, compliance, energy, water and waste to landfill and recycling.		
FLEET EMISSIONS	30% reduction in fleet emissions	12.8% reduction in fleet vehicles
The program to reduce the fleet size across the business continued, as well as the ongoing shift from V6 large sedans to 4-cylinder small-medium vehicles to reduce fuel consumption and CO2 emissions.		

1. Excludes City2Surf event where data is not available.

Thin Ice: An investigative feature in April 2018 by *Stuff* national correspondent Charlie Mitchell on New Zealand's shrinking glaciers including an interactive visual simulation of the two-decade retreat of Franz Josef Glacier. The series details the effects of climate change and the impacts of tourism on the country's natural ice wonders.

Bags Not: *Stuff* in New Zealand launched its 'Bags Not' campaign in November 2017 to eliminate single use plastic bags and encourage recycling. The campaign involves the publication of a series of articles and resources. *Stuff* also joined the Love NZ Soft Plastics Programme informing the public where recycling facilities are located. More than 70% of Kiwis now have access to soft plastic recycling.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
T CO2-e (NGERS)	84,976	79,174	68,929	50,141	41,416	38,100
Year-on-Year Performance %		-7%	-13%	-27%	-17%	-8%
2016-17 Performance against 2011-12						-55%

Fairfax has identified its people and culture as key to delivering our business objectives, as well as attracting, investing in and retaining talent. We are committed to ensuring our people have the technology, skills, training and professional environment in order to thrive in their careers. This includes both on-the-job and formal training as well as mentoring. Drivers of people and culture at Fairfax include a broad suite of employee-focused programs and workplace initiatives. Our Company's code of conduct sets out expectations for employees.

Fairfax's culture and values are embodied and reinforced across all areas of the business, including in our approaches to safety, gender, diversity and inclusion, engagement, staff welfare, product design and consumer experiences.

Safety first

Fairfax prioritises the health, safety and security of our people. We aim to achieve zero harm. During the year there was a focus on training, continuous improvement programs, compliance, audits and risk assessments. Senior management was actively engaged in holding managers and supervisors accountable for the safety of all employees, contractors and customers. Focused attention on safety has reduced costs associated with injuries and lost time, improved performance and engagement, achieved compliance standards, and helped to create a safe and secure work environment.

In FY18 there were no penalties issued by an authority relating to safety breaches or non-compliances.

Diversity and Inclusion

Fairfax drives, promotes and supports diversity in line with the Company's diversity policy and program to strengthen our organisation and communities by creating an environment where the best people regardless of age, gender, race, ethnicity, religion or sexuality are engaged to give the best possible performance across our business, to our customers and across our community. Fairfax values, respects and encourages diversity of Board members, employees, customers and suppliers.

Fairfax has adopted Diversity and Inclusion Guidelines to establish a framework to promote diversity and inclusion. This included the requirement for the People and Culture Board Sub-Committee to endorse measurable objectives for the year and to annually review the objectives and progress achieved.

Fairfax recognises the importance of employees and aims to attract, motivate, retain and engage high performers. Across all levels of Fairfax we are committed to pursuing diversity, equality and inclusiveness for all employees.

In 2016, the Company set a target for achieving 35% of females in senior management positions by 2018. Having exceeded that target, a new target has been set which demonstrates a long-term desire to achieve an equitable position. The new target is that women and men each hold at least 40% of senior management positions by 2021.

Fairfax continued to be part of the Male Champions of Change (MCC) initiative during the year and implemented the associated program to take action on gender inequality. Fairfax CEO Greg Hywood joined the MCC as a Champion in 2016. The Company also continued to run the internal Women of Influence Awards across Australia and New Zealand.

During the year, we updated our parental leave policies in Australia and New Zealand. The changes bring Fairfax further ahead of statutory minimum obligations and recognises our commitment to achieving gender equality and better meeting the needs of working parents and their families. The changes include increase in paid leave for primary and secondary carers, superannuation being paid on periods of unpaid leave, and the inclusion of fostering and surrogacy arrangements.

Fairfax's *Stuff* is the initiator of the 'Creative Spirit' program which since 2005 has grown to include a network of companies. The program provides employment opportunities for people with disabilities as well as campaigning to change the conversation around diversity in employment. As part of this, the Co-Op cafe initiative, supported by the Deaf Aotearoa organisation, operates with the aim of creating opportunities for people wanting to follow their passion. Stuff's Auckland cafe has trained many baristas. In November 2017, *Stuff* received an Attitude ACC Employer Award for its inclusiveness initiatives.

During the year, *Stuff* further demonstrated inclusive spirit through the introduction of macrons (tohutō) for te reo Māori words on websites and in newspapers. This was initiated during Māori Language Week as a sign of respect for *Stuff*'s Māori audience and is now a fixture.

Photo: The Right Honourable Helen Clark (left) receives the 2017 Women of Influence Lifetime Achievement Award (Photo: Oliver Li)

Another example of promoting local culture was the *Mandurah Mail* running a photo on its front page of local NAIDOC week celebrating words from the Noongar language - Doyntj-Doyntj Baarniny - which means 'walking together'. It drew overwhelming support from the local Aboriginal community for embracing their culture and sharing it with readers.

Engagement

We regularly engage with our employees (including via staff surveys, pulse surveys, check-ins and town halls with Q&A) to measure and understand how our organisation is tracking in its mission to create an environment of innovation, achievement, excitement and creativity. We recognise and reward high achievements through incentives and award programs.

Culture and values

Our values of integrity and independence will remain at the forefront of all that we do as an organisation. Our culture of placing customers and audiences at the centre of what we do is paramount. This includes valuing transparency, holding each other accountable, working together as a team and being commercially focused. These values aim to reduce turnover, increase staff engagement and improve both business and customer experience.

Staff welfare

Fairfax provides holistic approaches to staff welfare, health and wellbeing to support staff mental health, physical health and engagement in turn reducing injuries, lost time and turnover. We have implemented a Family and Domestic Violence Policy, special safety/security services, and provide access to Employee Assistance Program services and the Fairfax Foundation during times of crisis. During the year, 259 staff and their families accessed the dedicated EAP program providing confidential assistance and counselling. The Fairfax Foundation, established in 1959 with an independent charter, provided around $672,000 in financial grants, loans and other benefits to eligible recipients (current and former Fairfax employees and their dependants) during the 2018 financial year.

To support a safe and inclusive workplace, Fairfax has set the below targets:

PRIORITY	FY18 TARGET	FY18 TARGET	FY18 RESULTS	TARGET
Safety	Group Lost Time Injury Frequency Rate (LTIFR) of 1	1	2.07	1.5 in FY19
Diversity and Inclusion	35% of Women in Senior Management positions across the business by 2018	35%	37.7%*	40% of women and men holding Senior Management positions by FY21
Engagement	Increase the participation rates of the employee engagement survey, Fairfax Engage. 2015 saw participation rates of 66%	66%	76%	81% in FY19

The Diversity and Inclusion target for FY18 was exceeded and a new target set for FY21. Note: From July 2018 Domain excluded from target.

04/ BUILDING SHAREHOLDER VALUE

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

During the past seven years, we have made significant progress in building the financial strength of our business through cost efficiency, product innovation, investing in digital businesses such as Domain and Stan, and gaining greater strategic optionality and flexibility through media ownership law reform. These achievements have supported business sustainability, provided continued employment opportunities, improved customer services and offerings, increased revenue opportunities and created shareholder value. The separation and listing of Domain as a standalone entity on the ASX was a significant value-creation milestone achieved during the year.

The Company evaluates, monitors and reduces costs where practical. This is a normal part of everyday business practice across all areas and divisions to ensure a sustainable business for the future.

Fairfax is committed to continuing to keep pace with shifts in consumer and advertiser behaviours by embracing innovation, while developing new revenue streams and a sustainable publishing model to support the important work we do in the communities we serve.

Financial viability achievements

On an underlying basis for FY18, the Fairfax Group delivered net profit of $124.9 million, with earnings per share of 5.4 cents. EBITDA of $274.2 million was delivered from revenue of $1.68 billion. Cost management initiatives resulted in a 3.6% reduction in Group operating expenses.

Going for growth

ENTERTAINMENT

Fairfax Media entertains, informs and enriches people's lives through its portfolio of entertainment and events assets. These include investments in Australia's leading subscription video on demand platform Stan, Macquarie Media radio network which has the number one stations in Sydney and Melbourne, and consumer events operated throughout Australia and New Zealand.

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BOARD OF DIRECTORS

NICK FALLOON
NON-EXECUTIVE DIRECTOR, CHAIRMAN

APPOINTED TO THE BOARD 1 MAY 2015

Mr Falloon was appointed Chairman of the Board in September 2015. In November 2017 Mr Falloon was appointed to Domain Holdings Australia Limited (DHG), a publicly listed real estate media and services business. Fairfax holds 59.4% of the shares of Domain.

Mr Falloon has more than 30 years' experience in the media industry, with 19 years working for the Packer owned media interests from 1982 until 2001. Mr Falloon is Executive Chairman of Domain Holdings Australia Limited. Mr Falloon served as Chief Executive Officer of Publishing and Broadcasting Limited (PBL) from 1998 to 2001 and before that as Chief Executive Officer of PBL Enterprises and Group Financial Director of PBL. The PBL experiences provided a strong background in television, pay TV, magazines, radio and the internet. From 2002 Mr Falloon spent nine years as Executive Chairman and CEO of Ten Network Holdings. Mr Falloon holds a Bachelor of Management Studies (BMS) from Waikato University in New Zealand.

Other Current Australian Listed Company Directorships:
Domain Holdings Australia Limited (appointed 16 November 2017)

PATRICK ALLAWAY
NON-EXECUTIVE DIRECTOR

APPOINTED TO THE BOARD 15 APRIL 2016

Mr Allaway has 30 years experience in the global finance industry across financial markets, capital markets, and corporate advisory. He commenced his career in investment banking with Citibank in New York, Sydney and London and with Swiss Bank Corporation in Zurich and London. Mr Allaway has senior executive and non-executive board representation in large multinational companies in finance, retail, wholesale and media sectors.

Mr Allaway is also presently a Non-Executive Director of Domain Holdings Australia Limited, Woolworths South Africa (WHL), David Jones and The Country Road Group. He has a Bachelor of Arts/Law from the University of Sydney.

Mr Allaway is a former Non-Executive Director of Macquarie Goodman Group and Metcash Limited.

Other Current Australian Listed Company Directorships:
Woolworths Holdings Limited South Africa (appointed 1 December 2014)
Domain Holdings Australia Limited (appointed 16 November 2017)

Former Australian Listed Company Directorships in Last 3 Years
Metcash Limited (resigned 25 June 2018)

JACK COWIN
NON-EXECUTIVE DIRECTOR

APPOINTED TO THE BOARD 19 JULY 2012

Mr Cowin is the Founder and Executive Chairman of Competitive Foods Australia, a business that has grown from a single food service outlet to one that employs more than 18,000 staff throughout Australia and New Zealand. Mr Cowin moved to Australia from Canada in 1969 to establish his business. In addition to operating 420 restaurants in Australia, the company operates five food manufacturing facilities producing frozen value-added meat products as well as processing fresh vegetables. It exports to 29 countries.

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

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

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

BOARD OF DIRECTORS

GREG HYWOOD
EXECUTIVE DIRECTOR

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

Mr Hywood was appointed to the Board of Directors in October 2010 and to the position of Chief Executive and Managing Director on 7 February 2011. In March 2015, Mr Hywood was appointed to the Board of Macquarie Media Limited, a publicly listed Australian media company operating radio stations. Mr Hywood has enjoyed a long career in the media and government. A Walkley Award winning journalist, he held a number of senior management positions at Fairfax including Publisher and Editor-in-Chief of each of *The Australian Financial Review*, *The Sydney Morning Herald/Sun Herald* and *The Age*. Mr Hywood was Executive Director in the Victorian Premier's Department between 2004 and 2006, Chief Executive of Tourism Victoria from 2006 to 2010 and a Director of The Victorian Major Events Company from 2006 until June 2016.

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

JAMES MILLAR, AM
NON-EXECUTIVE DIRECTOR

APPOINTED TO THE BOARD 1 JULY 2012

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

Other Current Australian Listed Company Directorships:
Mirvac Limited (appointed 19 November 2009)
Macquarie Radio Network Limited (appointed 31 March 2015)

Former Australian Listed Company Directorships in Last 3 Years:
Helloworld Limited (resigned 22 January 2016)
Slater & Gordon Limited (resigned 22 December 2017)

LINDA BARDO NICHOLLS, AO
NON-EXECUTIVE DIRECTOR

APPOINTED TO THE BOARD 26 FEBRUARY 2010

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

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

Other Current Australian Listed Company Directorships:
Japara Healthcare (appointed 19 March 2014)
Medibank Private (appointed March 2014)
Inghams Group Limited (appointed 7 October 2016)

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

BOARD OF DIRECTORS

MICKIE ROSEN
NON-EXECUTIVE DIRECTOR

APPOINTED TO THE BOARD 1 MARCH 2017

Ms Rosen was appointed to the Board on 1 March 2017 and has nearly three decades of strategic, operational and advisory experience at the intersection of media and technology. She has held executive roles for both large established companies such as Yahoo, News Corp, and The Walt Disney Company and early stage start-ups. She is currently the President of Tribune Interactive.

Most recently, Ms Rosen advised a range of companies globally and was a Senior Advisor to the Boston Consulting Group. Prior, she served as Senior Vice-President of Yahoo's Global Media and Commerce division. She was also a partner with Fuse Capital, a digital media venture capital firm, and was the head of entertainment for Fox Interactive Media where she led strategic initiatives in digital, including serving as a lead on the creation of Hulu. She has also held executive roles with The Walt Disney Company and leading movie information and ticketing company, Fandango. Ms Rosen built the foundation of her career with McKinsey & Company and has an MBA from Harvard Business School.

TODD SAMPSON
NON-EXECUTIVE DIRECTOR

APPOINTED TO THE BOARD 29 MAY 2014

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

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

DIRECTORS' REPORT

The Board of Directors presents its report together with the financial report of Fairfax Media Limited (the Company) and of the consolidated entity, being the Company and its controlled entities for the period ended 24 June 2018 and the auditor's report thereon.

DIRECTORS

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

NICK FALLOON

NON-EXECUTIVE DIRECTOR
CHAIRMAN

PATRICK ALLAWAY

NON-EXECUTIVE DIRECTOR

JACK COWIN

NON-EXECUTIVE DIRECTOR

GREGORY HYWOOD

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

SANDRA MCPHEE, AM

NON-EXECUTIVE DIRECTOR
Retired 2 November 2017

JAMES MILLAR, AM

NON-EXECUTIVE DIRECTOR

LINDA BARDO NICHOLLS, AO

NON-EXECUTIVE DIRECTOR

MICKIE ROSEN

NON-EXECUTIVE DIRECTOR

TODD SAMPSON

NON-EXECUTIVE DIRECTOR

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

DIRECTORS' REPORT

COMPANY SECRETARY

Gail Hambly is Group General Counsel and Company Secretary of Fairfax Media Limited. She is responsible for legal services and regulatory matters across the group as well as Government Relations, Communications and Internal Audit functions. She is a member of the Media and Communications Committee and the Privacy Committee for the Law Council of Australia, and a member of the Advisory Board for the Centre of Media and Communications Law at the Melbourne Law School. She holds degrees in Law, Economics and Science.

CORPORATE STRUCTURE

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

PRINCIPAL ACTIVITIES

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

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

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

CONSOLIDATED RESULT

The loss attributable to the consolidated entity for the financial year was $63,783,000 (2017 Profit: $83,911,000).

DIVIDENDS

An interim fully franked dividend of 1.1 cents per ordinary share and debenture was paid on 14 March 2018 in respect of the half year ended 24 December 2017.

Since the end of the financial year, the Board has declared a partially franked dividend of 1.8 cents per ordinary share and debenture in respect of the year ended 24 June 2018. This dividend is payable on 6 September 2018.

REVIEW OF OPERATIONS

Revenue and income for the Group was lower than the prior year at $1,688 million (2017: $1,743 million). After net significant items of $188.7 million expense (2017: $58.7 million) the Group generated a net loss after tax of $63.8 million (2017 Profit: $83.9 million). Earnings per share decreased to a loss of 2.8 cents (2017: profit of 3.6 cents).

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

On 31 July 2017, the Group sold Satellite Music Australia Pty Ltd to Stingray Digital International Limited.

On 22 November 2017, Fairfax implemented the scheme of arrangement for the separation of Domain Holdings Australia Limited (ASX: DHG). Following separation Fairfax retained a 60.0% controlling interest in Domain.

On 28 February 2018, the Domain Group acquired an additional 48% ownership interest in Review Property Pty Limited. The expected consideration for the transactions is $36.0 million in Domain shares, to be paid in three tranches. The first tranche of 5.6 million Domain shares ($17.8 million) was settled on 28 February 2018 with the remaining two tranches to be settled in February 2019 and February 2020. Following the issuance of Domain shares, Fairfax's controlling interest in Domain was diluted to 59.4%. Refer to Note 18(F) for further details.

Subsequent to the reporting date, the Group entered into agreements with News Corp Australia that will see the publishers use each other's printing networks. Fairfax will transition work from its print centres in Beresfield (NSW) and Ormiston (Queensland). Once complete, those sites will close.

Subsequent to the reporting date, the Group entered into a Scheme Implementation Agreement to merge with Nine Entertainment Co Holdings Limited (Nine). The proposed transaction will, subject to required approvals, be implemented by Nine acquiring all Fairfax Media Limited shares under a Scheme of Arrangement. Following completion, Nine shareholders will own 51.1% of the combined entity with Fairfax shareholders owning the remaining 48.9%.

DIRECTORS' REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The consolidated entity's prospects and strategic direction are discussed in the Management Discussion and Analysis Report.

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

No material non-compliance with environmental regulation has been identified relating to the 2018 financial year.

The Company reported to the Department of Climate Change on the total carbon emissions of the Group generated in the 2017 financial year under the National Greenhouse and Energy Reporting legislation. The Group's main source of carbon emissions overall was from electricity consumption at its larger sites and total scope 1 and 2 emissions reported was 38,100 (FY16: 41,416) tonnes CO2-e.

REMUNERATION REPORT

A remuneration report is set out on the pages that follow and forms part of this Directors' Report.

DIRECTORS' INTERESTS

The relevant interest of each Director in the equity of the Company and related bodies corporate as at the date of this report are disclosed in the remuneration report.

DIRECTORS' MEETINGS

The following table shows the number of Board and Committee meetings held during the financial year ended 24 June 2018 and the number attended by each Director or Committee member.

	MEETINGS*							
	BOARD MEETING		AUDIT AND RISK		NOMINATIONS		PEOPLE AND CULTURE	
	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED
P Allaway	12	12	4	4	-	-	-	-
J Cowin	12	12	-	-	-	-	-	-
N Falloon	12	12	4	4	1	1	6	6
G Hywood**	12	12	4	4	-	-	6	6
S McPhee AM	6	6	-	-	-	-	3	3
J Millar AM	12	12	4	4	1	1	-	-
L Nicholls AO	12	12	4	4	1	1	5	5
M Rosen	12	11	-	-	-	-	-	-
T Sampson	12	11	-	-	-	-	6	5

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

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

S. McPhee retired from the Board on 2 November 2017.

L. Nicholls was appointed to the People and Culture Committee from 16 August 2017.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

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

DIRECTORS' REPORT

MODIFICATION OF AUDITOR ROTATION

In accordance with section 324DAA *Corporations Act 2001* and the recommendation of the Audit Committee, the lead audit partner continued to undertake the audit for the financial year end 24 June 2018 (FY18). A new lead audit partner has been appointed for the financial year ended 30 June 2019, subject to annual assessment by the Chair of the Audit Committee.

The Audit and Risk Committee is satisfied that the extension of the lead audit partner for FY18 is consistent with maintaining the quality of the audit provided to the Company and did not give rise to a conflict of interest for the reasons set out below:

1. Extending the time period of the lead partner only, with the existing Independent Review Partner role providing oversight on audit quality and independence, both maintained independence and ensured the preservation of knowledge on the engagement.
2. The existing independence and service metrics in place are sufficient to ensure that auditor independence would not be diminished by such an extension.

INDEMNIFICATION OF AUDITORS

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

NO OFFICERS ARE FORMER AUDITORS

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

NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditor, Ernst & Young, for non-audit services provided during the financial year are set out below. Details of amounts paid or payable for audit services are set out in Note 27 to the financial statements.

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

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

During the financial year, Ernst & Young received or were due to receive the following amounts for the provision of other assurance services, including subsidiary and other audits required by contract, regulatory or other bodies, and non-assurance services:

Subsidiary company and other audits required by contract or regulatory or other bodies:
- Australia $993,182
- Overseas $234,813

Other assurance and non-assurance services:
- Australia $431,068

ROUNDING

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts contained in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Nick Falloon
Chairman

15 August 2018

Greg Hywood
Chief Executive Officer and Managing Director

15 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

EY
Building a better working world

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GPO Box 2646 Sydney NSW 2001

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

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

As lead auditor for the audit of Fairfax Media Limited for the financial year ended 24 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Douglas Bain
Partner
15 August 2018

REMUNERATION REPORT

Dear Shareholders,

On behalf of the Board, I am pleased to present Fairfax Media's Remuneration Report for financial year 2018 (FY18).

Since the end of FY18 Fairfax announced a proposed merger with Nine Entertainment Co. Holdings Limited. Both companies have entered into a Scheme Implementation Agreement with the proposed merger expected to be completed by the end of the 2018 calendar year. This report relates to FY18 and should be viewed in this manner.

This year's underlying EBITDA result of $274.2 million reflects a solid performance and is indicative of the continued transformation of the business.

The Chairman and the Chief Executive Officer have outlined in their respective reports how Fairfax has driven shareholder value while adapting to the changing media environment.

Highlights across the portfolio include underlying results of:

- Domain became a separate ASX-listed business in November 2017.
- Domain delivered strong digital revenue growth of 20%.
- Australian Metro Media EBITDA was 8% higher.
- ACM operating costs improved by 6%.
- Stuff had 21% digital revenue growth and improved costs by 4%.
- Stan went from strength to strength reaching 1 million+ active subscribers.
- Macquarie Media EBITDA increased 3%.
- Corporate overheads reduced 51%.
- Ongoing cost and efficiency focus delivered a 4% reduction in expenses, notwithstanding continued investment in growth initiatives at Domain and Stuff.

Executive Incentive Plan

The Executive Incentive Plan remains largely unchanged from FY17. It continues to be heavily weighted towards achieving long-term growth, with a small portion based on the delivery of shorter term objectives. All incentives for Executive Key Management Personnel (Executive KMP) continue to be delivered entirely through equity. The plan provides a combination of long-term performance rights and annual deferred performance shares. All incentives are subject to the achievement of performance hurdles. Details of how the FY18 plan operated are set out in section 5.1 in the Remuneration Report.

Short-Term Incentive: In FY18 for Executive KMP the incentive was focused on the achievement of Group EBITDA targets and successful Domain separation. Short-term incentive payments to Executive KMP reflect strong EBITDA performance and the achievement of metrics related to the separation of Domain. Details of the objectives and outcomes are set out in section 5.2 in the Remuneration Report.

Long-Term Incentives: Due to the Domain separation, the value of the FY16 TIP Options and FY17 EIP Performance Rights was crystallised and partial vesting occurred. As approved by shareholders at the Scheme meeting on 2 November 2017, 17% of the FY16 Options and 23% of the FY17 Rights vested with the obligation cash settled and paid over 3 equal tranches subject to continuing employment at the relevant payment dates. The remainder of each grant, 83% of the FY16 Options and 77% of the FY17 Rights, was forfeited. Further details can be found in section 6 in the Remuneration Report.

The FY18 LTI allocation remains in the testing window and none of these Rights were available to vest during the financial year.

Other Remuneration outcomes for FY18

No Executive KMP received an increase in base pay in FY18, and Executive KMP continued to invest 10% of annual base pay into Fairfax shares.

Director base pay and committee fees remained unchanged in FY18. During the reporting period the Chairman received additional fees which are reported in our statutory remuneration tables. This was disclosed to shareholders during the year. These include:

- Additional fees relating to work during the private equity process and separation of Domain.
- Director fees paid by Domain for his role as Chairman of Domain.
- Fees paid by Domain for his role as Executive Chairman at Domain following the resignation of its Chief Executive Officer effective from 22 January 2018.

Further details can be found in section 10 in the Remuneration Report.

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

The Board recommends the Remuneration Report to you and asks that you vote in favour of it at the 2018 Annual General Meeting.

Linda Bardo Nicholls, AO
Chair – People and Culture Committee

REMUNERATION REPORT (AUDITED)

1. INTRODUCTION

This report forms part of the Company's FY18 Directors' Report and sets out the Fairfax Group's remuneration arrangements for Key Management Personnel (KMP) in accordance with the requirements of the *Corporations Act 2001* and its regulations. KMP comprises Directors and members of the senior executive team who have authority and responsibility for planning, directing and controlling the activities of the Fairfax Group.

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

TABLE 1

	ROLE
NON-EXECUTIVE DIRECTORS	
Nick Falloon	Non-Executive Chairman
Patrick Allaway	Non-Executive Director
Jack Cowin	Non-Executive Director
Sandra McPhee[(1)]	Non-Executive Director
James Millar, AM	Non-Executive Director
Linda Bardo Nicholls, AO	Non-Executive Director
Mickie Rosen	Non-Executive Director
Todd Sampson	Non-Executive Director
EXECUTIVE DIRECTOR	
Greg Hywood	Chief Executive Officer and Managing Director
OTHER EXECUTIVES	
David Housego	Chief Financial Officer
Gail Hambly	Group General Counsel & Company Secretary

(1) Sandra McPhee retired from the Board on 2 November 2017.

