

Fairfax¹⁹⁹⁹

Financial Report



For the year ended 30 June 1999

Contents

Financial Report

PROFIT AND LOSS STATEMENTS	3
BALANCE SHEETS	4
STATEMENTS OF CASH FLOWS	5
NOTES TO THE FINANCIAL REPORT	
1. Statement of Accounting Policies	6
2. Revenue	9
3. Operating Profit	9
4. Abnormal Items	10
5. Income Tax	10
6. Dividends Paid and Proposed	11
7. Receivables	11
8. Inventories	11
9. Investments	12
10. Property, Plant and Equipment	12
11. Intangibles	13
12. Future Income Tax Benefits	13
13. Accounts Payable	13
14. Borrowings	13
15. Provisions	14
16. Issued Capital	14
17. Reserves	16
18. Outside Equity Interests	16
19. Earnings Per Share	16
20. Commitments	17
21. Contingent Liabilities	17
22. Controlled Entities	17
23. Acquisition and Disposal of Controlled Entities	19
24. Investments in Associates	19
25. Employee Entitlements	20
26. Superannuation Commitments	20
27. Auditors' Remuneration	21
28. Remuneration of Directors and Executives	21
29. Related Party Disclosures	22
30. Notes to the Statements of Cash Flows	24
31. Financial Instruments	24

Profit and Loss Statements

John Fairfax Holdings Limited and Controlled Entities

For the year ended 30 June 1999

	Note	Consolidated		Company	
		1999	1998	1999	1998
		\$000	\$000	\$000	\$000
Trading revenue	2	1,144,762	1,109,344	61,352	171,823
Operating expenses					
Staff costs		341,370	345,286	20,012	17,274
Newsprint and paper		193,256	171,745	-	-
Other		288,139	299,192	22,880	11,230
		<u>822,765</u>	816,223	<u>42,892</u>	28,504
Operating profit before depreciation, interest, income tax and abnormal items		321,997	293,121	18,460	143,319
Depreciation and amortisation	3	(67,091)	(69,305)	(405)	(200)
Operating profit before interest, income tax and abnormal items		254,906	223,816	18,055	143,119
Net interest (expense) income	2,3	(46,698)	(55,912)	38,921	33,272
Operating profit before abnormal items and income tax		208,208	167,904	56,976	176,391
Abnormal items before income tax	3,4	26,485	(8,473)	(15,643)	(9,752)
Operating profit before income tax		234,693	159,431	41,333	166,639
Income tax (expense) benefit attributable to operating profit	5	(56,174)	(47,649)	472	(2,948)
Operating profit after income tax		178,519	111,782	41,805	163,691
Outside equity interests in operating profit after income tax		1,750	(17)	-	-
Operating profit after income tax attributable to members of the Company*		180,269	111,765	41,805	163,691
Retained profits at the beginning of the financial year		279,507	244,010	87,600	547
Adjustment resulting from adoption of revised accounting standard – AASB 1016: Accounting for investments in associates		(14,941)	-	-	-
Aggregate amounts transferred from reserves	17	1,089	370	-	-
Total available for appropriation		445,924	356,145	129,405	164,238
Dividends provided for or paid	6	(76,369)	(76,638)	(76,369)	(76,638)
Aggregate amounts transferred to reserves	17	(7,125)	-	-	-
Retained profits at the end of the financial year		362,430	279,507	53,036	87,600
* Operating profit after income tax attributable to members of the Company comprises:					
Net profit before abnormal items					
Continued businesses		134,012	103,726	51,816	169,932
Discontinued businesses		456	7,837	-	-
		<u>134,468</u>	111,563	<u>51,816</u>	169,932
Abnormal items (net)	4	45,801	202	(10,011)	(6,241)
		<u>180,269</u>	111,765	<u>41,805</u>	163,691

