

Appendix 4D and Half Year Financial Report

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

	Page
Results for Announcement to the Market	2
Directors' Report	4
Auditor's Independence Declaration	7
Consolidated Income Statement	8
Consolidated Statement of Comprehensive Income	9
Consolidated Balance Sheet	10
Consolidated Cash Flow Statement	11
Consolidated Statement of Changes in Equity	12
Notes to the Financial Statements	
1. Summary of significant accounting policies	14
2. Revenues	15
3. Expenses	16
4. Significant items	17
5. Dividends paid and proposed	17
6. Investments accounted for using the equity method	18
7. Intangible assets	20
8. Interest bearing liabilities	21
9. Contributed equity	23
10. Commitments and contingencies	23
11. Acquisition and disposal of controlled entities	23
12. Business combinations	25
13. Earnings per share	26
14. Segment reporting	27
15. Related party transactions	29
16. Fair value measurement of financial instruments	30
17. Parent entity information	31
18. Events subsequent to reporting date	32
Directors' Declaration	33
Independent Auditor's Review Report	34

The half year financial report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3 and should be read in conjunction with the 2014 annual financial report.

Results for Announcement to the Market

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

Reported (all comparisons to the half year ended 29 December 2013)				
Total revenue	down	12.9%	to	\$943.3m
Net profit for the period attributable to members	down	86.4%	to	\$26.3m

DIVIDENDS

	Amount per security	Franked amount per security
28 December 2014		
Interim dividend	2.0¢	2.0¢
Record date for determining entitlements to the interim dividend	4 March 2015	
29 December 2013		
Interim dividend	2.0¢	2.0¢
Record date for determining entitlements to the interim dividend	5 March 2014	

NET TANGIBLE ASSETS PER SHARE

	28 December 2014 \$	29 December 2013 \$
Net tangible asset backing per ordinary share	0.29	0.27
Net asset backing per ordinary share	0.84	0.85

Results for Announcement to the Market

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

Trading Performance

	Note	As reported		Significant items (iii)		Trading performance excluding significant items	
		28 Dec 2014 6 months	29 Dec 2013 6 months	28 Dec 2014 6 months	29 Dec 2013 6 months	28 Dec 2014 6 months	29 Dec 2013 6 months
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total revenue	(i)	943,337	1,083,422	-	106,688	943,337	976,734
Associate profits		733	2,693	-	-	733	2,693
Expenses		(858,753)	(795,018)	(74,080)	-	(784,673)	(795,018)
Operating EBITDA		85,317	291,097	(74,080)	106,688	159,397	184,409
Depreciation and amortisation		(33,654)	(48,617)	-	-	(33,654)	(48,617)
EBIT		51,663	242,480	(74,080)	106,688	125,743	135,792
Net finance costs	(ii)	(8,646)	(3,301)	-	-	(8,646)	(3,301)
Net profit/(loss) before tax		43,017	239,179	(74,080)	106,688	117,097	132,491
Tax (expense)/benefit		(16,305)	(44,955)	17,424	(6,019)	(33,729)	(38,936)
Net profit/(loss) after tax		26,712	194,224	(56,656)	100,669	83,368	93,555
Net profit attributable to non-controlling interest		(416)	(427)	-	-	(416)	(427)
Net profit/(loss) attributable to members of the Company		26,296	193,797	(56,656)	100,669	82,952	93,128
Earnings per share (cents)		1.1	8.2			3.5	4.0

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 significant items.

Directors' Report

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

The Board of Directors presents its report on the consolidated entity of Fairfax Media Limited (the Company) and the entities it controlled at the end of, or during, the period ended 28 December 2014.

Directors

The directors of the Company at any time during the period ended 28 December 2014 or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated.

ROGER CORBETT, AO

Non-Executive Chairman

JAMES MILLAR, AM

Non-Executive Director

GREGORY HYWOOD

Chief Executive Officer and Managing Director

LINDA NICHOLLS, AO

Non-Executive Director

MICHAEL ANDERSON

Non-Executive Director

TODD SAMPSON

Non-Executive Director

JACK COWIN

Non-Executive Director

PETER YOUNG, AM

Non-Executive Director

SANDRA MCPHEE, AM

Non-Executive Director

Review of operations

The key highlights of the trading results of the Company for the period ended 28 December 2014 as compared to the corresponding period are:

- Net profit attributable to members after tax of \$26.3 million.
- Earnings per share of 1.1 cents.
- Revenue of \$943.3 million, down 12.9% from the prior corresponding period.
- EBITDA of \$85.3 million, down from \$291.1 million in the prior corresponding period.
- Significant items totalling \$56.7 million loss after tax relate to the impairment of investments, property, press equipment and software (\$18.4 million) and restructure and redundancy charges (\$38.3 million).
- Net cash of \$36.9 million, compared with net cash of \$67.6 million at 30 June 2014.
- Interim dividend of 2.0 cents per share fully franked.

Metropolitan Media profitability improvement continued for the half year. There was a meaningful reduction in the rate of revenue decline during the half, with total Metropolitan Media revenues down by 2.6%, notwithstanding the impact of the sale of Stayz and merger of RSVP with Oasis Active. This performance was underpinned by a lessening in the rate of print advertising revenue decline and benefits from our investment in domain products, events, and digital subscriptions growth initiatives.

Australian Community Media continues to progress with transformational change. There has been some moderation in the rate of revenue decline, with revenue down 7.4%. Local and retail advertising revenues were in line with a year ago, and national advertising was only modestly lower, but employment, print real estate and automotive categories remained under pressure. The transformational change in the Australian Community Media business is well underway. The plans being implemented support an increased annualised savings target of up to \$60 million, up from an earlier target of at least \$40 million.