REMUNERATION REPORT (AUDITED)

2. REMUNERATION FRAMEWORK FOR 2018

The Company's remuneration principles and framework set out below were established in 2013 and received shareholder approval in each subsequent year.

2.1 REMUNERATION PRINCIPLES AND FRAMEWORK

FAIRFAX MEDIA EXECUTIVE REMUNERATION FRAMEWORK

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

- align remuneration with achievement of business strategy and value creation for shareholders;
- fairly remunerate and reward for achievement of Group strategic milestones, with incentive payments deferred to promote alignment with shareholder interests;
- attract, retain and motivate talented, qualified and experienced people in the context of industry changes;
- consider remuneration in the context of the organisation's approach to risk management, with consideration of regulatory requirements, shareholder expectations and consumer needs; and
- be transparent and fair.

Fixed Remuneration Package

- set to attract and retain high calibre talent to drive the Company's strategy.
- has regard to the scope of the individual's role, level of knowledge and experience, and the market (including Fairfax's competitors).
- for 2018, Executive KMP continued to voluntarily invest 10% of their annual fixed remuneration into Fairfax shares through the voluntary share investment plan.
- as a further retention mechanism, as part of the voluntary share investment plan, if the Executive KMP is still employed at the end of a 2 year period (commencing from the start of each financial year in the voluntary share investment plan) then Fairfax will provide one additional bonus share for every five shares purchased by the executive through the voluntary share investment plan.

REMUNERATION REPORT (AUDITED)

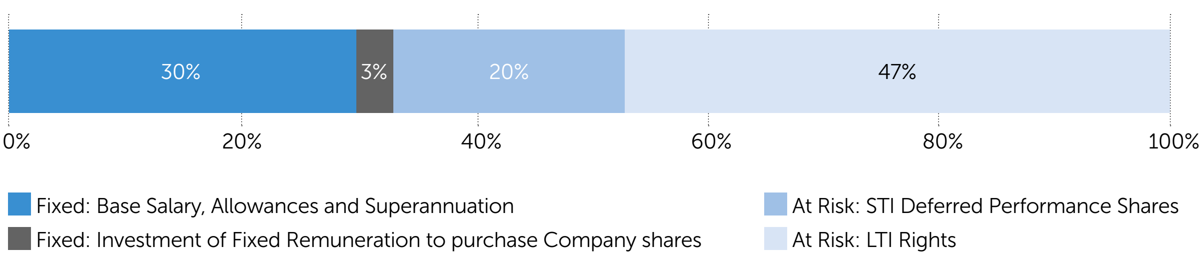
Performance Based Incentives – Fairfax Executive Incentive Plan

- The present Executive Incentive Plan (EIP) was implemented from the 2017 financial year following a comprehensive review of the Company's executive incentive arrangements by the Board.
- the EIP includes a Short Term Incentive (STI) and Long Term Incentive (LTI) opportunity which is designed to drive the Company's strategy to continue to transform the publishing business, accelerate the growth in the existing businesses, and invest in new strategic opportunities for future growth.
- the EIP is designed to reward senior executives if they achieve the strategic short-term and long-term goals for the Company over a three year period. The Board considers a three year performance period an appropriate timeframe to deliver the key long term strategic initiatives given the high level of industry disruption. Setting meaningful performance targets beyond a three year period is problematic in the operating environment.
- under the STI, a proportion of deferred performance shares are granted if specific annual business metrics, linked to the strategic objectives of the Company, are achieved. Metrics are measurable and are weighted and tailored according to each executive's responsibilities.
- any performance shares earned are deferred so that executives do not become entitled to the equity until a later time. This further aligns the executive reward with shareholder interests, and also promotes and rewards longer term service by the executives.
- under the LTI, performance rights (Rights) are allocated to executives based on the value of Fairfax shares determined over a 60 trading day volume weighted average price (VWAP). Due to the Domain separation, the 60 trading day VWAP was determined from the Company shares traded on the ASX post the Domain separation implementation date (VWAP commencement date 23 November 2017).
- the Rights are exercisable only if challenging performance hurdles are achieved at the end of the vesting period. Normally, performance is measured over three years, but due to the delay in allocating the Rights until after the Domain separation, the FY18 LTI hurdles will be tested over a two and a half year period commencing on 1 January 2018 and ending on 30 June 2020.
- for the FY18 Rights allocation, 70% will be tested against two independent relative total shareholder return (Relative TSR) performance hurdles and the remaining 30% will be tested against a strategic hurdle. There is no retesting of the performance hurdles if the required targets are not achieved.
- the two Relative TSR comparator groups (ASX 200 and the ASX 300 Media Index) were chosen because the Board believes these two hurdles best reflect the Company's performance against the broader market, as well as a specific measure aimed at outperforming other media peers facing similar structural changes.
- the Board has discretion on the assessment of the strategic hurdle at the end of the performance period, as is the case with the Relative TSR hurdles if the Board believes that any vesting occurs as a result of extraneous factors that do not, in the reasonable opinion of the Board, reflect true Company performance.

2.2 REMUNERATION AT RISK

The Board considers that a significant proportion of executive remuneration should be 'at risk', and linked to Fairfax's short and long-term strategy and performance. Executive KMP have a maximum incentive (STI and LTI) opportunity of 200% of their fixed remuneration. This means that 67% of their total remuneration is at risk. The following diagram provides the Executive KMP remuneration mix for FY18 at maximum opportunity.

EXECUTIVE KMP



REMUNERATION REPORT (AUDITED)

3. REMUNERATION GOVERNANCE

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

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

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

The members of the P&CC during 2018 were:

- Sandra McPhee (Chair until retirement from the Board 2 November 2017);
- Linda Bardo Nicholls, AO (member from 16 August 2017 and Chair from 3 November 2017);
- Nick Falloon; and
- Todd Sampson.

All Non-Executive Directors are invited to attend P&CC meetings.

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

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

The Committee engages independent consultants to provide assistance and information as required. There were no remuneration recommendations provided to the Committee by consultants in 2018.

4. LINKING FY18 EXECUTIVE REMUNERATION TO PERFORMANCE

The remuneration structure aligns executive rewards with shareholder returns over the medium and longer term and provides an appropriate incentive to deliver on the Company strategy. The Company continues to focus on the core strategy to create shareholder value and a sustainable future.

FY18 underlying results include the following achievements:

- Domain became a separate ASX-listed business in November 2017, with our 59.4% shareholding remaining a key strategic asset.
- Domain delivered strong digital revenue growth of 20%.
- Australian Metro Media EBITDA was 8% higher.
- ACM operating costs improved by 6%.
- Stuff had 21% digital revenue growth and improved costs by 4%.
- Stan went from strength to strength reaching over 1 million active subscribers.
- Macquarie Media EBITDA increased 3%.

Management continued to make decisions during the year aligned to driving growth and sustainability. In FY18, Executive KMP short term incentives were based on measures to drive the Company's key strategic priorities of growing, transforming and building value:

- 50%: Group EBITDA performance target;
- 30%: success of the Domain separation which represented a key strategic outcome for the year; and
- 20%: strategic initiatives around transforming and building value.

The positive outcomes against the objectives set for the 2018 financial year has resulted in Executive KMP receiving an STI payment. The outcome reflects that the Group EBITDA targeted performance was achieved, and that the key measures relating to the successful separation of Domain were also achieved. The average STI outcome for Executive KMP was 69% of maximum opportunity. For Executive KMP any STI outcome is awarded entirely in an allocation of deferred performance shares. Further detail can be found in section 5.2 (A).

During the financial year, the Company successfully separated the Domain business. As approved by shareholders on 2 November 2017, the Separation Scheme Booklet (page 86) set out the impact on the 2016 Options and 2017 Rights (i.e. the LTI awards in respect of FY16 and FY17). The FY16 and FY17 LTI arrangements vested on a pro-rata basis based on the respective proportions of the performance periods completed, and taking into account the targets in those plans. As a result, approximately 17% of the maximum value for the FY16 LTI Options and approximately 23% of the maximum value of the FY17 LTI Rights vested and automatically exercised. The Board determined that a cash consideration would be paid to the value of the vested entitlement over three equal instalments. A deferral was put in place in line with the original vesting dates to support retention over this period. The payments are cash based due to the complexity of shares held during the separation process, and in consideration of personal taxation obligations. The payment dates are:

- Following Separation (paid in December 2017);
- September 2018; and
- September 2019.

Further detail can be found in section 6.

The financial performance of the Company in key shareholder value measures over the past five years is shown in section 12.

REMUNERATION REPORT (AUDITED)

5. EXECUTIVE INCENTIVE PLAN (EIP)

5.1 EIP OUTLINE

The following table sets out how the Company's Executive Incentive Plan (EIP) operated during the 2018 financial year. The EIP is designed to reward executives for achieving objectives linked to the Company's strategic short-term and long-term goals and for creating growth in shareholder value.

CHANGES TO THE EIP FOR 2018 FINANCIAL YEAR

Due to the separation of Domain there were two key changes made to the EIP for the FY18 LTI allocation. These changes were approved by shareholders at the Annual General Meeting (AGM) on 2 November 2017 in regards to the FY18 grant for the CEO:

- the Rights are issued at face value determined over a volume weighted average price (VWAP) of the Company shares traded over 60 trading days commencing post the Domain separation implementation date (VWAP commencement date 23 November 2017). Normally the VWAP period would have been 60 trading days up to and including 30 June 2017.
- the Rights issued in FY18 will be tested based on a post-separation performance period of two and a half years commencing on 1 January 2018 and ending on 30 June 2020. This would normally be a 3 year performance period commencing on 1 July 2017.

TABLE 2

DETAIL OF EXECUTIVE INCENTIVE PLAN

ELIGIBLE PARTICIPANTS	
Who participates?	Senior executives whose roles and skills are critical to the strategy of the Group are invited by the Board to participate in the EIP. Executive KMP maximum incentive opportunity remains unchanged at 200% of fixed remuneration, that comprises: • Short Term Incentive: 60% (maximum performance); and • Long Term Incentive: 140% (maximum performance).
SHORT TERM INCENTIVE (STI)	
What is the STI?	It is an annual incentive arrangement for senior executives with an emphasis on the achievement of annual financial and non-financial performance criteria for the Group. Any incentive earned by Executive KMP is awarded entirely in an allocation of deferred performance shares.
What are the performance measures?	Measurable objectives are set annually by the Board and are linked to the strategy. These measures (targets, mix and weighting) are set prior to the commencement of the business year. The measures are a balance of financial and non-financial, weighted towards financial measures. For Executive KMP, half of the FY18 opportunity was tied to the financial measure of Group EBITDA performance, the other half was tied to strategic initiatives including the success of the Domain separation.
What is the performance period?	One year.
How is performance assessed?	At the end of the financial year, actual performance is assessed against the measures set at the beginning of the year.
How is the allocation of deferred performance shares determined?	The actual number of deferred performance shares an executive is granted is dependent on their STI performance outcome for the year and the Volume Weighted Average Price (VWAP) of the Company share price in the 5 days commencing on the day after the August 2018 results announcement.
What is the deferral period?	To further align executive reward with shareholder interests, half (50%) of any performance shares granted following testing are deferred for 1 year and the remaining 50% over a 2 year period.
Board Discretion	The Board retains discretion on overall performance outcomes. The Board has the ability to apply its discretion should it consider the need to reward or retain executives for achievement of key measures in the strategy.

REMUNERATION REPORT (AUDITED)

DETAIL OF EXECUTIVE INCENTIVE PLAN CONT'D

LONG TERM INCENTIVE

What is the LTI and who participates?

The LTI aims to reward executives for creating growth in shareholder value.

Executives whose roles and skills are critical to the strategy of the Company are invited to participate in the LTI.

How is the LTI grant determined?

Executives in the LTI receive an allocation of Performance Rights (Rights), for nil consideration. Each Right entitles the executive to one ordinary share in the company subject to achievement of the performance hurdles.

The number of Rights to which an executive is entitled depends on the participant's role and responsibilities. Allocations are set at a fixed percentage of the executive's fixed remuneration at the time they participate in the LTI scheme.

Due to the separation of Domain, for the FY18 allocation the Rights are issued at face value determined over a volume weighted average price (VWAP) of the Company shares traded over 60 trading days commencing on the 23 November 2017 (day after the Domain separation implementation date) up to and including 20 February 2018 ($0.7132). Normally the VWAP period would have been 60 trading days up to and including 30 June 2017.

However, the Board may exercise its discretion to award a lower number of Rights than the maximum if it believes it is appropriate due to market conditions.

No dividends or voting rights are attached to unvested Rights.

What is the performance period?

Normally, performance would have been measured over three years but due to the delay in allocating the Rights until after the Domain separation, the FY18 LTI hurdles will be tested over a two and a half year period commencing on 1 January 2018 and ending on 30 June 2020.

The Board considers this performance period is the most appropriate timeframe to deliver the key long-term strategic initiatives. Given the high level of industry disruption, it is difficult to set meaningful performance targets beyond a three year period.

There is no re-testing of the performance conditions. If a performance hurdle has not been achieved at the end of the period, then the Rights will lapse.

What are the performance hurdles?

For FY18 there are three (3) independent performance hurdles:

1. 35% of the allocation has a Relative TSR performance hurdle with an S&P ASX 200 Index comparator group.
2. 35% of the allocation has a Relative TSR performance hurdle with an S&P ASX 300 Media Index comparator group.
3. 30% of the allocation has a performance hurdle based on strategic measure.

Due to the commercial sensitivity of the strategic measure, it will not be disclosed to the market at the current time, but will be disclosed after the test period has finished.

For each of the above Relative TSR hurdles, the percentage of Performance Rights that vest at the end of the performance period will be determined by reference to the following table:

FAIRFAX RELATIVE TSR RANK	PERCENTAGE OF RIGHTS THAT VESTS
Below 51st percentile	Nil
At the 51st percentile	50% of allocation
Between the 51st to 75th percentile	Straight line pro-rata vesting
At or above the 75th percentile	100%

The Board has chosen the two Relative TSR comparator groups as it believes these two measures together will be a reflection of the Company's performance against the broader market, as well as a specific measure aimed at outperforming other media peers facing similar structural change.

The Board retains discretion to deem the performance hurdles not met if vesting would otherwise only occur as a result of extraneous factors that do not, in the reasonable opinion of the Board, reflect true Company performance.

DETAIL OF EXECUTIVE INCENTIVE PLAN CONT'D

How are the Rights settled on vesting?	In the event that the performance and service conditions are satisfied and the Rights vest, the Board may at its discretion settle the Rights by either: • the purchase of shares on market; • the issue of new shares; or • a cash payment to executives in lieu of an allocation of Company shares.
GENERAL	
Is there an ability to claw back awards under the EIP?	Yes. The Board has the discretion to claw back awards made under the EIP to ensure that participants do not unfairly benefit, including in the event of fraud, dishonesty or a breach of obligation to the Company. In addition, the Board may also claw back awards in the case of material risk or where financial information becomes available after awards are granted, which suggests that the initial grant was not justified.
Is there a restriction on executives hedging awards under the EIP?	Yes. The rules prohibit employees from creating any encumbrance on unvested awards. All executives must operate under the Fairfax Security Trading Policy.
What happens in a change of control?	In the event of a takeover bid or other transaction, event or state of affairs that in the Board's opinion is likely to result in a change in control of the Company, the Board has discretion to determine that vesting of some or the entire EIP should be accelerated. If the Board needs to exercise its discretion regarding a change of control event it would be guided by the time remaining before the set vesting test date, whether the performance hurdles were applied at the date of the likely change of control the vesting test would be achieved, and be in the best interest of shareholders.
What happens if the executive ceases employment?	**Resignation or termination for cause** Where an executive resigns or their employment is terminated for cause such as misconduct or poor performance all unvested Rights and Performance Shares will lapse or be forfeited, unless the Board determines otherwise. **Cessation for other reasons** Where employment ceases for any other reason, for instance a mutual agreement, the unvested Rights and Performance Shares will remain on foot and continue to be subject to the original performance hurdles (in the case of Rights) and the relevant deferral period (in the case of Performance Shares), as though they had not ceased employment. However, the Board retains discretion to determine to lapse or forfeit all or any (for example, up to a pro-rata portion based on how much of the performance period or relevant deferral period remains) of the unvested Rights and Performance Shares. The Rights that remain on foot will be tested in the normal course following the end of the relevant Performance Period, and the Performance Shares will remain subject to dealing restrictions until the end of the relevant deferral period. **Vested but unexercised Rights** If an executive ceases employment in circumstances where there are vested Rights that have not yet been exercised: • in the case of termination for cause, the vested but unexercised Rights will be forfeited; or • the Rights will ordinarily remain on foot in other circumstances, and will only be exercisable up to the first anniversary of the cessation date. If the Rights remain unexercised after that date, they will be forfeited.

REMUNERATION REPORT (AUDITED)

5.2 FY18 OUTCOMES UNDER THE EXECUTIVE INCENTIVE PLAN

(A) FY18 SHORT TERM INCENTIVE PLAN OUTCOME

The positive outcomes during the 2018 financial year have resulted in Executive KMP receiving an STI payment on average 69% of maximum opportunity. The outcomes reflect a strong performance on the achievement of the Group EBITDA target and also the key strategic initiatives including the successful separation of Domain.

The table below represents the dollar value earned by each Executive KMP. The number of deferred performance shares to be granted will be determined based on the volume weighted average price (VWAP) of Company shares in the five trading days commencing on the day after the August 2018 results announcement.

TABLE 3

EXECUTIVE KMP	ON-TARGET STI OPPORTUNITY	MAXIMUM STI OPPORTUNITY	INCENTIVE EARNED	INCENTIVE FORFEITED	% OF INCENTIVE EARNED	% OF INCENTIVE FORFEITED
Greg Hywood	$480,000	$960,000	$663,880	$296,120	69%	31%
David Housego	$285,000	$570,000	$394,179	$175,821	69%	31%
Gail Hambly	$187,500	$375,000	$259,328	$115,672	69%	31%
Total	**$952,500**	**$1,905,000**	**$1,317,387**	**$587,613**	**69%**	**31%**

Note - the figures set out above are the dollar values. For Executive KMP any short term incentive earned is awarded entirely in deferred performance shares.

The following table provides the STI measures that were aligned to the strategy, the weightings and performance achieved for the Executive KMP.

TABLE 4

STRATEGY	MEASURE	WEIGHTING	PERFORMANCE	PERFORMANCE SUMMARY
Group Financial	Group EBITDA	50%	Between on-target and maximum performance	Strong Group EBITDA result achieved.
Grow	Domain Separation	30%	Between on-target and maximum performance	Successful Domain separation in November 2017 without major disruption. Transitional service agreement being met. Share price value has increased from the announcement date to separate Domain compared to the combined Fairfax and Domain share prices as at 30 June 2018 - weighted as per separation.
Transforming & Building Value	Annual Key Business Outcomes	20%	On-target achieved	Key annual milestones were delivered in the financial year. The partnership with Google across digital advertising, technology and product development. Printing agreements with News Corp announced shortly after the end of the financial year. Optionality enabled by media law reform – announcement of proposed merger with Nine Entertainment Co. Holdings Limited. Key transformation activity and delivered cost reduction targets.

Target not achieved | On-target achieved | Between on-target and maximum performance | Maximum achieved

(B) FY18 LONG TERM INCENTIVE RIGHTS ALLOCATION

The FY18 LTI allocation remains in the testing window and none of these Rights were available to vest during the financial year.

6. PREVIOUS LONG TERM INCENTIVE PLANS PRIOR TO 2018 – FY16 OPTIONS AND FY17 RIGHTS

During the financial year, as part of the separation of Domain the Board amended the terms of the long-term incentive plans relating to the FY16 Options and FY17 Rights grants and vested them on a pro-rata basis. This was set out in the Scheme Booklet for the Separation of Domain (Scheme Booklet) and approved by shareholders on 2 November 2017.

Summarised below are details of how both the FY16 Options and FY17 Rights plans operated:

FY16 TRANSFORMATION INCENTIVE PLAN (TIP) – LONG TERM OPTIONS

Under the FY16 TIP, long-term Options were granted to executives that would vest at the end of the performance period. Each Option entitled the executive to one ordinary Company share, subject to achievement of the performance and service conditions and payment of the exercise price of $0.88 per vested Option.

There was an initial three year performance period from 1 July 2015 to 30 June 2018. If the performance hurdles were not achieved in the initial performance period, there were two further re-testing opportunities at six monthly intervals in the fourth year. Any Options that remain unvested after the final test on 30 June 2019 lapsed immediately.

Options would not vest unless the compound annual growth rate (CAGR) targets for absolute total shareholder return growth (Absolute TSR) were met. The applicable targets are set out in the table below:

PERFORMANCE*	ABSOLUTE TSR GROWTH	% OPTIONS EXERCISABLE
Threshold	12.5% CAGR	25%
Target	16% CAGR	50%
Maximum	20% CAGR	100%

* Straight line pro-rata vesting applies between Threshold and Target performance, and Target and Maximum performance.

FY17 LONG TERM INCENTIVE PLAN (LTI)

Under the FY17 LTI, executives received an allocation of Performance Rights (Rights), for nil consideration. Each Right entitled the executive to one ordinary share in the company subject to achievement of the performance hurdles.

There was a 3 year performance period for the FY17 allocation from 1 July 2016 to 30 June 2019. There was no re-testing of the performance hurdles. If a performance hurdle had not been achieved at the end of the performance period, then the Rights lapsed.

For the FY17 Rights there were three (3) independent performance hurdles:

1. 35% of the allocation had a Relative TSR performance hurdle with an S&P ASX 200 Index comparator group.
2. 35% of the allocation had a Relative TSR performance hurdle with an S&P ASX 300 Media Index comparator group.
3. 30% of the allocation had a performance hurdle based on strategic measures which for FY17 was based on the performance of the Domain business.

For each of the above Relative TSR hurdles, the percentage of Performance Rights that vested at the end of the performance period would have been determined by reference to the following table:

FAIRFAX RELATIVE TSR RANK	% OF RIGHTS THAT VEST
Below the 51st percentile	Nil
At the 51st percentile (on-target performance)	50%
Between the 51st and 75th percentile	Vests on a straight line pro-rata basis between 50% and 100%
At or above the 75th percentile (maximum performance)	100%

ON SEPARATION OF DOMAIN

As set out in the Scheme Booklet lodged with ASX on 22 September 2017 and approved by Fairfax shareholders on 2 November 2017, the FY16 Options and FY17 Rights vested on a pro-rata basis based on the respective proportions of the performance periods completed, and taking into account performance targets in those plans.

Any Options and Rights that vested were automatically exercised with Executive KMP receiving a cash consideration to the value (net of any exercise price payable) of the exercised shares in three equal tranches subject to continuing employment at the relevant payment date. The payment dates are:

- Following Separation of Domain (paid in December 2017);
- September 2018; and
- September 2019.

FY16 Options

Approximately 17% of the maximum available grant vested and the remainder cancelled. Executive KMP will receive cash consideration to the value of the exercised share minus the exercise price payable per exercised option. The Board determined the settlement share price of $1.04 per share, and the exercise price payable per option is $0.88.

FY17 Rights

Approximately 23% of the Rights granted vested and the remainder cancelled. Executive KMP will receive cash consideration to the value of the exercised rights. The Board determined the settlement share price of $0.98 per share.

The table below sets out the details relating to each Executive KMP's partial vesting of the FY16 Options and FY17 Rights:

TABLE 5

EXECUTIVE KMP	LTI GRANT	MAXIMUM EQUITY GRANT AVAILABLE	VESTED EQUITY	FORFEITED EQUITY(1)	VESTED EQUITY (%)	FORFEITED EQUITY (%)	SETTLEMENT SHARE PRICE	EXERCISE PRICE PAYABLE
G. Hywood	FY16 Options	9,333,332	1,555,555	7,777,777	17%	83%	$1.04	$0.88
	FY17 Rights	2,583,919	602,914	1,981,005	23%	77%	$0.98	$0.00
D. Housego	FY16 Options	4,812,500	802,083	4,010,417	17%	83%	$1.04	$0.88
	FY17 Rights	1,534,202	357,980	1,176,222	23%	77%	$0.98	$0.00
G. Hambly	FY16 Options	3,645,832	607,638	3,038,194	17%	83%	$1.04	$0.88
	FY17 Rights	1,009,343	235,513	773,830	23%	77%	$0.98	$0.00

(1) Forfeited equity includes both equity that was issued for 'on-target' performance as well as the maximum that could have been granted but was not issued.

REMUNERATION REPORT (AUDITED)

7. EXECUTIVE SERVICE AGREEMENTS

The remuneration and other terms of employment for the Executive KMP are set out in written service agreements. These service agreements are unlimited in term but may be terminated by written notice by either party or by the Company making payment in lieu of notice. They may also be terminated with cause as set out below.

Each agreement sets out the fixed remuneration, performance related incentive opportunities, termination rights and obligations, and post-employment restraints.

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

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

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

TABLE 6

NAME OF EXECUTIVE	COMPANY TERMINATION NOTICE PERIOD	EMPLOYEE TERMINATION NOTICE PERIOD	POST-EMPLOYMENT RESTRAINT
Greg Hywood	12 months	6 months	• 12 month no solicitation of employees or clients • 6 months no work for a competitor of the Fairfax Group
David Housego	12 months	4 months	• 12 month no solicitation of employees or clients • 6 months no work for a competitor of the Fairfax Group
Gail Hambly	18 months	3 months	• 12 month no solicitation of employees or clients • 6 months no work for a competitor of the Fairfax Group

8. EXECUTIVE KMP REMUNERATION AND EQUITY GRANTED IN FY18

(A) REMUNERATION OF EXECUTIVE KMP

Tabled below sets out details of Executive KMP remuneration during FY18.

