

**John Fairfax Holdings Limited**  
**Appendix 4E**  
**Preliminary final report for the year ended 30 June 2005**

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## Results for announcement to the market for the year ended 30 June 2005

### John Fairfax Holdings Limited and controlled entities

			Change \$' 000	2005 \$' 000
<b>Underlying</b>				
Revenue from ordinary activities	up	6%	100,572 to	1,880,839
Profit from ordinary activities after tax attributable to members	up	22%	44,974 to	252,618
Net profit for the period attributable to members	up	22%	44,974 to	252,618
Net profit for the period attributable to members (after PRESSES dividend)	up	24%	44,780 to	234,067
<b>Reported</b>				
Revenue from ordinary activities	up	6%	108,834 to	1,891,800
Profit from ordinary activities after tax attributable to members	down	(6%)	(16,327) to	259,687
Net profit for the period attributable to members	down	(6%)	(16,327) to	259,687
Net profit for the period attributable to members (after PRESSES dividend)	down	(6%)	(16,521) to	241,136

<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>30 June 2005</b>		
Final dividend – ordinary securities	11¢	11¢
Special dividend – ordinary securities	5¢	5¢
Final dividend – preference securities	\$3.6493	\$3.6493
Interim dividend – ordinary securities	7.5¢	7.5¢
Interim dividend – preference securities	\$3.7710	\$3.7710
Record date for determining entitlements to the final and special dividend	9 September 2005	
<b>30 June 2004</b>		
Final dividend – ordinary securities	11.0¢	11.0¢
Final dividend – preference securities	\$3.6696	\$3.6696
Interim dividend – ordinary securities	5.5¢	5.5¢
Interim dividend – preference securities	\$3.6732	\$3.6732

# Statement of Financial Performance for the year ended 30 June 2005

## John Fairfax Holdings Limited and controlled entities

	Note	2005 \$' 000	2004 \$' 000
Revenues from ordinary activities, excluding interest income	2	1,884,368	1,773,368
Share of net profits of associates and joint ventures	2	2,907	1,408
Expenses from ordinary activities, excluding depreciation and borrowing costs	3	(1,374,992)	(1,341,815)
Profit from ordinary activities before depreciation, interest income, borrowing costs and income tax		512,283	432,961
Depreciation and amortisation	3	(82,441)	(85,306)
Profit from ordinary activities before interest income, borrowing costs and income tax		429,842	347,655
Interest income	2	7,432	9,598
Borrowing costs	3	(85,863)	(81,492)
<b>Profit from ordinary activities before income tax expense</b>		<b>351,411</b>	<b>275,761</b>
Income tax benefit/(expense) relating to ordinary activities		(91,090)	1,012
<b>Net profit</b>		<b>260,321</b>	<b>276,773</b>
Net profit attributable to outside equity interest		(634)	(759)
<b>Net profit attributable to members of the Company*</b>	8	<b>259,687</b>	<b>276,014</b>
Net increase in asset revaluation reserve		-	523
Net exchange difference on translation of financial report of foreign controlled entities		1,076	18,783
Refund of initial transaction costs from issue of shares/(share issue costs)	7	1,117	(1,806)
<b>Total revenues, expenses and valuation adjustments attributable to members of the Company and recognised directly into equity</b>		<b>2,193</b>	<b>17,500</b>
<b>Total changes in equity other than those resulting from transactions with owners</b>		<b>261,880</b>	<b>293,514</b>
Basic earnings per share (cents)	9	26.24	29.07
Diluted earnings per share (cents)	9	26.24	28.81
Basic earnings per share (cents) pre significant and non-recurring items	9	25.47	21.36
Diluted earnings per share (cents) pre significant and non-recurring items	9	25.47	21.35
<b>* Net profit attributable to members of the Company comprises:</b>			
Ongoing operations		252,618	207,644
Significant items net	4	7,069	68,370
		<b>259,687</b>	<b>276,014</b>