Balance Sheets

John Fairfax Holdings Limited and Controlled Entities

As at 30 June 1999

	Note	Consolidated		Company	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
Current assets					
Cash		19,876	1,913	298	1,296
Receivables	7	174,882	153,072	531	1,337
Inventories	8	16,501	23,047	-	-
Total current assets		211,259	178,032	829	2,633
Non-current assets					
Receivables	7	31,460	23,317	633,404	916,985
Investments	9	92,579	32,910	83,356	83,356
Property, plant and equipment	10	478,030	553,581	11,322	1,830
Intangibles	11	1,247,119	1,264,120	-	-
Future income tax benefits	12	44,794	46,218	2,783	2,152
Total non-current assets		1,893,982	1,920,146	730,865	1,004,323
Total assets		2,105,241	2,098,178	731,694	1,006,956
Current liabilities					
Accounts payable	13	153,138	116,906	10,310	4,063
Borrowings	14	9,700	-	-	-
Provisions	15	114,631	94,978	49,584	50,666
Total current liabilities		277,469	211,884	59,894	54,729
Non-current liabilities					
Borrowings	14	746,218	669,521	-	-
Provisions	15	97,092	74,423	3,990	4,072
Total non-current liabilities		843,310	743,944	3,990	4,072
Total liabilities		1,120,779	955,828	63,884	58,801
Net assets		984,462	1,142,350	667,810	948,155
Shareholders' equity					
Issued capital	16	614,774	406,933	614,774	406,933
Reserves	17	6,472	455,910	-	453,622
Retained profits		362,430	279,507	53,036	87,600
Shareholders' equity attributable to members of the Company		983,676	1,142,350	667,810	948,155
Outside equity interests in controlled entities	18	786	-	-	-
Total shareholders' equity		984,462	1,142,350	667,810	948,155

Statements of Cash Flows

John Fairfax Holdings Limited and Controlled Entities

For the year ended 30 June 1999

	Note	Consolidated		Company	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
Cash flows from operating activities					
Receipts from customers		1,130,658	1,097,231	-	-
Payments to suppliers and employees		(839,394)	(821,610)	(46,513)	(34,578)
Redundancy and severance payments		(15,158)	(7,133)	(6,560)	(3,039)
Dividends and unit trust income received		17,525	2,015	-	-
Interest received		2,484	1,301	119	-
Borrowing costs paid		(50,236)	(59,343)	-	(25)
Income taxes paid		(3,831)	(65)	-	-
Net cash provided by (used in) operating activities	30(b)	242,048	212,396	(52,954)	(37,642)
Cash flows from investing activities					
Payment for property, plant & equipment		(53,275)	(42,801)	(9,897)	(820)
Proceeds from sale of property, plant & equipment		11,484	3,117	-	-
Payment for investments		-	(126)	-	-
Proceeds from sale of investments		11,258	5,500	-	-
Payment for controlled entities	30(d)	(5,304)	-	-	-
Proceeds from sale of controlled entities / businesses	30(c)	46,772	34,340	-	-
Payment for mastheads and tradenames		(4,925)	(4,589)	-	-
Loans and deposits issued		(11,383)	(8,290)	-	-
Advances from controlled entities		-	-	385,133	99,403
Net cash (used in) provided by investing activities		(5,373)	(12,849)	375,236	98,583
Cash flows from financing activities					
Proceeds from issues of shares and debentures		4,831	16,365	4,831	16,365
Payment for buy-back of shares		(250,612)	-	(250,612)	-
Dividends paid		(77,499)	(76,188)	(77,499)	(76,188)
Proceeds from borrowings		442,664	11,922	-	-
Repayment of borrowings		(361,563)	(155,000)	-	-
Loan from associated entity		23,467	-	-	-
Net cash used in financing activities		(218,712)	(202,901)	(323,280)	(59,823)
Net increase (decrease) in cash held					
Cash at the beginning of the financial year		17,963	(3,354)	(998)	1,118
		1,913	5,267	1,296	178
Cash at the end of the financial year	30(a)	19,876	1,913	298	1,296

1. Statement of Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Law which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. The report has been prepared on the basis of historical costs and except where stated do not take into account changing money values or current valuations of non-current assets.

The accounting policies have been applied consistently by each entity in the consolidated entity and are consistent with those of the previous year except as noted below. Certain comparative figures have been re-classified to conform with changes in presentation for the current year.

(b) Principles of Consolidation

The financial report of the consolidated entity comprise the accounts of the Company, John Fairfax Holdings Limited, and its controlled entities.

Where control of an entity either began or ceased during a financial year, its results are included in consolidated operating profit only from the date control commenced or until the date control ceased.

All inter-entity balances and transactions, and unrealised profits arising from intra consolidated entity transactions, have been eliminated in full.

(c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to investments in associates (refer note 1 (f)).

The consolidated entity has adopted the revised Accounting Standard, AASB 1016: Accounting for Investments in Associates and has for the first time, accounted for its investments in associates in accordance with the equity method of accounting in its consolidated financial statements.

The effect of the revised policy has been to increase current year consolidated profits by \$81,915,000. The change in accounting policy has also resulted in an increase in basic earnings per share of 10.53 cents. There has been no effect on the financial statements of the Company resulting from the change in accounting policy. Refer also to note 24.