TABLE 7

		BASE SALARY & OTHER BENEFITS[1]	CASH BONUS	SUPER-ANNUATION	LONG SERVICE LEAVE EXPENSE	TOTAL EXCLUDING SHARES/ RIGHTS	VALUE OF SHARES/ RIGHTS[2]	TOTAL INCLUDING SHARES/ RIGHTS
G. Hywood – Chief Executive Officer	**2018**	**1,575,000**	**-**	**25,000**	**41,651**	**1,641,651**	**1,122,578**	**2,764,229**
	2017	1,575,000	-	25,000	39,149	1,639,149	744,576	2,383,725
D. Housego – Chief Financial Officer	**2018**	**879,283**	**-**	**25,000**	**17,795**	**922,078**	**654,626**	**1,576,704**
	2017	858,345	-	34,615	16,355	909,315	433,615	1,342,930
G. Hambly – Group General Counsel & Company Secretary	**2018**	**554,324**	**-**	**70,676**	**10,615**	**635,615**	**438,913**	**1,074,528**
	2017	554,324	-	70,676	10,600	635,600	290,849	926,449
TOTAL	**2018**	**3,008,607**	**-**	**120,676**	**70,061**	**3,199,344**	**2,216,117**	**5,415,461**
	2017	2,987,669	-	130,291	66,104	3,184,064	1,469,040	4,653,104

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

(2) Amount includes the accounting expense recognised during the year for the rights to shares and options issued.

(B) EQUITY GRANTED TO EXECUTIVE KMP DURING FY18

TABLE 8

	EQUITY AWARD[1]	PERFORMANCE CONDITIONS[2]	NUMBER OF RIGHTS/SHARES GRANTED[1]	FAIR VALUE PER RIGHT/ SHARES[3]	MAXIMUM VALUE OF GRANT[4]
G Hywood – Chief Executive Officer	Rights	Relative TSR Strategic Measure	3,140,773	$0.46	$1,444,756
	Performance Shares	Financial & Strategic Objectives	n/a	n/a	$663,880
					$2,108,636
D Housego – Chief Financial Officer	Rights	Relative TSR Strategic Measure	1,864,834	$0.46	$857,824
	Performance Shares	Financial & Strategic Objectives	n/a	n/a	$394,179
					$1,252,003
G Hambly – Group General Counsel & Company Secretary	Rights	Relative TSR Strategic Measure	1,226,864	$0.46	$564,358
	Performance Shares	Financial & Strategic Objectives	n/a	n/a	$259,328
					$823,686

(1) The Performance Share grants made to executives for 2018 are subject to the terms summarised in section 5.1 and will not be known until after the Company results announcement in August 2018, in line with the plan rules.

(2) Performance Shares and Rights are subject to performance hurdles that are outlined in section 5.1. Rights to Performance Shares and Rights lapse where the applicable performance conditions are not satisfied on testing. As the Performance Shares and Rights only vest on satisfaction of performance conditions which are to be tested in future years, the FY18 Performance Shares and Rights have not yet been forfeited or vested.

(3) Represents the fair value of the instrument calculated by independent consultants Orient Capital Pty Ltd using Monte Carlo simulation methodology for accounting purposes. However, the Board determined that allocations would be based on market price of Fairfax shares determined by the volume weighted average price (VWAP) of Company shares traded on the ASX over the 60 trading days (post the Domain separation implementation date) commencing on the 23 November 2017 up to and including 20 February 2018. This resulted in the allocation price of $0.7132 in turn resulting in a lower number of rights allocated to Executive KMP than would have been received if the "fair value" had been used.

(4) The maximum value of the grant has been estimated based on the fair value per instrument. The minimum total value of the grant is nil (this assumes none of the applicable performance conditions are met).

9. EXECUTIVE KMP SHAREHOLDINGS

Executive KMP equity holdings as at 24 June 2018 are set out below:

(A) FAIRFAX MEDIA LIMITED SHARES HELD BY EXECUTIVE KMP

TABLE 9

EXECUTIVE KMP	BALANCE AT 25 JUNE 2017	ACQUISITIONS(1)	DISPOSALS	OTHER MOVEMENT(3)	BALANCE AT 24 JUNE 2018
G. Hywood	770,578	383,405	-	812,658	1,966,641
D. Housego	164,556	959,565(2)	(701,822)	217,214	639,513
G. Hambly	66,422	149,759	-	254,681	470,862
Total	**1,001,556**	**1,492,729**	**(701,822)**	**1,284,553**	**3,077,016**

(1) Includes shares acquired through the 10% voluntary share investment plan; and deferred shares acquired in relation to the FY17 STI outcomes of which half of the shares are deferred for one year (to 30 June 2018) and the remaining half for two years (to 30 June 2019).

(2) Mr Housego exercised his vested FY15 Options and was granted 701,822 shares. The vested options were exercised at a share price of $0.96 less the Exercise Price payable of $0.82. These shares were subsequently sold.

(3) As part of the Domain separation all restrictions were lifted on previously granted deferred performance shares. These have moved from "Rights over shares held by Executive KMP" (Table 11). These shares continue to be held by Executive KMP.

(B) DOMAIN HOLDINGS AUSTRALIA LIMITED (CONTROLLED ENTITY) SHARES HELD BY EXECUTIVE KMP

TABLE 10

EXECUTIVE KMP	BALANCE AT 25 JUNE 2017	ACQUISITIONS(1)	DISPOSALS	OTHER MOVEMENT	BALANCE AT 24 JUNE 2018
G. Hywood	-	165,941	-	-	165,941
D. Housego	-	42,105	-	-	42,105
G. Hambly	-	35,086	-	-	35,086
Total	**-**	**243,132**	-	-	**243,132**

(1) As part of the Domain separation, eligible Fairfax shareholders received one Domain Holding Australia Limited share for every ten Fairfax Media Limited shares held at the Scheme Record Date (7pm on the 17 November 2017).

(C) FAIRFAX MEDIA LIMITED RIGHTS OVER SHARES HELD BY EXECUTIVE KMP

TABLE 11

EXECUTIVE KMP	BALANCE AT 25 JUNE 2017	GRANTED DURING THE YEAR[1]	VESTED AND EXERCISED DURING THE YEAR[2]	FORFEITED DURING THE YEAR[3]	OTHER MOVEMENT[4]	CLOSING BALANCE AT 24 JUNE 2018
G. Hywood	12,729,909	7,807,439	(2,158,469)	(5,092,116)	(812,658)	12,474,105
D. Housego	6,563,916	4,271,084	(5,972,563)	(2,780,389)	(217,214)	1,864,834
G. Hambly	4,909,856	3,049,780	(843,151)	(1,989,108)	(254,681)	4,872,696
Total	**24,203,681**	**15,128,303**	**(8,974,183)**	**(9,861,613)**	**(1,284,553)**	**19,211,635**

(1) Represents the FY18 EIP long term incentive Rights allocated on 6 April 2018; and due to the FY15 Options exceeding the maximum vesting criteria (as reported in the FY17 Remuneration Report, page 40), the Board resolved to issue and vest up to the maximum entitlement of options to executives. The FY15 Options were issued, following the 2014 Annual General Meeting, assuming that vesting criteria would be achieved at "target" vesting which was half of the maximum entitlement.

(2) Represents the partial vesting and exercise of the FY16 Options and FY17 Rights allocations as noted in section 6; and Mr Housego exercised his vested FY15 Options at a share price of $0.96 less the Exercise Price payable of $0.82.

(3) Following the partial vesting of 17% of the FY16 Options and 23% of the FY17 Rights allocations, the remainder of these grants that were issued are forfeited. Note that the FY16 Options were issued assuming that vesting criteria would be achieved at "target" vesting which was half of the maximum entitlement.

(4) As part of the Domain separation all restrictions were lifted on previously granted deferred performance shares. These have moved to 'Shares held by Executive KMP' (Table 9). These shares continue to be held be Executive KMP.

(D) DOMAIN HOLDINGS AUSTRALIA LIMITED (CONTROLLED ENTITY) RIGHTS OVER SHARES HELD BY EXECUTIVE KMP

TABLE 12

EXECUTIVE KMP	BALANCE AT 25 JUNE 2017	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	OTHER MOVEMENT[1]	CLOSING BALANCE AT 24 JUNE 2018
G. Hywood	-	-	-	-	933,334	933,334
D. Housego	-	-	-	-	-	-
G. Hambly	-	-	-	-	364,584	364,584
Total	**-**	**-**	**-**	**-**	**1,297,918**	**1,297,918**

(1) As part of the Domain separation, eligible Fairfax shareholders received one Domain Holdings Australia Limited share for every ten Fairfax Media Limited shares held at the Scheme Record Date (7pm on the 17 November 2017). Mr Hywood and Ms Hambly continued to hold the Fairfax vested FY15 Options at the Scheme Record Date. As set out in the Scheme Booklet when those Options are exercised the executives will be entitled to the tabled number of Domain shares fulfilled by Fairfax. Mr Housego exercised his FY15 Options prior to the Domain separation.

REMUNERATION REPORT (AUDITED)

10. REMUNERATION OF NON-EXECUTIVE DIRECTORS

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

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

TABLE 13

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

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

The fees above do not include statutory superannuation payments.

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

During the financial year, Mr Falloon received a payment of $180,000 over and above his Chairman fees. The Chairman was heavily involved with the CEO, management team, advisors, private equity and other external parties in relation to the approach from private equity towards the end of last financial year and the separation of Domain. This required his involvement on an almost full time basis and has been significantly higher than the normal responsibilities associated with the role of Chairman in such a transaction. As disclosed in last year's Remuneration Report (page 46), the Board (excluding the Chairman) endorsed a monthly fee of $30,000 above the current Chairman fees.

DIRECTOR FEES PAID BY DOMAIN HOLDINGS AUSTRALIA LIMITED

As part of the Domain separation, Mr Falloon and Mr Allaway were appointed to the Board of Domain Holdings Australia Limited.

Mr Falloon was appointed Chairman of the Board and a member of the People and Culture Committee. The Chairman's fee on the Domain Board is $250,000 per annum. The Chairman does not receive any committee fees for being a member of Committees.

Mr Allaway was appointed as a Non-Executive Director and a member of the Audit and Risk Committee. The Non-Executive Directors' fee for the Domain Board is $110,000 per annum. Audit and Risk Committee members are also paid a Committee fee of $18,000 per annum.

The Domain Director fees were approved by shareholders as part of the Scheme of Arrangement approval of the separation of Domain. The fees are paid by Domain. These fees are included in the Fairfax statutory tables (Table 14) as controlled entity transactions.

Following the resignation of the Chief Executive Officer of Domain in January 2018, Mr Falloon was appointed on 22 January 2018 as interim Executive Chairman until a new CEO commences. The Domain Board entered into an agreement to pay Mr Falloon a daily rate of $4,300 for full day equivalent worked in the role of Executive Chairman on Domain matters. For this reporting period a total of 67.5 days were paid for these duties.

The Executive Chairman fees are paid by Domain. These fees are included in the Fairfax statutory tables (Table 14) as controlled entity transactions.

10.1 RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS

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

10.2 NON-EXECUTIVE DIRECTORS' FEES

The following table outlines fees paid to Non-Executive Directors during the financial year. Included are also fees paid by Domain Holdings Australia Limited (Domain) and Macquarie Media Limited (MML) to directors for services on the respective Boards and the Executive duties fulfilled by Mr Falloon at Domain.

TABLE 14

NON-EXECUTIVE DIRECTOR		FAIRFAX NON-EXECUTIVE DIRECTORS FEES	DOMAIN AND MML FEES	SUPERANNUATION[12]	TOTAL
P. Allaway[1]	**2018**	**171,000**	**71,760**	**23,062**	**265,822**
	2017	171,000	-	14,276	185,276
M. Anderson[2]	**2018**	**-**	**-**	**-**	**-**
	2017	18,346	-	1,743	20,089
J. Cowin[3]	**2018**	**135,000**	**-**	**12,825**	**147,825**
	2017	145,352	-	13,808	159,160
N. Falloon[4] [5]	**2018**	**548,079**	**432,505**	**38,514**	**1,019,098**
	2017	364,737	-	33,843	398,580
J. Millar[6] [7]	**2018**	**178,945**	**68,493**	**23,507**	**270,945**
	2017	171,000	68,493	22,752	262,245
S. McPhee[8]	**2018**	**59,192**	**-**	**5,623**	**64,815**
	2017	171,000	-	16,245	187,245
L. Nicholls[9]	**2018**	**204,099**	**-**	**19,101**	**223,200**
	2017	183,000	-	17,385	200,385
M. Rosen[10]	**2018**	**135,000**	**-**	**12,825**	**147,825**
	2017	45,692	-	4,341	50,033
T. Sampson[11]	**2018**	**159,000**	**-**	**15,105**	**174,105**
	2017	148,648	-	14,122	162,770
Total	**2018**	**1,590,315**	**572,758**	**150,562**	**2,313,635**
	2017	1,418,775	68,493	138,515	1,625,783

(1) P. Allaway received Director and Committee fees from a controlled entity, Domain Holdings Australia Limited (Domain), in respect of his services as a non-executive director of Domain and as a member of the Audit & Rick committee. This amount is disclosed separately and was paid by Domain.

(2) M. Anderson retired from the Board on 5 August 2016.

(3) J. Cowin left the People & Culture Committee on 8 December 2016.

(4) N. Falloon received a payment of $180,000 over and above his Fairfax Media Chairman fees as noted in section 10. The Chairman was heavily involved with the CEO, management team, advisors, private equity and other external parties in relation to the approach from private equity and the separation of Domain. This required his involvement on an almost full time basis and involved significantly higher commitment than the normal responsibilities associated with the role of Chairman.

(5) N. Falloon received Director fees from a controlled entity, Domain Holdings Australia Limited (Domain), in respect of his services as Chairman of Domain and for his duties as Executive Chairman as disclosed in section 10. This amount is disclosed separately and was paid by Domain.

(6) J. Millar was appointed to the Chair of the Audit and Risk Committee on 3 November 2017.

(7) J. Millar received Director and Committee fees from a controlled entity, Macquarie Media Limited (MML), in respect of his services as a non-executive director of MML and as the Chair of the Audit & Rick committee. This amount is disclosed separately and was paid by MML.

(8) S. McPhee retired from the Board on 2 November 2017.

(9) L. Nicholls stepped down as Chair of the Audit and Risk Committee on the 3 November 2017 but continues as a Committee member. L. Nicholls also became a member of the People & Culture Committee from 16 August 2017, and was then appointed as Chair of the People & Culture Committee from 3 November 2017.

(10) M. Rosen was appointed to the Board on 1 March 2017.

(11) T. Sampson joined the People & Culture Committee on 8 December 2016.

(12) Superannuation is inclusive of $6,817 for P. Allaway and $13,514 for N. Falloon from Domain in respect of their services as non-executive directors (these amounts were paid by Domain), and $6,507 for J. Millar from MML in respect of his services as a non-executive director (this amount was paid by MML).

10.3 NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS

Non-Executive Director equity holdings disclosure as at 24 June 2018 are set out below:

(A) FAIRFAX MEDIA LIMITED SHARES HELD BY NON-EXECUTIVE DIRECTORS

TABLE 15

NON-EXECUTIVE DIRECTOR	BALANCE AT 25 JUNE 2017	ACQUISITIONS	DISPOSAL	BALANCE AT 24 JUNE 2018
P. Allaway	120,000	-	-	120,000
J. Cowin	3,000,000	-	-	3,000,000
N. Falloon	477,649	63,354	-	541,003
J. Millar	200,000	-	-	200,000
S. McPhee[1]	209,761	-	-	209,761
L. Nicholls	221,837	35,068	-	256,905
M. Rosen	-	-	-	-
T. Sampson	61,083	26,748	-	87,831
Total	**4,290,330**	**125,170**	**-**	**4,415,500**

(1) S. McPhee retired from the Board on 2 November 2017.

(B) DOMAIN HOLDINGS AUSTRALIA LIMITED (CONTROLLED ENTITY) SHARES HELD BY NON-EXECUTIVE DIRECTORS

TABLE 16

NON-EXECUTIVE DIRECTOR	BALANCE AT 25 JUNE 2017	ACQUISITIONS[1]	DISPOSAL	BALANCE AT 24 JUNE 2018
P. Allaway[2]	-	32,000	-	32,000
J. Cowin	-	300,000	-	300,000
N. Falloon	-	51,239	-	51,239
J. Millar	-	20,000	-	20,000
S. McPhee[3]	-	20,977	-	20,977
L. Nicholls	-	24,107	-	24,107
M. Rosen	-	-	-	-
T. Sampson	-	7,575	-	7,575
Total	**-**	**455,898**	**-**	**455,898**

(1) As part of the Separation of Domain, eligible Fairfax shareholders received one Domain share for every 10 Fairfax Media Shares held at the Scheme Record Date (7pm on the 17 November 2017).

(2) P. Allaway independently acquired a further 20,000 Domain shares on 1 March 2018.

(3) S. McPhee retired from the Board on 2 November 2017.

11. LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans made to Directors of Fairfax Media Limited or to other KMP, including their personal controlled entities, during FY18 (2017: nil).

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

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

TABLE 17

		2018[1]	2017	2016	2015	2014
Underlying operating revenue	$m	1,684	1,733	1,831	1,853	1,866
Underlying net profit after tax*	$m	124.9	142.6	132.5	143.6	157.8
Earnings per share excluding significant items	Cents	5.4	6.2	5.7	6.1	6.7
Dividends per share	Cents	2.9	4.0	4.0	4.0	4.0
Total Shareholder Returns (TSR)**	%	12.9	39.1	13.6	(0.7)	97.5
Share Price (at financial year end date)	$	0.72	1.22	0.91	0.85	0.93

(1) The 2018 measures are impacted by the Separation of Domain.

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

** TSR comprises share price appreciation and dividends, gross of franking credits, reinvested in the shares. For 2017-2018, the TSR includes an adjustment for the separation of Domain. Source: Bloomberg.

CORPORATE GOVERNANCE

Fairfax has a corporate governance framework that is consistent with the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Recommendations**).

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

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

Membership of the Board and its Committees during FY18 is set out below.

		COMMITTEE MEMBERSHIP		
DIRECTOR	POSITION	AUDIT AND RISK	NOMINATIONS	PEOPLE AND CULTURE
N Falloon	Independent Chairman	Member	Chair	Member
G Hywood	CEO/Managing Director	–	–	–
P Allaway	Independent	Member	–	–
J Cowin	Independent	–	–	–
S McPhee AM(1)	Independent	–	–	Chair until 2 November 2017
J Millar AM	Independent	Chair(2)	Member	–
L Nicholls AO	Independent	Member(3)	Member	Chair from 3 November 2017(4)
M Rosen	Independent	-	-	-
T Sampson	Independent	–	–	Member

(1) Retired as a Director on 2 November 2017

(2) Appointed as Chair on 3 November 2017

(3) Resigned as Chair on 3 November 2017

(4) Appointed as a Member of the Committee from 16 August 2017

The qualifications, experience, term of office and other details of each member of the Board are set out on pages 22 to 24.

The number of Board and Committee meetings held during FY18 and each Director's attendance at these meetings are set out in the Directors' Report on page 27.

CORPORATE GOVERNANCE

INDEPENDENCE OF DIRECTORS

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

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

The Board has determined that all Directors except the Chief Executive Officer (CEO) are independent. In assessing whether a Director is independent, the Board has considered Directors' obligations to shareholders, the requirements of applicable laws and regulations, criteria set out in the Board Charter and the ASX Recommendations. The Board makes its decisions on a case-by-case basis and determines whether particular factors or prior relationships might reasonably be seen to interfere with the Director's capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of Fairfax and its shareholders generally. Where appropriate, external advice is sought to assist the Board's assessment.

Mr Patrick Allaway, via his corporate advisory and funds management business, Saltbush Capital Markets, provided services to the Fairfax Group prior to his appointment to the Board in April 2016. Payment for these services was on arm's length commercial terms:

- FY16 - $27,500;
- FY15 - $310,750;
- FY14 - $115,500.

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

ROLE OF THE BOARD

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

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

- contributing to and approving management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing, ratifying and monitoring systems of risk management, internal control and legal compliance. This includes reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- appointing and reviewing the performance of the CEO;
- succession planning in relation to the CEO;
- evaluating the performance of the CEO;
- reviewing the remuneration of the CEO and taking into account the recommendations of the CEO, the remuneration of his or her direct reports;
- monitoring corporate performance and implementation of strategy and policy;
- developing and reviewing the Company's corporate governance policies and monitoring corporate culture, setting the tone from the top;
- approving major capital expenditure, acquisitions and divestitures, and overseeing capital management, including approving dividend payments;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- approving financial reports, profit forecasts and other reports required at law or under the ASX Listing Rules to be adopted by the Board;
- monitor with the goal of ensuring shareholders are kept informed of the Company's performance and major developments affecting its state of affairs;
- evaluating, at least annually, the performance of the Board, its Committees and individual directors; and
- performing such other functions as are prescribed by law or nominated by the Board from time to time.

CORPORATE GOVERNANCE

DELEGATION TO SENIOR MANAGEMENT

Subject to the Board's reserved powers and to the authorities delegated to the Board Committees, the Board has delegated to the CEO responsibility for the management and operation of the Fairfax Group. The CEO is responsible for the day-to-day operations, financial performance and administration of the Fairfax Group within the powers authorised to him from time to time by the Board. The CEO may further delegate within the delegations specified by the Board. The CEO is accountable to the Board for the exercise of those delegated powers.

DIRECTOR APPOINTMENT, ROTATION AND SUCCESSION PLANNING

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

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

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

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

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

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

DIRECTOR INDUCTION AND CONTINUING EDUCATION

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

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

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

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

CORPORATE GOVERNANCE

BOARD COMMITTEES

NOMINATIONS COMMITTEE

The Board Nominations Committee operates under a formal Charter.

The primary responsibilities of the Committee include:

- assist the Board to develop a board skills matrix setting out the mix of skills, expertise, experience and diversity that the Board currently has or is looking to achieve in its membership;
- review and recommend to the Board the size and composition of the Board, including review of Board succession plans and the succession of the Chairman, having regard to the Board skills matrix and the objective that the Board comprise directors with a broad range of skills, expertise and experience from a broad range of backgrounds, including gender;
- review and recommend to the Board the criteria for nomination as a director and the membership of the Board more generally, including:
  - making recommendations for the re-election of Directors, subject to the principle that a Committee member must not be involved in making recommendations to the Board in respect of themselves; and
  - assisting the Board to identify qualified individuals for nomination to the Board, in accordance with the policy outlined in section 3 of the Nominations Committee Charter;
- assist the Board in relation to the performance evaluation of the Board, its Committees and individual directors; and
- ensure that processes are in place to support director induction and ongoing education and regularly review the effectiveness of these processes.

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

AUDIT AND RISK COMMITTEE

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

The primary responsibilities of the Committee include to:

- oversee the Company's relationship with the external auditor and the external audit function generally;
- oversee the Company's relationship with the internal auditor and the internal audit function generally;
- oversee the preparation of the financial statements and reports;
- oversee the Company's financial controls and systems; and
- in conjunction with the People and Culture Committee oversee the process of identification and management of risk.

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

CORPORATE GOVERNANCE

PEOPLE AND CULTURE COMMITTEE

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

The primary responsibilities of the Committee are to:

- promote a safe working culture and oversee its implementation;
- oversee the development of the Company's Human Resources strategies to support the achievement of the Company's overall strategies to grow value for shareholders;
- review and recommend to the Board arrangements for the CEO and the CEO's direct reports, including contract terms, annual remuneration and participation in the Company's short and long term incentive plans;
- review and recommend to the Board/approve short and long term incentive performance targets and bonus payments for the CEO and the CEO's direct reports;
- review remuneration structures and makes recommendations with consideration of the organisation's risk profile and operating environment;
- approve major changes and developments in the Company's policies and procedures related to remuneration, recruitment, retention, termination and performance assessment for senior management;
- approve major changes and developments in the remuneration policies, superannuation arrangements, personnel practices and industrial relations strategies for the Fairfax Group;
- review and recommend to the Board major changes and developments in relation to the Company's employee equity incentive plans;
- oversee the operation of the Company's employee equity incentive plans in place from time to time;
- review and recommend to the Board the remuneration arrangements for the non-executive directors of the Board, including fees, travel and other benefits;
- approving the appointment of remuneration consultants for the purposes of the *Corporations Act 2001* (Cth);
- take appropriate action to ensure that the Committee, the Board and management have available to them sufficient information and external advice to ensure informed decision-making regarding remuneration;
- review and recommend to the Board the remuneration report prepared in accordance with the *Corporations Act 2001* (Cth) for inclusion in the annual directors' report;
- review and facilitate shareholder and other stakeholder engagement in relation to the Company's remuneration policies and practices;
- oversee the Company's strategies, processes and implementation of risk management of health, safety and environment policies to promote a safe working culture;
- oversee the policy and implementation of the Company's diversity goals;
- oversee talent management and recruitment policies and their implementation to achieve Company strategy;
- oversee the direction of the Company's policies to build a sustainable future (financially and otherwise); and
- monitor and review the Company's employee relations strategy including compliance with awards and agreements.

