Fairfax Media Limited
(previously John Fairfax Holdings Limited)
ABN 15 008 663 161

Half Year Consolidated Financial Report
31 December 2006

Contents

Directors' Report

The directors present their report on the consolidated entity of Fairfax Media Limited (the Company) and the entities it controlled at the end of, or during, the half year ended 31 December 2006 and the audit review report thereon.

Directors
The directors of the Company in office during the half year ended 31 December 2006 and until the date of this report are:

- Mr Ronald Walker, AC, CBE
  Non-Executive Chairman
- Mr Mark Burrows
  Non-Executive Deputy Chairman
- Mr David Kirk
  Chief Executive Officer
- Mr Roger Corbett, AM
  Non-Executive Director
- Mr David Evans
  Non-Executive Director
- Mrs Julia King
  Non-Executive Director
- Mr Peter Young
  Non-Executive Director

Principal activities
At the Annual General Meeting on 10 November 2006, the Company's shareholders approved the change in name of the Company from John Fairfax Holdings Limited to Fairfax Media Limited. The principal activities of the Group remain unchanged.

Review of operations
Excluding the effects of significant and non-recurring items in the current and previous corresponding period, the key highlights of trading performance of the Company for the six months ended 31 December 2006 are:

- Trading revenue increased 4.1% to $1,017.7 million.
- Earnings before interest and tax increased 2.5% to $229.2 million.
- Net profit after tax, minority interest and SPS eased 2.7% to $121.4 million.
- Earnings per share (post SPS dividend) decreased 10.3% to 12.1 cents.
- Dividend declared of 10 cents per share fully franked.

The significant and non-recurring item for the half year ended 31 December 2006 was the sale of the Group's investment in Carsales.com.au Limited.

Including these significant and non-recurring items, the consolidated entity's net profit after income tax expense was $142.2 million up 18.6%, with earnings per share of 13.4 cents up 3.6%.

Major achievements for the half include:
- Acquisition of the Border Mail with synergy benefits being realised
- Excellent circulation and readership results at our major mastheads
- Strong revenue and earnings growth at Fairfax Digital driven by robust organic performance
- Trade Me performing fully as expected, with a successful launch into jobs
- Excellent cost management of the publishing businesses with like-for-like cost growth in Australia of 1.1%, and in New Zealand of 0.4%, compared to the previous corresponding period. Permanent real cost reductions over the last 18 months amount to $44 million.

The Board has declared an interim dividend of 10.0 cents, fully franked.

The Company continues to offer a Dividend Reinvestment Plan to shareholders. There is no discount on the issue of shares under this Plan.

Directors' Report

Key Areas of Activity
Australian Publishing
Results for the Australian publishing businesses reflected somewhat improved trading conditions in Victoria, but continued persistent weakness in the NSW economy. Australian publishing had continuing growth in the Magazine, Regional and Business Media operations. Costs were stringently controlled.

For the first half:
- Total revenue grew 2.5% to $677.4 million.
- Costs increased 4.0%, including acquisitions.
- EBITDA decreased 2.1% to $156.5 million.

The results include the impact of the acquisition of The Border Mail and The Independent Group in Victoria. Cost growth excluding acquisitions was 1.1%, (including the newsprint price increase).

***Metropolitan papers (The SMH, Sun Herald and The Age plus Magazines)*.**
Metro publishing revenues reflected the very weak economic conditions in NSW and a slow recovery in Victoria, affecting classified and display advertising revenues and volumes. Newspaper subscription levels increased across all major metropolitan publications. Circulation performance is strong, with growth at both the SMH and The Age. Readership growth is consistently positive, particularly in the key AB readership demographic.

Fairfax General Magazines performed well, with significant earnings growth in Travel + Leisure, Sunday Life, the(sydney)magazine, and theage(melbourne)magazine.

Fairfax Regional Newspapers overall continued to post solid revenue and profit growth, despite some weakness in the suburban community publications in NSW from a slowdown in real estate markets.

Fairfax Business Media
FBM continued strong revenue and profit growth. The AFR enjoyed circulation gains across all editions. The business magazines are performing well, and BRW has benefited from its relaunch. The new digital desktop product, AFR Access, is performing steadily after a relaunch in November.

Fairfax Digital
Fairfax Digital's revenue was $61.2 million, up 43.7%, with a profit at the EBITDA level of $17.0 million, up 41.7% over the previous corresponding period.

Revenues grew strongly across all news and classified sites. Total traffic across all the Fairfax sites increased to over 6.2 million unique browsers per month, up 47.8% on the previous corresponding period. Fairfax Digital enjoys the leadership positions in online news (smh.com.au and theage.com.au), online dating (RSVP), and holiday rentals (Stayz), and strong positions in the employment, real estate and automotive classified categories. Fairfax Digital continues to invest in improving its competitive position in key markets, such as with the recent acquisition of Essential Baby and the launch of property site in.domain.com.au in Adelaide.

Fairfax New Zealand
Fairfax Media in New Zealand was affected by weak economic conditions in New Zealand. In NZ dollars:
- Advertising revenue decreased 2.4% to NZ$213.9 million.
- Costs increased 1.8% (including acquisitions and severance payments).
- EBITDA (including NZ$2.8 million in severance payments) was down 8.6% to NZ$90.3 million.