New Zealand business outperformed a weak local advertising environment, with advertising revenue down by 6.2% in local currency terms on the prior period. Weak retail and employment advertising more than offset a strong performance in real estate, motoring, and

Directors' Report (continued)

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

Review of operations (continued)

house and home categories. Digital revenue grew 25% year-on-year and Stuff.co.nz gaining 17% unique audience in December 2014 year-on-year. Investment in digital product development and marketing, as well as one-off printing transition expenses, resulted in constrained earnings.

Radio has stabilised its performance, with EBITDA down compared to the prior corresponding period. The completion of the Fairfax Radio Network and Macquarie Radio Network merger, expected in late March 2015 will derive both cost and revenue synergies.

Significant changes in the state of affairs

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

- On 1 July 2014, the Group completed an agreement to merge RSVP.com.au Pty Limited with 3H Group Pty Ltd. Following the merger, the Group holds a 58% interest in RSVP.com.au Pty Limited.
- On 10 July 2014, the Group repaid US\$105 million (A\$125 million) of senior notes.
- On 2 October 2014, the Group acquired All Homes Pty Ltd and All Data Australia Pty Ltd for total consideration of \$51.5 million.
- On 22 December 2014, the Group entered into a merger implementation agreement to merge its Fairfax Radio Network (excluding 96FM) with Macquarie Radio Network (MRN). On completion, Fairfax will receive \$18 million in cash consideration and will hold a 54.5% shareholding in the merged MRN entity. The transaction is subject to MRN shareholder approval.
- Australian Community Media commenced a restructuring program to move from its current operation to a more centralised but still regionally-run, locally-focused business operating across six newly defined market areas (ACT & NSW South; NSW Central; Newcastle & Hunter; North Coast NSW, Queensland & Northern Territory; Victoria & Tasmania; South Australia & Western Australia) bringing together the operations of Fairfax Regional Media, Agricultural Media, Fairfax Community Media, Newcastle, Canberra and Illawarra.
- The Company formed a joint venture with Nine Entertainment Co to launch an Australian Subscription Video-On-Demand (SVOD) service during the period called Stan.

Events subsequent to reporting date were as follows:

- On 22 January 2015, the Group acquired the remaining 50% of issued shares in MMP Holdings Pty Ltd for total consideration of \$72 million including \$18.5 million in cash.
- On 30 January 2015, the Group completed an agreement to sell Radio 96FM Perth Pty Limited to APN News & Media Limited for cash consideration of \$78 million.

Dividends

An interim fully franked dividend of 2.0 cents (2014: 2.0 cents fully franked) has been declared by the Board. Record date for the interim dividend is 4 March 2015 and the dividend will be payable on 18 March 2015.

Rounding of amounts

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

Directors' Report (continued)

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

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



Roger Corbett, AO

Chairman



Gregory Hywood

Chief Executive Officer and Managing Director

Sydney

19 February 2015



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

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

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

In relation to our review of the financial report of Fairfax Media Limited for the half-year ended 28 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Douglas Bain'.

Douglas Bain
Partner
Sydney
19 February 2015

Consolidated Income Statement

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

		28 December 2014 \$'000	29 December 2013 \$'000
	Note		
Revenue from operations	2(A)	934,913	971,260
Other revenue and income	2(B)	13,357	118,295
Total revenue and income		948,270	1,089,555
Share of net profits of associates and joint ventures		733	2,693
Expenses from operations excluding impairment, depreciation, amortisation and finance costs	3(A)	(839,330)	(795,018)
Impairment of intangibles, investments and property, plant and equipment		(19,423)	-
Depreciation and amortisation	3(B)	(33,654)	(48,617)
Finance costs	3(C)	(13,579)	(9,434)
Net profit from operations before income tax expense		43,017	239,179
Income tax expense		(16,305)	(44,955)
Net profit from operations after income tax expense		26,712	194,224
Net profit is attributable to:			
Non-controlling interest		416	427
Owners of the parent		26,296	193,797
		26,712	194,224
Earnings per share (cents per share)			
Basic earnings per share (cents per share)	13	1.1	8.2
Diluted earnings per share (cents per share)	13	1.1	8.2

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

Consolidated Statement of Comprehensive Income

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

	28 December 2014 \$'000	29 December 2013 \$'000
Net profit after income tax expense	26,712	194,224
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Changes in fair value of available for sale financial assets	(111)	(38)
Changes in fair value of cash flow hedges	2,187	2,531
Changes in value of net investment hedges	(769)	(10,487)
Exchange differences on translation of foreign operations	4,846	19,687
Income tax relating to these items	(2,395)	2,555
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on defined benefit plans	(132)	352
Income tax relating to these items	31	(67)
Other comprehensive income for the period, net of tax	3,657	14,533
Total comprehensive income for the period	30,369	208,757
Total comprehensive income is attributable to:		
Non-controlling interest	416	427
Owners of the parent	29,953	208,330
	30,369	208,757

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

Consolidated Balance Sheet

Fairfax Media Limited and Controlled Entities
as at 28 December 2014

		28 December 2014 \$'000	29 June 2014 \$'000
	Note		
Current assets			
Cash and cash equivalents		285,324	452,687
Trade and other receivables		293,018	295,424
Inventories		25,723	25,362
Assets held for sale		97,637	91,494
Derivative assets		89	213
Income tax receivable		12,631	8,725
Other financial assets		3,822	4,858
Total current assets		718,244	878,763
Non-current assets			
Receivables		169	1,232
Investments accounted for using the equity method	6	145,787	88,801
Available for sale investments		2,391	2,488
Intangible assets	7	1,297,872	1,312,111
Property, plant and equipment		402,036	407,978
Derivative assets		12,902	1,551
Deferred tax assets		79,020	86,022
Pension assets		1,417	1,195
Other financial assets		2,112	1,369
Total non-current assets		1,943,706	1,902,747
Total assets		2,661,950	2,781,510
Current liabilities			
Payables		219,115	218,052
Interest bearing liabilities	8	5,892	119,721
Derivative liabilities		3,851	13,278
Liabilities directly associated with held for sale assets		2,016	4,202
Provisions		144,342	118,959
Current tax liabilities		7,342	9,290
Total current liabilities		382,558	483,502
Non-current liabilities			
Interest bearing liabilities	8	239,418	235,526
Derivative liabilities		13,280	21,957
Provisions		52,116	49,416
Pension liabilities		-	440
Total non-current liabilities		304,814	307,339
Total liabilities		687,372	790,841
Net assets		1,974,578	1,990,669
Equity			
Contributed equity	9	4,646,525	4,646,525
Reserves		60,073	55,432
Retained losses		(2,733,989)	(2,713,145)
Total parent entity interest		1,972,609	1,988,812
Non-controlling interest		1,969	1,857
Total equity		1,974,578	1,990,669