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

CORPORATE GOVERNANCE

COMPANY SECRETARY

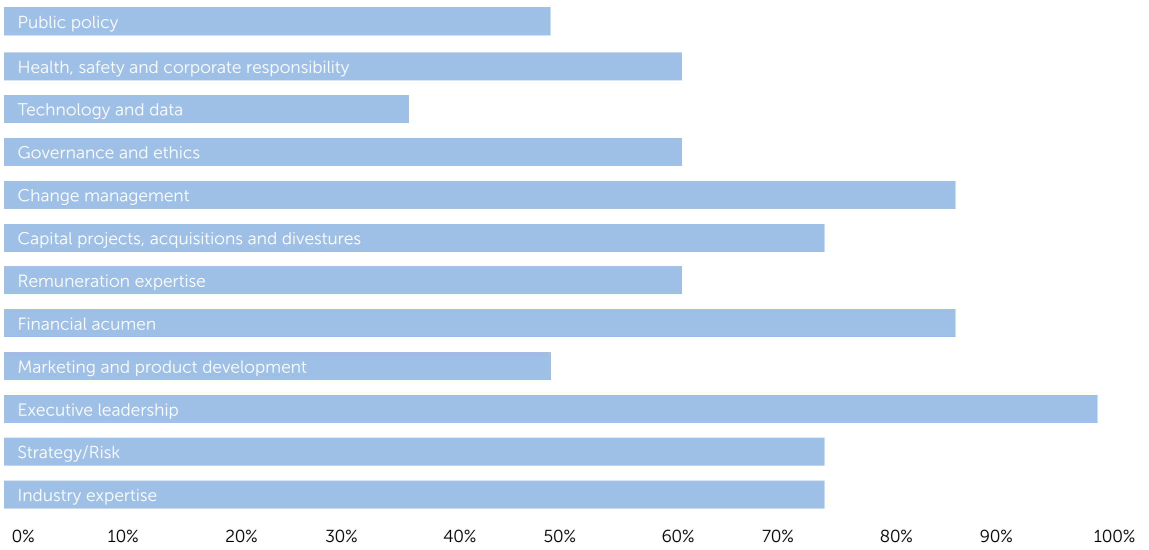
The Company Secretary is accountable to the Board through the Chairman on all matters relating to the proper functioning of the Board. The qualifications and experience of the Company Secretary are set out on page 26.

PERFORMANCE EVALUATION

BOARD SKILLS

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

The following chart summarises the skills, attributes and experience of the Company's Directors. Percentages are determined as at the date of this report and indicate the percentage of directors who have substantial or extensive skills in the relevant area.



Industry expertise: Expertise and experience in the media/digital media and digital product.

Strategy/Risk: Expertise in the development and implementation of strategic plans and risk management to deliver investor returns over time.

Executive leadership: Experienced and successful leadership at a senior executive level.

Marketing and product development: Expertise and senior executive experience in marketing and new media marketing metrics and tools.

Financial acumen: Expertise in understanding financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.

Remuneration expertise: Experience in remuneration design to drive business success.

Capital projects, acquisitions and divestitures: Experience in evaluating and implementing projects involving large-scale financial commitments, investment horizons, capital use and allocation and major transactions.

Change management: Expertise in large change management programmes.

Governance and ethics: Knowledge and experience of high standards of corporate governance, including ASX Listing Rules and practices.

Technology and data: Expertise and experience in the adoption of new technology and technology projects and in the use of data and data analytics to drive successful sales, marketing and business development.

Health, safety and corporate responsibility: Expertise related to workplace health and safety, environmental, community and social responsibility.

Public policy: Experience in public and regulatory policy, including how it affects business.

CORPORATE GOVERNANCE

EVALUATION OF BOARD, COMMITTEES AND DIRECTORS

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

Performance reviews of the Board, its Committees and Directors were conducted in FY18 and succession plans reviewed.

SENIOR EXECUTIVES

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

Senior management performance reviews are undertaken each year. The executive's performance is measured against his or her KPIs set at the beginning of the year. The CEO undertakes performance reviews with each of his direct reports. The CEO's performance review is undertaken by the Chairman in consultation with the Board. In accordance with this process, performance evaluations were conducted during FY18.

REMUNERATION

Information about the Company's remuneration policies and practices for Non-Executive Directors, the CEO and other senior executives, and their remuneration during FY18, are set out in the Remuneration Report on pages 30 to 50.

RISK MANAGEMENT AND INTEGRITY OF FINANCIAL REPORTING

RISK MANAGEMENT FRAMEWORK

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

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

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

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

- the Board, with the support of the Audit and Risk Committee, annually assesses the risk management framework to satisfy itself that it continues to be sound;
- risks are assessed and revised periodically for each division through the business planning, budgeting, forecasting, reporting, internal audit and performance management processes;
- the Board, through the Audit and Risk Committee, receives regular reports from management (and independent advisers where appropriate) on key risk areas such as treasury, health, safety and environment, regulatory compliance, taxation, finance and internal audit and the effectiveness of the risk management system;
- formal risk assessments are required as part of business case approvals for projects or initiatives of a significant nature. Project teams are responsible for managing the risks identified and all material projects are further monitored by the senior management group; and
- under the direction of the Audit and Risk Committee, Internal Audit conducts a program of internal process control reviews over key areas, based on the materiality of the process to the Fairfax Group. Internal Audit also provides assurance over the internal control assessments undertaken by management.

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

During FY18 the Board assessed the risk management framework and is satisfied that it continues to be sound.

INTERNAL AUDIT

The Company's Internal Audit process prioritised risk areas across all the major business units to provide an independent risk assessment and evaluation of operating and financial controls. The Internal Audit and Risk function is independent from the external auditor. The Manager, Corporate Risk and Assurance meets with the Audit and Risk Committee in the absence of management as required. Internal Audit and Risk reports its results to the Audit and Risk Committee. The Manager, Corporate Risk and Assurance attends Committee meetings. The Group General Counsel is presently acting in the position of Manager, Corporate Risk and Assurance following the resignation of the previous incumbent in April 2018 due to that manager's relocation overseas. The position will be filled permanently if the pending Scheme of Arrangement between the Company and Nine Entertainment Group does not proceed.

CORPORATE GOVERNANCE

MATERIAL RISKS

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

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

Fairfax has taken strategic action to transform its business in the face of these challenges. The Company addresses the issues of financial, social and environmental sustainability in its Corporate Responsibility and Sustainability Report beginning on page 12.

DECLARATIONS FROM THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The Board receives written declarations from the CEO and the Chief Financial Officer (CFO) in relation to the half-year and full-year that in their opinion:

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

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

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

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

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

CHARTER OF AUDIT INDEPENDENCE

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

CODE OF CONDUCT

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

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

The Fairfax Code of Conduct aims to:

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

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

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

CORPORATE GOVERNANCE

MARKET DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

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

MARKET DISCLOSURE

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

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

The CEO, CFO and Group General Counsel/Company Secretary are designated Disclosure Officers. They are responsible for reviewing potential disclosures and, in consultation with the Chairman and the Board, deciding what information is disclosed.

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

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

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

SHAREHOLDER COMMUNICATIONS

The Company actively encourages timely and ongoing shareholder communications and operates an investor relationships program that facilitates two-way communications with investors.

To ensure ready access for shareholders to information about the Company, Company announcements, Annual Reports, analyst and investor briefings, financial results and other information useful to investors such as press releases are placed on the Company's website at www.fairfaxmedia.com.au as soon as practicable after their release to the ASX (where release is required). Several years' worth of historical financial information is available on the website. Webcasts and recordings of results announcements and investor briefings can be accessed on the website for a period of time.

The full text of Notices of Meetings and the accompanying explanatory materials are posted on the website for each Annual General Meeting. The Chair's and the CEO's addresses, proxy counts and results of shareholder resolutions at the meeting are also posted on the website as soon as practicable after their release to the ASX.

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

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

TRADING IN COMPANY SECURITIES

Fairfax has adopted a Securities Trading Policy, which regulates dealings in Fairfax securities by Directors and senior employees to ensure that trading only occurs when the market is fully informed. The Policy sets out blackout periods when no trading is to be undertaken by Directors and senior employees and a process for authorisation of trading at other times.

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

CORPORATE GOVERNANCE

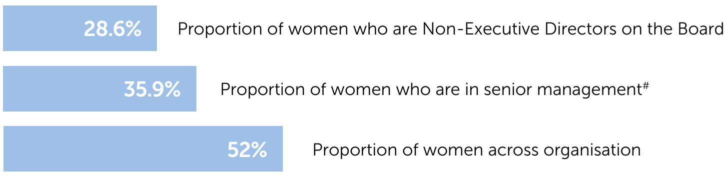
DIVERSITY

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

Fairfax recognises the importance of its employees and aims to attract, motivate, retain and engage high performing employees. The Company recognises that each employee brings their own unique capabilities, experiences and characteristics to their work, and values such diversity at all levels of the Company in all that it does. Encouraging diversity and inclusion broadens the pool for the recruitment of talented employees, enhances retention and supports innovation. Increasing the focus on high quality employees supports the Company to improve its financial performance and achieve its strategic objectives.

In 2016, the Company set a target of achieving 35% of females in senior management positions by 2018. The representation of females at a senior level has increased over the past year.

The Company's workforce gender demographics were:



\# Senior managers include the CEO, the members of executive leadership team which are the CEO's direct reports, as well as direct reports to the ELT that are in charge of defined functions, departments or outcomes in Fairfax and are likely to be involved in a balance of strategic and operational aspects of management.

Recognising that progress has been made, a new target has been set which demonstrates a long-term desire to get to an equitable position. The new target is that women and men each hold at least 40% of senior management positions by 2021.

Fairfax continues to focus on gender diversity, and in 2017 Greg Hywood (CEO) joined the Male Champions of Change (MCC) Initiative, established in 2010 by Elizabeth Broderick, the former Sex Discrimination Commissioner. The movement for gender equality has historically been a struggle for women by women. Engaging influential men to step up beside women to take action on gender inequality presents an untapped opportunity. The CEO will continue to be an advocate and champion for redefining the role men play in taking action on gender inequality at Fairfax.

Recognising the significance of domestic violence in our communities and the need to support all affected employees, Fairfax introduced a Domestic Violence Awareness Program in 2016 and a Domestic & Family Violence Policy in 2017. The program focused on four key areas: policy, education, awareness and accreditation. The policy outlines measures in place to support and assist employees in the workplace. This is in addition to the support provided by the Employee Assistance Program (EAP), The Fairfax Media Helpline (FMHelp) and The Fairfax Foundation during times of crisis.

During the financial year, Fairfax updated its parental leave policies in Australia and New Zealand, bringing us further ahead of minimum statutory obligations. The changes recognise Fairfax's commitment to achieving gender equality and better meeting the needs of working parents and their families. The changes include increase in paid leave for primary and secondary carers, superannuation being paid on periods of unpaid leave, and the inclusion of fostering and surrogacy arrangements.

The Company continues to run the annual Fairfax Women of Influence Awards launched in 2013. The award recognises and celebrates exceptional women from right across Fairfax who use their influence to achieve great things. In 2017, the awards comprised of five categories: agenda setter, emerging leader, customer centric leader, leadership champion, and innovation champion. The judging panel included members of the Board Executive team. The program continues to raise the leadership profiles of females across the business.

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

A number of employment terms are in place to positively impact on women's participation in the workforce, such as flexible working arrangements. The Company has submitted and is compliant with the *Workplace Gender Equality Act 2012* report in Australia.

This Corporate Governance Statement is current as at 15 August 2018 and has been approved by the Board of Fairfax.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

TRADING OVERVIEW

For the financial year ending 24 June 2018, Fairfax Media Group reported an underlying net profit (excluding significant items) of $124.9 million. Underlying operating earnings before interest, tax, depreciation and amortisation (EBITDA) of $274.2 million was 1.2% higher than the prior year.

Domain Group EBITDA of $117.6 million increased 4% for the year notwithstanding the impact of separation costs. Domain digital revenue increased 20% with growth in core digital and new transactions businesses. Print revenue was 13% lower reflecting the transition to a digital business, somewhat offset by the launch of the Domain glossy magazine format.

Domain's reported expenses increased 16% for the year reflecting investment in the business and the impact of separation costs included for the first time. Underlying costs on Domain Holdings Australia Limited (DHG) reported on a pro forma basis increased 11% as a result of continued investment in staff, workspace and new transactions businesses, offset by a reduction in print expenses of 15%.

Australian Metro Media revenue declined 6% with advertising revenue benefiting from improved digital performance supported by the Google programmatic ad sales partnership, as well as moderating print declines.

Circulation revenue declines moderated in H2, benefiting from 9% growth in digital subscription revenue for the year, and cover price increases.

Other revenues declined 5% reflecting the sale of Tenderlink in October 2016.

Australian Metro Media expenses declined 8% for the year, with a 9% reduction in publishing costs largely from savings in staff, technology and print production.

Australian Community Media revenue declined 9% with relatively stable contribution from agricultural titles, benefiting from strong agricultural commodity prices and digital investment in the sector. This was offset by weakness in regional advertising and circulation, with some impact from the closure of several unprofitable mastheads. Declines in local and real-estate print revenue contributed to the reduced advertising revenue outcome. Circulation declines reflected lower retail volumes.

Australian Community Media's continued strong cost discipline delivered a 6% reduction in expenses and underpinned EBITDA margin of 16.3% for the year.

Our New Zealand business, Stuff, reported total revenue down 8% with digital revenue growth of 21%. Digital revenue benefited from strong growth from internet service provider Stuff Fibre and hyper-local social networking platform Neighbourly.

Stuff's underlying costs declined 4% including a one-off provision, one-time items and investment in Stuff Fibre adjusting for this costs reduced 6%.

Stuff's EBITDA declined 27%, or 21% including adjustment outlined above. Weighing on the EBITDA outcome is the impact of the sale or closure of around 35% of our NZ print publications representing less than 5% of revenue. Revenue impacts were felt from the time of the announcement in February 2018, while cost benefits did not commence until after FY18 year-end.

Fairfax Media's 54.5% shareholding in the ASX-listed Macquarie Media Limited made a solid EBITDA contribution of $32.6 million. Macquarie Media's reported revenue was flat. Underlying revenue increased 4% excluding disposals and one-time items, underpinned by robust growth from the primary stations. EBITDA increased by 3% with the EBITDA margin expanded from 23.0% to 23.8%.

FINANCIAL PERFORMANCE

Group underlying operating earnings before interest and tax (EBIT) of $217.4 million was 6% below the prior year. Depreciation and amortisation increased 40% for continuing businesses to $56.8 million due to increased product investment at Domain and Stuff, which has a short amortisation period.

For the 2018 financial year, significant items amounting to a loss net of tax totalling $202 million for the Group were recorded. This included impairment of intangibles, plant and equipment of $175.9 million, and restructuring and redundancy costs of $26.6 million. The majority of these expenses relate to the publishing businesses, in particular Australian Community Media and Stuff.

Non-controlling interest of $23.5 million for continuing businesses included the Domain minority ownership arising from the separation which was calculated from 22 November 2017 and the Domain agent ownership model. It also includes the 45.5% of Macquarie Media Limited that Fairfax does not own.

Net cash inflow from operating activities was $182.2 million which decreased $10.4 million year-on-year with an increase in income taxes paid of $12.5 million. Cash and cash equivalents increased $10.1 million after capital expenditure of $69.8 million and dividends paid of $95.4 million.

Net debt was $135.7 million with Fairfax wholly-owned entities in a net cash position of $9.5 million at year end.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

RECONCILIATION OF STATUTORY TO UNDERLYING PERFORMANCE

	NOTES	AS REPORTED		SIGNIFICANT ITEMS (iii)		TRADING PERFORMANCE EXCLUDING SIGNIFICANT ITEMS	
		24 JUNE 2018 $'000	25 JUNE 2017 $'000	**24 JUNE 2018 $'000**	25 JUNE 2017 $'000	**24 JUNE 2018 $'000**	25 JUNE 2017 $'000
Total revenue	(i)	**1,687,927**	1,742,656	**3,918**	10,060	**1,684,009**	1,732,596
Associate losses		**(854)**	(614)	**-**	-	**(854)**	(614)
Expenses		**(1,672,199)**	(1,545,481)	**(263,261)**	(84,552)	**(1,408,938)**	(1,460,929)
OPERATING EBITDA		**14,874**	196,561	**(259,343)**	(74,492)	**274,217**	271,053
Depreciation and amortisation		**(56,819)**	(40,718)	**-**	-	**(56,819)**	(40,718)
EBIT		**(41,945)**	155,843	**(259,343)**	(74,492)	**217,398**	230,335
Net finance costs	(ii)	**(6,774)**	(9,834)	**-**	-	**(6,774)**	(9,834)
Net profit/(loss) before tax		**(48,719)**	146,009	**(259,343)**	(74,492)	**210,624**	220,501
Tax (expense)/benefit		**(4,868)**	(48,857)	**57,345**	15,481	**(62,213)**	(64,338)
Net profit/(loss) after tax		**(53,587)**	97,152	**(201,998)**	(59,011)	**148,411**	156,163
Net (profit)/loss attributable to non-controlling interest		**(10,196)**	(13,241)	**13,294**	360	**(23,490)**	(13,601)
Net profit/(loss) attributable to members of the Company		**(63,783)**	83,911	**(188,704)**	(58,651)	**124,921**	142,562
Earnings per share (cents)		**(2.8)**	3.6			**5.4**	6.2

Notes:

(i) Revenue from ordinary activities excluding interest income.

(ii) Finance costs less interest income.

(iii) Significant items are those items of such a nature or size that separate disclosure will assist users to understand the accounts. Refer to Note 4 for further details of the significant items. Consistent with the prior period disclosures, these relate to impairments, restructuring and redundancy and gains and losses on controlled entities, property, plant and equipment and investments.

RECONCILIATION OF STATUTORY TO UNDERLYING PERFORMANCE

	24 JUNE 2018 $'000's	25 JUNE 2017 $'000's
Cash Flow from trading activities	**260,067**	261,339
Redundancy Payments	**(25,516)**	(33,476)
Interest and divdends received	**2,995**	7,843
Finance costs and income paid	**(55,309)**	(43,048)
Net cash flow from operating activities	**182,237**	192,658

CONSOLIDATED INCOME STATEMENT

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Revenue from operations	2(A)	**1,661,707**	1,713,800
Other revenue and income	2(B)	**33,956**	35,030
TOTAL REVENUE AND INCOME		**1,695,663**	1,748,830
Share of net loss of associates and joint ventures	8(C)	**(854)**	(614)
Expenses from operations excluding impairment, depreciation, amortisation and finance costs	3(A)	**(1,448,583)**	(1,511,357)
Depreciation and amortisation	3(B)	**(56,819)**	(40,718)
Impairment of intangibles, investments, property, plant and equipment and other assets	4	**(223,616)**	(34,124)
Finance costs	3(C)	**(14,510)**	(16,008)
Net (loss)/profit from operations before income tax expense		**(48,719)**	146,009
Income tax expense	25	**(4,868)**	(48,857)
Net (loss)/profit from operations after income tax expense		**(53,587)**	97,152
Net (loss)/profit is attributable to:			
Non-controlling interest		**10,196**	13,241
Owners of the parent		**(63,783)**	83,911
		(53,587)	97,152
Earnings per share (cents per share)			
Basic earnings per share (cents per share)	20	**(2.8)**	3.6
Diluted earnings per share (cents per share)	20	**(2.8)**	3.6

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

	NOTE	**24 JUNE 2018 $'000**	25 JUNE 2017 $'000
Net profit/(loss) after income tax expense		**(53,587)**	97,152
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss:			
Changes in fair value of available for sale financial assets		**671**	482
Changes in fair value of cash flow hedges		**2,157**	(821)
Exchange differences on translation of foreign operations		**(6,903)**	1,637
Income tax relating to these items	25	**(658)**	671
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit plans		**392**	505
Income tax relating to these items	25	**(118)**	(151)
Other comprehensive income for the period, net of tax		**(4,459)**	2,323
Total comprehensive income for the period		**(58,046)**	99,475
Total comprehensive income is attributable to:			
Non-controlling interest		**10,196**	13,241
Owners of the parent		**(68,242)**	86,234
		(58,046)	99,475

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES AS AT 24 JUNE 2018

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
CURRENT ASSETS			
Cash and cash equivalents	29(B)	**123,058**	112,921
Trade and other receivables	10	**279,345**	299,041
Inventories	11	**13,755**	25,101
Derivative assets	16	**-**	9,238
Assets held for sale	7(A)	**1,675**	8,444
Income tax receivable		**10,578**	-
Total current assets		**428,411**	454,745
NON-CURRENT ASSETS			
Receivables	10	**9,737**	7,897
Investments accounted for using the equity method	8	**18,325**	48,654
Available for sale investments		**2,674**	2,399
Intangible assets	9	**703,868**	824,735
Property, plant and equipment	14	**126,673**	177,681
Deferred tax assets	25	**50,243**	46,552
Pension assets		**1,843**	1,428
Other financial assets	24	**127,226**	95,742
Total non-current assets		**1,040,589**	1,205,088
Total assets		**1,469,000**	1,659,833
CURRENT LIABILITIES			
Payables	12	**220,551**	233,452
Interest bearing liabilities	15	**-**	94,538
Derivative liabilities	16	**-**	169
Liabilities directly associated with held for sale assets	7(B)	**-**	248
Provisions	13	**122,831**	104,008
Current tax liabilities		**17,647**	21,706
Total current liabilities		**361,029**	454,121
NON-CURRENT LIABILITIES			
Interest bearing liabilities	15	**257,708**	144,910
Provisions	13	**48,240**	59,491
Deferred tax liabilities	25	**-**	23,502
Other non-current liabilities		**372**	87
Total non-current liabilities		**306,320**	227,990
Total liabilities		**667,349**	682,111
Net Assets		**801,651**	977,722
EQUITY			
Contributed equity	18	**4,073,726**	4,605,326
Reserves	18	**465,711**	31,118
Retained losses		**(3,927,825)**	(3,793,032)
Total parent entity interest		**611,612**	843,412
Non-controlling interest		**190,039**	134,310
Total Equity		**801,651**	977,722

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**1,868,258**	1,945,036
Payments to suppliers and employees (inclusive of GST)		**(1,608,191)**	(1,683,697)
Redundancy payments		**(25,516)**	(33,476)
Interest received		**1,359**	1,414
Dividends and distributions received		**1,636**	6,429
Finance costs paid		**(14,421)**	(14,625)
Net income taxes paid		**(40,888)**	(28,423)
Net cash inflow from operating activities	29(A)	**182,237**	192,658
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of controlled entities, associates and joint ventures (net of cash acquired)		**(4,109)**	(12,203)
Payment for purchase of businesses		**-**	(1,150)
Payment for property, plant, equipment and software		**(69,784)**	(106,579)
Proceeds from sale of property, plant and equipment		**7,667**	10,128
Proceeds from sale of controlled entities, associates and joint ventures net of transaction fees and cash disposed		**6,798**	28,736
Loans advanced to other parties		**(29,720)**	(35,500)
Net cash outflow from investing activities		**(89,148)**	(116,568)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and other financial liabilities		**317,000**	79,773
Repayment of borrowings and other financial liabilities		**(289,370)**	(18,440)
Payment of facility fees		**(1,351)**	-
Payment for shares acquired by share trust		**(732)**	(1,707)
Payment for share issue costs relating to Domain Holdings Australia Limited		**(7,539)**	-
Proceeds from issue of shares by subsidiary with non-controlling shareholder		**2,335**	-
Payment for acquisition of non-controlling interests in subsidiaries		**(6,973)**	-
Dividends paid to shareholders	19	**(71,284)**	(91,980)
Dividends paid to non-controlling interests in subsidiaries		**(24,161)**	(11,696)
Net cash outflow from financing activities		**(82,075)**	(44,050)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		**11,014**	32,040
Cash and cash equivalents at beginning of the financial year		**112,921**	81,110
Reclassification to held for sale	7(A)	**-**	(62)
Effect of exchange rate changes on cash and cash equivalents		**(877)**	(167)
Cash and cash equivalents at end of the financial year	29(B)	**123,058**	112,921

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

		RESERVES										
	CONTRIBUTED EQUITY (NOTE 18) $'000	ASSET REVALUATION RESERVE (NOTE 18) $'000	ACQUISITION RESERVE (NOTE 18) $'000	FOREIGN CURRENCY TRANSLATION RESERVE (NOTE 18) $000	CASHFLOW HEDGE RESERVE (NOTE 18) $000	NET INVESTMENT HEDGE RESERVE (NOTE 18) $000	SHARE-BASED PAYMENT RESERVE (NOTE 18) $000	GENERAL RESERVE (NOTE 18) $000	TOTAL RESERVES $000	RETAINED LOSSES $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY $000
BALANCE AT 25 JUNE 2017	**4,605,326**	**302**	**154,958**	**(105,286)**	**(1,691)**	**(18,072)**	**7,744**	**(6,837)**	**31,118**	**(3,793,032)**	**134,310**	**977,722**
Profit for the period	-	-	-	-	-	-	-	-	-	(63,783)	10,196	(53,587)
Other comprehensive income		479	-	(6,903)	1,691	-	-	-	(4,733)	274	-	(4,459)
Total comprehensive income for the period	**-**	**479**	**-**	**(6,903)**	**1,691**	**-**	**-**	**-**	**(4,733)**	**(63,509)**	**10,196**	**(58,046)**
Transactions with owners in their capacity as owners:												
Shares acquired by share trust	(530)	-	-	-	-	-	-	-	-	-	-	(530)
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(71,284)	-	(71,284)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(24,161)	(24,161)
Recognition of non-controlling interest in Domain Holdings Australia Limited	-	-	(67,271)	-	-	-	-	-	(67,271)	-	67,271	-
Capital contribution to Domain Holdings Australia Limited	-	-	(2,228)	-	-	-	-	-	(2,228)	-	-	(2,228)
Recognition of non-controlling interest in other subsidiaries	-	-	-	-	-	-	-	-	-	-	4,177	4,177
Acquisition of non-controlling interest in Review Property Pty Ltd	-	-	(16,188)	-	-	-	-	-	(16,188)	-	(526)	(16,714)
Acquisition and release of non-controlling interest in other subsidiaries	-	-	(5,907)	-	-	-	-	-	(5,907)	-	(1,228)	(7,135)
Capital reduction through transfer of Domain Holdings Australia Limited shares	(536,000)	-	536,000	-	-	-	-	-	536,000	-	-	-
Transaction costs attributable to issuance of shares	-	-	(5,003)	-	-	-	-	-	(5,003)	-	-	(5,003)
Release of shares from escrow	4,930	-	-	-	-	-	-	-	-	-	-	4,930
Release of employee incentive shares	-	-	-	-	-	-	(4,814)	-	(4,814)	-	-	(4,814)
Share-based payments, net of tax	-	-	-	-	-	-	4,737	-	4,737	-	-	4,737
Total transactions with owners	**(531,600)**	**-**	**439,403**	**-**	**-**	**-**	**(77)**	**-**	**439,326**	**(71,284)**	**45,533**	**(118,025)**
BALANCE AT 24 JUNE 2018	**4,073,726**	**781**	**594,361**	**(112,189)**	**-**	**(18,072)**	**7,667**	**(6,837)**	**465,711**	**(3,927,825)**	**190,039**	**801,651**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

		RESERVES										
	CONTRIBUTED EQUITY (NOTE 18) $'000	ASSET REVALUATION RESERVE (NOTE 18) $'000	ACQUISITION RESERVE (NOTE 18) $'000	FOREIGN CURRENCY TRANSLATION RESERVE (NOTE 18) $000	CASHFLOW HEDGE RESERVE (NOTE 18) $000	NET INVESTMENT HEDGE RESERVE (NOTE 18) $000	SHARE-BASED PAYMENT RESERVE (NOTE 18) $000	GENERAL RESERVE (NOTE 18) $000	TOTAL RESERVES $000	RETAINED LOSSES RESTATED* $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY RESTATED* $000
BALANCE AT 26 JUNE 2016	**4,597,340**	**(34)**	**157,829**	**(106,923)**	**(1,687)**	**(18,072)**	**9,468**	**(6,837)**	**33,744**	**(3,761,899)**	**123,206**	**992,391**
Profit for the period	-	-	-	-	-	-	-	-	-	83,911	13,241	97,152
Other comprehensive income		336	-	1,637	(4)	-	-	-	1,969	354	-	2,323
Total comprehensive income for the period	-	**336**	-	**1,637**	**(4)**	-	-	-	**1,969**	**84,265**	**13,241**	**99,475**
Transactions with owners in their capacity as owners:												
Shares acquired by share trust	(1,192)	-	-	-	-	-	-	-	-	-	-	(1,192)
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(91,980)	-	(91,980)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(11,696)	(11,696)
Non-controlling interest arising on business combination	-	-	-	-	-	-	-	-	-	-	4,737	4,737
Recognition of non-controlling interest in subsidiaries	-	-	(3,945)	-	-	-	-	-	(3,945)	-	5,896	1,951
Derecognition of non-controlling interest in subsidiaries	-	-	1,074	-	-	-	-	-	1,074	-	(1,074)	-
Release of shares from escrow	4,930	-	-	-	-	-	-	-	-	-	-	4,930
Release of employee incentive shares	4,248	-	-	-	-	-	(5,056)	-	(5,056)	(23,418)	-	(24,226)
Share-based payments, net of tax	-	-	-	-	-	-	3,332	-	3,332	-	-	3,332
Total transactions with owners	**7,986**	-	**(2,871)**	-	-	-	**(1,724)**	-	**(4,595)**	**(115,398)**	**(2,137)**	**(114,144)**
BALANCE AT 25 JUNE 2017	**4,605,326**	**302**	**154,958**	**(105,286)**	**(1,691)**	**18,072)**	**7,744**	**(6,837)**	**31,118**	**(3,793,032)**	**134,310**	**977,722**

* Certain numbers shown here do not correspond to the 2016 year end financial statements and reflect adjustments due to a change of accounting policy as detailed in Note 1 of the 2017 Annual Report.