# Statement of Financial Position as at 30 June 2005

## John Fairfax Holdings Limited and controlled entities

	Note	2005 \$' 000	2004 \$' 000
<b>Current assets</b>			
Cash assets		134,154	28,105
Receivables		284,061	270,662
Inventories		30,195	42,079
Other financial assets		411	683
Tax assets		-	6,887
<b>Total current assets</b>		<b>448,821</b>	<b>348,416</b>
<b>Non-current assets</b>			
Receivables		8,739	3,268
Investments accounted for using the equity method	6	10,661	8,129
Other financial assets		13,151	24,538
Property, plant and equipment		734,345	780,416
Intangible assets		2,337,142	2,314,919
Tax assets		53,369	51,504
<b>Total non-current assets</b>		<b>3,157,407</b>	<b>3,182,774</b>
<b>Total assets</b>		<b>3,606,228</b>	<b>3,531,190</b>
<b>Current liabilities</b>			
Payables		204,676	255,017
Interest-bearing liabilities	10	163,420	43,289
Provision for Income Tax		25,805	-
Provisions		61,004	50,649
<b>Total current liabilities</b>		<b>454,905</b>	<b>348,955</b>
<b>Non-current liabilities</b>			
Non interest-bearing liabilities		867	109
Interest-bearing liabilities	10	902,543	1,074,352
Deferred tax liabilities		3,732	1,654
Provisions		34,999	37,372
<b>Total non-current liabilities</b>		<b>942,141</b>	<b>1,113,487</b>
<b>Total liabilities</b>		<b>1,397,046</b>	<b>1,462,442</b>
<b>Net assets</b>		<b>2,209,182</b>	<b>2,068,748</b>
<b>Equity</b>			
Contributed equity	7	1,425,547	1,357,668
Reserves		27,479	26,402
Retained profits	8	752,056	679,817
<b>Total parent entity interest in equity</b>		<b>2,205,082</b>	<b>2,063,887</b>
Total outside equity interest		4,100	4,861
<b>Total equity</b>		<b>2,209,182</b>	<b>2,068,748</b>

# Statement of Cash Flows for the year ended 30 June 2005

## John Fairfax Holdings Limited and controlled entities

	2005 \$' 000	2004 \$' 000
<b>Cash flows from operating activities</b>		
Receipts from customers	2,068,565	1,926,595
Payments to suppliers and employees	(1,574,643)	(1,551,823)
Redundancy and severance payments	(11,526)	(16,925)
Dividends and unit trust income received	2,360	3,544
Interest received	7,432	9,598
Borrowing costs paid	(85,440)	(76,310)
Net income taxes paid	(62,947)	(75,978)
<b>Net cash provided by operating activities</b>	<b>343,801</b>	<b>218,701</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant & equipment	(48,181)	(43,660)
Proceeds from sale of property, plant & equipment	3,167	4,567
Payment for investments	(4,888)	(643)
Proceeds from sale of investments	95	1,149
Proceeds from sale of Gordon & Gotch (NZ) Limited	7,699	-
Purchase of The Text Media Group Limited (net of cash acquired)	-	(65,456)
Purchase of Port Stephens Publishers Pty Ltd (net of cash acquired)	(8,675)	-
Payment for other mastheads and tradenames	(9,697)	(443)
Loans and deposits repaid	680	328
<b>Net cash (used) in investing activities</b>	<b>(59,800)</b>	<b>(104,158)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	441	76,253
Refund of transaction costs from issue of shares/(share issue costs)	1,117	(1,806)
Dividends paid**	(121,127)	(83,320)
Costs for private placement US senior notes & redeemable preference shares	(6,705)	-
Proceeds from borrowings	182,091	550,166
Repayment of borrowings and other financial liabilities	(233,769)	(647,177)
<b>Net cash (used in)/provided by financing activities</b>	<b>(177,952)</b>	<b>(105,884)</b>
<b>Net increase in cash held</b>	<b>106,049</b>	<b>8,659</b>
Cash at the beginning of the financial year	28,105	19,446
<b>Cash at the end of the financial year</b>	<b>134,154</b>	<b>28,105</b>

\*\* Under the terms of the DRP, \$66.322 million (2004: \$53.729 million) of dividends were paid via the issue of 17,494,932 shares (2004: 16,079,597).

\*\* A cash dividend payment of \$102.576 million (2004: \$64.963 million) was made to shareholders that did not elect to participate in the DRP. In addition to this ordinary dividend, Presses dividends of \$18.551 million (2004: \$18.357 million) were paid.

# Notes to the Preliminary final report for the year ended 30 June 2005

## John Fairfax Holdings Limited and controlled entities

### 1. Change in accounting policies

The accounting policies have been applied consistently by each entity in the consolidated entity and are consistent with those of the previous year.

For the year ending 30 June 2006, Fairfax will comply with Australian equivalents to International Financial Reporting Standards ("AIFRS") as issued by the Australian Accounting Standards Board. Refer Note 16.

Certain comparative figures have been restated to conform with changes in presentation for the current year.