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

Consolidated Cash Flow Statement

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

	28 December 2014 \$'000	29 December 2013 \$'000
	Note	
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	1,030,679	1,061,177
Payments to suppliers and employees (inclusive of GST)	(891,327)	(907,146)
Redundancy payments	(21,340)	(33,890)
Interest received	5,186	5,160
Dividends and distributions received	5,966	1,243
Finance costs paid	(12,013)	(17,537)
Net income taxes paid	(17,401)	(18,405)
Net cash inflow from operating activities	99,750	90,602
Cash flows from investing activities		
Payment for purchase of controlled entities, associates and joint ventures (net of cash acquired)	(58,641)	(33,239)
Payment for purchase of businesses, including mastheads	(3,047)	(482)
Payment for property, plant and equipment and software	(29,882)	(32,185)
Proceeds from sale of property, plant and equipment	9,197	8,080
Proceeds from sale of investments, net of transaction fees and cash disposed *	7	221,254
Loans advanced to other parties	(2,000)	-
Loans repaid by other parties	1,266	2,473
Net cash (outflow)/inflow from investing activities	(83,100)	165,901
Cash flows from financing activities		
Payment for purchase of non-controlling interests in subsidiaries	-	(3,983)
Proceeds from borrowings and other financial liabilities	-	26,338
Repayment of borrowings and other financial liabilities	(136,631)	(293,303)
Payment of facility fees	(474)	-
Dividends paid to shareholders	5 (47,039)	(23,520)
Dividends paid to non-controlling interests in subsidiaries	(304)	(892)
Net cash outflow from financing activities	(184,448)	(295,360)
Net decrease in cash and cash equivalents held	(167,798)	(38,857)
Cash and cash equivalents at beginning of the year	452,687	533,531
Effect of exchange rate changes on cash and cash equivalents	435	5,812
Cash and cash equivalents at end of the financial period	285,324	500,486

* The prior year proceeds include the disposal of the Stayz business on 6 December 2013.

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

Consolidated Statement of Changes in Equity

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

	Reserves											Total equity
	Contributed equity	Asset revaluation reserve	Acquisition reserve	Foreign currency translation reserve	Cashflow hedge reserve	Net investment hedge reserve	Share-based payment reserve	General reserve	Total reserves	Retained losses	Non-controlling interest	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 29 June 2014	4,646,525	753	182,706	(110,148)	(4,179)	(18,094)	11,231	(6,837)	55,432	(2,713,145)	1,857	1,990,669
Profit for the period	-	-	-	-	-	-	-	-	-	26,296	416	26,712
Other comprehensive income	-	(111)	-	4,846	(439)	(538)	-	-	3,758	(101)	-	3,657
Total comprehensive income for the period	-	(111)	-	4,846	(439)	(538)	-	-	3,758	26,195	416	30,369
Transactions with owners in their capacity as owners:												
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(47,039)	-	(47,039)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(304)	(304)
Share-based payments, net of tax	-	-	-	-	-	-	883	-	883	-	-	883
Total transactions with owners	-	-	-	-	-	-	883	-	883	(47,039)	(304)	(46,460)
Balance at 28 December 2014	4,646,525	642	182,706	(105,302)	(4,618)	(18,632)	12,114	(6,837)	60,073	(2,733,989)	1,969	1,974,578

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

Consolidated Statement of Changes in Equity

Fairfax Media Limited and Controlled Entities
for the period ended 29 December 2013

	Reserves											Total equity
	Contributed equity	Asset revaluation reserve	Acquisition reserve	Foreign currency translation reserve	Cashflow hedge reserve	Net investment hedge reserve	Share-based payment reserve	General reserve	Total reserves	Retained losses	Non-controlling interest	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2013	4,646,248	41	181,048	(132,599)	(4,703)	(10,232)	8,799	(6,837)	35,517	(2,867,387)	1,817	1,816,195
Profit for the period	-	-	-	-	-	-	-	-	-	193,797	427	194,224
Other comprehensive income	-	(35)	-	19,687	1,937	(7,341)	-	-	14,248	285	-	14,533
Total comprehensive income for the period	-	(35)	-	19,687	1,937	(7,341)	-	-	14,248	194,082	427	208,757
Transactions with owners in their capacity as owners:												
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(23,520)	-	(23,520)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(744)	(744)
Acquisition of non-controlling interest	-	-	1,657	-	-	-	-	-	1,657	-	42	1,699
Reclassification due to prior distribution of shares	305	-	-	-	-	-	(305)	-	(305)	-	-	-
Share-based payments, net of tax	-	-	-	-	-	-	1,193	-	1,193	-	-	1,193
Total transactions with owners	305	-	1,657	-	-	-	888	-	2,545	(23,520)	(702)	(21,372)
Balance at 29 December 2013	4,646,553	6	182,705	(112,912)	(2,766)	(17,573)	9,687	(6,837)	52,310	(2,696,825)	1,542	2,003,580

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

1. Summary of significant accounting policies

(A) BASIS OF PREPARATION

This general-purpose financial report for the interim half year reporting period ended 28 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all notes of the type normally included within the annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Fairfax Media Limited for the period ended 29 June 2014 and any public announcements made by Fairfax Media Limited and its controlled entities (the Group) during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

This interim financial report is for the 26 weeks from 30 June 2014 to 28 December 2014 (2014: the 26 weeks from 1 July 2013 to 29 December 2013). Reference in this report to 'period' is to the period 30 June 2014 to 28 December 2014 (2014: 1 July 2013 to 29 December 2013), unless otherwise stated. In the current financial year, Fairfax Media Limited will report its half year and annual results on a 26 week and 52 week basis respectively.