Slowing conditions in the New Zealand economy affected advertising revenues and contributions to the Group result. Excluding acquisitions, underlying publishing costs were well contained despite strong inflationary pressures on labour costs with a growth of 0.4%. During the period a redundancy program was implemented. The NZ business has also embarked on a project to upgrade its production systems and bring further efficiencies on a progressive basis over the next 3-4 years. The New Zealand mastheads had solid circulation and readership performance.

Trade Me
For the first half, Trade Me contributed NZ$23.3 million in EBITDA to the group result. The auction business as well as the specialist classified verticals experienced strong growth. Display advertising also experienced strong growth over and above the growth rate in the underlying market. During the first half:
- Live to site auction listings passed 800,000 for the first time (in November)
- Motor Vehicle listings passed 40,000
- Gross Merchandising Sales up 51% in CY2006
- Real Estate listings passed 30,000, up from 11,000 a year earlier.

Jobs listings are currently 5,200 following the launch of Trade Me Jobs in August.

Directors' Report

Properties

One Darling Island, Pyrmont

With the Board's announcement on 8 September 2006 to relocate the Sydney headquarters to Pyrmont, the Company has commenced a campaign to sublease the Darling Park premises. Currently there are a number of interested parties however no agreements have been executed. The company continues to occupy the Darling Park premises and expects to relocate by October 2007, at which time the directors will determine the quantum of any potential lease expense (if any) for the Darling Park premises. No lease provision has been included in the financial statements for the half year ended 31 December 2006.

Spencer Street, Melbourne

The Company expects to sell the land and buildings of The Age in Melbourne (250 Spencer Street and associated properties) within 6 months. Based on current Melbourne CBD property market conditions, the Company anticipates to record a gain on the sale of the property. As a sale contract has not yet been signed, the quantum of the gain cannot be reliably determined.

Proposed merger with Rural Press Limited

On 6 December 2006, the directors of Fairfax Media Limited announced a proposal to merge with Rural Press Limited and create Australasia's largest integrated metropolitan, regional and rural print and digital media business. Fairfax Media Limited and Rural Press Limited have entered into a Merger Implementation Deed (the Deed) dated 5 December 2006 to proceed with the merger by way of two Schemes of Arrangement. Implementation of the merger is conditional on the satisfaction of a number of conditions.

Under the merger proposal, which is subject to approval by both the ordinary and preferred shareholders of Rural Press, each Rural Press ordinary and preferred shareholder will be entitled to receive for each share held:

- 2 Fairfax Media shares and $3.30 in cash or
- 2.3 Fairfax Media shares and $1.80 in cash.

The Schemes of Arrangement are expected to be completed by April 2007 with the Scheme booklets expected to be circulated to Rural Press ordinary and preferred shareholders in February 2007. Other key steps to be completed prior to April 2007 include discussions with the Australian Consumer and Competition Committee (ACCC), lodgement of Scheme documents with the Australian Securities and Investment Commission (ASIC), an initial court hearing, Rural Press shareholder scheme meetings and a second court hearing.

Further details on the merger proposal are located on Fairfax Media's website, www.fxj.com.au.

Capital Management

The Company converted all 2,500,000 PRESSES into 66,348,490 fully paid ordinary shares on 27 July 2006.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & 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.

Auditors' Independence Declaration

A copy of the auditors' independence declaration, as required under section 397C of the Corporations Act 2001 is set out on page 4.

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

Mark Burrows	**David Kirk**
Chairman, Audit & Risk Committee	Chief Executive Officer and Director

12 February 2007
Sydney, Australia

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock
Exchange 10172

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 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Christopher George
Partner
Sydney, 12 February 2007

Condensed Income Statement

Fairfax Media Limited and controlled entities
for the half year ended 31 December 2006

	Note	December 2006 $'000	December 2005 $'000
Revenue from operations	2(a)	**1,013,253**	977,617
Other revenue	2(b)	**19,367**	595
Total revenue		**1,032,620**	978,212
Share of net profits of associates and joint ventures		**187**	4,789
Expenses excluding depreciation, amortisation and finance costs	3(a)	**(747,203)**	(728,419)
Depreciation and amortisation	3(b)	**(41,495)**	(39,380)
Finance costs - PRESSES	3(c)	**(1,782)**	(9,567)
Finance costs - other	3(c)	**(51,646)**	(39,859)
Net profit before income tax expense		**190,681**	165,776
Income tax expense		**(48,145)**	(45,561)
Net profit after income tax expense		**142,536**	120,215
Net profit attributable to minority interest		**(359)**	(310)
Net profit attributable to members of the Company		**142,177**	119,905

Earnings per share (cents per share)			
Basic earnings per share (cents per share)	11	**13.38**	12.92
Diluted earnings per share (cents per share)	11	**13.31**	12.92

The above Condensed Income Statement is to be read in conjunction with the notes to the half year financial statements set out on pages 9 to 19.

The basic and diluted earnings per share (cents per share) before significant and non-recurring items is shown in note 11.