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

NOTES TO THE FINANCIAL STATEMENTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) BASIS OF PREPARATION

This financial report is for the period 26 June 2017 to 24 June 2018 (2017: the period 27 June 2016 to 25 June 2017). Reference in this report to 'a year' is to the period ended 24 June 2018 or 25 June 2017 respectively, unless otherwise stated. The financial report is a general-purpose financial report. It has been prepared:

- in accordance with the requirements of the *Corporations Act 2001*; Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board;
- the financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- on a historical cost basis, except for those assets and liabilities disclosed in Note 17(E) which are measured at fair value; and
- the company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

(B) SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

- Note 9: Intangible assets
- Note 12: Payables
- Note 18: Equity
- Note 24: Other financial assets

(C) SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

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

- On 22 November 2017, Fairfax implemented the scheme of arrangement for the separation of Domain Holdings Australia Limited (ASX: DHG). Following separation Fairfax retained a 60.0% controlling interest in Domain. Refer to Note 6(C) for further details.
- On 28 February 2018, the Domain Group acquired an additional 48% ownership interest in Review Property Pty Limited. The expected consideration for the transactions is $36.0 million in Domain shares, to be paid in three tranches. The first tranche of 5.6 million Domain shares ($17.8 million) was settled on 28 February 2018 with the remaining two tranches to be settled in February 2019 and February 2020. Following the issuance of Domain shares, Fairfax's controlling interest in Domain was diluted to 59.4%. Refer to Note 18(F) for further details.

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

NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

2. REVENUES

	NOTE	**24 JUNE 2018 $'000**	25 JUNE 2017 $'000
(A) REVENUE FROM OPERATIONS			
Total revenue from sale of goods*		**436,290**	452,603
Total revenue from services		**1,225,417**	1,261,197
Total revenue from operations		**1,661,707**	1,713,800
(B) OTHER REVENUE AND INCOME			
Interest income		**7,736**	6,174
Gains on sale of property, plant and equipment		**2,802**	847
Gains on sale of intangibles		**430**	34
Gains on sale of controlled entities and investments		**3,918**	7,316
Gain on investment at fair value		**-**	2,744
Fair value gain through profit and loss (put option)		**1,575**	-
Lease revenue		**17,467**	14,592
Other		**28**	3,323
Total other revenue and income		**33,956**	35,030
Total revenue and income		**1,695,663**	1,748,830

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

ACCOUNTING POLICY

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

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

3. EXPENSES

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(A) EXPENSES BEFORE IMPAIRMENT, DEPRECIATION, AMORTISATION AND FINANCE COSTS		
Staff costs excluding staff redundancy costs	**641,434**	670,743
Redundancy costs	**17,287**	31,575
Newsprint and paper	**82,624**	92,450
Distribution costs	**123,684**	129,512
Production costs	**150,960**	154,909
Promotion and advertising costs	**99,854**	96,247
Rent and outgoings*	**60,517**	62,199
Repairs and maintenance	**22,170**	24,198
Outsourced services	**18,658**	25,739
Communication costs	**13,069**	15,637
Maintenance and other computer costs	**53,843**	47,421
Fringe benefits tax, travel and entertainment	**20,039**	22,239
Professional fees	**29,296**	29,063
Other	**115,148**	109,425
Total expenses before impairment, depreciation, amortisation and finance costs	**1,448,583**	1,511,357
(B) DEPRECIATION AND AMORTISATION		
Depreciation of freehold property	**1,765**	2,012
Depreciation of plant and equipment	**16,752**	14,850
Depreciation of leasehold property	**5,172**	2,744
Amortisation of software	**27,792**	16,297
Amortisation of customer relationships and tradenames	**5,338**	4,815
Total depreciation and amortisation	**56,819**	40,718
(C) FINANCE COSTS		
External parties borrowing costs	**12,735**	16,217
Hedge ineffectiveness	**1,775**	(209)
Total finance costs	**14,510**	16,008
(D) OTHER EXPENSE DISCLOSURES		
Operating lease rental expense	**48,567**	52,648
Defined contribution superannuation expense	**46,572**	48,175
Share-based payment expense	**6,090**	4,760

* During the year the Group entered into a Deed of Assignment to exit the One Darling Island Pyrmont lease from January 2020. The Company has reassessed the straight-lining of the remaining deferred lease accrual and realised an $8.1 million reduction to rent expense for the year.

ACCOUNTING POLICY

BORROWING COSTS

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

NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

4. SIGNIFICANT ITEMS

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

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
IMPAIRMENT OF INTANGIBLES, INVENTORIES, INVESTMENTS, AND PROPERTY, PLANT AND EQUIPMENT - COMPRISING:		
Impairment of intangibles, property, plant and equipment and other assets due to CGU testing(i)	**(162,344)**	(15,843)
Impairment of intangibles, inventories, investments, and property, plant and equipment(ii)	**(61,272)**	(17,829)
Income tax benefit	**47,673**	4,743
Impairment of intangibles, inventories, investments, and property, plant and equipment, net of tax	**(175,943)**	(28,929)
RESTRUCTURING AND REDUNDANCY - COMPRISING:		
Restructuring and redundancy charges	**(35,953)**	(43,754)
Income tax benefit	**9,350**	10,940
Restructuring and redundancy, net of tax	**(26,603)**	(32,814)
GAINS & LOSSES ON CONTROLLED ENTITIES, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS - COMPRISING:		
Gain on sale of controlled entities and investments disclosed in other revenue and income	**3,918**	7,316
Gain on investment at fair value disclosed in other revenue and income	**-**	2,744
Loss on disposal of controlled entities and property, plant and equipment disclosed in other expenses	**(708)**	(267)
Loss on recognition of put option over subsidiary shares(iii)	**-**	(7,800)
Income tax benefit	**(573)**	80
Gains on controlled entities, property, plant and equipment and investments, net of tax	**2,637**	2,073
OTHER SIGNIFICANT ITEMS - COMPRISING:		
Other significant item(iv)	**(2,984)**	941
Income tax expense	**895**	(282)
Other, net of tax	**(2,089)**	659
Net significant items after income tax	**(201,998)**	(59,011)

(i) Cash Generating Unit (CGU) impairment testing resulted in impairments of $105.3m for New Zealand Media, $47.9 million for Australian Regional Media, $8.9 million for Australian Digital Transactions and $6.5 million in Radio. Impairment reversals of $6.2 million were recognised for Agricultural Media. The asset classes impaired through this testing are as follows:

a. Intangibles $117.8 million;

b. Property, plant and equipment $44.6 million.

(ii) Impairments to intangibles, inventories, investments and property, plant and equipment were recognised due to the following:

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

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

(iii) In the prior year, Fairfax recognised a put option to the remaining shareholder over their ownership interest in a consolidated entity.

(iv) Other significant items consists of defamation costs for the Macquarie Media Group. In the prior year, other significant items consists of retrospective ACMA licence fee reduction for the year ended 26 June 2016 for the Macquarie Media Group.

ACCOUNTING POLICY

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

5. SEGMENT REPORTING

(A) DESCRIPTION OF SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors, CEO and CFO in assessing performance and in determining the allocation of resources.

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

(B) RESULTS BY OPERATING SEGMENT

The segment information provided to the Board of Directors, CEO and CFO for the reportable segments for the period ended 24 June 2018 and 25 June 2017 is as follows:

	SEGMENT REVENUE $'000	**REVENUE FROM EXTERNAL CUSTOMERS $'000**	SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURES $'000	**UNDERLYING EBITDA(i) $'000**
24 JUNE 2018				
Domain Group	357,273	**357,273**	(1,393)	**117,567**
Metropolitan Media	490,210	**490,210**	520	**53,148**
Australian Community Media	400,187	**400,187**	1,408	**57,204**
New Zealand Media	280,755	**280,755**	(1,009)	**37,283**
Radio	136,582	**136,582**	(171)	**32,568**
Other	19,002	**19,002**	(209)	**(23,553)**
Total for the Group	1,684,009	**1,684,009**	(854)	**274,217**

	SEGMENT REVENUE $'000	**REVENUE FROM EXTERNAL CUSTOMERS $'000**	SHARE OF PROFITS OF ASSOCIATES AND JOINT VENTURES $'000	**UNDERLYING EBITDA RESTATED(i) $'000**
25 JUNE 2017				
Domain Group	320,328	**320,328**	(1,206)	**113,144**
Metropolitan Media	522,162	**522,162**	134	**49,078**
Australian Community Media	428,168	**428,168**	1,391	**72,969**
New Zealand Media	310,625	**310,625**	71	**52,356**
Radio	136,981	**136,981**	207	**31,519**
Other	14,332	**14,332**	(1,211)	**(48,013)**
Total for the Group	1,732,596	**1,732,596**	(614)	**271,053**

(i) Segment information provided to the Board of Directors, CEO and CFO is now reported to underlying EBITDA.

(C) OTHER SEGMENT INFORMATION

(i) SEGMENT REVENUE

Segment revenue reconciles to total revenue and income as follows:

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Total segment revenue from external customers	**1,684,009**	1,732,596
Interest income	**7,736**	6,174
Gains on controlled entities and investments	**3,918**	10,060
Total revenue and income	**1,695,663**	1,748,830

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

The consolidated entity operates predominantly in two geographic segments, Australia and New Zealand. The amount of its revenue from external customers in Australia is $1,402.6 million (2017: $1,422.9 million) and the amount of revenue from external customers in New Zealand is $281.4 million (2017: $309.7 million). Segment revenues are allocated based on the country in which the customer is located.

(ii) SEGMENT RESULT - EBITDA

The Board of Directors, CEO and CFO assess the performance of the operating segments based on a measure of underlying EBITDA.

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

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
UNDERLYING EBITDA	**274,217**	271,053
Depreciation and amortisation	**(56,819)**	(40,718)
Interest income	**7,736**	6,174
Finance costs	**(14,510)**	(16,008)
Gains on controlled entities and investments in other revenue and income	**3,918**	10,060
Loss on disposal of controlled entities disclosed in other expenses	**(708)**	(267)
Loss on revalution of put option over subsidiary shares in other expenses	**-**	(7,800)
Impairment of intangibles, property, plant and equipment and other assets	**(223,616)**	(33,672)
Restructuring and redundancy charges	**(35,953)**	(43,754)
Other	**(2,984)**	941
Reported net (loss)/profit before tax	**(48,719)**	146,009

A summary of significant items by operating segments is provided for the period ended 24 June 2018 and 25 June 2017.

	IMPAIRMENT OF INTANGIBLES, INVENTORIES, INVESTMENTS AND PROPERTY, PLANT AND EQUIPMENT $'000	RESTRUCTURING AND REDUNDANCY CHARGES $'000	GAIN AND LOSSES ON CONTROLLED ENTITIES AND INVESTMENTS $'000	OTHER $'000	**TOTAL $'000**
24 JUNE 2018					
Domain Group	(29,514)	(6,056)	-	-	**(35,570)**
Metropolitan Media	(32,234)	-	-	-	**(32,234)**
Australian Community Media	(46,188)	-	-	-	**(46,188)**
New Zealand Media	(105,590)	(16,181)	(224)	-	**(121,995)**
Radio	(6,500)	(260)	3,451	(2,984)	**(6,293)**
Other	(3,590)	(13,456)	(17)	-	**(17,063)**
Consolidated entity	(223,616)	(35,953)	3,210	(2,984)	**(259,343)**
25 JUNE 2017					
Domain Group	-	-	-	-	**-**
Metropolitan Media	(13,513)	-	(1,812)	-	**(15,325)**
Australian Community Media	(15,843)	-	1,215	-	**(14,628)**
New Zealand Media	(442)	-	2,744	-	**2,302**
Radio	(866)	(937)	(267)	941	**(1,129)**
Other	(3,008)	(42,817)	113	-	**(45,712)**
Consolidated entity	(33,672)	(43,754)	1,993	941	**(74,492)**

(iii) SEGMENT ASSETS

Information provided to the Board of Directors, CEO and CFO in respect of assets and liabilities is presented on a group basis consistent with the consolidated financial statements.

The total of non-current assets other than financial instruments, deferred tax assets and employment benefit assets (there are no rights arising under insurance contracts) located in Australia is $778.9 million (2017: $869.3 million) and the total of these non-current assets located in New Zealand is $82.4 million (2017: $192.1 million). Segment assets are allocated to countries based on where the assets are located.

ACCOUNTING POLICY

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenue and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to assess performance, make resource allocation decisions and for which discrete financial information is available.

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

6. BUSINESS COMBINATIONS, ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES

(A) ACQUISITIONS

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

ENTITY OR BUSINESS ACQUIRED	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	OWNERSHIP INTEREST
Sports Media and Entertainment 360 Pty Ltd	Events business	4 January 2018	100%
Sports Media and Entertainment (New Zealand) Pty Ltd	Events business	4 January 2018	100%

The fair values of the identifiable assets and liabilities acquired are detailed below.

	RECOGNISED ON ACQUISITION $'000
VALUE OF NET ASSETS ACQUIRED	
Cash and cash equivalents	452
Receivables	439
Other assets	158
Total assets	**1,049**
Payables	(1,606)
Other liabilities	(462)
Total liabilities	**(2,068)**
Value of identifiable net assets	(1,019)
Goodwill arising on acquisition	5,569
Total identifiable net assets and goodwill attributable to the Group	**4,550**
PURCHASE CONSIDERATION	
Cash paid	800
Contingent consideration	3,750
Total purchase consideration	**4,550**
NET CASH OUTFLOW ON ACQUISITION	
Net cash acquired with subsidiary	452
Cash paid	(800)
Net cash outflow	**(348)**

As a result of these acquisitions, the consolidated income statement includes revenue and net profit before tax for the period ended 24 June 2018 of $4.2 million and $0.8 million respectively. Had the acquisitions occurred at the beginning of the reporting period, the consolidated income statement would have included revenue and net profit before tax of $5.9 million and $0.3 million respectively.

Goodwill of $5.6 million includes the acquired workforces and future growth opportunities.

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

ACCOUNTING POLICY

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be a liability is recognised in accordance with AASB 139 in the income statement.

(B) DISPOSALS

The Group disposed of its interest in the following entities during the year:

ENTITY OR BUSINESS DISPOSED	PRINCIPAL ACTIVITY	DATE OF DISPOSAL	OWNERSHIP INTEREST
Satellite Music Australia Pty Ltd	Digital media business	31 July 2017	100%

For the above entity, the major classes of assets and liabilities disposed were as follows:

	$'000
Trade and other receivables	918
Intangible assets	1,788
Total assets	**2,706**
Payables	387
Provisions	123
Total liabilities	**510**
Net assets	**2,196**

(C) DOMAIN SEPARATION

On 22 November 2017, Fairfax implemented the scheme of arrangement for the separation of Domain Holdings Australia Limited (ASX: DHG). Following separation Fairfax retained 344,916,890 of 574,871,064 shares in Domain which represents a 60.0% controlling interest. This has been disclosed in the financial report as follows:

- Recognition of an initial non-controlling interest of $67.2 million;
- A capital reduction of Fairfax shares of $536.0 million through transfer of Domain shares; and
- Transactions costs, net of tax, of $5.0 million recognised to the acquisition reserve with an additional $5.7 million recognised in the income statement.

7. ASSETS AND LIABILITIES HELD FOR SALE

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(A) ASSETS HELD FOR SALE		
Property, plant and equipment	**1,675**	5,738
Satellite Music Australia Pty Limited business		
Intangible assets	-	1,788
Other assets	-	918
Total assets held for sale	**1,675**	8,444
(B) LIABILITIES DIRECTLY ASSOCIATED WITH HELD FOR SALE ASSETS		
Satellite Music Australia Pty Limited business		
Other liabilities	-	248
Total liabilities directly associated with held for sale assets	**-**	248

PROPERTY, PLANT AND EQUIPMENT

Assets held for sale comprise properties in Australia and New Zealand that are being actively marketed and for which the sale is highly probable. During 2018, five properties previously held for sale were sold.

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

SATELLITE MUSIC AUSTRALIA PTY LIMITED BUSINESS

On 31 July 2017, the sale of Satellite Music Australia Pty Limited was completed.

ACCOUNTING POLICY

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

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

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

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Shares in associates	(A)	**7,949**	35,025
Shares in joint ventures	(B)	**10,376**	13,629
Total investments accounted for using the equity method		**18,325**	48,654

(A) INTERESTS IN ASSOCIATES

NAME OF COMPANY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION	OWNERSHIP INTEREST 24 JUNE 2018	OWNERSHIP INTEREST 25 JUNE 2017
Australian Associated Press Pty Ltd	News agency business and information service	Australia	**47.0%**	47.0%
Healthshare Pty Ltd	Information technology tools for healthcare practitioners and consumers	Australia	**28.2%**	28.2%
NGA.net Pty Ltd	Provider of e-recruitment software to corporations	Australia	**23.7%**	23.7%
Oneflare Pty Ltd	Home services marketplace	Australia	**26.8%**	35.0%
RSVP.com.au Pty Limited(i)	Online dating services	Australia	**57.5%**	57.5%

(i) The Group does not have control of this company as it is not exposed, or has rights, to variable returns from its involvement with the investee and does not have the ability to affect those returns through its power over the investee.

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(I) ASSOCIATES' PROFITS		
Revenue	**118,932**	116,288
Loss before income tax expense	**(11,723)**	(13,346)
Income tax benefit	**1,564**	504
Net loss after income tax expense	**(10,159)**	(12,842)
Share of associates' net (loss)/profit after income tax expense	**(513)**	34
(ii) ASSOCIATES' ASSETS AND LIABILITIES		
Current assets	**50,889**	63,971
Non-current assets	**85,048**	75,036
Total assets	**135,937**	139,007
Current liabilities	**32,843**	24,490
Non-current liabilities	**4,169**	9,300
Total liabilities	**37,012**	33,790

NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

(B) INTERESTS IN JOINT VENTURES

NAME OF COMPANY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION	OWNERSHIP INTEREST	
			24 JUNE 2018	25 JUNE 2017
Future Energy New Zealand Limited[ii]	Electricity retailer	New Zealand	**49.0%**	-
Future Foresight Group Pty Ltd	Weather safety and risk information provider	South Africa	**50.0%**	50.0%
Gippsland Regional Publications Partnership	Newspaper publishing and printing	Australia	**50.0%**	50.0%
Homepass Pty Ltd[iii]	Real estate agent services application	Australia	**33.8%**	33.8%
Stan Entertainment Pty Ltd	Provider of subscription video on demand	Australia	**50.0%**	50.0%

(ii) This investment was acquired on 28 September 2017.

(iii) This investment is classified as a joint venture, rather than an associate, as all significant decisions require unanimous consent.

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(i) JOINT VENTURES' LOSSES		
Revenues	**123,258**	86,038
Expenses	**(191,946)**	(161,571)
Loss before income tax expense	**(68,688)**	(75,533)
Income tax benefit	**937**	253
Net loss after income tax expense	**(67,751)**	(75,280)
Share of joint ventures' net loss after income tax expense	**(341)**	(648)
(ii) JOINT VENTURES' ASSETS AND LIABILITIES		
Current assets	**146,088**	170,188
Non-current assets	**37,272**	36,846
Total assets	**183,360**	207,034
Current liabilities	**92,652**	81,740
Non-current liabilities	**318,119**	285,422
Total liabilities	**410,771**	367,162

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

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Loss before income tax expense	**(1,817)**	(547)
Income tax expense	**963**	(67)
Net (loss)/profit after income tax expense	**(854)**	(614)

The Group's cumulative share of losses of associates and joint ventures not recognised is $113.3 million (2017: $76.5 million). The Group's current year share of losses of associates and joint ventures not recognised is $36.8 million (2017: $36.3 million). These losses are not recognised as the carrying value of these investments is nil.

ACCOUNTING POLICY

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

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

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

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

IMPAIRMENT OF ASSETS

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

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

9. INTANGIBLE ASSETS

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Mastheads and tradenames	**134,947**	230,585
Goodwill	**356,919**	375,036
Radio licences	**103,066**	108,066
Software	**64,951**	61,987
Customer relationships	**43,985**	49,061
Total intangible assets	**703,868**	824,735

ACCOUNTING POLICY

MASTHEADS AND TRADENAMES

The Group's mastheads and tradenames operate in established markets with limited licence conditions and are expected to continue to complement the Group's new media initiatives. On this basis, the Directors have determined that the majority of mastheads and tradenames have indefinite useful lives as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. These assets are not amortised but are tested for impairment annually. Tradenames that have been assessed to have a definite useful life and are amortised using a straight-line method over twenty years.

GOODWILL

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill is not amortised but is tested for impairment annually.