(B) CHANGES IN ACCOUNTING POLICY

New standards that are applicable for the first time for the December 2014 half year report are:

- AASB 1055 *Budgetary Reporting*
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*
- AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*
- AASB 2013-7 *Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders*
- AASB Interpretation 21 *Levies*

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

1. Summary of significant accounting policies (continued)

(C) ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The Group's view on the application of new accounting standards and interpretations which are not yet effective for the interim 28 December 2014 reporting period were the same as those in the consolidated financial report as at and for the annual period ended 29 June 2014.

(D) ROUNDING OF AMOUNTS

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

	28 December	29 December
	2014	2013
	\$'000	\$'000

2. Revenues

(A) REVENUE FROM OPERATIONS

Total revenue from sale of goods	248,283	250,263
Total revenue from services	686,630	720,997
Total revenue from operations	934,913	971,260

(B) OTHER REVENUE AND INCOME

Interest income	4,933	6,133
Dividend revenue	73	88
Foreign exchange gains	3,524	3,524
Gains on sale of property, plant and equipment	1,122	93
Gains on sale of controlled entities	-	106,688
Gain on derivative at fair value through profit and loss	-	354
Other	3,705	1,415
Total other revenue and income	13,357	118,295
Total revenue and income	948,270	1,089,555

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

	28 December 2014 \$'000	29 December 2013 \$'000
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3. Expenses

(A) EXPENSES EXCLUDING IMPAIRMENT, DEPRECIATION, AMORTISATION AND

FINANCE COSTS

Staff costs excluding staff redundancy costs	357,286	371,364
Redundancy costs	50,142	-
Newsprint and paper	60,901	72,174
Distribution costs	71,664	73,571
Production costs	73,109	70,740
Promotion and advertising costs	50,665	47,156
Rent and outgoings	29,880	29,511
Repairs and maintenance	14,401	12,487
Outsourced services	15,091	10,033
Communication costs	9,689	9,398
Maintenance and other computer costs	13,357	11,214
Fringe benefits tax, travel and entertainment	14,035	13,635
Other	79,110	73,735
Total expenses excluding impairment, depreciation, amortisation and finance costs	839,330	795,018

(B) DEPRECIATION AND AMORTISATION

Depreciation of freehold property	3,276	2,932
Depreciation of plant and equipment	17,466	28,275
Amortisation of leasehold property	2,132	2,032
Amortisation of tradenames	17	16
Amortisation of software	10,703	14,703
Amortisation of customer relationships	60	659
Total depreciation and amortisation	33,654	48,617

(C) FINANCE COSTS

External parties	11,375	17,297
Gain on partial redemption of Senior Notes	-	(10,183)
Finance lease	2,179	2,141
Hedge ineffectiveness	25	179
Total finance costs	13,579	9,434

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

	28 December 2014 \$'000	29 December 2013 \$'000
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4. Significant items

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

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

Impairment of intangibles, investments, and property, plant and equipment - Comprising:

Impairment of intangibles, investments and property, plant and equipment (ii)	(19,423)	-
Income tax benefit	1,078	-
Impairment of intangibles, investments, and property, plant and equipment, net of tax	(18,345)	-

Restructuring and redundancy - Comprising:

Restructuring and redundancy charges	(54,657)	-
Income tax benefit	16,346	-
Restructuring and redundancy, net of tax	(38,311)	-

Gains on sale of controlled entities - Comprising:

Gain on sale of Stayz business and other controlled entities disclosed in other revenue and income (i)	-	106,688
Income tax expense	-	(6,019)
Gains on sale of controlled entities, net of tax	-	100,669

Net significant items after income tax	(56,656)	100,669
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- (i) On 6 December 2013, the Group disposed of the Stayz business for gross proceeds of \$218.0 million.
(ii) Includes impairment of investments, software, property and press assets.

	28 December 2014 \$'000	29 December 2013 \$'000
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5. Dividends paid and proposed

ORDINARY SHARES

Dividend:

2015: 2.0 cent - paid 17 September 2014 (fully franked)	47,039	-
2014: 1.0 cent - paid 17 September 2013 (fully franked)	-	23,520
Total dividends paid	47,039	23,520

DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY

Since 28 December 2014, the directors have declared a fully franked interim dividend of 2.0 cents per fully paid ordinary share. The aggregate amount of the interim dividend to be paid on 18 March 2015 out of the profits at 28 December 2014, but not recognised as a liability at the end of the period is expected to be \$47.0 million.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

		28 December 2014	29 June 2014
	Note	\$'000	\$'000
Shares in associates	(A)	125,795	69,457
Shares in joint ventures	(B)	19,992	19,344
Total investments accounted for using the equity method		145,787	88,801