	Note	2005 \$' 000	2004 \$' 000
<b>2. Revenue from ordinary activities</b>			
<b>Revenue from operating activities</b>			
Revenue generated from sale of:			
Newspapers		1,603,274	1,519,551
Magazines		177,532	168,862
Other		74,303	59,542
		<u>1,855,109</u>	<u>1,747,955</u>
Revenue from rendering of services		17,174	17,942
Dividend income:			
Other corporations		1,124	658
Distributions from unit trusts		0	1,097
		<u>1,873,407</u>	<u>1,767,652</u>
<b>Underlying operating revenue from ordinary activities</b>			
<b>Revenue from non-operating activities</b>			
Proceeds from sale of Gordon & Gotch (NZ) Limited		7,699	-
Proceeds from sale of property, plant and equipment		3,167	4,567
Proceeds from sale of investments and controlled entities		95	1,149
		<u>1,884,368</u>	<u>1,773,368</u>
<b>Interest income:</b>			
Other persons / corporations		7,432	9,598
		<u>1,891,800</u>	<u>1,782,966</u>
<b>Total revenue from ordinary activities</b>			
Share of associates and joint ventures net profit accounted for using the equity method	6	2,907	1,408

### 3. Expenses from ordinary activities

#### a) Expenses by nature

Staff costs excluding staff redundancy costs		604,887	572,904
Newsprint and paper		245,057	252,494
Distribution and other production costs		217,566	207,978
Promotion and advertising costs		75,969	62,808
Write-down of non-current assets		-	1,089
Cost of disposals		8,312	4,771
Staff redundancy costs		5,267	18,113
Rent and outgoings		33,404	31,276
Repairs and maintenance		20,518	18,751
Communication costs		13,340	15,043
News services		10,246	10,654
Computer costs		11,107	10,872
Fringe benefits tax		7,283	7,315
Other expenses from ordinary activities		122,036	127,747
		<u>1,374,992</u>	<u>1,341,815</u>
<b>Total expenses before borrowing costs, depreciation and amortisation</b>			

# Notes to the Preliminary final report for the year ended 30 June 2005

## John Fairfax Holdings Limited and controlled entities

	2005 \$' 000	2004 \$' 000
<b>3. Expenses from ordinary activities (cont)</b>		
<b>b) Detailed expense disclosures</b>		
Interest expense:		
Other persons / corporations	79,367	74,816
Finance charges on capitalised leases	6,496	6,676
Total borrowing costs	<u>85,863</u>	<u>81,492</u>
Depreciation of freehold property	4,379	4,453
Depreciation of plant and equipment	74,421	79,312
Amortisation of leasehold property	1,282	1,315
Amortisation of goodwill	2,359	226
Total depreciation and amortisation	<u>82,441</u>	<u>85,306</u>
Cost of sales	586,159	574,330
Amounts provided for:		
Employee entitlements	48,253	47,978
Doubtful trade debts	564	2,182
Defamation	3,372	2,809
Total amounts set aside to provisions	<u>52,189</u>	<u>52,969</u>
Operating lease rental expense	23,898	20,701
<b>c) Gains/(Losses)</b>		
Net foreign exchange	(764)	(31)
Net profit on disposal of property, plant & equipment	2,261	1,008
Net profit/(loss) on disposal of other assets	230	(62)
<b>4. Significant items</b>		
Profit from ordinary activities before income tax includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Consolidated entity:		
Gain on sale of Gordon & Gotch (NZ) Limited	4,039	-
Reversal of over provision of tax	3,030	-
Editorial redundancies	-	(5,747)
Income tax benefit applicable	-	1,724
Staff redundancy and other items associated with the closure of Spencer Street printing operations	-	(14,794)
Income tax benefit applicable	-	4,438
Effect of entry into tax consolidations	-	82,749
<b>Net significant items after tax</b>	<u>7,069</u>	<u>68,370</u>
Significant items before income tax	4,039	(20,541)
Income tax benefit	3,030	88,911
	<u>7,069</u>	<u>68,370</u>

# Notes to the Preliminary final report for the year ended 30 June 2005

## John Fairfax Holdings Limited and controlled entities

	2005 \$' 000	2004 \$' 000
<b>5. Dividends paid and proposed</b>		
<b>Dividends paid during the year</b>		
Fully franked interim dividend of 7.5 cents per share / debenture paid 31 March 2005 (2004: 5.5 cents fully franked, paid 6 April 2004)	69,143	49,050
Fully franked final dividend of 11.0 cents per share / debenture paid 21 October 2004 (2004: 8.0 cents fully franked, paid 14 November 2003)	99,754	69,642
Fully franked PRESSES dividend of \$3.7710 per share paid 13 December 2005 (2004: \$3.6732 fully franked, paid 12 December 2003)	9,428	9,183
Fully franked PRESSES dividend of \$3.6493 per share paid 10 June 2005 (2004: \$3.6696 per share franked, paid 11 June 2004)	<u>9,123</u>	<u>9,174</u>
<b>Total franked dividends paid</b>	8 <b><u>187,448</u></b>	<b><u>137,049</u></b>

### Dividends proposed and not recognised as a liability

Since the balance date the directors have declared a final dividend of 11 cents per fully paid ordinary share fully franked at the corporate tax rate of 30%. The aggregate amount of the final dividend to be paid on 11 October 2005 out of the retained profits at 30 June 2005, but not recognised as a liability at the end of the year is expected to be \$101.7 million.