RADIO LICENCES

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

SOFTWARE, DATABASES AND WEBSITES

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

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

CUSTOMER RELATIONSHIPS

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

IMPAIRMENT OF ASSETS

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

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

RECONCILIATIONS

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

	NOTE	MASTHEADS & TRADENAMES $'000	GOODWILL $'000	RADIO LICENCES $'000	SOFTWARE $'000	CUSTOMER RELATIONSHIPS $'000	**TOTAL $'000**
PERIOD ENDED 25 JUNE 2017							
Balance at beginning of the financial year		241,901	379,114	108,066	27,432	53,125	**809,638**
Additions		-	-	-	51,319	-	**51,319**
Disposals		-	-	-	(57)	-	**(57)**
Disposal of controlled entities		(484)	(15,641)	-	(184)	(583)	**(16,892)**
Assets classified as held for sale		-	(1,788)	-	-	-	**(1,788)**
Acquisition through business combinations		9	16,749	-	1,506	825	**19,089**
Amortisation	3(B)	(371)	-	-	(16,297)	(4,444)	**(21,112)**
Impairment		(11,270)	(3,381)	-	(1,968)	-	**(16,619)**
Exchange differences		800	(17)	-	236	138	**1,157**
At 25 June 2017, net of accumulated amortisation and impairment		230,585	375,036	108,066	61,987	49,061	**824,735**
AT 25 JUNE 2017							
Cost		3,832,916	1,986,203	137,729	262,334	68,608	**6,287,790**
Accumulated amortisation and impairment		(3,602,331)	(1,611,167)	(29,663)	(200,347)	(19,547)	**(5,463,055)**
Net carrying amount		230,585	375,036	108,066	61,987	49,061	**824,735**

	NOTE	MASTHEADS & TRADENAMES $'000	GOODWILL $'000	RADIO LICENCES $'000	SOFTWARE $'000	CUSTOMER RELATIONSHIPS $'000	**TOTAL $'000**
PERIOD ENDED 24 JUNE 2018							
Balance at beginning of the financial year		230,585	375,036	108,066	61,987	49,061	**824,735**
Additions		-	-	-	49,497	-	**49,497**
Disposals		-	-	-	(1,631)	-	**(1,631)**
Acquisition through business combinations		-	5,569	-	-	-	**5,569**
Amortisation	3(B)	(360)	-	-	(27,792)	(4,978)	**(33,130)**
Impairment		(91,622)	(22,305)	(5,000)	(16,341)	(89)	**(135,357)**
Exchange differences		(3,656)	(1,381)	-	(769)	(9)	**(5,815)**
At 24 June 2018, net of accumulated amortisation and impairment		134,947	356,919	103,066	64,951	43,985	**703,868**
AT 24 JUNE 2018							
Cost		3,784,099	1,983,908	137,729	307,587	68,563	**6,281,886**
Accumulated amortisation and impairment		(3,649,152)	(1,626,989)	(34,663)	(242,636)	(24,578)	**(5,578,018)**
Net carrying amount		134,947	356,919	103,066	64,951	43,985	**703,868**

(i) INDEFINITE LIVED INTANGIBLE ASSETS: IMPAIRMENT TESTING

Goodwill and intangible assets with indefinite useful lives have been allocated to the following cash generating units (CGUs) for impairment testing purposes.

AT 24 JUNE 2018

	OPERATING SEGMENT	GOODWILL $'000	LICENCES, MASTHEADS AND TRADENAMES $'000	**TOTAL $'000**
ALLOCATION TO CGU GROUPS				
Domain	Domain Group	209,460	7,710	**217,170**
Metropolitan Media	Metropolitan Media	5,565	40,000	**45,565**
Australian Digital Transactions	Metropolitan Media	7,114	5	**7,119**
Australian Regional Media	Australian Community Media	2,956	11,815	**14,771**
Agricultural Media	Australian Community Media	8,787	35,576	**44,363**
Radio	Radio	109,100	103,066	**212,166**
New Zealand Media	New Zealand Media	13,937	39,841	**53,778**
Total goodwill, licences, mastheads and tradenames		356,919	238,013	**594,932**

AT 25 JUNE 2017

	OPERATING SEGMENT	GOODWILL $'000	LICENCES, MASTHEADS AND TRADENAMES $'000	**TOTAL $'000**
ALLOCATION TO CGU GROUPS				
Domain	Domain Group	214,941	19,910	**234,851**
Metropolitan Media	Metropolitan Media	-	40,000	**40,000**
Australian Digital Transactions	Metropolitan Media	15,579	5	**15,584**
Australian Regional Media	Australian Community Media	10,618	37,354	**47,972**
Agricultural Media	Australian Community Media	8,787	29,289	**38,076**
Radio	Radio	110,677	108,066	**218,743**
New Zealand Media	New Zealand Media	14,434	104,027	**118,461**
Total goodwill, licences, mastheads and tradenames		375,036	338,651	**713,687**

The recoverable amount of a CGU, except for the Domain Group, is determined based on value in use calculations, using a discounted cash flow methodology which requires the use of assumptions. The calculations use cash flow projections based on the annual budget approved by the Board and adjusted cash flow forecasts for up to three years with the exception of the Radio CGU which is five years, are extrapolated using the estimated growth rates stated below.

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

KEY	APPROACH
Year 1 cash flows	Based on board approved annual budget.
Year 2 - 3 cash flows and in the case of the Radio CGU Group, year 2-5 cash flows	• A revenue decline has been assumed for the publishing businesses as management expect a cyclical downturn and structural change to continue. Assumptions have been made in line with past performance and management's expectation of market development. • Revenue growth is assumed in the digital and radio businesses based on market maturity - these assumptions are in line with industry trends and management's expectation of market development. • Expenses expected to decline slightly with continued investment in the growth areas of the business.
Longer term growth rate	• These rates are consistent with industry forecasts specific to the industry in which the CGU operates.
Discount rate	• Reflects current market assessment of the time value of money and the risks specific to the relevant segments and countries in which the CGU operates.

Each of the above factors is subject to significant judgement about future economic conditions and the ongoing structure of the publishing and digital industries. Specifically, the Directors note that the extent and duration of the structural change in print advertising is difficult to predict. The Directors have applied their best estimates to each of these variables but cannot warrant their outcome.

The recoverable amount of the Domain CGU Group is determined based on fair value less cost of disposal, using a discounted cash flow methodology. The calculations use cash flow projections based on the annual budget and strategic plan approved by the Board and adjusted cash flow forecasts for up to ten years.

The cash flow projections of the Domain CGU Group are based on the following key assumptions:

KEY	APPROACH
Year 1 - 3 cash flows	Based on board approved annual budget and strategic plan.
Year 4 - 10 cash flows	• Revenue is assumed in the digital and print business based on the market maturity - these assumptions are in line with industry trends and management's expectation of market development. • Forecasting of operating costs based on the current structure of the business and does not reflect any future restructurings or cost savings measures.
Longer term growth rate	• These rates are consistent with industry forecasts specific to the CGU operates
Discount rate	• Reflects current market assessment of the time value of money and the risks specific to the relevant segments and countries in which the CGU operates.

Each of the above factors is subject to significant judgement about future economic conditions and the ongoing structure of the digital real estate advertising industry. The Directors have applied their best estimates to each of the variables and cannot warrant their outcome.

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

PERIOD ENDED 24 JUNE 2018

	DOMAIN GROUP	METROPOLITAN MEDIA	AUSTRALIAN DIGITAL TRANSACTIONS	AUSTRALIAN REGIONAL MEDIA	AGRICULTURAL MEDIA	RADIO	NZ MEDIA
Longer term growth rate	2.5%	-	3.5%	-	-	2.5%	-
Discount rate	10.5%	11.3%	11.2%	11.3%	11.3%	13.0%	11.8%

PERIOD ENDED 25 JUNE 2017

	DOMAIN GROUP	METROPOLITAN MEDIA	AUSTRALIAN DIGITAL TRANSACTIONS	AUSTRALIAN REGIONAL MEDIA	AGRICULTURAL MEDIA	RADIO	NZ MEDIA
Longer term growth rate	2.5%	-	3.5%	-	-	2.5%	-
Discount rate	12.0%	11.3%	11.2%	11.3%	11.3%	13.0%	11.9%

Impairment testing as outlined above resulted in the following:

- Australian Digital Transactions CGU Group - total impairments of $8.9 million
- Australian Regional Media CGU Group - total impairments of $47.9 million
- Agricultural Media CGU - total impairment reversals of $6.2 million
- Radio CGU Group - total impairments of $6.5 million
- New Zealand Media CGU Group - total impairments of $105.3 million

Australian Digital Transactions CGU Group

Australian Digital Transactions is facing challenges on digital display advertising revenue duing the period. This has resulted in an impairment to goodwill of $8.5 million and property, plant and equipment of $0.4 million.

Australian Regional Media CGU Group

The Australian Regional Media businesses are significantly more exposed to print revenues and therefore acceleration in structural print revenue declines cannot be mitigated or offset by digital growth or cost saving initiatives. These changes have had a significant impact over the three-year projection period as well as on the terminal value resulting in an impairment to mastheads and goodwill of $33.2 million, property, plant and equipment of $13.8 million and other intangibles of $0.9 million.

Agricultural Media CGU

The Agricultural Media CGU has remained relatively stable, benefiting from strong agricultural commodity prices and digital investment in the industry. As declines are not as significant as previously forecast, a reversal of masthead impairments of $6.2 million has been recorded.

Radio CGU Group

Due to a deterioration of results seen early in the year due to more challenging conditions in the Perth market, an impairment of $6.5 million was recognised for the Perth CGU within the Radio CGU Group.

New Zealand Media CGU Group

The New Zealand Media business is facing similar structural print revenue declines as Australia. Digital revenue is expected to grow, albeit from a smaller base, which doesn't mitigate or offset print revenue declines. These changes have had a significant impact over the three-year projection period as well as on the terminal value resulting in an impairment to mastheads of $60.5 million, property, plant and equipment of $30.4 million and other intangibles of $14.4 million.

(ii) RECOVERABLE VALUE OF IMPAIRED CGUs

The recoverable amount of the Australian Digital Transactions CGU Group is $33.9 million, Australian Regional Media CGU Group is $70.8 million, Radio CGU Group is $239.0 million and New Zealand Media CGU Group is $126.7 million based on value in use calculations.

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

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

Australian Regional Media

- Discount rate – increase from 11.3% to 11.8% would result in an impairment of $2.1 million
- Year one cash flow forecasts – reduction of 5% would result in an impairment of $3.4 million
- Terminal cash flow forecasts – reduction of 5% would result in an impairment of $1.8 million

New Zealand Media

- Discount rate – increase from 11.9% to 12.4% would result in an impairment of $1.9 million
- Year one cash flow forecasts – reduction of 5% would result in an impairment of $10.1 million
- Terminal cash flow forecasts – reduction of 5% would result in an impairment of $4.4 million

No headroom exists for the Metropolitan Media CGU, Agricultural Media CGU and Radio CGU Group. Any increase to the discount rate or reduction to the cash flow forecasts or terminal growth rate would result in an impairment.

For the Domain CGU Group and Australian Digital Transactions CGU Group no reasonable possible change in the key assumptions would result in an impairment in respect of these CGUs.

10. RECEIVABLES

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
CURRENT		
Trade debtors*	**232,390**	253,702
Provision for doubtful debts	**(5,079)**	(7,105)
	227,311	246,597
Prepayments	**17,602**	17,003
Other	**34,432**	35,441
Total current receivables	**279,345**	299,041
NON-CURRENT		
Other	**9,737**	7,897
Total non-current receivables	**9,737**	7,897

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

IMPAIRED TRADE DEBTORS

As at 24 June 2018, trade debtors of the Group with a nominal value of $5.1 million (2017: $7.1 million) were impaired and provided for. No individual amount within the provision for doubtful debts is material. Refer to Note 17(C) for the factors considered in determining whether trade debtors are impaired.

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

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Not past due	**154,305**	175,759
Past due 0 - 30 days	**59,413**	57,328
Past due 31 - 60 days	**9,793**	7,446
Past 60 days	**3,800**	6,064
	227,311	246,597

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

Movements in the provision for doubtful debts are as follows:

	2018 $'000	2017 $'000
Balance at the beginning of the financial year	**7,105**	8,275
Additional provisions	**1,165**	583
Receivables written off as uncollectible	**(3,140)**	(1,770)
Other	**(51)**	17
Balance at the end of the financial year	**5,079**	7,105

ACCOUNTING POLICY

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

11. INVENTORIES

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Raw materials and stores - at net realisable value	**13,051**	17,444
Finished goods - at cost	**386**	7,601
Work in progress - at cost	**318**	56
Total inventories	**13,755**	25,101

During the year, newsprint and paper expense (excluding cartage) of $82.1 million (2017: $91.7 million) was recognised in the income statement.

During the year, no write down (2017: nil) to net realisable value on raw materials and stores was recognised within other expenses in the income statement. A write down of $10.5 million (2017: nil) to finished goods was recognised within impairment expense in the income statement.

ACCOUNTING POLICY

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

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

12. PAYABLES

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Trade and other payables*	**158,437**	165,258
Income in advance	**55,402**	56,811
Obligation under put option	**5,975**	7,800
Interest payable	**737**	3,583
Total current payables	**220,551**	233,452

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

OBLIGATION UNDER PUT OPTION

Fairfax has granted a put option to the remaining shareholder over their ownership interest in a consolidated entity. The holder of the put option has the right to "put" their shares to Fairfax at any time. The purchase consideration payable under the put option is based on the fair value of the shareholding as determined by an independent valuer. The put option is immediately exerciseable and has therefore been classified as a current liability as at 24 June 2018. Should the put option be exercised at the current time, the Group has estimated the potential payment under the put option would be $6.0 million (2017: $7.8 million). The estimate of the put option fair value includes a number of judgements and estimates and therefore the fair value and potential timing of any payment (should it be exercised) may vary.

ACCOUNTING POLICY

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

13. PROVISIONS

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
CURRENT		
Employee benefits	**82,627**	81,161
Restructuring and redundancy	**2,974**	11,599
Property	**20,782**	6,542
Other*	**16,448**	4,706
Total current provisions	**122,831**	104,008
NON-CURRENT		
Employee benefits	**8,564**	8,326
Restructuring and redundancy	**358**	-
Property	**28,338**	51,165
Other*	**10,980**	-
Total non-current provisions	**48,240**	59,491

* Includes contingent consideration relating to the Review Property Pty Limited non-controlling interest acquisition. Refer to Note 18(F) for further details.

RECONCILIATION

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

	PROPERTY $'000	RESTRUCTURING AND REDUNDANCY $'000	OTHER $'000
PERIOD ENDED 24 JUNE 2018			
Balance at beginning of the financial year	57,707	11,599	4,706
Additional provision	29,914	17,645	30,584
Utilised	(38,404)	(25,912)	(8,036)
Exchange differences	(97)	-	174
Balance at end of the financial year	**49,120**	**3,332**	**27,428**
AT 24 JUNE 2018			
Current	20,782	2,974	16,448
Non-current	28,338	358	10,980
Total provisions, excluding employee benefits	**49,120**	**3,332**	**27,428**

ACCOUNTING POLICY

PROVISIONS

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government or corporate bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

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

(i) Employee benefits

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

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

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

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

(ii) Restructure and redundancy

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

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

(iii) Property

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

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

(iv) Other

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

14. PROPERTY, PLANT AND EQUIPMENT

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
FREEHOLD LAND AND BUILDINGS		
At cost	**139,774**	145,987
Accumulated depreciation and impairment	**(90,402)**	(75,040)
Total freehold land and buildings	**49,372**	70,947
LEASEHOLD BUILDINGS AND IMPROVEMENTS		
At cost	**94,529**	83,846
Accumulated depreciation and impairment	**(54,942)**	(47,007)
Total leasehold buildings	**39,587**	36,839
PLANT AND EQUIPMENT		
At cost	**425,591**	448,481
Accumulated depreciation and impairment	**(388,392)**	(403,662)
Total plant and equipment	**37,199**	44,819
CAPITAL WORKS IN PROGRESS		
At cost	**5,574**	30,145
Accumulated impairment	**(5,059)**	(5,069)
Total capital works in progress	**515**	25,076
Total property, plant and equipment	**126,673**	177,681

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 BUILDING AND IMPROVEMENTS $'000	PLANT & EQUIPMENT $'000	**TOTAL $'000**
AT 26 JUNE 2016						
Cost		15,237	157,778	63,811	454,139	**690,965**
Accumulated depreciation and impairment		(5,069)	(76,841)	(44,120)	(414,600)	**(540,630)**
Net carrying amount		10,168	80,937	19,691	39,539	**150,335**
PERIOD ENDED 25 JUNE 2017						
Balance at beginning of financial year		10,168	80,937	19,691	39,539	**150,335**
Additions/capitalisations		14,973	2,560	21,137	16,094	**54,764**
Disposals		-	(272)	(771)	(1,026)	**(2,069)**
Acquisition through business combinations		-	-	-	27	**27**
Disposal of controlled entities		(315)	-	-	(200)	**(515)**
Depreciation	3(B)	-	(2,012)	(2,744)	(14,850)	**(19,606)**
Assets classified as held for sale		-	(4,452)	-	-	**(4,452)**
Tranfers between asset categories		-	(6,131)	-	6,131	**-**
(Impairment)/reversal of impairment		-	123	(566)	(1,080)	**(1,523)**
Exchange differences		250	194	92	184	**720**
At 25 June 2017, net of accumulated depreciation and impairment		25,076	70,947	36,839	44,819	**177,681**

NOTES TO THE FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

	NOTE	CAPITAL WORKS IN PROGRESS $'000	FREEHOLD LAND & BUILDINGS $'000	LEASEHOLD BUILDING AND IMPROVEMENTS $000	PLANT & EQUIPMENT $'000	**TOTAL $'000**
AT 25 JUNE 2017						
Cost		30,145	145,987	83,846	448,481	**708,459**
Accumulated depreciation and impairment		(5,069)	(75,040)	(47,007)	(403,662)	**(530,778)**
Net carrying amount		25,076	70,947	36,839	44,819	**177,681**
PERIOD ENDED 24 JUNE 2018						
Balance at beginning of financial year		25,076	70,947	36,839	44,819	**177,681**
Additions/capitalisations		(9,733)	544	3,264	25,397	**19,472**
Disposals		-	(106)	(580)	(445)	**(1,131)**
Acquisition through business		-	-	-	162	**162**
Depreciation	3(B)	-	(1,765)	(5,172)	(16,752)	**(23,689)**
Tranfers between asset categories		(14,464)	(4,759)	13,713	5,510	**-**
(Impairment)/reversal of impairment		-	(16,123)	(8,302)	(20,780)	**(45,205)**
Exchange differences		(364)	634	(175)	(712)	**(617)**
At 24 June 2018, net of accumulated depreciation and impairment		515	49,372	39,587	37,199	**126,673**
AT 24 JUNE 2018						
Cost		5,574	139,774	94,529	425,591	**665,468**
Accumulated depreciation and impairment		(5,059)	(90,402)	(54,942)	(388,392)	**(538,795)**
Net carrying amount		515	49,372	39,587	37,199	**126,673**

During the current year, a net impairment charge of $45.2 million (2017: $1.5 million) was recorded on property, plant and equipment. Cash generating unit (CGU) impairment testing as referred to in Notes 4 and 9 amounts to $44.6 million of this impairment. The remaining balance of impairment of $0.6 million primarily relates to freehold land and buildings and plant and equipment at various sites. The impairment was recognised following a review of the fair value less costs to sell.

ACCOUNTING POLICY

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

RECOVERABLE AMOUNT

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

DEPRECIATION AND AMORTISATION

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

Buildings	up to 60 years	Other equipment	up to 20 years
Printing presses	up to 10 years	Computer equipment	up to 6 years
Other production equipment	up to 15 years		

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

15. INTEREST BEARING LIABILITIES

	NOTE	**24 JUNE 2018 $'000**	25 JUNE 2017 $'000
CURRENT INTEREST BEARING LIABILITIES - UNSECURED			
Bank borrowings		**-**	3,003
Other loans			
Senior notes	(C)	**-**	91,535
Total current interest bearing liabilities		**-**	94,538
NON-CURRENT INTEREST BEARING LIABILITIES - UNSECURED			
Bank borrowings	(B)	**257,708**	144,910
Total non-current interest bearing liabilities		**257,708**	144,910
NET DEBT			
Cash and cash equivalents	29(B)	**(123,058)**	(112,921)
Current interest bearing liabilities		**-**	94,538
Non-current interest bearing liabilities		**257,708**	144,910
Capitalised transaction costs		**1,084**	881
Derivative financial instruments assets*		**-**	(9,441)
Net debt		**135,734**	117,967

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

(A) FINANCING ARRANGEMENTS

The Group net debt, taking into account all debt related derivative financial instruments, was $135.7 million as at 24 June 2018 (2017: net debt of $118.0 million).

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

(B) BANK BORROWINGS

The Group previously held an A$325.0 million syndicated bank facility and NZ$40.0 million revolving cash advance facility. At 25 June 2017, $105.0 million was drawn. On the separation of Domain Holdings Australia Limited, this facility was repaid and extinguished and two new facilities were established:

- An A$100.0 million and NZ$25.0 million syndicated bank facility is available to the Group with tranches maturing in November 2020 and November 2021. At 24 June 2018, $35.0m was drawn. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.
- A $250.0 million syndicated bank facility is available to Domain Holdings Australia Limited with tranches maturing in November 2020 and November 2021. At 24 June 2018, $188.0 million was drawn. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

A $45.0 million revolving cash advance facility is available to Macquarie Media Limited until September 2020. At 24 June 2018, $35.8 million was drawn (25 June 2017: $40.8 million). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

(C) SENIOR NOTES

The Group issued senior notes in the US private placement market with a principal value of US$250 million (A$308.2 million) in July 2007 comprising maturities ranging from July 2013 to July 2017. The US$250 million of senior notes were all repaid by July 2017.

ACCOUNTING POLICY

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
CURRENT ASSETS		
Cross currency swap - cash flow hedge	-	9,238
Total current derivative assets	-	9,238
CURRENT LIABILITIES		
Interest rate swap - cash flow hedge	-	169
Total current derivative liabilities	-	169

The Group was previously exposed to interest rate risk on interest bearing assets and liabilities, as well as foreign exchange risk on USD denominated senior notes. The Group used derivative financial instruments to reduce exposure to these risks. These were all closed following the repayment of senior notes in July 2017.

ACCOUNTING POLICY

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

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

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

17. FINANCIAL AND CAPITAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

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

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

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

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

CAPITAL RISK MANAGEMENT

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

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

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

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

RISK FACTORS

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

(A) INTEREST RATE RISK

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

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

The Group's risk management policy for interest rate risk seeks to reduce the effects of interest rate movements on its asset and liability portfolio. The Group seeks to maintain a mix of foreign and local currency fixed rate and variable rate debt, as well as a mix of long-term debt versus short term debt.

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

Over the counter derivative contracts are carried at fair value, which are estimated using valuation techniques based wherever possible on assumptions supported by observable market prices or rates prevailing at the reporting date. For other financial instruments for which quoted prices in an active market are available, fair value is determined directly from those quoted market prices.

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

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

AS AT 24 JUNE 2018

	FLOATING RATE $'000	FIXED RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
FINANCIAL ASSETS				
Cash and cash equivalents	123,058	-	-	123,058
Trade and other receivables	-	-	271,480	271,480
Available for sale investments	-	-	2,674	2,674
Other financial assets	126,910	-	316	127,226
Total financial assets	**249,968**	**-**	**274,470**	**524,438**
FINANCIAL LIABILITIES				
Payables	-	-	220,551	220,551
Interest bearing liabilities:				
Bank borrowings and loans	257,708	-	-	257,708
Total interest bearing liabilities	257,708	-	-	257,708
Total financial liabilities	**257,708**	**-**	**220,551**	**478,259**
Total interest bearing liabilities	257,708	-	-	257,708
Notional principal hedged	-	-	-	-
Net exposure to cash flow interest rate risk*	**257,708**	**-**	**-**	**257,708**

AS AT 25 JUNE 2017

	FLOATING RATE $'000	FIXED RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
FINANCIAL ASSETS				
Cash and cash equivalents	112,921	-	-	112,921
Trade and other receivables	-	-	289,935	289,935
Available for sale investments	-	-	2,399	2,399
Other financial assets	92,987	-	2,755	95,742
Derivatives	-	-	9,238	9,238
Total financial assets	**205,908**	**-**	**304,327**	**510,235**
FINANCIAL LIABILITIES				
Payables	-	-	233,452	233,452
Interest bearing liabilities:				
Bank borrowings and loans	147,913	-	-	147,913
Senior notes	-	91,535	-	91,535
Total interest bearing liabilities	147,913	91,535	-	239,448
Derivatives	-	169	-	169
Total financial liabilities	**147,913**	**91,704**	**233,452**	**473,069**
Total interest bearing liabilities	147,913	91,535	-	239,448
Notional principal hedged	-	(91,535)	-	(91,535)
Net exposure to cash flow interest rate risk*	**147,913**	**-**	**-**	**147,913**

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

SENSITIVITY ANALYSIS

The Group performs sensitivity analysis to determine the effect on net profit and equity after income tax if interest rates at reporting date had been 30% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges. Based on the sensitivity analysis the impact to the Group's post tax profit would be $1.1 million (2017: $0.4 million).

(B) FOREIGN CURRENCY RISK

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

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

The Group is exposed to foreign exchange risk from various currency exposures, primarily with respect to New Zealand Dollars.

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

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

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

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

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

SENSITIVITY ANALYSIS

The Group performs sensitivity analysis to determine the effect on net profit and equity after income tax if foreign exchange rates at reporting date had been 15% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges. Based on the sensitivity analysis the impact to the Group's post tax profit would be immaterial (2017: immaterial) and the Group's equity would be immaterial (2017: immaterial).

(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. The Group has policies that limit the amount of credit exposure to any financial institution. Cash transactions are limited to financial institutions that meet minimum credit rating criteria in accordance with the Group's policy requirements. At 24 June 2018 counterparty credit risk was limited to financial institutions with S&P credit ratings ranging from A- to AA-.

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

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

Refer to Note 10 for an ageing analysis of trade receivables and the movement in the provision for doubtful debts. All other financial assets are not impaired and are not past due. Based on the credit history of these classes, it is expected that these amounts will be received when due.

(D) LIQUIDITY RISK

Liquidity risk is the risk that the Group cannot meet its financial commitments as and when they fall due.

To help reduce this risk the Group:

- has a liquidity policy which targets a minimum level of committed facilities and cash relative to EBITDA;
- has readily accessible funding arrangements in place; and
- staggers maturities of financial instruments.

Refer to Note 15(B) for details of the Group's unused credit facilities at 24 June 2018.