(A) INTERESTS IN ASSOCIATES

Name of company	Principal activity	Place of incorporation	Ownership interest	
			Dec 2014	Dec 2013
Australian Associated Press Pty Ltd	News agency business and information service	Australia	47.0%	47.0%
Bellabox Pty Ltd (i)	Subscription beauty box business	Australia	50.3%	-
Digital Radio Broadcasting Melbourne Pty Ltd (ii)	Digital audio broadcasting	Australia	18.2%	18.2%
Digital Radio Broadcasting Perth Pty Ltd	Digital audio broadcasting	Australia	33.3%	33.3%
Digital Radio Broadcasting Brisbane Pty Ltd	Digital audio broadcasting	Australia	25.0%	25.0%
Digital Radio Broadcasting Sydney Pty Ltd (ii)	Digital audio broadcasting	Australia	11.3%	11.3%
Earth Hour Limited (iii)	Environmental promotion	Australia	-	33.3%
Healthshare Pty Ltd (iv)	Information technology tools for healthcare practitioners and consumers	Australia	19.7%	19.7%
Homebush Transmitters Pty Ltd	Rental of a transmission facility	Australia	50.0%	50.0%
MMP Holdings Pty Ltd (v)	Community newspaper publisher	Australia	50.01%	50.01%
Neighbourly Limited (vi)	Private neighbourhood website service	New Zealand	22.5%	-
New Zealand Press Association Ltd	News agency business and financial information service	New Zealand	49.2%	49.2%
NGA.net Pty Ltd	Provider of e-recruitment software to corporations	Australia	23.7%	23.7%
Perth FM Facilities Pty Ltd	Rental of a transmission facility	Australia	33.3%	33.3%
RSVP.com.au Pty Limited (vii)	Online dating services	Australia	57.8%	100.0%
Skoolbo Pty Ltd (viii)	Online education provider	Singapore	20.0%	-
The Seniors Ad Network Pty Ltd (ix)	Digital community for over 60s	Australia	30.0%	-
The Video Network Pty Ltd	Internet delivered television network	Australia	28.6%	28.6%
Times Newspapers Limited	Newspaper publishing	New Zealand	49.9%	49.9%
XchangeIT Newsagents Pty Ltd	Provider of EDI software	Australia	25.0%	25.0%
XchangeIT Software Pty Ltd	Provider of EDI software	Australia	33.3%	33.3%

- (i) This investment was acquired on 2 September 2014. The Group does not have control of this company as it does not have power to govern the financial and operating policies of the company, such as power over budget, operational plans and appointment and removal of key personnel.
- (ii) The Group has significant influence in the entity due to its right to participate in policy setting for the entity.
- (iii) The Group resigned as a member on 16 April 2014.
- (iv) The Group has significant influence in this entity due to its representation on the Board and its participation in policy-making processes.
- (v) At 28 December 2014, the Group does not have control of this company as it does not have power to govern the financial and operating policies of the company, such as power over budget, operational plans and appointment and removal of key personnel. The investment has been classified as an associate, rather than a joint venture, as all significant decisions do not require unanimous consent. Control was obtained on 22 January 2015 when the Group acquired the remaining 50% ownership interest.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

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

(A) INTERESTS IN ASSOCIATES (CONTINUED)

- (vi) This investment was acquired on 10 December 2014.
- (vii) On 1 July 2014, the Group disposed of 42.2% of RSVP.com.au Pty Limited and RSVP acquired 100% of 3H Group Pty Ltd. This investment was equity accounted from 1 July 2014. The Group does not have control of this company as it does not have power to govern the financial and operating policies of the company, such as power over budget, operational plans and appointment and removal of key personnel.
- (viii) This investment was acquired on 17 December 2014.
- (ix) This investment was acquired on 2 July 2014.

Share of associates' profits

	28 December 2014 \$'000	29 December 2013 \$'000
Revenue	49,308	39,348
Profit before income tax expense	3,232	2,188
Income tax expense	(1,058)	(870)
Net profit after income tax	2,174	1,318

(B) INTERESTS IN JOINT VENTURES

Name of company	Principal activity	Place of incorporation	Ownership interest	
			Dec 2014	Dec 2013
Adzuna Australia Pty Ltd (x)	Job advertisements search engine	Australia	46.1%	50.0%
Fermax Distribution Company Pty Ltd	Letterbox distribution of newspapers	Australia	50.0%	50.0%
Gilgandra Newspapers Pty Ltd	Newspaper publishing and printing	Australia	50.0%	50.0%
Gippsland Regional Publications Partnership	Newspaper publishing and printing	Australia	50.0%	50.0%
Stan Entertainment Pty Ltd (xi)	Provider of subscription video on demand	Australia	50.0%	-
Pricemaker Ltd (xii)	Online shopping platform	New Zealand	50.0%	-
Torch Publishing Company Pty Ltd	Newspaper publishing and printing	Australia	50.0%	50.0%

- (x) This investment is classified as a joint venture, rather than an associate, as all significant decisions require unanimous consent.
- (xi) This investment was acquired on 1 September 2014.
- (xii) This investment was acquired on 6 June 2014.

Share of joint ventures' profits

	28 December 2014 \$'000	29 December 2013 \$'000
Revenues	5,151	5,708
Expenses	(6,497)	(4,251)
(Loss)/profit before income tax expense	(1,346)	1,457
Income tax expense	(95)	(82)
Net (loss)/profit after income tax	(1,441)	1,375

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

	28 December	29 June
	2014	2014
	\$'000	\$'000

7. Intangible assets

Mastheads and tradenames	976,497	972,022
Goodwill	198,710	177,898
Radio licences	75,637	114,037
Software	45,538	46,974
Customer relationships	1,490	1,180
Total intangible assets	1,297,872	1,312,111

The movement in intangibles during the period is due to the disposal of controlled entities (Note 11), acquisitions from business combinations (Note 12), amortisation and exchange differences on translation of foreign operations.