Since the balance date the directors have declared a special dividend of 5 cents per fully paid ordinary share fully franked at the corporate tax rate of 30%. The aggregate amount of the special dividend to be paid on 11 October 2005 out of the retained profits at 30 June 2005, but not recognised as a liability at the end of the year is expected to be \$46.2 million.

### Franking credits available

Franking credits available total approximately \$111 million. On a tax paid basis this results in a franking account balance of approximately \$111 million. From this amount \$63.4 million franking credits will be used to pay a fully franked final dividend of \$101.7 million and a fully franked special dividend of \$46.2 million on 11 October 2005.

### Dividend reinvestment plan

John Fairfax Holdings Limited introduced a Dividend Reinvestment Plan (DRP) to eligible shareholders during the year ended 30 June 2004. Under the terms of the DRP, eligible shareholders are able to elect to reinvest their dividends in additional Fairfax shares, free of any brokerage or other transaction costs. Shares are issued and/or transferred to DRP participants at a predetermined price, less any discount the directors may elect from time to time. The directors have resolved not to apply a discount to the interim, final and special dividends for 2005.

The DRP will include the payment of the final and special dividends for the year ended 30 June 2005 to be paid on 11 October 2005. The last date for the receipt of an election notice for participation in the plan for the final and special dividends is 9 September 2005.

The DRP issue price in relation to the final and special dividends for the year ended 30 June 2005 will be based on the arithmetic average of the daily volume weighted average sale price of John Fairfax Holdings Limited shares traded on the stock exchange from 9 September 2005 to 22 September 2005 inclusive, excluding any trades that do not qualify under the terms of the DRP, rounded to the nearest cent.

# Notes to the Preliminary final report for the year ended 30 June 2005

## John Fairfax Holdings Limited and controlled entities

	2005	2004
	\$'000	\$'000

### 6. Investments accounted for using the equity method

Carrying amount of investment in associates	(a) 9,796	6,930
Carrying amount of investment in joint ventures	(b) 865	1,199
	<b>10,661</b>	<b>8,129</b>

#### (a) Interest in associates

Name	Ownership interest	
	2005	2004
Australian Associated Press Pty Limited (AAP)	44.7%	44.7%
Newspaper House Limited	45.5%	45.5%
New Zealand Press Association Limited	49.2%	49.2%
Times Newspapers Limited	50.0%	50.0%
Ashburton Guardian Co Limited	25.0%	-

#### Principal activities

The principal activities of AAP are operating the business of a news agency, disseminating news and information to media and business communities, providing and maintaining communications networks and facilities, and developing communications technology.

The principal activity of Newspaper House Limited is ownership of property.

The principal activities of New Zealand Press Association Limited are operating the business of a news agency and financial information service.

The principal activity of Times Newspapers Limited is newspaper publishing.

The principal activity of Ashburton Guardian Co Limited is a printing facility.

	2005	2004
	\$'000	\$'000
<b>Share of associates' profit</b>		
Share of associates' profit before income tax	2,880	1,624
Share of associates' income tax (expense) attributable to profit	(875)	(487)
Share of associates' net profit	<b>2,005</b>	<b>1,137</b>
Contribution to net profit	<b>2,005</b>	<b>1,137</b>

#### (b) Interest in joint ventures

Name	Ownership interest	
	2005	2004
Text Pacific Pty Limited	50.0%	50.0%
Victorian Lifestyle Property Pty Limited	-	50.0%

#### Principal activities

The principal activities of Text Pacific Pty Limited are to publish custom, corporate and events publications.

During the 2005 fiscal year Victorian Lifestyle Property Pty Limited became a wholly owned subsidiary of the Group.

	2005	2004
	\$'000	\$'000
<b>Share of joint ventures' profit</b>		
Share of joint ventures' profit before income tax	1,280	389
Share of joint ventures' income tax (expense) attributable to profit	(378)	(118)
Share of joint ventures' net profit	<b>902</b>	<b>271</b>
Contribution to net profit	<b>902</b>	<b>271</b>

# Notes to the Preliminary final report for the year ended 30 June 2005

## John Fairfax Holdings Limited and controlled entities

	2005 \$' 000	2004 \$' 000
<b>7. Contributed equity</b>		
<b>Shares</b>		
<b>924,463,510</b> (2004: 906,856,578) ordinary shares		
Fully paid	1,183,596	1,115,717
<b>Preferred Reset Securities Exchangeable for Shares</b>		
<b>2,500,000</b> (2004: 2,500,000)	241,951	241,951
<b>Debentures</b>		
<b>281</b> (2004: 281) debentures fully paid	*	*
<b>Total issued capital</b>	<b>1,425,547</b>	<b>1,357,668</b>