Reconciliation of net profit before significant and non-recurring items

Net profit attributable to members of the Company		**142,177**	119,905
Adjusted for significant and non-recurring items, net of tax	4	**(13,227)**	4,934
Net Profit before significant and non-recurring items, net of tax		**128,950**	124,839
Less SPS dividend, net of tax	11*	**(7,535)**	-
Net profit before significant and non-recurring items and including SPS dividend, net of tax		**121,415**	124,839

Condensed Balance Sheet

Fairfax Media Limited and controlled entities
as at 31 December 2006

	Note	December 2006 $'000	June 2006 $'000
CURRENT ASSETS			
Cash and cash equivalents		**103,405**	52,748
Trade and other receivables		**287,733**	281,852
Inventories		**33,247**	35,663
Derivative assets		**634**	15,305
Non-current asset classified as held for sale	6	**22,644**	-
Total current assets		**447,663**	385,568
NON-CURRENT ASSETS			
Receivables		**210**	217
Investments accounted for using the equity method		**15,822**	16,333
Available for sale investments		**6,202**	3,175
Held to maturity investments		**16,627**	16,949
Intangible assets		**3,195,750**	2,899,648
Property, plant and equipment		**662,551**	654,257
Derivative assets		**-**	15,999
Pension asset		**12,312**	10,676
Deferred tax assets		**73,999**	78,253
Other financial assets		**2,122**	6,119
Total non-current assets		**3,985,595**	3,701,626
Total assets		**4,433,258**	4,087,194
CURRENT LIABILITIES			
Payables		**201,550**	201,730
Interest bearing liabilities	7	**125,450**	610,175
Derivatives		**220**	246
Provisions		**83,923**	79,465
Current tax liabilities		**16,790**	7,656
Total current liabilities		**427,933**	899,272
NON-CURRENT LIABILITIES			
Interest bearing liabilities	7	**1,229,522**	897,757
Derivatives		**79,048**	51,712
Deferred tax liabilities		**64,920**	81,634
Provisions		**15,372**	17,635
Other		**21,697**	2,375
Total non-current liabilities		**1,410,559**	1,051,113
Total liabilities		**1,838,492**	1,950,385
NET ASSETS		**2,594,766**	2,136,809
EQUITY			
Contributed equity	8	**1,859,425**	1,541,501
Reserves		**(2,873)**	(126,824)
Retained profits		**731,033**	717,414
Total parent entity interest		**2,587,585**	2,132,091
Minority interest		**7,181**	4,718
Total equity		**2,594,766**	2,136,809

The above Condensed Balance Sheet is to be read in conjunction with the notes to the half year financial statements set out on pages 9 to 19.

Condensed Statement of Recognised Income and Expense

Fairfax Media Limited and controlled entities
for the half year ended 31 December 2006

	December 2006 $'000	December 2005 $'000
Adjustments on adoption of AIFRS, net of tax:		
Retained earnings	-	(262)
Foreign currency translation reserve	-	(3,059)
Cashflow hedge reserve, net of tax	-	(648)
Cashflow hedge reserve, net of tax	**(1,621)**	(1,369)
Net investment hedge reserve, net of tax	**(16,538)**	(9,933)
Foreign currency translation reserve, net of tax	**140,778**	1,420
Changes in fair value of available for sale assets, net of tax	**1,332**	-
Actuarial gain on defined benefit plans, net of tax	**740**	1,277
Income and expense recognised directly in equity	**124,691**	(12,574)
Net profit after income tax expense	**142,536**	120,215
Total recognised income and expense for the financial year	**267,227**	107,641
Attributable to minority interest	**(359)**	(310)
Total recognised income and expense attributable to members of the Company	**266,868**	107,331

The above Condensed Statement of Recognised Income and Expense is to be read in conjunction with the notes to the half year financial statements set out on pages 9 to 19.

Condensed Cash Flow Statement

Fairfax Media Limited and controlled entities
for the half year ended 31 December 2006

	Note	December 2006 $'000	December 2005 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**1,135,097**	1,100,158
Payments to suppliers and employees (inclusive of GST)		**(840,778)**	(843,686)
Redundancy and severance payments		**(6,027)**	(13,280)
Interest received		**1,738**	595
Dividends and distributions received		**1,634**	2,977
Finance costs paid - other		**(49,266)**	(41,005)
Finance costs paid - PRESSES	5	**(2,230)**	(9,275)
Net income taxes paid		**(48,790)**	(57,719)
Net cash inflows from operating activities		**191,378**	138,765
Cash flows from investing activities			
Payment for purchase of Border Morning Mail entities (net of cash acquired)	10	**(141,901)**	-
Payment for purchase of other controlled entities (net of cash acquired)		**-**	(41,955)
Payment for purchase of businesses, including mastheads		**(7,423)**	(8,955)
Payment for property, plant and equipment and other assets		**(36,832)**	(16,607)
Payment for available for sale investments		**(1,125)**	(4,128)
Proceeds from sale of property, plant and equipment		**270**	-
Proceeds from sale of investments and joint ventures		**21,635**	-
Net cash outflow from investing activities		**(165,376)**	(71,645)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	1,308
Proceeds from borrowings and other financial liabilities		**459,164**	93,572
Repayment of borrowings and other financial liabilities		**(352,700)**	(180,254)
Dividends paid to shareholders*	5	**(81,290)**	(108,470)
Net cash inflows/(outflows) from financing activities		**25,174**	(193,844)
Net increase/(decrease) in cash and cash equivalents held		**51,176**	(126,724)
Cash and cash equivalents at beginning of the financial year		**52,748**	134,154
Effect of exchange rate changes on cash and cash equivalents		**(519)**	(104)
Cash and cash equivalents at end of the financial year		**103,405**	7,326

* Under the terms of the DRP, $48.0 million (2005: $39.5 million) of dividends were paid via the issue of 12.3 million ordinary shares (2005: 8.6 million ordinary shares). A cash dividend payment of $68.2 million (2005: $108.5 million) was made to ordinary shareholders that did not elect to participate in the DRP and $13.1million (2005: $nil) was paid to SPS holders.