Impairment of goodwill and intangibles with indefinite useful lives

The Group tests annually whether goodwill and intangible assets with indefinite useful lives are impaired. Each interim reporting period, the Group assesses whether there are any indicators of impairment. In reviewing for such indicators, each of the key assumptions subject to significant accounting judgement, including growth rates, discount rates relevant to individual cash generating unit (CGU) groups and the growth rates beyond year three cash flows which form the basis of the terminal value, are challenged in light of current circumstances. No indicators of impairment were identified during the half year assessment.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

		28 December 2014	29 June 2014
	Note	\$'000	\$'000
8. Interest bearing liabilities			
Current interest bearing liabilities - unsecured			
Other loans			
Senior notes	(C)	-	111,637
Other	(D)	2,219	3,316
Finance lease liability	(D)	3,673	4,768
Total current interest bearing liabilities		5,892	119,721
Non-current interest bearing liabilities - unsecured			
Bank borrowings	(B)	129,556	138,055
Other loans			
Senior notes	(C)	109,862	95,722
Other	(D)	-	503
Finance lease liability	(D)	-	1,246
Total non-current interest bearing liabilities		239,418	235,526

NET DEBT FOR FINANCIAL COVENANT PURPOSES

Cash and cash equivalents	(285,324)	(452,687)
Current interest bearing liabilities	5,892	119,721
Non-current interest bearing liabilities	239,418	235,526
Derivative financial instruments liabilities *	3,073	29,879
Net cash	(36,941)	(67,561)

* 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 cash, taking into account all debt related derivative financial instruments, was \$36.9 million as at 28 December 2014 (29 June 2014: \$67.6 million).

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

(B) BANK BORROWINGS

Non-current

A \$275.0 million syndicated bank facility is available to the Group maturing in February 2017 and February 2018. At 28 December 2014, \$125.0 million was drawn down (29 June 2014: \$125.0 million). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

A NZ\$40.0 million revolving cash advance facility is available to the Group until April 2016. At 28 December 2014, NZ\$6.0 million was drawn down (29 June 2014: NZ\$15.5 million). The interest rate for drawings under this facility is the applicable bank bill rate plus

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

8. Interest bearing liabilities (continued)

(B) BANK BORROWINGS (CONTINUED)

a credit margin.

(C) SENIOR NOTES

The Group issued senior notes in the US private placement market with a principal value of US\$230 million (A\$289.8 million) in January 2004 with a fixed coupon of between 4.7% p.a. and 5.9% p.a. payable semi-annually in arrears. The interest and principal on the senior notes are payable in US dollars and were swapped into floating rate New Zealand dollars and floating rate Australian dollars via cross currency swaps. This issue of senior notes comprises maturities ranging from January 2011 to January 2019. Senior notes of US\$50 million were repaid in January 2011, US\$148 million were repaid in July 2013 and US\$13 million were repaid in January 2014. The weighted average maturity of the issue is approximately 1 year. The applicable cross currency swap credit margin includes the cost of hedging all currency risk and future interest and principal repayments on a quarterly basis.

The Group issued further senior notes in the US private placement market with a principal value of US\$250 million (A\$308.2 million) in July 2007 comprising maturities ranging from July 2013 to July 2017. Senior notes of US\$76 million were repaid in July 2013 and US\$105 million were repaid in July 2014. The weighted average maturity of this issue is approximately 2.5 years. The issued notes include fixed and floating rate coupon notes, paying a weighted average coupon of 7.5% p.a. semi-annually in arrears. The interest and principal on the senior notes are payable in US dollars and were swapped into fixed and floating rate Australian dollars via cross currency swaps. An additional 1.0% p.a. step up margin is payable on the coupons, effective from 10 July 2009.

(D) OTHER LOANS AND FINANCE LEASE LIABILITY

The Chullora printing facility in Sydney is partially financed by a finance lease facility and loans with a maturity date of 30 September 2015. This comprises a finance lease of \$3.7 million (29 June 2014: \$6.0 million), which was entered into in February 1996, and principal and interest outstanding of \$2.2 million (29 June 2014: \$3.8 million) in the form of a fixed rate loan with an established repayment schedule.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

9. Contributed equity

	28 December 2014 \$'000	29 June 2014 \$'000
Ordinary shares		
2,351,955,725 ordinary shares authorised and fully paid (29 June 2014: 2,351,955,725)	4,667,944	4,667,944
Unvested Employee Incentive Shares		
11,594,031 unvested employee incentive shares (29 June 2014: 11,594,031)	(21,419)	(21,419)
Debentures		
281 debentures fully paid (29 June 2014: 281)	*	*
Total contributed equity	4,646,525	4,646,525

* Amount is less than \$1000

10. Commitments and contingencies

The Group has committed to providing up to \$50 million in loans to Stan Entertainment Pty Ltd over a multi-year period. There have been no other material changes in commitments and contingent liabilities since 29 June 2014.

11. Acquisition and disposal of controlled entities

(A) ACQUISITIONS

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

Entity or business acquired	Principal activity	Date of acquisition	Ownership interest
The Baby and Toddler Show	Baby and toddler exhibition event	17 September 2014	(i)
Duskhail Pty Limited	Supplier of lightening information	1 October 2014	(ii)
All Data Australia Pty Limited	Online real estate website	2 October 2014	100%
All Homes Pty Limited	Online real estate website	2 October 2014	100%

(i) The business assets of The Baby and Toddler Show were acquired.

(ii) The business assets of Duskhail Pty Limited were acquired.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

11. Acquisition and disposal of controlled entities (continued)

(A) ACQUISITIONS (CONTINUED)

The Group gained control over the following entities subsequent to the half year:

Entity or business acquired	Principal activity	Date of acquisition	Ownership interest
Metro Media Services Pty Ltd (iv)	Community newspaper publisher	22 January 2015	100%
Metro Media Publishing Pty Ltd (iv)	Community newspaper publisher	22 January 2015	92%
MMP (CGE) Pty Ltd (iv)	Community newspaper publisher	22 January 2015	100%
MMP (DVH) Pty Ltd (iv)	Community newspaper publisher	22 January 2015	62%
MMP (Melbourne Times) Pty Ltd (iv)	Community newspaper publisher	22 January 2015	90%
MMP Bayside Pty Ltd (iv)	Community newspaper publisher	22 January 2015	78%
MMP Community Network Pty Limited (iv)	Community newspaper publisher	22 January 2015	100%
MMP Eastern Pty Ltd (iv)	Community newspaper publisher	22 January 2015	100%
MMP Greater Geelong Pty Ltd (iii) (iv)	Community newspaper publisher	22 January 2015	39%
MMP Holdings Pty Ltd	Community newspaper publisher	22 January 2015	100%
MMP Mooney Valley Pty Ltd (iv)	Community newspaper publisher	22 January 2015	100%
MMP Star Pty Ltd (iv)	Community newspaper publisher	22 January 2015	67%
Network Classifieds Pty Ltd (iv)	Community newspaper publisher	22 January 2015	67%
Review Property Pty Ltd (iii) (iv)	Community newspaper publisher	22 January 2015	50%

(iii) The Group has control of this company as it has power to govern the financial and operating policies of the company, such as power over budget, operational plans and appointment and removal of key personnel.