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

AS AT 24 JUNE 2018

	(NOMINAL CASH FLOWS)			
	1 YEAR OR LESS $'000	1 TO 2 YEARS $'000	2 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
FINANCIAL LIABILITIES*				
Payables	(165,149)	-	-	-
Bank borrowings and loans (including interest)	(9,355)	(9,355)	(262,733)	-

AS AT 25 JUNE 2017

	(NOMINAL CASH FLOWS)			
	1 YEAR OR LESS $'000	1 TO 2 YEARS $'000	2 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
FINANCIAL LIABILITIES*				
Payables	(176,641)	-	-	-
Bank borrowings and loans (including interest)	(8,709)	(45,833)	(105,106)	-
Notes and bonds (including interest)	(91,687)	-	-	-
DERIVATIVES - INFLOWS*				
Cross currency swaps - foreign leg (fixed)**	91,687	-	-	-
DERIVATIVES - OUTFLOWS*				
Cross currency swaps - AUD leg (fixed)**	(82,262)	-	-	-

* 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.

(E) FAIR VALUE

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

	CARRYING VALUE 2018 $'000	**FAIR VALUE 2018 $'000**	CARRYING VALUE 2017 $'000	FAIR VALUE 2017 $'000
INTEREST BEARING LIABILITIES				
Bank borrowings	**257,708**	**258,791**	147,913	148,794
Senior notes	**-**	**-**	91,535	91,545

Exchange traded listed share prices have been used to determine the fair value of listed available for sale investments.

Market values have been used to determine the fair value of listed available for sale investments. The carrying value of all other balances approximate their fair value.

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

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

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

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

- Freehold land and buildings - determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of active market prices of transactions for properties of similar nature, location and condition.
- Shares in unlisted entities - determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset based of the investment.
- Payables - represents the value of the put option held by the Group to acquire the remaining interest in a subsidiary (refer to Note 12). The put option has been valued with reference to comparable companies using an EBITDA multiple approach and recent transactions.

The fair value of assets and liabilities held at fair value, as well as the methods used to estimate the fair value, are summarised in the table below:

AS AT 24 JUNE 2018

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
ASSETS AT FAIR VALUE				
Available for sale investments	2,674	-	-	2,674
Assets held for sale				
Property, plant and equipment	-	-	1,675	1,675
Shares in unlisted entities	-	-	316	316
Total assets at fair value	**2,674**	**-**	**1,991**	**4,665**
LIABILITIES AT FAIR VALUE				
Payables	-	-	5,975	5,975
Total liabilities at fair value	**-**	**-**	**5,975**	**5,975**

AS AT 25 JUNE 2017

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
ASSETS AT FAIR VALUE				
Derivative assets	-	9,238	-	9,238
Available for sale investments	2,399	-	-	2,399
Assets held for sale				
Property, plant and equipment	-	-	5,738	5,738
Shares in unlisted entities	-	-	2,755	2,755
Total assets at fair value	**2,399**	**9,238**	**8,493**	**20,130**
LIABILITIES AT FAIR VALUE				
Payables	-	-	7,800	7,800
Derivative liabilities	-	169	-	169
Total liabilities at fair value	**-**	**169**	**7,800**	**7,969**

18. EQUITY

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
ORDINARY SHARES			
2,299,475,546 ordinary shares authorised and fully paid (2017: 2,299,475,546)	(A)	**4,076,975**	4,608,045
UNVESTED EMPLOYEE INCENTIVE SHARES			
2,308,019 unvested employee incentive shares (2017: 2,073,765)	(B)	**(3,249)**	(2,719)
DEBENTURES			
281 debentures fully paid (2017: 281)	(C)	*	*
Total contributed equity		**4,073,726**	4,605,326

* Amount is less than $1000.

RECONCILIATIONS

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

	24 JUNE 2018 NO. OF SHARES	25 JUNE 2017 NO. OF SHARES	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(A) ORDINARY SHARES[i]				
Balance at beginning of the financial year	**2,299,475,546**	2,299,475,546	**4,608,045**	4,603,115
Release of shares from escrow	**-**	-	**4,930**	4,930
Capital reduction through transfer of Domain Holdings Australia Limited shares	**-**	-	**(536,000)**	-
Balance at end of the financial year	**2,299,475,546**	2,299,475,546	**4,076,975**	4,608,045
(B) UNVESTED EMPLOYEE INCENTIVE SHARES				
Balance at beginning of the financial year	**2,073,765**	3,446,917	**(2,719)**	(5,775)
Shares acquired	**2,289,430**	1,672,000	**(530)**	(1,192)
Release of shares	**(2,055,176)**	(3,045,152)	**-**	4,248
Balance at end of the financial year	**2,308,019**	2,073,765	**(3,249)**	(2,719)
(C) DEBENTURES				
Balance at beginning of the financial year	**281**	281	*	*
Balance at end of the financial year	**281**	281	*	*
Total contributed equity			**4,073,726**	4,605,326

* Amount is less than $1,000.

(i) 57,916,616 ordinary shares issued on 20 February 2015 were subject to the following voluntary escrow arrangements:
- 28,958,321 ordinary shares were held in escrow from the date of issue and were released on 1 July 2016.
- 9,652,765 ordinary shares were held in escrow from the date of issue and were released on 1 January 2016.
- 9,652,765 ordinary shares were held in escrow from the date of issue and were released on 1 January 2017.
- 9,652,765 ordinary shares were held in escrow from the date of issue and were released on 1 January 2018.

ACCOUNTING POLICY

(A) ORDINARY SHARES

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

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

(B) UNVESTED EMPLOYEE INCENTIVE SHARES

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

(C) DEBENTURES

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

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

(i) any provision of the *Foreign Acquisitions and Takeovers Act* 1975;

(ii) any undertaking given by the Company to the Foreign Investment Review Board or at the request of the Foreign Investment Review Board from time to time; or

(iii) any other applicable law including, without limitation the *Broadcasting Act* 1942.

RESERVES

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Asset revaluation reserve, net of tax	(A)	**781**	302
Foreign currency translation reserve, net of tax	(B)	**(112,189)**	(105,286)
Cashflow hedge reserve, net of tax	(C)	**-**	(1,691)
Net investment hedge reserve, net of tax	(D)	**(18,072)**	(18,072)
Share-based payment reserve, net of tax	(E)	**7,667**	7,744
Acquisition reserve	(F)	**594,361**	154,958
General reserve	(G)	**(6,837)**	(6,837)
Total reserves		**465,711**	31,118
(A) ASSET REVALUATION RESERVE			
Balance at beginning of the financial year		**302**	(34)
Revaluation of available for sale investments		**673**	482
Tax effect on available for sale investments		**(194)**	(146)
Balance at end of the financial year		**781**	302

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

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(B) FOREIGN CURRENCY TRANSLATION RESERVE			
Balance at beginning of the financial year		**(105,286)**	(106,923)
Exchange differences on currency translation		**(6,903)**	1,637
Balance at end of the financial year		**(112,189)**	(105,286)

The foreign currency translation reserve is used to record exchange differences arising on translation of foreign controlled entities and associated funding of foreign controlled entities, as described in Note 30(B).

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(C) CASHFLOW HEDGE RESERVE			
Balance at beginning of the financial year		**(1,691)**	(1,687)
Gains arising during the year on interest rate and cross currency swaps		**2,155**	(821)
Tax effect of net changes on cashflow hedges		**(464)**	817
Balance at end of the financial year		**-**	(1,691)

The hedging reserve is used to record the portion of gains and losses on a hedging instrument in a cash flow hedge that is determined to be an effective hedge, as described in Note 16.

	NOTE	**24 JUNE 2018 $'000**	25 JUNE 2017 $'000
(D) NET INVESTMENT HEDGE RESERVE			
Balance at beginning of the financial year		**(18,072)**	(18,072)
Balance at end of the financial year		**(18,072)**	(18,072)

The net investment hedge reserve is used to record gains and losses on a hedging instruments in a fair value hedge.

	NOTE	**24 JUNE 2018 $'000**	25 JUNE 2017 $'000
(E) SHARE-BASED PAYMENT RESERVE			
Balance at beginning of the financial year		**7,744**	9,468
Release of employee incentive shares		**(4,814)**	(5,056)
Share-based payment expense		**3,011**	4,760
Tax effect on share-based payment expense		**1,726**	(1,428)
Balance at end of the financial year		**7,667**	7,744

The share-based payment reserve is used to recognise the fair value of shares issued but not vested and transfers to fund the acquisition of Share Trust shares, as described in Note 26.

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(F) ACQUISITION RESERVE			
Balance at beginning of the financial year		**154,958**	157,829
Recognition of non-controlling interest in Domain Holdings Australia Limited*		**(67,271)**	-
Capital contribution to Domain Holdings Australia Limited*		**(2,228)**	-
Capital reduction through issuance of Domain shares*		**536,000**	-
Transaction costs attributable to issuance of shares*		**(5,003)**	-
Acquisition of non-controlling interest in Review Property Pty Limited**		**(16,188)**	-
Acquisition and release of non-controlling interest in other subsidiaries		**(5,907)**	-
Recognition of non-controlling interest following issue of shares in subsidiaries		**-**	(3,945)
Derecognition of non-controlling interest in subsidiaries following recognition of put option		**-**	1,074
Balance at end of the financial year		**594,361**	154,958

* These transactions relate to the separation of Domain Holdings Australia Limited on 22 November 2017.

** On 28 February 2018, an additional 48% ownership interest was acquired in Review Property Pty Limited. Prior to this, the Group had control of Review Property and fully consolidated its assets and liabilities. This transaction was accounted for as a transaction with non-controlling interest. The consideration of the acquisition is to be paid in three tranches with two of the three being contingent on the future financial performance of Review Property. The first payment of $17.8 million was settled on 28 February 2018 and comprised of 5.6 million of Domain Holdings Australia Limited (Domain) shares and $0.5 million of cash. Tranches two and three are due to be settled in February 2019 and February 2020 respectively. The maximum consideration for the transaction across the three tranches is approximately $40.0 million worth of Domain shares. The expected consideration for the proposed transaction is $30.6 million in Domain shares, based on projected performance and a valuation of Review Property of $72.0 million.

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

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(G) GENERAL RESERVE			
Balance at beginning of the financial year		**(6,837)**	(6,837)
Balance at end of the financial year		**(6,837)**	(6,837)

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

NON-CONTROLLING INTERESTS

Domain Holdings Australia Limited has a non-controlling interest of 40.6%. At separation, the non-controlling interest was 40.0% and was increased to 40.6% following the issuance of Domain shares as part of the Review Property acquisition. At 24 June 2018, the non-controlling interest share of profit after tax was $1.9 million and share of equity was $59.4 million.

Macquarie Media Limited has a non-controlling interest of 45.5%. At 24 June 2018, the non-controlling interest share of profit after tax was $6.6 million (2017: $8.1 million) and share of equity was $119.3 million (2017: $122.7 million).

NOTES TO THE FINANCIAL STATEMENTS: CAPITAL STRUCTURE AND FINANCIAL COSTS

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

19. DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED 24 JUNE 2018 $'000	CONSOLIDATED 25 JUNE 2017 $'000	**COMPANY 24 JUNE 2018 $'000**	COMPANY 25 JUNE 2017 $'000
(A) ORDINARY SHARES				
Interim 2018 dividend: fully franked 1.1 cents - paid 14 March 2018	**25,294**	45,990	**25,294**	45,990
(2017: partly franked dividend 2.0 cents - paid 22 March 2017)				
2017 dividend: fully franked 2.0 cents - paid 12 September 2017	**45,990**	45,990	**45,990**	45,990
(2016: partly franked dividend 2.0 cents - paid 6 September 2016)				
Total dividends paid	**71,284**	91,980	**71,284**	91,980

(B) DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY

Since reporting date the Directors have declared a dividend of 1.8 cents per fully paid ordinary share, partly franked at the corporate tax rate of 30%. The aggregate amount of the dividend to be paid on 6 September 2018 out of profits, but not recognised as a liability at the end of the year, is expected to be $41.4 million.

	COMPANY 2018 $'000	COMPANY 2017 $'000
(C) FRANKED DIVIDENDS		
Franking account balance as at reporting date at 30% (2017: 30%)	**7,642**	16,189
Franking credits that will arise from the payment of income tax payable balances as at the end of the financial year	**803**	9,402
Total franking credits available for subsequent financial years based on a tax rate of 30%	**8,445**	25,591

On a tax-paid basis, the Company's franking account balance is approximately $7.6 million (2017: $16.2 million). The impact on the franking account of the dividend declared by the Directors since reporting date will be a reduction in the franking account to approximately $0.5 million.

20. EARNINGS PER SHARE

	24 JUNE 2018 ¢ PER SHARE	25 JUNE 2017 ¢ PER SHARE
BASIC EARNINGS PER SHARE		
Net (loss)/profit attributable to owners of the parent	**(2.8)**	3.6
DILUTED EARNINGS PER SHARE		
Net (loss)/profit attributable to owners of the parent	**(2.8)**	3.6

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
EARNINGS RECONCILIATION - BASIC		
Net (loss)/profit attributable to owners of the parent	**(63,783)**	83,911
EARNINGS RECONCILIATION - DILUTED		
Net (loss)/profit attributable to owners of the parent	**(63,783)**	83,911

	24 JUNE 2018 NUMBER '000	25 JUNE 2017 NUMBER '000
Weighted average number of ordinary shares used in calculating basic EPS	**2,299,476**	2,299,476
Weighted average number of ordinary shares used in calculating diluted EPS	**2,307,448**	2,313,520

ACCOUNTING POLICY

BASIC EARNINGS PER SHARE

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

DILUTED EARNINGS PER SHARE

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

21. COMMITMENTS

OPERATING LEASE COMMITMENTS - GROUP AS LESSEE

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

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

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Within one year	**55,710**	54,952
Later than one year and not later than five years	**105,880**	206,082
Later than five years	**79,187**	283,835
Total operating lease commitments	**240,777**	544,869

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

OPERATING LEASE COMMITMENTS - GROUP AS LESSOR

The Group has entered into commercial subleases on office premises.

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

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Within one year	**17,924**	16,508
Later than one year and not later than five years	**11,412**	38,728
Later than five years	**717**	260
Total operating lease commitments	**30,053**	55,496

CAPITAL COMMITMENTS

At 24 June 2018, the Group has commitments principally relating to the purchase of property, plant and equipment. Commitments contracted for at reporting date but not recognised as liabilities are as follows:

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Within one year	**927**	603
Later than one year and not later than five years	**-**	-
Later than five years	**-**	-
Total capital commitments	**927**	603

ACCOUNTING POLICY

OPERATING LEASES

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

22. CONTINGENCIES

GUARANTEES

Under the terms of ASIC Corporations Instrument 2016/785, the Company and certain controlled entities (refer Note 28), have guaranteed any deficiency of funds if any entity to the class order is wound-up. No such deficiency exists at reporting date.

DEFAMATION

From time to time, entities in the Group are sued for defamation and similar matters in the ordinary course of business. At the date of this report, there were no legal actions against the consolidated entity, other than those recognised at Note 13, that are expected to result in a material impact.

23. EVENTS SUBSEQUENT TO REPORTING DATE

On 18 July 2018, Fairfax entered into agreements with News Corp Australia that will see the publishers use each other's printing networks. Fairfax will transition work from its print centres in Beresfield (NSW) and Ormiston (Queensland). Once complete, those sites will close.

On 26 July 2018, Fairfax Media Limited entered into a Scheme Implementation Agreement to merge with Nine Entertainment Co Holdings Limited (Nine). The proposed transaction will, subject to required approvals, be implemented by Nine acquiring all Fairfax Media Limited shares under a Scheme of Arrangement. Following completion, Nine shareholders will own 51.1% of the combined entity with Fairfax shareholders owning the remaining 48.9%.

24. OTHER FINANCIAL ASSETS

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
NON-CURRENT		
Shares in unlisted entities	**316**	2,755
Loan to joint venture - Stan Entertainment	**126,910**	92,987
Total non-current other financial assets	**127,226**	95,742

The Group assesses, at each reporting date, whether there is objective evidence that the Stan loan receivable is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the loan receivable has an impact on the estimated future cash flows of the loan receivable that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other observable data indicating that there is a measurable decrease in the estimated future cash flows. As at 24 June 2018, the Directors have assessed the recoverability of the loan receivable with reference to an internal valuation of the debtor and determined the loan receivable is recoverable. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Judgements on estimated future cash flows include subscriber growth, churn and discount rates.

ACCOUNTING POLICY

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

25. TAXATION

CONSOLIDATED INCOME STATEMENT

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

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Net (loss)/profit before income tax expense	**(48,719)**	146,009
Prima facie income tax at 30% (2017: 30%)	**(14,615)**	43,803
Tax effect of differences:		
Share of net loss/(profits) of associates and joint ventures	**25**	(12)
Capital gains not taxable	**(1,082)**	(2,963)
Non-assessable external dividends	**-**	-
Adjustments in respect of current income tax of previous years	**(487)**	(371)
Temporary differences not recognised on intangible and other asset write-offs	**16,792**	5,348
Non-deductible items	**2,145**	3,056
Other	**2,090**	(4)
Income tax expense	**4,868**	48,857

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

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Current income tax expense	**29,246**	52,869
Deferred income tax benefit	**(23,891)**	(3,641)
Adjustments in respect of current income tax of previous years	**(487)**	(371)
Income tax expense in the income statement	**4,868**	48,857

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Unrealised loss on available for sale financial assets	**(194)**	(146)
Net loss on actuarial gains and losses	**(118)**	(151)
Reclassification of cash flow hedges	**(464)**	817
Income tax on items of other comprehensive income	**(776)**	520

NOTES TO THE FINANCIAL STATEMENTS: OTHER

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	24 JUNE 2018 $'000	25 JUNE 2017 $'000	**24 JUNE 2018 $'000**	25 JUNE 2017 $'000	**24 JUNE 2018 $'000**	25 JUNE 2017 $'000
Property, plant and equipment	**53,009**	68,518	**9,438**	8,071	**43,571**	60,447
Inventories	**-**	-	**277**	763	**(277)**	(763)
Investments	**(80)**	(120)	**2,670**	2,338	**(2,750)**	(2,458)
Intangible assets	**23,455**	5,975	**88,915**	117,225	**(65,460)**	(111,250)
Other assets	**3,251**	12,028	**(945)**	1,217	**4,196**	10,811
Provisions	**46,856**	45,652	**-**	-	**46,856**	45,652
Payables	**12,084**	10,054	**32**	30	**12,052**	10,024
Other liabilities	**4,373**	8,172	**-**	-	**4,373**	8,172
Tax losses	**4,822**	-	**-**	-	**4,822**	-
Other	**3,058**	1,441	**198**	(974)	**2,860**	2,415
Gross deferred tax assets/ liabilities	**150,828**	151,720	**100,585**	128,670	**50,243**	23,050
Set-off of deferred tax assets/liabilities	**(100,585)**	(105,168)	**(100,585)**	(105,168)	**-**	-
Net deferred tax assets/ liabilities	**50,243**	46,552	**-**	23,502	**50,243**	23,050

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

	BALANCE 25 JUNE 2017 $'000	RECOGNISED ON ACQUISITION $'000	RECOGNISED IN INCOME $'000	RECOGNISED IN EQUITY $'000	BALANCES DISPOSED $'000	**BALANCE 24 JUNE 2018 $'000**
Property, plant and equipment	60,447	-	(16,876)	-	-	**43,571**
Inventories	(763)	-	486	-	-	**(277)**
Investments	(2,458)	-	(292)	-	-	**(2,750)**
Intangible assets	(111,250)	-	45,790	-	-	**(65,460)**
Other assets	10,811	-	(7,953)	1,338	-	**4,196**
Provisions	45,652	-	1,204	-	-	**46,856**
Payables	10,024	-	2,028	-	-	**12,052**
Other liabilities	8,172	-	(3,799)	-	-	**4,373**
Tax losses	-	-	4,822	-	-	**4,822**
Other	2,415	-	(1,519)	1,964	-	**2,860**
	23,050	-	23,891	3,302	-	**50,243**

	BALANCE 26 JUNE 2016 RESTATED* $'000	RECOGNISED ON ACQUISITION $'000	RECOGNISED IN INCOME $'000	RECOGNISED IN EQUITY $'000	BALANCES DISPOSED $'000	**BALANCE 25 JUNE 2017 $'000**
Property, plant and equipment	67,638	-	(7,031)	-	(160)	**60,447**
Inventories	(679)	-	(84)	-	-	**(763)**
Investments	(2,437)	-	125	(146)	-	**(2,458)**
Intangible assets	(116,885)	-	7,812	252	(2,429)	**(111,250)**
Other assets	9,913	-	86	818	(6)	**10,811**
Provisions	42,987	-	2,708	-	(43)	**45,652**
Payables	11,941	-	(1,895)	-	(22)	**10,024**
Other liabilities	6,525	-	1,647	-	-	**8,172**
Tax losses	-	510	(510)	-	-	**-**
Other	1,793	-	783	(161)	-	**2,415**
	20,796	510	3,641	763	(2,660)	**23,050**

* Certain numbers shown here do not correspond to the 2016 year end financial statements and reflect adjustments due to a change of accounting policy as detailed in Note 1 of the 2017 Annual Report.

TAX LOSSES AND FUTURE DEDUCTIBLE TEMPORARY DIFFERENCES

The Group has realised Australian capital losses for which no deferred tax asset is recognised on the balance sheet of $395.2 million (2017: $353.2 million) which are available indefinitely for offset against future capital gains subject to continuing to meet relevant statutory tests.

The Group has deductible temporary differences for which no deferred tax asset is recognised on the balance sheet of $471.4 million (2017: $463.3 million).

FUTURE ASSESSABLE TEMPORARY DIFFERENCES

At 24 June 2018, there are no material unrecognised future assessable temporary differences associated with the Group's investments in associates or joint ventures, as the Group has no material liability should the associates or joint ventures retained earnings be distributed (2017: Nil).

ACCOUNTING POLICY

INCOME TAX AND OTHER TAXES

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable group and the same taxation authority.

TAX CONSOLIDATION – AUSTRALIA

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

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

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Fairfax Media Limited for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits transferred to Fairfax Media Limited under the tax consolidation legislation.

Assets or liabilities arising under tax funding arrangements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. The amounts receivable/payable under the tax funding arrangements are due upon demand from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

26. EMPLOYEE ENTITLEMENTS

(A) NUMBER OF EMPLOYEES

As at 24 June 2018 the Group employed 5,141 full-time employees (2017: 5,122) and 784 part-time and casual employees (2017: 658). This includes 1,005 (2017: 1,205) full-time employees and 95 (2017: 107) part-time and casual employees in New Zealand.

(B) EMPLOYEE SHARE PLANS

The Company had three employee share plans during the period. The terms of each plan are set out below:

1. FAIRFAX EXEMPT EMPLOYEE SHARE PLAN

This plan is open to all Australian employees with at least twelve months service with the consolidated entity in Australia, whose adjusted taxable income is $180,000 per annum or less. Under this Plan, participants may salary sacrifice up to $1,000 of pre tax salary per annum for the purchase of issued Fairfax shares at the market price on the open market of the ASX. The shares are purchased by an independent trustee company on predetermined dates.

2. FAIRFAX DEFERRED EMPLOYEE SHARE PLAN

This plan is open to all Australian employees with at least twelve months service with the consolidated entity in Australia. Under this Plan, participants may salary sacrifice a minimum of $1,000 and up to a maximum of $5,000 of salary per annum for the purchase of issued Fairfax shares at the market price on the open market of the ASX. The shares are purchased by an independent trustee company on predetermined dates. Participants must nominate a 'lock' period of either 3, 5 or 7 years during which their shares must remain in the plan, unless they leave the consolidated entity in Australia.

3. LONG-TERM EQUITY BASED INCENTIVE SCHEME

Fairfax Media Limited

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

2018 Financial Year

For 2018, participants in the plan were granted performance rights on 1 January 2018. The rights have a vesting hurdle of relative total shareholder return and strategic non-market hurdles over two and a half years from issue with no retest. No dividends are payable to participants on the unvested rights.

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

2017 Financial Year

For 2017, participants in the plan were granted performance rights following the release of the 2017 half year results. The rights have a vesting hurdle of relative total shareholder return and strategic non-market hurdles over three years from issue with no retest. No dividends are payable to participants on the unvested rights.

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

2016 Financial Year

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

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

For further details refer to the Remuneration Report.

Domain Holdings Australia Limited

2018 Financial Year

The Domain long-term equity based incentive plan is available to certain permanent employees of the Domain Group.

For 2018, participants in the plan were granted options. The options have a vesting hurdle of absolute total shareholder return over the two and half years from issue with no retest. Options do not carry any dividend or voting rights prior to exercise. Participants are also required to pay $3 per option to convert the options into shares if the vesting criteria are met.

Vesting of the Options granted is subject to achieving an absolute total shareholder return (absolute TSR) performance hurdle. The test is based on the compound annual growth rate (CAGR) for Domain's absolute TSR over the performance period. If the performance hurdle is satisfied, and the Domain Holdings Australia Limited share price at the time is equal to or greater than the exercise price of the options, the options will vest and become exercisable.

A Monte Carlo simulation approach is used to value the awards subject to the absolute TSR performance conditions. Within the Monte Carlo approach, the underlying stochastic process of Domain Holdings Australia Limited's absolute TSR is assumed to follow Geometric Brownian motion under a risk-neutral measure and each simulation comprises of the following steps:

- Simulate absolute TSR performance of Domain Holdings Australia Limited as at the end of the performance period.
- Proportion of absolute TSR hurdled award vested is calculated based on the vesting schedule.
- Present value of absolute TSR hurdled award vested is recorded.

ACCOUNTING POLICY

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

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

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

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

Shares purchased, but which have not yet vested to the employee as at reporting date are offset against contributed equity of the Group (refer to Note 18).