The above Condensed Cash Flow Statement is to be read in conjunction with the notes to the half year financial statements set out on pages 9 to 19.

Notes to the Financial Statements
for the half year ended 31 December 2006

1. Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2006 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 year ended 30 June 2006 and any public announcements made by Fairfax Media Limited and its controlled entities 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. These policies have been consistently applied to all of the periods presented.

This interim financial report was approved by the Board of Directors on the 12 February 2007.

(a) Significant accounting estimates and judgements

In preparing the interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2006.

(b) New accounting standards and UIG Interpretations

Management's views on the application of new accounting standards and amendments which are not yet effective for interim 31 December 2006 reporting periods were the same as those in the consolidated financial report as at and for the year ended 30 June 2006.

(c) Rounding of amounts

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

Notes to the Financial Statements
for the half year ended 31 December 2006

	December 2006 $'000	December 2005 $'000

2. Revenue

(a) Revenue from operations

	December 2006 $'000	December 2005 $'000
Revenue generated from sales of:		
Newspapers	**784,920**	808,100
Magazines	**109,895**	106,873
Online and other	**103,729**	54,181
Total revenue from sales	**998,544**	969,154
Revenue from rendering of services	**14,312**	8,171
Dividend/distribution revenue	**397**	292
Total revenue from operations	**1,013,253**	977,617

(b) Other revenue

	December 2006 $'000	December 2005 $'000
Interest income - other corporations	**1,728**	595
Net gain on sale of investments	**13,227**	-
Other	**4,412**	-
Total other revenue	**19,367**	595
Total revenue from operations	**1,032,620**	978,212

3. Expenses

(a) Expenses by nature

	December 2006 $'000	December 2005 $'000
Staff costs excluding staff redundancy costs	**329,088**	317,426
Newsprint and paper	**128,494**	124,515
Distribution and other production costs	**119,546**	112,253
Promotion and advertising costs	**44,164**	46,037
Staff redundancy costs	**4,518**	14,250
Rent and outgoings	**19,882**	17,873
Repairs and maintenance	**10,878**	11,108
Communication costs	**7,773**	7,723
News services	**5,603**	5,784
Computer costs	**7,387**	6,927
Fringe benefits tax	**3,947**	3,889
Other	**65,923**	60,634
Total expenses before depreciation, amortisation and finance costs	**747,203**	728,419

(b) Depreciation and amortisation

	December 2006 $'000	December 2005 $'000
Depreciation of freehold property	**1,792**	1,642
Depreciation of plant and equipment	**31,522**	30,039
Amortisation of leasehold property/buildings	**675**	670
Amortisation of software	**7,506**	7,029
Total depreciation and amortisation	**41,495**	39,380

Notes to the Financial Statements

for the half year ended 31 December 2006

		December 2006 $'000	December 2005 $'000

3. Expenses (continued)

		December 2006 $'000	December 2005 $'000
(c) Finance costs			
Finance costs			
External corporations / persons		**49,167**	37,463
Finance lease		**2,479**	2,396
Total finance costs - other		**51,646**	39,859
Finance cost - PRESSES		**1,782**	9,567
Total finance costs		**53,428**	49,426

4. Significant items

		December 2006 $'000	December 2005 $'000
Share of profits from an associate's, Australian Associated Press Pty Limited, sale of one of its operating divisions		**-**	4,380
Profit on sale of investment in Carsales.com.au Limited		**13,227**	-
Major restructure and redundancy programme		**-**	(13,305)
Net significant and non-recurring items before income tax expense		**13,227**	(8,925)
Income tax benefit*		**-**	3,991
Net significant and non-recurring items after income tax expense		**13,227**	(4,934)

* The consolidated entity has utilised existing capital losses and as such no income tax is payable on the disposal of the investment in Carsales.com.au Limited.

5. Dividends paid and proposed and finance costs

		December 2006 $'000	December 2005 $'000
(a) Ordinary Shares			
Final fully franked dividend and special dividend:			
2007: 11.5 cents (final) - paid 6 October 2006 (2006: 11 cents - paid 11 October 2005)		**116,182**	101,718
2007: nil (2006: 5 cents (special) - paid 11 October 2005)		**-**	46,235
Total ordinary shares dividends paid		**116,182**	147,953
(b) Preferred Reset Securities Exchangeable for Shares (PRESSES)			
Fully franked PRESSES dividend:			
2007: $0.8921 per share - paid 4 August 2006*	7(b)	**2,230**	-
2006: $3.7101 per share - paid 12 December 2005*		**-**	9,275
Total finance costs paid - PRESSES		**2,230**	9,275
(c) Stapled Preference Shares (SPS)			
SPS dividend:			
2007: $4.3721 per share - paid 31 October 2006	8**	**13,116**	-
Total dividends paid - SPS		**13,116**	**-**
Total dividends and PRESSES finance costs paid		**131,528**	157,228

* Under AIFRS, the PRESSES were reclassified as a financial liability and the dividends on the PRESSES reclassified as an interest expense from 1 July 2005 under AASB 132 *Financial Instruments: Presentation and Disclosure.* Of the total dividends and finance costs paid at 31 December 2006 of $131.5 million, dividends paid amounted to $129.3 million and interest expense on PRESSES totalled $2.2 million.