(iv) These companies are subsidiaries of MMP Holdings Pty Ltd which the Group holds a 50.01% ownership interest in at 28 December 2014.

(B) DISPOSALS

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

Entity or business disposed	Principal activity	Date of disposal	Ownership interest
RSVP.com.au Pty Limited	Online dating services	1 July 2014	42.2% (v)
TheVine.com.au Pty Ltd	Online news website	22 July 2014	(vi)

(v) On 1 July 2014, the Group disposed of 42.2% of RSVP.com.au Pty Limited and RSVP acquired 100% of 3H Group Pty Ltd. This investment was equity accounted from 1 July 2014. The Group does not have control of this company as it does not have power to govern the financial and operating policies of the company, such as power over budget, operational plans and appointment and removal of key personnel.

(vi) The business assets of TheVine.com.au Pty Ltd were disposed.

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

	\$'000
Cash and cash equivalents	8,439
Trade and other receivables	431
Intangible assets	46,262
Property, plant and equipment	118
Total assets	55,250
Payables	4,065
Provisions	136
Total liabilities	4,201
Net assets	51,049

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

12. Business combinations

The acquisitions of the Group are listed in Note 11(A).

(A) ACQUISITIONS DURING THE HALF YEAR

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

	Recognised on acquisition \$'000
Value of net assets acquired	
Cash and cash equivalents	105
Receivables	2,207
Property, plant and equipment	721
Intangible assets	1,678
Deferred tax assets	221
Total assets	4,932
Payables	2,371
Provisions	731
Deferred tax liabilities	347
Total liabilities	3,449
Value of identifiable net assets	1,483
Goodwill arising on acquisition	53,637
Total identifiable net assets and goodwill attributable to the Group	55,120
Purchase consideration	
Cash paid	41,547
Contingent consideration liability	13,573
Total purchase consideration	55,120
Net cash outflow on acquisition	
Net cash acquired with subsidiary	105
Cash paid	(41,547)
Net cash outflow	(41,442)

In addition to cash paid of \$41.5 million, contingent consideration of up to \$16.6 million is payable, with an expected settlement of \$13.6m. by the Group to specified sellers if certain financial performance criteria is achieved. This is payable over a period of two years with the final payment due on 31 August 2016.

As a result of the above acquisitions, the consolidated income statement includes revenue and net profit before tax for the period ended 28 December 2014 of \$4.0 million and \$1.5 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 \$6.2 million and \$1.4 million respectively.

Goodwill of \$53.6 million includes the acquired workforces and future growth opportunities.

(B) ACQUISITIONS SUBSEQUENT TO THE HALF YEAR

On 22 January 2015, the Group entered into an agreement to acquire the remaining 50% of issued shares in MMP Holdings Pty Ltd. Total consideration is \$72 million including \$18.5 million in cash. The purchase price allocation is still to be finalised.

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

28 December	29 December
2014	2013
¢ per share	¢ per share

13. Earnings per share

Basic earnings per share

Net profit attributable to owners of the parent	1.1	8.2
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Diluted earnings per share

Net profit attributable to owners of the parent	1.1	8.2
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28 December	29 December
2014	2013
\$'000	\$'000

Earnings reconciliation - basic

Net profit attributable to owners of the parent	26,296	193,797
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Earnings reconciliation - diluted

Net profit attributable to owners of the parent	26,296	193,797
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28 December	29 December
2014	2013
Number	Number
'000	'000

Weighted average number of ordinary shares used in calculating basic EPS	2,351,956	2,351,956
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Weighted average number of ordinary shares used in calculating diluted EPS	2,373,177	2,351,956
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Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

14. Segment reporting

(A) DESCRIPTION OF SEGMENTS

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

The Group is organised into five reportable segments based on aggregated operating segments determined by similar product and services provided, economic characteristics and geographical considerations.

Reportable Segment	Products and Services
Australian Community Media	Newspaper publishing and online for all Australian regional, community and agricultural media.
Metropolitan Media	Metropolitan news, sport, lifestyle and business media across various platforms including print, online, tablet and mobile. Also includes classifieds for metropolitan publications and transactional businesses.
New Zealand Media	Newspaper, magazine and general publishing and online for all New Zealand media.
Radio	Metropolitan radio networks in Australia.
Other	Comprises corporate and other entities not included in the segments above.

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

(B) RESULTS BY OPERATING SEGMENT

The segment information provided to the Board of Directors, CEO and CFO for the reportable segments for the half year ended 28 December 2014 is as follows:

	Segment revenue	Intersegment revenue	Revenue from external customers	Share of profits of associates and joint ventures	Underlying EBIT
	\$'000	\$'000	\$'000	\$'000	\$'000
6 months to 28 December 2014					
Australian Community Media	282,705	(124)	282,581	1,304	44,567
Metropolitan Media	420,902	(3,407)	417,495	2,914	61,645
New Zealand Media	179,534	-	179,534	(251)	25,849
Radio	53,683	-	53,683	(27)	7,368
Other	10,064	(20)	10,044	(3,207)	(13,686)
Total for the Group	946,888	(3,551)	943,337	733	125,743

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

14. Segment reporting (continued)

(B) RESULTS BY OPERATING SEGMENT (CONTINUED)