\* Amount is less than \$1000

### Movements in issued capital during the financial year

	2005 Number	2004 Number	2005 \$' 000	2004 \$' 000
<b>Shares</b>				
Balance at the beginning of the financial year	906,856,578	867,457,363	1,115,717	987,541
Shares issued – dividend reinvestment plan	17,494,932	35,469,215	66,321	118,692
Refund of transaction costs from issue of shares/(share issue costs)	-	-	1,117	(1,806)
Converted from options (i)	112,000	3,930,000	441	11,290
Balance at the end of the financial year	<b>924,463,510</b>	<b>906,856,578</b>	<b>1,183,596</b>	<b>1,115,717</b>
<b>Preferred Reset Securities Exchangeable for Shares (PRESSES)</b>				
Balance at the beginning of the financial year	2,500,000	2,500,000	241,951	241,951
Balance at the end of the financial year	<b>2,500,000</b>	<b>2,500,000</b>	<b>241,951</b>	<b>241,951</b>
<b>Debentures</b>				
Balance at the beginning of the financial year	281	281	*	*
Balance at the end of the financial year	<b>281</b>	<b>281</b>	*	*

\* Amount is less than \$1000

(i) Options exercised and converted to shares during the year:

2005 Exercise Date	2005 Number	2005 Issue Price	2004 Exercise Date	2004 Number	2004 Issue Price
June 2005	64,000	\$3.58	Sep 2003	30,000	\$2.76
June 2005	48,000	\$4.41	Oct 2003	240,000	\$3.08
			Oct 2003	2,800,000	\$2.85
			Nov 2003	160,000	\$3.08
			Dec 2003	700,000	\$2.85
	<u>112,000</u>			<u>3,930,000</u>	

# Notes to the Preliminary final report for the year ended 30 June 2005

## John Fairfax Holdings Limited and controlled entities

	Note	2005 \$' 000	2004 \$' 000
<b>8. Retained profits</b>			
Balance at the beginning of the financial year		679,817	540,852
Net profit attributable to members of the Company		259,687	276,014
<b>Total available for appropriation</b>		<b>939,504</b>	816,866
Dividends paid	5	(187,448)	(137,049)
<b>Retained profits at the end of the financial year</b>		<b>752,056</b>	679,817
<b>9. Earnings per share</b>			
<b>Earnings reconciliation - basic</b>			
Net profit attributable to members of the Company:			
Before significant items		252,618	207,644
Less dividend paid on PRESSES		(18,551)	(18,357)
<b>Basic earnings before significant items</b>		<b>234,067</b>	189,287
Net profit attributable to members of the Company:			
After significant items		259,687	276,014
Less dividend paid on PRESSES		(18,551)	(18,357)
<b>Basic earnings after significant items</b>		<b>241,136</b>	257,657
<b>Earnings reconciliation – diluted</b>			
Net profit attributable to members of the Company:			
Before significant items		252,618	207,644
Less dividend paid on PRESSES		(18,551)	(18,357)
<b>Diluted earnings before significant items</b>		<b>234,067</b>	189,287
Net profit attributable to members of the Company:			
After significant items		259,687	276,014
Less dividend paid on PRESSES		(18,551)	-
<b>Diluted earnings after significant items</b>		<b>241,136</b>	276,014
<b>Weighted average number of ordinary shares used in calculating basic EPS before and after significant items (000's)</b>			
		918,979	886,319
Options		58	208
<b>Weighted average number of ordinary shares used in calculating diluted EPS before significant items (000's)</b>		<b>919,037</b>	886,527
PRESSES		-	71,386
<b>Weighted average number of ordinary shares used in calculating diluted EPS after significant items (000's)</b>		<b>919,037</b>	957,913
<b>Basic earnings per share (cents) based on net profit attributable to members of the Company</b>			
Before significant items		25.47	21.36
After significant items		26.24	29.07

# Statement of Financial Position as at 30 June 2005

## John Fairfax Holdings Limited and controlled entities

	2005	2004
	\$' 000	\$' 000

### 9. Earnings per share (cont)

#### Diluted earnings per share (cents) based on net profit attributable to members of the Company

Before significant items	25.47	21.35
After significant items	26.24	28.81

As at 30 June 2005, 196,000 options are dilutive and are included in the diluted EPS calculation before and after significant items. As at 30 June 2005, no PRESSES are dilutive and therefore are not included in the diluted EPS calculation before and after significant items.

As at 30 June 2004, all potential ordinary shares (PRESSES and options) were dilutive and included in the diluted EPS calculation after significant items. In accordance with AASB 1027 the Company had 71,385,689 potential ordinary shares (PRESSES) which were not dilutive before significant items and were not included in the diluted EPS calculation before significant items.