(d) Dividends proposed and not recognised as a liability

Since 31 December 2006, the directors have declared an interim dividend of 10.0 cents per fully paid ordinary share fully franked at the corporate tax rate of 30%. The aggregate amount of the interim dividend to be paid on 21 March 2007 out of the retained profits at 31 December 2006, but not recognised as a liability at the end of the half year is expected to be $102.2 million.

Notes to the Financial Statements

for the half year ended 31 December 2006

	Note	December 2006 $'000	June 2006 $'000
6. Assets held for sale			
Property*		**22,644**	-
Total assets held for sale		**22,644**	-

* On 8 September 2006 the Company announced its intention to sell the land and buildings of The Age in Melbourne (250 Spencer Street and associated properties) and relocate The Age and its operations to a new site. Efforts to sell the Spencer Street properties have commenced through a call for Expressions of Interest which closed on 1 December 2006. A sale is expected within 6 to 12 months.

Based on current Melbourne CBD property market conditions, the Company expects to record a gain on the sale of the property. As a sale contract has not yet been signed, the quantum of the gain cannot be reliably determined.

7. Interest bearing liabilities

	Note	December 2006 $'000	June 2006 $'000
Current - unsecured			
Bank borrowings	(a)	**115,380**	185,732
Preferred Reset Securities Exchangeable for Shares	(b)	**-**	249,536
Other loans			
Senior notes	(c)	**-**	165,331
Other	(d)	**7,282**	6,889
Current - secured			
Finance lease liability	(d)	**2,788**	2,687
Total current interest bearing liabilities		**125,450**	610,175
Non-current - unsecured			
Bank borrowings	(a)	**499,900**	145,000
Redeemable Preference Shares	(e)	**162,623**	148,395
Other loans			
Senior notes	(c)	**263,518**	295,635
Medium term notes	(f)	**199,547**	199,765
Other	(d)	**74,030**	77,644
Non-current - secured			
Finance lease liability	(d)	**29,904**	31,318
Total non-current interest bearing liabilities		**1,229,522**	897,757

(a) Bank borrowings

Current

A bank loan of $95 million established in September 2001 matured on 19 December 2006. As a result, the bank loan was classified as a current liability in the comparative period. During the 2006 financial year, the Company also entered into a bridge facility of $300 million to partially fund the acquisition of Trade Me Limited. This facility is currently drawn to $100 million and matures on 22 March 2007. The interest rate for this facility is the applicable bank bill rate plus a credit margin.

On 25 July 2006, the Border Morning Mail entities (BMM) were acquired (refer note 10(b)). As part of this acquisition, the consolidated entity acquired $15.4m of existing BMM debt which matures in October 2007. The interest rate for this facility is the applicable bank bill rate plus a credit margin.

Non-current

A $550 million syndicated bank bill facility is available to the Group until May 2009. At 31 December 2006, $300 million has been drawn (June 2006: $145 million). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

A bank loan of $200 million was established in September 2006 and matures in September 2009. The interest rate for this facility is the applicable bank bill rate plus a credit margin.

Notes to the Financial Statements
for the half year ended 31 December 2006

7. Interest bearing liabilities (continued)

(b) Preferred Reset Securities Exchangeable for Shares (PRESSES)
The Company issued 2,500,000 PRESSES during the financial year ended 30 June 2002, each having a face value of $100 for a total value of $250 million. On 27 July 2006, the PRESSES were converted into 66,348,490 ordinary shares in accordance with the terms of the PRESSES issue. The final fully franked PRESSES dividend of $0.8921 per share for the period 12 June 2006 to 26 July 2006 was paid on 4 August 2006. The dividend paid totalled $2,230,250. The PRESSES (FXJPA) were suspended from quotation on the Australian Stock Exchange on 19 July 2006.

(c) Senior Notes
Senior Notes issued in December 1996 with a principal of US$120 million (June 2006: A$165.3 million) matured on 19 December 2006. As a result, the Senior Notes were classified as a current liability in the comparative period. The Senior Notes were issued at par with a fixed interest coupon of 7.43% p.a. payable semi-annually in arrears. Interest and principal on the Senior Notes was payable in US dollars and was swapped into floating rate Australian dollars via a cross-currency swap.

The Company also issued Senior Notes in the US private placement market with a principal value of US$230 million (December 2006: A$263.5 million) in January 2004 with a fixed coupon of between 4.74% p.a. and 5.85% p.a payable semi-annually in arrears. The interest and principal on the Senior Notes are payable in US dollars and were swapped into floating rate New Zealand dollars and floating rate Australian dollars via a cross-currency swap. This issue of Senior Notes comprises maturities ranging from January 2011 to January 2019. The weighted average maturity of the issue is approximately 8.0 years. The applicable cross-currency swap credit margin includes the cost of hedging all currency risk and future interest and principal repayments on a quarterly basis.