	Segment revenue \$'000	Intersegment revenue \$'000	Revenue from external customers \$'000	Share of profits of associates and joint ventures \$'000	Underlying EBIT \$'000
6 months to 29 December 2013					
Australian Community Media	305,610	(172)	305,438	1,386	62,934
Metropolitan Media	429,193	(613)	428,580	2,070	51,612
New Zealand Media	182,259	-	182,259	(12)	30,942
Radio	54,510	-	54,510	(34)	7,549
Other	5,947	-	5,947	(717)	(17,245)
Total for the Group	977,519	(785)	976,734	2,693	135,792

(C) OTHER SEGMENT INFORMATION

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

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

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

	28 December 2014 \$'000	29 December 2013 \$'000
Underlying EBIT for continuing operations	125,743	135,792
Interest income	4,933	6,133
Finance costs	(13,579)	(9,434)
Gains on sale of controlled entities in other revenue and income	-	106,688
Impairment of intangibles, investment and property, plant and equipment	(19,423)	-
Restructuring and redundancy charges	(54,657)	-
Reported net profit before tax	43,017	239,179

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

14. Segment reporting (continued)

(C) OTHER SEGMENT INFORMATION (CONTINUED)

A summary of significant items by operating segments is provided for the half years ended 28 December 2014 and 29 December 2013.

	Impairment of intangibles, investments and property, plant and equipment \$'000	Restructuring and redundancy charges \$'000	Gain on sale of controlled entities \$'000	Total \$'000
28 December 2014				
Australian Community Media	-	-	-	-
Australian Metro Media	-	-	-	-
New Zealand Media	-	-	-	-
Radio	-	-	-	-
Other	19,423	54,657	-	74,080
Consolidated entity	19,423	54,657	-	74,080
29 December 2013				
Australian Community Media	-	-	-	-
Australian Metro Media	-	-	-	-
New Zealand Media	-	-	-	-
Radio	-	-	-	-
Other	-	-	(106,688)	(106,688)
Consolidated entity	-	-	(106,688)	(106,688)

15. Related party transactions

(A) ULTIMATE PARENT

Fairfax Media Limited is the ultimate parent company.

(B) CONTROLLED ENTITIES

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

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

16. Fair value measurement of financial instruments

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

	Carrying value 28 December 2014 \$'000	Fair value 28 December 2014 \$'000	Carrying value 29 June 2014 \$'000	Fair value 29 June 2014 \$'000
Financial assets				
Cash and cash equivalents	285,324	285,324	452,687	452,687
Receivables	273,508	273,508	276,406	276,406
Derivative assets	12,991	12,991	1,764	1,764
Available for sale investments	2,391	2,391	2,488	2,488
Other financial assets	5,934	5,934	6,227	6,227
	580,148	580,148	739,572	739,572
Financial liabilities				
Payables	219,115	219,115	218,052	218,052
Interest bearing liabilities:				
Bank borrowings	131,775	132,947	141,874	143,220
Senior notes	109,862	110,337	207,359	207,386
Finance lease liability	3,673	6,897	6,014	10,859
Derivative liabilities	17,131	17,131	35,235	35,235
	481,556	486,427	608,534	614,752

The fair value of the senior notes and lease liabilities have been calculated by discounting the future cash flows by interest rates for liabilities with similar risk profiles. The discount rates applied range from 4.72% to 13.29% (29 June 2014: 5.57% to 13.29%).

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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

As at 28 December 2014

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative assets	-	12,991	-	12,991
Available for sale investments	2,391	-	-	2,391
Assets held for sale				
Freehold land and buildings	-	-	26,064	26,064
	2,391	12,991	26,064	41,446
Financial liabilities				
Derivative liabilities	-	17,131	-	17,131
	-	17,131	-	17,131

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

16. Fair value measurement of financial instruments (continued)

As at 29 June 2014

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative assets	-	1,764	-	1,764
Available for sale investments	2,488	-	-	2,488
Assets held for sale				
Freehold land and buildings	-	-	29,963	29,963
	2,488	1,764	29,963	34,215
Financial liabilities				
Derivative liabilities	-	35,235	-	35,235
	-	35,235	-	35,235

17. 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.

	28 December 2014 \$'000	29 June 2014 \$'000
Financial position of parent entity		
Current assets	1,500,738	1,492,947
Total assets	1,905,948	1,900,484
Current liabilities	11,031	13,395
Total liabilities	11,031	13,395
Total equity of parent entity		
Contributed equity	4,646,525	4,646,525
General reserve	(722)	(722)
Acquisition reserve	(10,672)	(10,672)
Share-based payment reserve	12,115	11,231
Retained losses	(2,752,329)	(2,759,273)
Total equity	1,894,917	1,887,089
Result of parent entity		
Profit for the period	53,983	138,744
Other comprehensive income	-	-
Total comprehensive income for the period	53,983	138,744

Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities
for the period ended 28 December 2014

18. Events subsequent to reporting date

On 22 December 2014, the Group entered into a merger implementation agreement to merge its Fairfax Radio Network (excluding 96FM) with Macquarie Radio Network Limited (MRN). On completion, Fairfax will receive \$18 million in cash consideration and will hold a 54.5% shareholding in the merged MRN entity. The transaction is subject to MRN shareholder approval.

On 22 January 2015, the Group entered into an agreement to acquire the remaining 50% of issued shares in MMP Holdings Pty Ltd. Total consideration is \$72 million including \$18.5 million in cash.

On 30 January 2015, the Group entered into an agreement to sell Radio 96FM Perth Pty Limited to APN News & Media Limited for cash consideration of \$78 million.

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity set out on pages 8 to 32 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 28 December 2014 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Roger Corbett, AO

Chairman



Gregory Hywood

Chief Executive Officer and Managing Director

Sydney

19 February 2015



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

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

Independent auditor's report to the members Fairfax Media Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Fairfax Limited, which comprises the statement of financial position as at 28 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half year financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 28 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Fairfax Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that half-year financial report of Fairfax Media Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 28 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Douglas Bain
Partner
Sydney
19 February 2015