### 10. Interest-bearing liabilities

#### Current

Bank borrowings (unsecured)	7,043	36,393
Other borrowings (unsecured)	156,377	6,896
<b>Total current interest-bearing liabilities</b>	<b>163,420</b>	<b>43,289</b>

#### Non-current

Bank borrowings (unsecured)	849,622	1,019,930
Lease liability (unsecured)	52,921	54,422
<b>Total non-current interest-bearing liabilities</b>	<b>902,543</b>	<b>1,074,352</b>

The consolidated entity has access to an A\$550 million committed Syndicated Bank Facility. This facility can be drawn or utilised until May 2009. This facility is currently not drawn. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

The Company issued Redeemable Preference Shares in New Zealand with a principal value of NZ\$186.5 million (A\$173.6 million) in May 2005 with a fixed one year coupon of 8.03% p.a. payable quarterly in arrears. The Redeemable Preference shares mature in June 2010. The interest and principal on the Redeemable Preference shares are payable in NZ dollars and were swapped into one year fixed rate Australian dollars with a cross-currency swap and were partially used to repay the Medium Term Notes which were due 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.

## Notes to the Preliminary final report for the year ended 30 June 2005

### John Fairfax Holdings Limited and controlled entities

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	2005	2004
<b>11. Net tangible assets per security</b>		
Net tangible asset backing per ordinary security	(41.3)¢	(55.2)¢

### 12. Control gained over entities during the period

The consolidated entity gained control over Port Stephens Publishers Pty Limited on 1 July 2004.  
The consolidated entity gained control and full ownership of Victorian Lifestyle Property Pty Limited on 1 September 2004.

### 13. Loss of control of entities during the period

The consolidated entity did not lose control over any entity (or group of entities) during the period.

# Notes to the Preliminary final report for the year ended 30 June 2005

## John Fairfax Holdings Limited and controlled entities

### 14. Segment reporting

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

	Australia		New Zealand		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000
<b>Revenue</b>								
Sales to customers outside the economic entity	1,338,767	1,274,871	516,342	473,084	-	-	1,855,109	1,747,955
Other revenue from customers outside the economic entity	10,395	16,198	18,864	9,215	-	-	29,259	25,413
Share of equity accounted profits	2,792	1,317	115	91	-	-	2,907	1,408
<b>Total segment revenue</b>	<b>1,351,954</b>	<b>1,292,386</b>	<b>535,321</b>	<b>482,390</b>	<b>-</b>	<b>-</b>	<b>1,887,275</b>	<b>1,774,776</b>
Interest revenue							7,432	9,598
<b>Total revenue from ordinary activities</b>							<b>1,894,707</b>	<b>1,784,374</b>
<b>Result</b>								
Segment result before interest & borrowing costs	259,194	214,688	170,648	132,967	-	-	429,842	347,655
Unallocated expenses – net interest & borrowing costs							(78,431)	(71,894)
Consolidated profit from ordinary activities before income tax expense							351,411	275,761
Income tax benefit/(expense)							(91,090)	1,012
Consolidated profit from ordinary activities after income tax expense							260,321	276,773
<b>Assets</b>								
Segment assets	3,666,984	3,383,866	1,181,950	1,193,841	(1,296,075)	(1,104,908)	3,552,859	3,472,799
Unallocated assets							53,369	58,391
<b>Total assets</b>							<b>3,606,228</b>	<b>3,531,190</b>
<b>Liabilities</b>								
Segment liabilities	239,347	256,089	1,078,377	925,962	(1,016,178)	(838,904)	301,546	343,147
Unallocated liabilities							1,095,500	1,119,295
<b>Total liabilities</b>							<b>1,397,046</b>	<b>1,462,442</b>
<b>Other segment information:</b>								
Equity method investments included in segment assets	8,953	7,397	1,708	732	-	-	10,661	8,129
Acquisition of property, plant and equipment, intangible assets and other non-current assets	48,987	103,631	21,822	6,571	-	-	70,809	110,202
Depreciation	68,791	71,224	10,010	12,541	-	-	78,801	83,765
Amortisation	3,640	1,541	-	-	-	-	3,640	1,541
Non-cash expenses other than depreciation and amortisation	47,077	42,881	5,112	11,177	-	-	52,189	54,058