(d) Other loans and finance lease liability
The Chullora printing facility in Sydney is partially financed by a finance lease facility and loans with a maturity date of September 2015. There is a CPI indexed annuity loan with principal and interest outstanding of $50.7 million (June 2006: $52.2 million) and a finance lease of $32.7 million (June 2006: $34 million), which was entered into in February 1996. There is also principal and interest outstanding of $30.5 million (June 2006: $32.3 million) in the form of a fixed rate loan with an established drawdown and repayment schedule.

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

(e) Redeemable Preference Shares (RPS)
The Company issued Redeemable Preference Shares in New Zealand in May 2005 with a principal value of NZ$186.5 million (December 2006: A$162.6 million) with a fixed one year coupon of 8.03% p.a. payable quarterly in arrears and thereafter at a margin of 1% over the applicable one year swap rate. The Redeemable Preference Shares mature in June 2010. The interest and principal on the Redeemable Preference Shares are payable in NZ dollars and were swapped into one year fixed rate Australian dollars via a cross-currency swap and were partially used to repay the MTNs valued at A$150 million on 15 July 2005. The applicable cross-currency swap credit margin includes the cost of hedging all currency risk and future interest and principal repayments on a quarterly basis.

(f) Medium Term Notes (MTNs)
On 27 June 2006, the Company issued $200m of MTNs with a maturity date of 27 June 2011 which have been classified as a non-current financial liability. The MTNs were issued at a fixed rate of 6.865% p.a.

(g) Financing arrangements
A NZ$50 million revolving committed cash advance facility is available to the Group until 10 July 2007. At 31 December 2006 this facility was not drawn down (June 2006: nil).

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

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

Notes to the Financial Statements

for the half year ended 31 December 2006

8. Contributed equity

	Note	December 2006 $'000	June 2006 $'000
Ordinary shares			
1,022,552,645 ordinary shares fully paid (June 2006: 939,067,152)		**1,566,262**	1,248,334
Preferred Reset Securities Exchangeable for Shares (PRESSES)			
Nil shares (June 2006: 2,500,000)	7(b)	**-**	-
Stapled Preference Shares (SPS)			
3,000,000 stapled preference shares (June 2006: 3,000,000)		**293,163**	293,167
Debentures			
281 debentures fully paid (June 2006: 281)		*****	*
Total contributed equity		**1,859,425**	1,541,501

* Amount is less than $1000

Reconciliations

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

	Note	December 2006 No. of shares	June 2006 No. of shares	December 2006 $'000	June 2006 $'000
Ordinary shares					
Balance at beginning of year		**939,067,152**	924,463,510	**1,248,334**	1,183,596
Dividend reinvestment plan issue - 6 October 2006		**12,278,486**	-	**48,008**	-
Dividend reinvestment plan issue - 12 April 2006		**-**	5,535,530	**-**	21,977
Dividend reinvestment plan issue - 11 October 2005		**-**	8,602,112	**-**	39,483
Exercise of options - 30 March 2006		**-**	66,000	**-**	236
Exercise of options - 12 March 2006		**-**	100,000	**-**	369
Exercise of options - 19 September 2005		**-**	60,000	**-**	262
Exercise of options - 19 September 2005		**-**	240,000	**-**	1,046
Share issue - 25 July 2006 Acquisition of BMM	10(b)	**4,858,517**	-	**19,920**	-
Conversion of PRESSES - 27 July 2006***		**66,348,490**	-	**250,000**	-
Reclassification of share issue costs from equity to debt		**-**	-	**-**	1,365
Balance at end of the year		**1,022,552,645**	939,067,152	**1,566,262**	1,248,334
Stapled Preference Shares (SPS) **					
Balance at beginning of the year		**3,000,000**	**-**	**293,167**	-
Share issue - 23 March 2006		**-**	3,000,000	**-**	300,000
Share issue costs		**-**	**-**	**(4)**	(6,833)
Balance at end of the year		**3,000,000**	3,000,000	**293,163**	293,167
Preferred Reset Securities Exchangeable for Shares (PRESSES) ***					
Balance at beginning of the half year		**-**	2,500,000	**-**	241,951
Reclassification of PRESSES from equity to debt	7(b)	**-**	(2,500,000)	**-**	(241,951)
Balance at end of the year		**-**	-	**-**	-
Debentures					
Balance at beginning of the year		**281**	281	*****	*
Balance at end of the year		**281**	281	*****	*
Total contributed equity				**1,859,425**	1,541,501

Notes to the Financial Statements
for the half year ended 31 December 2006

8. Contributed equity (continued)

**** Stapled Preference Shares (SPS)**
The SPS, which were issued on 23 March 2006 for $100 per share, is a stapled security comprising a fully paid SPS Preference Share in Fairfax Media Limited and a fully paid unsecured note issued by Fairfax Group Finance New Zealand Limited. Distributions, in the form of interest on the notes, are payable semi-annually in arrears with the first distribution paid on 31 October 2006 and rank in preference to ordinary shareholders and equally with preference shareholders. The SPS are perpetual however Fairfax has the right to repurchase the SPS for cash or convert the hybrid into a variable number of ordinary shares in certain circumstances.

***** Preferred Reset Securities Exchangeable for Shares (PRESSES)**
On 27 July 2006 the Company converted all 2,500,000 PRESSES into 66,348,490 fully paid ordinary shares (refer to note 7(b)).