27. REMUNERATION OF AUDITORS

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

	24 JUNE 2018 $	25 JUNE 2017 $
AUDIT SERVICES		
Ernst & Young Australia		
Audit and review of financial reports	**2,047,839**	1,745,487
Affiliates of Ernst & Young Australia		
Audit and review of financial reports	**181,452**	211,267
Total audit services	**2,229,291**	1,956,754
OTHER ASSURANCE SERVICES		
Ernst & Young Australia		
Regulatory and contractually required audits	**59,396**	127,529
Other	**413,331**	308,929
Affiliates of Ernst & Young Australia		
Regulatory and contractually required audits	**53,361**	65,365
Total other assurance services	**526,088**	501,823
Total remuneration for assurance services	**2,755,379**	2,458,577
NON ASSURANCE SERVICES		
Ernst & Young Australia		
Other services	**62,000**	62,853
Total non assurance services	**62,000**	62,853
Total remuneration of auditors	**2,817,379**	2,521,430

28. RELATED PARTIES AND ENTITIES

(A) ULTIMATE PARENT

Fairfax Media Limited is the ultimate parent company.

(B) CONTROLLED ENTITIES

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

(C) KEY MANAGEMENT PERSONNEL

TRANSACTIONS WITH DIRECTOR-RELATED ENTITIES

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

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

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

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Short-term benefits	**5,116**	4,407
Post-employment benefits	**266**	262
Other long-term benefits	**70**	66
Termination benefits	**-**	-
Share-based payment	**2,216**	1,469
Total compensation paid to key management personnel	**7,668**	6,204

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

INTERESTS HELD BY KEY MANAGEMENT PERSONNEL UNDER THE SENIOR EXECUTIVE PLAN

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

ISSUE DATE	EXPIRY DATE	EXERCISE PRICE $	**24 JUNE 2018 NUMBER OUSTANDING $'000**	25 JUNE 2017 NUMBER OUTSTANDING $'000
2015 (Options)	(i)	0.82	**-**	8,896
2016 (Options)	(i)	0.88	**-**	8,896
2017 (Performance Rights)		-	**-**	5,127
2018 (Performance Rights)		-	**6,232**	-
Total			**6,232**	22,919

(i) Share options expire three years from the date that the options vest.

(D) TRANSACTIONS WITH RELATED PARTIES

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

	SALES TO RELATED PARTIES $'000	PURCHASES FROM RELATED PARTIES $'000	AMOUNT OWED BY RELATED PARTIES $'000	AMOUNT OWED TO RELATED PARTIES $'000
ASSOCIATES				
24 June 2018	71	12,645	1	15
25 June 2017	101	13,460	66	56
JOINT VENTURES				
24 June 2018	1,106	982	131,482	-
25 June 2017	829	4,274	95,889	-

(E) PARENT ENTITY INFORMATION

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

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
FINANCIAL POSITION OF PARENT ENTITY		
Current assets	**309,273**	382,478
Total assets	**1,907,382**	1,101,478
Current liabilities	**5,963**	13,133
Total liabilities	**5,963**	13,133
TOTAL EQUITY OF PARENT ENTITY		
Contributed equity	**4,073,726**	4,605,326
General reserve	**(722)**	(722)
Acquisition reserve	**525,328**	(10,672)
Share-based payment reserve	**6,755**	7,744
Retained losses	**(2,703,668)**	(3,513,331)
Total equity	**1,901,419**	1,088,345
RESULT OF PARENT ENTITY		
Profit/(loss) for the period	**865,703**	122,389
Other comprehensive income	**-**	-
Total comprehensive income for the period	**865,703**	122,389

Fairfax Media Limited has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries within the Closed Group. Further details regarding the deed are set out in (G) in this Note.

(F) CONTROLLED ENTITIES

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

	NOTES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2018 %	OWNERSHIP INTEREST 2017 %
Fairfax Media Limited	(a)	Australia		
CONTROLLED ENTITIES				
Agricultural Publishers Pty Limited	(a)	Australia	100	100
All Homes Pty Limited		Australia	59	100
Allure Media Pty Ltd	(a)	Australia	100	100
Australian Openair Cinemas Pty Limited	(a)	Australia	100	100
Australian Property Monitors Pty Limited		Australia	100	100
Commerce Australia Pty Ltd		Australia	59	100
Commercial Real Estate Media Pty Limited		Australia	59	100
Creative House Publications Pty Ltd		Australia	60	60
David Syme & Co Pty Limited	(a)	Australia	100	100
Digital Home Loans Pty Limited		Australia	36	-
Domain Group Finance Pty Limited		Australia	59	100
Domain Holdings Pty Limited		Australia	59	100
Fairfax Community Newspapers Pty Limited	(a)	Australia	100	100
Fairfax Corporation Pty Limited	(a)	Australia	100	100
Fairfax Digital Australia & New Zealand Pty Limited	(a)	Australia	100	100
Fairfax Digital Pty Limited	(a)	Australia	100	100
Fairfax Entertainment Pty Limited	(a)	Australia	100	100
Fairfax Media Group Finance Pty Limited	(a)	Australia	100	100
Fairfax Media Management Pty Limited	(a)	Australia	100	100
Fairfax Media Publications Pty Limited	(a)	Australia	100	100
Fairfax Printers Pty Limited	(a)	Australia	100	100
Fairfax Regional Media (Tasmania) Pty Limited	(a)	Australia	100	100
Fairfax Regional Printers Pty Limited	(a)	Australia	100	100
Fibre Communications Limited		New Zealand	100	51
Find a Babysitter Pty Ltd	(a)	Australia	100	100
Harbour Radio Pty Ltd		Australia	55	55
Illawarra Newspapers Holdings Pty Ltd	(a)	Australia	100	100
John Fairfax & Sons Pty Limited	(a)	Australia	100	100
John Fairfax Pty Limited	(a)	Australia	100	100
Macquarie Media Limited		Australia	55	55
Macquarie Media Operations Pty Limited		Australia	55	55
Macquarie Media Syndication Pty Limited		Australia	55	55
Mapshed Pty Ltd		Australia	59	100
Mayas Unit Trust		Australia	100	100
Metro Media Publishing Pty Ltd		Australia	55	92
Metro Media Services Pty Ltd		Australia	59	100
MMP (CGE) Pty Ltd		Australia	59	100

NOTES TO THE FINANCIAL STATEMENTS: OTHER

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

	NOTES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2018 %	OWNERSHIP INTEREST 2017 %
MMP (DVH) Pty Ltd		Australia	37	63
MMP (Melbourne Times) Pty Ltd		Australia	53	90
MMP Bayside Pty Ltd		Australia	46	78
MMP Holdings Pty Ltd		Australia	59	100
MMP Moonee Valley Pty Ltd		Australia	42	70
MMP Star Pty Ltd		Australia	40	67
National Real Estate Media Pty Limited		Australia	59	100
Neighbourly Limited		New Zealand	100	70
New South Wales Real Estate Media Pty Limited		Australia	59	100
Newcastle Newspapers Pty Ltd	(a)	Australia	100	100
North Australian News Pty Ltd	(a)	Australia	100	100
Port Stephens Publishers Trust		Australia	100	100
Property Data Solutions Pty Ltd	(a)	Australia	100	100
Queensland Community Newspapers Pty Ltd	(a)	Australia	100	100
Radio 2UE Sydney Pty Ltd		Australia	55	55
Radio 3AW Melbourne Pty Limited		Australia	55	55
Radio 4BC Brisbane Pty Limited		Australia	55	55
Radio 6PR Perth Pty Limited		Australia	55	55
Regional Publishers (Western Victoria) Pty Limited	(a)	Australia	100	100
Regional Publishers Pty Ltd	(a)	Australia	100	100
Residential Connections Pty Ltd		Australia	30	50
Review Property Pty Ltd		Australia	58	50
Rural Press Printing (Victoria) Pty Limited	(a)	Australia	100	100
Rural Press Printing Pty Limited	(a)	Australia	100	100
Rural Press Pty Limited	(a)	Australia	100	100
Rural Press Queensland Pty Ltd	(a)	Australia	100	100
Rural Press Regional Media (WA) Pty Limited	(a)	Australia	100	100
Rural Publishers Pty Limited	(a)	Australia	100	100
S.A. Regional Media Pty Limited	(a)	Australia	100	100
Satellite Music Australia Pty Limited		Australia	55	55
Sports Media and Entertainment 360 Pty Ltd	(a)	Australia	100	-
Stock Journal Publishers Pty Ltd	(a)	Australia	100	100
Stuff Limited		New Zealand	100	100
The Age Company Pty Limited	(a)	Australia	100	100
The Border Morning Mail Pty Limited	(a)	Australia	100	100
The Federal Capital Press of Australia Pty Limited	(a)	Australia	100	100
The Weather Company Pty Limited		Australia	75	75
Western Australian Primary Industry Press Pty Ltd	(a)	Australia	100	100

(a) The Company and the controlled entities incorporated within Australia are party to Corporations Instrument 2016/785 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 Corporations Instrument and there are no other members of the 'Extended Closed Group'. Under the Corporations Instrument, these entities have been relieved from the requirements of the *Corporations Act 2001* with regard to the preparation, audit and publication of accounts.

(G) DEED OF CROSS GUARANTEE

Fairfax Media Limited and certain wholly-owned entities (the 'Closed Group') identified at (F) in this Note are parties to a Deed of Cross Guarantee under ASIC Corporations Instrument 2016/785. Pursuant to the requirements of that Corporations Instrument, a summarised consolidated income statement for the period ended 24 June 2018 and consolidated balance sheet as at 24 June 2018, comprising the members of the Closed Group after eliminating all transactions between members are set out below:

BALANCE SHEET

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
CURRENT ASSETS		
Cash and cash equivalents	**33,351**	65,392
Trade and other receivables	**127,858**	212,263
Inventories	**10,680**	19,785
Income tax receivable	**10,373**	-
Assets held for sale	**1,675**	4,052
Derivative assets	**-**	9,238
Total current assets	**183,937**	310,730
NON-CURRENT ASSETS		
Receivables	**7,386**	6,817
Investments accounted for using the equity method	**9,922**	43,397
Available for sale investments	**-**	373
Intangible assets	**263,675**	487,815
Property, plant and equipment	**63,081**	104,601
Deferred tax assets	**94,094**	114,036
Pension assets	**1,735**	1,320
Other financial assets	**2,342,029**	304,330
Total non-current assets	**2,781,922**	1,062,689
Total assets	**2,965,859**	1,373,419
CURRENT LIABILITIES		
Payables	**122,146**	183,493
Interest bearing liabilities	**-**	91,535
Derivative liabilities	**-**	7,969
Provisions	**78,689**	85,238
Current tax liabilities	**-**	5,163
Total current liabilities	**200,835**	373,398

NOTES TO THE FINANCIAL STATEMENTS: OTHER

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
NON-CURRENT LIABILITIES		
Interest bearing liabilities	**34,598**	104,119
Provisions	**19,017**	52,403
Other non-current liabilities	**3,084**	87
Total non-current liabilities	**56,699**	156,609
Total liabilities	**257,534**	530,007
Net assets	**2,708,325**	843,412
EQUITY		
Contributed equity	**4,073,726**	4,605,326
Reserves	**314,341**	(235,044)
Retained losses	**(1,679,742)**	(3,526,870)
Total equity	**2,708,325**	843,412

INCOME STATEMENT

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Total revenue	**2,212,452**	1,182,710
Share of net profits/(losses) of associates and joint ventures	**1,722**	(1,155)
Expenses before finance costs	**(949,735)**	(1,842,767)
Finance costs	**(8,548)**	(12,613)
Net profit/(loss) from operations before income tax expense	**1,255,891**	(673,825)
Income tax benefit/(expense)	**16,614**	(18,903)
Net profit/(loss) from operations after income tax expense	**1,272,505**	(692,728)

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	NOTE	**24 JUNE 2018 $'000**	25 JUNE 2017 $'000
Net (loss)/profit for the period		**(53,587)**	97,152
NON-CASH ITEMS			
Depreciation and amortisation	3(B)	**56,819**	40,718
Impairment of property, plant and equipment, intangibles and investments		**223,616**	34,124
Amortisation of borrowing costs		**1,304**	544
Share of losses of associates and joint ventures not received as dividends		**2,489**	5,487
Straight-line rent adjustment		**(105)**	(105)
Net gain on disposal of property, plant and equipment		**(2,423)**	(497)
Net gain on disposal of investments and other assets		**(3,864)**	(9,876)
Fair value adjustment to derivatives		**198**	7,591
Net foreign currency gains		**(18)**	(187)
Share-based payment expense		**6,090**	4,760
Non-cash superannuation expense		**(23)**	(31)
Other non-operating gains		**(6,318)**	(6,891)
CHANGES IN OPERATING ASSETS AND LIABILITIES, NET OF EFFECTS FROM ACQUISITIONS			
Decrease in trade receivables		**17,993**	40,545
Decrease/(increase) in other receivables		**2,574**	(1,705)
Decrease in inventories		**1,800**	4,547
Decrease/(increase) in other assets		**2,437**	(278)
Decrease in payables		**(1,248)**	(18,175)
Decrease in provisions		**(21,550)**	(1,208)
(Decrease)/increase in tax balances		**(38,433)**	20,713
Decrease in equity balances		**(5,514)**	(24,570)
Net cash inflow from operating activities		**182,237**	192,658

NOTES TO THE FINANCIAL STATEMENTS: OTHER

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES FOR THE PERIOD ENDED 24 JUNE 2018

(B) RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

	NOTE	**24 JUNE 2018 $'000**	25 JUNE 2017 $'000
Cash on hand and at bank		**123,058**	112,921
Total cash at end of the financial year		**123,058**	112,921

ACCOUNTING POLICY

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

30. SUMMARY OF SIGNIFICANT OTHER ACCOUNTING POLICIES

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

(A) PRINCIPLES OF CONSOLIDATION

(i) CONTROLLED ENTITIES

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 6). Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated.

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

(B) FOREIGN CURRENCY

(i) CURRENCY OF PRESENTATION

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

(ii) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are generally recognised in the income statement. These are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges, until the entity is disposed. Tax charges and credits attributable to exchange differences on borrowings are also recognised in equity.

Non-monetary items that are measured at fair value in a foreign currency (i.e. available for sale financial assets) are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are included in the asset revaluation reserve in equity.

(iii) GROUP ENTITIES

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

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

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

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

(C) GOODS AND SERVICES TAX (GST)

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

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

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

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

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

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

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

(i) CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

New standards and interpretations that are applicable for the first time for the June 2018 year end report are:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 24 June 2018 reporting periods. The Group has elected not to early adopt these new standards or amendments in the financial statements. They include:

AASB 9 Financial Instruments

Effective 1 January 2018, the Group must apply from FY19. AASB 9 includes new requirements for the classification, measurement and impairment of financial instruments and new rules for hedge accounting. The Group has performed a preliminary assessment of the requirements of the new standard and expect that there will be no material impact on the Group's financial assets or financial liabilities for FY19. The Group currently does not have any hedge relationships, therefore the new rules for hedge accounting will not impact the financials.

AASB 15 Revenue from Contracts with Customers

Effective 1 January 2018, the Group must apply from FY19. AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. The Group is currently undertaking a detailed assessment and based on the work performed to date of this report, no material impact is expected on the financial statements for FY19.

AASB 16 Leases

Effective 1 January 2019, the Group must apply from FY20. AASB 16 requires all leases that have a term of over 12 months to be recognised on the balance sheet with the liability for lease payments and the corresponding right-of-use asset initially measured at the present value of amounts expected to be paid over the term. Recognition of the costs of these leases on the income statement will be dependent upon their classification as either an operating or a financing lease. Costs of an operating lease will continue to be recognised as a single operating expense on a straight-line basis over the lease term. Costs for a financing lease will be disaggregated and recognised as both an operating expense (for the amortization of the right-of-use asset) and interest expense (for interest on the lease liability). The Group has yet to fully assess the impact the AASB 16 will have on the financial statements, when applied in future periods.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:
   (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the consolidated entity's financial position as at 24 June 2018 and of its performance for the year ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1;
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
   (d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.
2. This declaration has been made after receiving the declarations required to be made to the Directors from the Chief Executive Officer and the Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 24 June 2018.

On behalf of the Board

Nick Falloon
Chairman

15 August 2018

Gregory Hywood
Chief Executive Officer and Managing Director

15 August 2018

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

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Independent Auditor's Report to the Members of Fairfax Media Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Fairfax Media Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 24 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 26 June 2017 to 24 June 2018 ("the period"), notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 24 June 2018 and of its consolidated financial performance for the period ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. **Impairment of Intangible Assets**

Why significant	How our audit addressed the key audit matter
Given the continued decline in revenue of the Group's publishing businesses and the flat revenue trend in the radio business, the goodwill and other indefinite life intangible assets allocated to the Metropolitan Media, Australian Regional Media, Agricultural Media, New Zealand Media, Australian Digital Transactions and Radio cash generating units ("CGUs") or CGU groups are highly susceptible to impairment. As disclosed in Note 9 to the financial statements, the directors have assessed goodwill and other intangible assets for impairment at balance date. This resulted in net impairment charges of $135.4 million. The assessment of the recoverable amount of CGUs for the purpose of impairment testing incorporates significant judgement in respect of factors such as industry conditions, forecast cash flows, growth and decline rates, discount rates and terminal growth rates.	Our audit procedures included the following: ▸ Assessed whether the methodology used by the directors met the requirements of Australian Accounting Standards. ▸ Tested the mathematical accuracy of the cash flow models. ▸ Assessed the Group's cash flow forecasts including consideration of the historical accuracy of previous estimates. ▸ Assessed the discount rates, growth and decline rates and the terminal growth rates applied, with involvement from our valuation specialists. ▸ Evaluated the sensitivity analysis performed by the Group focusing on the CGUs where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount and therefore indicate impairment charges may be required. ▸ Evaluated the adequacy of the disclosures relating to intangible assets in the financial report, including those made with respect to judgements and estimates.

2. **Recoverability of related party loan receivable**

Why significant	How our audit addressed the key audit matter
As at 24 June 2018 the Group's consolidated statement of financial position includes a non-current related party loan receivable of $126.9 million due from the equity accounted investee Stan Entertainment Pty Ltd. Given the start-up nature of the debtor, assessing the recoverability of the loan requires the directors to scrutinise the business plan, performance and forecasts to consider the value of the business of the investee. This is an inherently uncertain process. As disclosed in Note 24 to the financial statements, the directors have assessed the recoverability of the loan receivable by performing an internal valuation of the investee as at 24 June 2018.	Our audit procedures included the following: ▸ Assessed whether the loan receivable met the recognition criteria of Australian Accounting Standards. ▸ Evaluated the directors' assessment of the recoverability of the related party loan receivable including assessing the cash flow forecasts in light of current business performance and future expectations. ▸ Assessed the Group's valuation of the business, including discounted cash flow analysis, subscriber multiples, trading and transaction multiples, and market analyst valuations. ▸ Considered the appropriateness of the valuation methodologies applied with involvement from our valuation specialists. ▸ Evaluated the adequacy of the disclosures in the financial report relating to the valuation of the loan receivable, including those made with respect to judgements and estimates.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 50 of the directors' report for the period from 26 June 2017 to 24 June 2018.

In our opinion, the Remuneration Report of Fairfax Media Limited for the period from 26 June 2017 to 24 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Douglas Bain
Partner
Sydney
15 August 2018

FIVE YEAR PERFORMANCE SUMMARY

FAIRFAX MEDIA LIMITED AND CONTROLLED ENTITIES

					RESTATED*	
		2018	2017	2016	2015	2014**
INCOME STATEMENT						
Total revenue	$m	1,695.7	1,748.8	1,837.7	1,878.1	1,987.6
Revenues from operations	$m	1,661.7	1,713.8	1,810.8	1,838.6	1,856.8
Earnings/(loss) before depreciation, interest and tax (EBITDA)	$m	14.9	196.6	(829.2)	202.4	371.3
Depreciation and amortisation	$m	56.8	40.7	70.1	65.0	93.5
Earnings/(loss) before interest and tax	$m	(41.9)	155.8	(899.3)	137.4	277.8
Net interest expense	$m	6.8	9.8	11.1	16.3	10.4
Profit/(loss) before tax	$m	(48.7)	146.0	(910.4)	121.1	267.4
Income tax expense/(benefit)	$m	4.9	48.9	(27.2)	33.9	42.2
Net profit/(loss) attributable to members of the Company	$m	(63.8)	83.9	(893.5)	83.2	224.4
Net profit before significant items	$m	124.9	142.6	132.5	143.6	157.8
BALANCE SHEET						
Total equity	$m	801.7	977.7	1,034.1	2,065.5	1,990.7
Total assets	$m	1,469.0	1,659.8	1,644.1	2,826.6	2,781.5
Total borrowings	$m	257.7	239.4	179.3	283.0	355.2
STATISTICAL ANALYSIS						
Number of shares and debentures	m	2,299.5	2,299.5	2,299.5	2,383.4	2,352.0
Number of shareholders		23,039	24,768	27,194	28,120	30,071
EBITDA to operating revenue	%	0.9	11.5	(45.8)	11.0	20.0
EBIT to operating revenue	%	(2.5)	9.1	(49.7)	7.5	15.0
Basic earnings/(loss) per share	cents	(2.8)	3.6	(38.5)	3.5	9.5
Basic earnings per share before significant items	cents	5.4	6.2	5.7	6.1	6.7
Operating cash flow per share	cents	7.9	8.4	5.6	8.6	7.3
Dividend per share	cents	2.9	4.0	4.0	4.0	4.0
Dividend payout ratio	%	(103.6)	111.1	(10.4)	114.3	42.1
Interest cover based on EBITDA before significant items	Times	40.5	27.6	25.5	17.8	30.0
Gearing	%	32.1	24.5	17.3	13.7	17.8
Return on equity	%	15.6	14.6	12.8	7.0	7.9
Market price per share	$	0.72	1.22	0.91	0.85	0.93
Market capitalisation	$m	1,655.6	2,805.4	2,081.0	2,025.9	2,175.6
Number of full-time employees		5,141	5,122	5,515	6,169	6,410
Number of part-time and casual employees		784	658	717	1,010	1,211

* Certain numbers shown here do not correspond to the 2016 year end financial statements and reflect adjustments due to a change of accounting policy as detailed in Note 1 of the 2017 Annual Report.

** The 2014 numbers have not been restated due to the change of accounting policy as detailed in Note 1 of the 2017 Annual Report.

SHAREHOLDER INFORMATION

FAIRFAX MEDIA LIMITED

TWENTY LARGEST HOLDERS OF SECURITIES AT 10 AUGUST 2018

	NUMBER OF SECURITIES	%
ORDINARY SHARES (FXJ)		
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	**625,413,723**	27.20
J P MORGAN NOMINEES AUSTRALIA LIMITED	**520,006,250**	22.61
CITICORP NOMINEES PTY LIMITED	**415,434,721**	18.07
NATIONAL NOMINEES LIMITED	**276,390,732**	12.02
BNP PARIBAS NOMINEES PTY LTD	**45,476,029**	1.98
BNP PARIBAS NOMINEES PTY LTD	**38,870,000**	1.69
BNP PARIBAS NOMS PTY LTD	**25,792,387**	1.12
UBS NOMINEES PTY LTD	**23,592,840**	1.03
CITICORP NOMINEES PTY LIMITED	**21,600,426**	0.94
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	**19,945,385**	0.87
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	**15,403,310**	0.67
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	**13,822,065**	0.60
AMP LIFE LIMITED	**7,369,544**	0.32
POWERWRAP LIMITED	**4,930,317**	0.21
PACIFIC CUSTODIANS PTY LIMITED	**4,773,508**	0.21
NATIONAL NOMINEES LIMITED	**3,519,461**	0.15
COROM PTY LTD	**3,000,000**	0.13
BUTTONWOOD NOMINEES PTY LTD	**2,575,652**	0.11
PACIFIC CUSTODIANS PTY LIMITED	**2,308,019**	0.10
WOODROSS NOMINEES PTY LTD	**2,287,985**	0.10
TOTAL FOR TOP 20:	**2,072,512,354**	90.13%

DEBENTURES

	NUMBER OF SECURITIES	%
NATIONAL FINANCIAL SERVICES CORP	**281**	100

OPTIONS

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

SHAREHOLDER INFORMATION

FAIRFAX MEDIA LIMITED

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as shown in substantial shareholder notices received by the Company as at 10 August 2018 are:

	ORDINARY SHARES
Ausbil Investment Management	**178,558,749**
FIL Limited	**172,105,943**
Legg Mason Global Asset Management	**139,560,053**
BlackRock Group	**138,542,522**
National Australia Bank	**132,390,842**
Vinva	**115,206,029**

DISTRIBUTION OF HOLDINGS AT 10 AUGUST 2018

	NO. OF ORDINARY SHAREHOLDERS	NO. OF DEBENTURE SHAREHOLDERS
NO. OF SECURITIES		
1 – 1,000	**7,439**	1
1,001 – 5,000	**9,062**	–
5,001 – 10,000	**2,873**	–
10,001 – 100,000	**3,360**	–
100,001 and over	**272**	–
Total number of holders	**23,006**	1
Number of holders holding less than a marketable parcel	**4,670**	–

VOTING RIGHTS

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

DIRECTORY

FAIRFAX MEDIA LIMITED

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in November in Sydney with details of timing and agenda available in the Notice of Meeting.

FINANCIAL CALENDAR 2019

Interim result	February 2019
Preliminary final result	August 2019
Annual General Meeting	November 2019

COMPANY SECRETARY

Gail Hambly

REGISTERED OFFICE

1 Darling Island Road
Pyrmont NSW 2009

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Fax: +61 2 9282 1633

SHARE REGISTRY

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

Phone: 1300 888 062 (toll free within Australia)
Fax: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

SECURITIES EXCHANGE LISTING

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

WEBSITE

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

HOW TO OBTAIN THE FAIRFAX ANNUAL REPORT

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

CONSOLIDATION OF SHAREHOLDINGS

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

DIRECT PAYMENT TO SHAREHOLDERS' ACCOUNTS

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

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

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