# Notes to the Preliminary final report for the year ended 30 June 2005

John Fairfax Holdings Limited and controlled entities

## 15. Underlying trading performance

	As reported		Adjustments		Underlying trading performance			
	Note	2005 \$'000	2004 \$'000	Note	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue	(i)	<b>1,884,368</b>	1,773,368	(vi)	<b>(10,961)</b>	(2,699)	<b>1,873,407</b>	1,770,669
Associate profits	(ii)	<b>2,907</b>	1,408			-	<b>2,907</b>	1,408
Expenses	(iii)	<b>1,374,992</b>	1,341,815	(viii)	<b>(6,922)</b>	(23,240)	<b>1,368,070</b>	1,318,575
EBITDA		<b>512,283</b>	432,961		<b>(4,039)</b>	20,541	<b>508,244</b>	453,502
Depreciation & amortisation	(iv)	<b>82,441</b>	85,306		-	-	<b>82,441</b>	85,306
EBIT		<b>429,842</b>	347,655		<b>(4,039)</b>	20,541	<b>425,803</b>	368,196
Net interest expense	(v)	<b>78,431</b>	71,894		-	-	<b>78,431</b>	71,894
Profit before tax		<b>351,411</b>	275,761		<b>(4,039)</b>	20,541	<b>347,372</b>	296,302
Tax expense/(benefit)		<b>91,090</b>	(1,012)	(vii)	<b>3,030</b>	88,911	<b>94,120</b>	87,899
Net profit		<b>260,321</b>	276,773		<b>(7,069)</b>	(68,370)	<b>253,252</b>	208,403
Net profit attributable to outside equity interest		<b>634</b>	759		-	-	<b>634</b>	759
Net profit attributable to members of the company		<b>259,687</b>	276,014		<b>(7,069)</b>	(68,370)	<b>252,618</b>	207,644
Less: PRESSES dividend		<b>18,551</b>	18,357		-	-	<b>18,551</b>	18,357
Net Profit attributable to the ordinary members of the company		<b>241,136</b>	257,657		<b>(7,069)</b>	(68,370)	<b>234,067</b>	189,287

### Notes:

- (i) Revenue from ordinary activities excluding interest income (Note 2).
- (ii) Share of net profits of associates and joint ventures (Note 2).
- (iii) Expenses from ordinary activities excluding depreciation and borrowing costs (Note 3(a)).
- (iv) Depreciation and amortisation (Note 3(b)).
- (v) Interest income (Note 2) less borrowing costs (Note 3(b)).
- (vi) Proceeds from the sale of property, plant and equipment, investments and controlled entities (Note 2)
- (vii) Effect of release or overprovision for taxes in the prior year (Note 4).
- (viii) Proceeds from the sale of property, plant and equipment, investments and controlled entities (Note 2).

## 16. Impacts of adopting Australian equivalents to IFRS

John Fairfax Holdings Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2003, the company established a formal project, allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, Fairfax established project teams to address each of the areas in order of priority. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, John Fairfax Holdings Limited's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Fairfax prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project teams; (b) potential amendments to AIFRS and Interpretations thereof being issued by the standard-setters and International Financial Reporting Interpretations Committee (IFRIC); and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations.

### (a) Reconciliation of equity as presented under AGAAP to that under AIFRS

Notes	Consolidated		The Company	
	30 June 2005	1 July 2004	30 June 2005	1 July 2004
	\$'000	\$'000	\$'000	\$'000
<b>Total equity under AGAAP</b>	2,209,182	2,068,748	1,610,694	1,451,506
<b>Adjustments to retained earnings</b>				
- derecognition of internally-generated intangibles	(i) (6,276)	(6,276)	-	-
- masthead impairment write down	(ii) (17,713)	(17,713)	-	-
- write back of goodwill amortisation	(iii) 2,359	-	-	-
- impact of taxation	(iv) (34,933)	(34,111)	(34,933)	(34,111)
- recognition of defined benefit pension asset	(v) 7,383	6,927	-	-
- defined benefit recognition of actuarial gains and losses	(vi) (552)	-	-	-
- recognition of share based payment expense	(vii) (595)	(179)	(595)	(179)
<b>Adjustments to other reserves</b>				
- recognition of share based payment expense	(vii) 595	179	595	179
- tax effect of share issue costs	(viii) 5,357	5,357	5,357	5,357
<b>Total equity under AIFRS</b>	2,164,807	2,022,932	1,581,118	1,422,752

- (i) Under AASB 138 *Intangible Assets*, internally generated intangible assets must meet strict criteria in order to be recognised. Intangible assets can only be re-valued if there is an active market. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance will not be recognised. Fairfax mastheads have been largely acquired, rather than internally generated. As such these mastheads are carried at the fair value attributed to them at the time of their acquisition and will continue to be so under AIFRS. Internally generated mastheads do not satisfy the recognition criteria under AIFRS and will be de-recognised on transition to AIFRS.