9. Commitments and contingencies

Earn Out Agreement – Trade Me Limited
The consolidated entity has entered into an earn out agreement as part of the condition of purchase of Trade Me Limited. Additional cash consideration of up to NZD$50 million (A$44.7 million at December 2006) will be payable by the consolidated entity if Trade Me Limited achieves specified financial performance criteria.

The amount of the earn-out is based on the Trade Me Group's earnings before interest, tax, depreciation and amortisation (EBITDA) for the 12 months ended 31 March 2007 and, should that financial target not be fully met in that period, the 12 months ended 31 March 2008.

A liability for earn-out has not been recognised at 31 December 2006 as it is subject to a variety of factors including market behaviour, competition, auction volumes and activity and cannot be reliably determined at this stage.

There have been no other material changes in commitments and contingent liabilities since the half year ended 31 December 2006.

10. Business combinations and disposals

(a) Disposal of Joint Venture - Text Pacific Pty Limited
The consolidated entity disposed of its 50% interest in Text Pacific Pty Limited on 30 September 2006.

(b) Business combinations during the half year

Border Morning Mail entities (BMM)
On 25 July 2006, The Age Co Limited, a wholly-owned subsidiary of Fairfax Media Limited, acquired the issued capital of the following entities:

Entity or business acquired	Principal activity	Date of acquisition	Ownership interest
The Border Morning Mail Limited	Newspaper Publishing	25 July 2006	100%
Border Mail Printing Pty Limited	Printing facility	25 July 2006	75.5%
Melbourne Community Newspapers Pty Ltd	Newspaper Publishing	25 July 2006	100%
The Independent News Pty Limited	Newspaper Publishing	25 July 2006	100%
NE Investments Pty Limited	Dormant	25 July 2006	100%

Consideration paid for the acquisition of The Border Morning Mail Limited, including 51% of Border Mail Printing Pty Limited, consisted of $142.1 million in cash and 4,858,517 ordinary shares at an issue price of $4.10 per share, pursuant to the Scheme of Arrangement.

The Independent News Pty Limited, including 24.5% of Border Mail Printing Pty Limited held by Melbourne Community Newspapers Pty Limited, was acquired for a total consideration of $15.1 million cash. Including costs directly attributed to the acquisition, the total value of the business combination was $178.3 million.

Notes to the Financial Statements
for the half year ended 31 December 2006

10. Business combinations and disposals (continued)

The fair value of the identifiable assets and liabilities of the Border Morning Mail entities as at the date of acquisition were:

	Recognised on acquisition $'000	Carrying value $'000
Fair value of net assets acquired		
Cash and cash equivalents	16,489	16,489
Receivables	8,891	8,891
Inventories	1,077	1,077
Property plant and equipment	28,665	26,740
Intangible assets	15,098	1,611
Deferred income tax asset	1,045	1,045
Total assets	71,265	55,853
Payables	6,120	6,120
Current tax liabilities	1,557	1,557
Interest bearing liabilities	15,395	15,395
Provisions	2,965	2,965
Deferred tax liability	454	454
Total liabilities	26,491	26,491
Fair value of identifiable net assets	44,774	29,362
Outside equity interest in net assets	(2,133)	
Goodwill arising on acquisition **	135,669	
	178,310	
Consideration		
Purchase consideration - cash	157,239	
Purchase consideration - shares	19,920	
Costs directly attributable to the acquisition	1,151	
Total consideration	178,310	
Net cash outflow on acquisition		
Net cash acquired with subsidiary	16,489	
Cash paid	(158,390)	
Net cash outflow	(141,901)	

** Included in the $135.7 million of goodwill are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature, or which do not have a material value. Assets included in this balance consist of certain mastheads, workforce in place and Fairfax specific synergies.

For the period since acquisition, being 25 July 2006 to 31 December 2006, the Border Morning Mail entities have contributed net profit after income tax expense of $3.9 million. Synergies derived in other parts of the Group as a result of the BMM acquisition have not been incorporated into the above result.

As the acquisition occurred on 25 July 2006, the impact on the consolidated net profit after income tax expense, had the acquisition instead taken place on 1 July 2006, is not material.

The purchase price allocation for this business combination is based on provisional information at 31 December 2006.

Notes to the Financial Statements
for the half year ended 31 December 2006

11. Earnings Per Share

	December 2006 ¢ per share	December 2005 ¢ per share
Basic earnings per share		
After significant and non-recurring items and including SPS dividend, net of tax	**13.38**	12.92
Before significant and non-recurring items and including SPS dividend, net of tax	**12.07**	13.45
Diluted earnings per share		
After significant and non-recurring items, net of tax	**13.31**	12.92
Before significant and non-recurring items, net of tax	**12.07**	13.45

	December 2006 $'000	December 2005 $'000
Earnings reconciliation - basic		
Net profit attributable to members of the Company	**142,177**	119,905
Less SPS dividend, net of tax*	**(7,535)**	-
Earnings after significant and non-recurring items and including SPS dividend	**134,642**	119,905
Significant and non-recurring items, net of tax	**(13,227)**	4,934
Earnings before significant and non-recurring items and including SPS dividend	**121,415**	124,839
Earnings reconciliation - diluted		
Net profit attributable to members of the Company	**142,177**	119,905
Significant and non-recurring items, net of tax	**(13,227)**	4,934
Earnings before significant and non-recurring items	**128,950**	124,839

	December 2006 Number '000s	December 2005 Number '000s
Weighted average number of ordinary shares used in calculating basis EPS before and after significant and non-recurring items	**1,005,693**	927,951
SPS	**62,450**	-
PRESSES	**-**	-
Options	**-**	27
Weighted average number of ordinary shares used in calculating diluted EPS before and after significant and non-recurring items	**1,068,143**	927,978

* The SPS dividend paid on 31 October 2006 was $13.1 million (refer note 5). The SPS dividend amount included in the EPS calculation above represents the dividend payable for the period 1 July 2006 to 31 December 2006. The next dividend is due to be paid on 31 March 2007.

Notes to the Financial Statements
for the half year ended 31 December 2006

12. Segment reporting

The consolidated entity operates predominantly in two geographic segments, Australia and New Zealand and in one business segment, publishing.

The publishing business operates news, information and entertainment publishing and advertising sales in newspaper, magazine and electronic formats.

Results by geographic segment

	Australia	New Zealand	Unallocated	Consolidated entity
	$'000	$'000	$'000	$'000
6 months to 31 December 2006				
Segment revenue	755,307	275,585	1,728	1,032,620
Total revenue	755,307	275,585	1,728	1,032,620
Share of net profits of associates and joint ventures	82	105	-	187
Segment profit before income tax expense	152,659	91,450	-	244,109
Unallocated expenses	-	-	(53,428)	(53,428)
Net profit before income tax expense	152,659	91,450	(53,428)	190,681
Income tax expense	-	-	(48,145)	(48,145)
Net profit after income tax expense	152,659	91,450	(101,573)	142,536
Significant items, net of tax	(13,227)	-	-	(13,227)
Net profit after income tax expense excluding significant items	139,432	91,450	(101,573)	129,309
6 months to 31 December 2005				
Segment revenue	703,024	274,593	595	978,212
Total revenue	703,024	274,593	595	978,212
Share of net profits of associates and joint ventures	4,789	-	-	4,789
Segment profit before income tax expense	123,765	86,053	5,384	215,202
Unallocated expenses	-	-	(49,426)	(49,426)
Net profit before income tax expense	123,765	86,053	(44,042)	165,776
Income tax expense	-	-	(45,561)	(45,561)
Net profit after income tax expense	123,765	86,053	(89,603)	120,215
Significant items, net of tax	9,314	-	-	9,314
Unallocated significant items, net of tax	-	-	(4,380)	(4,380)
Net profit after income tax expense excluding significant items	133,079	86,053	(85,223)	125,149

Notes to the Financial Statements

for the half year ended 31 December 2006

13. Related party transactions

(a) Ultimate parent

Fairfax Media Limited is the ultimate parent company.

(b) Controlled entities

The following entities became controlled entities since 30 June 2006:

- Border Morning Mail Limited
- Border Mail Printing Pty Limited
- Melbourne Community Newspapers Pty Ltd
- The Independent News Pty Limited
- NE Investments Pty Limited

The consolidated entity holds a 75.5% equity interest in Border Mail Printing Pty Limited. In all other entities, the equity interest is 100%.

14. Proposed merger with Rural Press Limited

On 6 December 2006, the directors of Fairfax Media Limited announced a proposal to merge with Rural Press Limited and create Australasia's largest integrated metropolitan, regional and rural print and digital media business. Fairfax Media Limited and Rural Press Limited have entered into a Merger Implementation Deed (the Deed) dated 5 December 2006 to proceed with the merger by way of two Schemes of Arrangement. Implementation of the merger is conditional on the satisfaction of a number of conditions.

Under the merger proposal, which is subject to approval by both the ordinary and preferred shareholders of Rural Press, each Rural Press ordinary and preferred shareholder will be entitled to receive for each share held:
2 Fairfax Media shares and $3.30 in cash or
2.3 Fairfax Media shares and $1.80 in cash.

The Schemes of Arrangement are expected to be completed by April 2007 with the Scheme booklets expected to be circulated to Rural Press ordinary and preferred shareholders in February 2007. Other key steps to be completed prior to April 2007 include discussions with the Australian Consumer and Competition Committee (ACCC), lodgement of Scheme documents with the Australian Securities and Investment Commission (ASIC), an initial court hearing, Rural Press shareholder scheme meetings and a second court hearing.

15. Events subsequent to reporting date

There were no matters arising subsequent to reporting date.

Directors' Declaration

In the opinion of the directors of Fairfax Media Limited (the Company):

a) the financial statements and notes of the consolidated entity set out on pages 5 to 19, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; 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.

Signed in accordance with a resolution of the directors

Mark Burrows
Chairman, Audit & Risk Committee

David Kirk
Chief Executive Officer and Director

12 February 2007
Sydney, Australia

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock
Exchange 10172

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

Scope
We have reviewed the accompanying half-year financial report of Fairfax Media Limited (the company) and the entities it controlled during the half-year period, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of recognised income and expense and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors Responsibility for the half-year Financial Report
The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 31 December 2006 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* and other mandatory financial reporting requirements in Australia. As the auditor of Fairfax Media 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 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 the interim financial report of Fairfax Media Limited and the entities it controlled during the half-year ended 31 December 2006, is not in accordance with:

(a) the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Christopher George
Partner
Sydney, 12 February 2007