## 16. Impacts of adopting Australian equivalents to IFRS (cont)

### (a) Reconciliation of equity as presented under AGAAP to that under AIFRS, continued

- (ii) Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of its net selling price and value in use, with strict tests to be applied for assessing potential impairment, and detailed guidance given for assessing value in use. Unlike the current Australian Accounting Standards, AIFRS prohibits the inclusion of forecasted increases in profitability arising from a restructuring when calculating recoverable amount. The expected financial impact of such changes is regularly factored in when applying existing Australian Accounting Standards. Following an assessment of the recoverable amount of the Consolidated entity's individual mastheads in accordance with the more prescriptive and detailed requirements of AASB 136 *Impairment of Assets*, a transition adjustment of \$17,713,000 has been identified.
- (iii) Under AASB 3 *Business Combinations*, goodwill is no longer amortised, rather it is to be assessed annually for potential impairment. For the year ended 30 June 2005 the amortisation of goodwill recorded under AGAAP is written back in the AIFRS transition balance sheet.
- (iv) Under AASB 112 *Income Taxes*, the Fairfax Group would be required to use a balance sheet liability method, (rather than an income statement method) which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a deferred tax liability in relation to the re-valued assets. Under existing Australian Accounting Standards, the tax effects of asset revaluations are not recognised. The expected impact of the change in basis for the financial year ended 30 June 2005 is a cumulative increase in deferred tax liabilities of \$34,933,000 for the consolidated entity and the company.
- (v) Under AASB 119 *Employee Benefits*, the Fairfax Group would recognise the net surplus in its employer sponsored defined benefit funds as an asset. Fairfax has defined benefit superannuation plans in Australia and New Zealand. The AASB 1 election to recognise in full actuarial gains and losses at transition date through retained earnings has been adopted. At the date of transition an amount of \$6,927,000 is expected to be recognised as an asset of the consolidated entity with a consequential increase in retained earnings. (Company: \$nil)
- (vi) Under AASB 119 *Employee Benefits*, the Fairfax Group will recognise an increase to the profit for the year of \$456,000 to reflect the write back of contributions and the recognition of the service cost of the defined benefit funds based on actuarial valuations in the consolidated entity. Actuarial gains/losses of \$552,000 (Company: \$nil) are expected to be recognised directly through retained earnings.
- (vii) Under AASB 2 *Share based Payments*, the Fairfax Group would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payments costs are not recognised under existing Australian Accounting Standards.
- (viii) Under AASB 112 *Income Taxes*, the Fairfax Group would be required to recognise the tax effect of share issuance costs directly into reserves.

### (b) Reconciliation of net profit under AGAAP to that under AIFRS

	Notes	Consolidated	The Company
		\$'000	\$'000
<b>Net profit as reported under AGAAP</b>		<b>259,687</b>	<b>278,757</b>
Amortisation of goodwill	(iii)	2,359	-
Share-based payment expense	(ix)	(416)	(416)
Movement in defined benefit pension asset	(vi)	456	-
Adjustment to income tax expense	(x)	(822)	(822)
<b>Net profit under IFRS</b>		<b>261,264</b>	<b>277,519</b>

- (ix) Under AASB 2 *Share based Payments*, employee benefits expense, retained earnings and reserves will be increased by \$416,000 to reflect the expensing of unvested share based payments for the reporting period.
- (x) Under AASB 112 *Income Taxes*, adjustments will need to be made to income tax expense for the Fairfax Group and the Company as a result of the impact of the AIFRS transition adjustments outlined above.

## 16. Impacts of adopting Australian equivalents to IFRS (cont)

### (c) Consideration of the impact of other AIFRS standards and elections taken

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS

### (d) Consideration of the impact of other AIFRS standards and elections taken

- (i) *AASB 132 Financial Instruments: Disclosure and Presentation*, and *AASB 139 Financial Instruments: Recognition and Measurement*. *AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, provides an election whereby the requirements of AASB 132 and AASB 139 are not required to be applied to the first AIFRS comparative year; the Fairfax Group has taken this election and will apply these standards from 1 July 2005. Under AASB 132 and AASB 139, certain financial instruments held by the Fairfax Group will be reclassified as financial liabilities rather than as equity instruments. Consequently, the associated dividend payments will be recognised as an interest expense through the Statement of Financial Performance rather than as equity distributions. Fairfax has \$250m of PRESSES on issue that are classified as equity under current Australian GAAP. As noted above, the application of AASB 132 is not required for comparative periods and first time adoption of this change will be at 1 July 2005.
- (ii) *AASB 3 Business Combinations*. As permitted by the election available under *AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, the classification and accounting treatment of business combinations that occurred prior to transition date have not been restated in preparing the opening AIFRS balance sheet.
- (iii) The consolidated entity has not chosen to adopt the AASB 1 election to reset the foreign currency translation reserve to \$nil. Therefore as at 1 July 2004 the consolidated reserve will be retained with a credit balance of \$19,066,000.

# Notes to the Preliminary final report for the year ended 30 June 2005

John Fairfax Holdings Limited and controlled entities

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## Compliance statement

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

<input type="checkbox"/>	The accounts have been audited.	<input type="checkbox"/>	The accounts have been subject to review.
<input checked="" type="checkbox"/>	The accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The accounts have not yet been audited or reviewed.
5. The entity does have a formally constituted audit committee.

Sign here: .....  
(Director)

Date: .....

Print name: .....

## Commentary on results for the period

Refer to press release.