(d) Debentures

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

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

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

(e) Inventories

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

- ➔ Raw materials (comprising mainly newsprint and paper on hand) are assessed at average cost and newsprint and paper in transit by specific identification cost.
- ➔ Work in progress and finished goods are valued at direct material and labour costs, together with a proportion of indirect labour costs and manufacturing overheads where appropriate.
- ➔ In the case of other inventories, cost is assigned by the weighted average cost method.

A provision for diminution in value of inventories exists to cover a decline in value which might arise from the effects of storage hazards.

1. Statement of Accounting Policies (cont.)

(f) Investments

Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. Other investments are carried at the lower of cost or recoverable amount. The carrying amount is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed based upon the present value of expected future cashflows or the estimated fair value of underlying net assets of the particular entities. Dividends are brought to account as they are received.

(g) Property, Plant and Equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below. Costs arising from the acquisition or construction of fixed assets, including internal labour and interest, are capitalised as part of the cost.

Valuation

Land and buildings are independently valued on a consistent basis on the same date every three years. Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount.

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

Leasing

Leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset are transferred to the consolidated entity are classified as finance leases.

Finance leases are capitalised and recorded as an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest for the period.

Operating leases, where the lessor effectively retains all the risk and benefits of ownership of the leased asset, are not capitalised. Rental payments are charged as an expense in the periods to which they relate.

Depreciation and Amortisation

Depreciation is determined using the straight-line method of calculation. It is calculated on the cost or revalued amount recorded for buildings, plant and equipment so as to write off the asset over its estimated useful life. In the case of land, no provision for depreciation has been made.

Estimated useful lives of property, plant and equipment on which depreciation charges are based are as follows:

- ➔ Buildings - up to 40 years
- ➔ Presses - up to 20 years
- ➔ Other production equipment - up to 15 years
- ➔ Other equipment - up to 40 years

Leased assets are amortised over the life of the relevant lease, or where it is likely that the company will obtain ownership of the asset, over the useful life of the asset.

(h) Mastheads and Tradenames

Mastheads and tradenames are carried at cost and are not amortised. In accordance with AASB 1021, no amortisation is provided against the carrying value of these assets because the directors believe that the life of these assets is of such duration and the residual value would be such that the amortisation charge, is not material. The carrying amount is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed based upon the present value of expected future cashflows.

(i) Employee Entitlements

Provision has been made for salaries and wages, holiday pay, long service leave and other entitlements payable to employees under statutory and contractual requirements. The provision has been allocated into current and non-current proportions. The current proportion relates to the amount of the provision which is expected to be payable in the ensuing twelve months and is measured in nominal value. The non-current proportion relates to entitlements which are expected to be payable after twelve months from balance date and are measured at the present value of the expected future cash outflows. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

1. Statement of Accounting Policies (cont.)

(j) Revenue Recognition

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

(k) Income Tax

Income tax has been accounted for using the liability method of tax effect accounting whereby income tax expense is based upon the accounting profit adjusted for permanent differences.

Future income tax benefits attributable to income tax losses, capital losses and timing differences are brought to account when realisation of the benefit is considered to be virtually certain and will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the consolidated entity has complied and continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the loss.

(l) Foreign Currency

Foreign currency transactions are initially converted to Australian currency at the rate of exchange ruling on the date of the transaction or, where appropriate, at rates specified under forward exchange contracts. Amounts payable and receivable at balance date are translated at rates applicable at that date.

Except for certain specific hedges and hedges of foreign currency operations, all resulting exchange differences arising on settlement or re-statement are brought to account in determining the profit and loss for the financial year. Transaction costs, premiums and discounts on forward currency contracts are deferred and amortised over the life of the contract.

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are included with the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the profit and loss account.

The accounts of overseas subsidiaries are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

(m) Derivatives

The consolidated entity uses derivative financial instruments to hedge interest rate and foreign exchange risks. Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure. Derivative financial instruments are not held for speculative purposes.

Interest Rate Swaps and Forward Rate Agreements

Interest payments and receipts under interest rate swap contracts and realised gains and losses on forward rate agreements are recognised on an accruals basis in the profit and loss account as an adjustment to interest expense during the period.

Interest Rate Options

Interest rate options are used to hedge interest rate exposures. The premiums paid or received on interest rate options and any realised gains or losses on exercise are amortised to interest expense over the terms of the agreements.

Forward Foreign Exchange Contracts

The accounting for forward foreign exchange contracts is set out in note 1(l).

(n) Industry and Geographical Segments

The consolidated entity operates predominantly within the media industry and predominantly within Australia.

For the year ended 30 June 1999

	Note	Consolidated		Company	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
2. Revenue					
Operating Revenue					
Advertising and circulation revenue generated from the sale of:					
Newspapers		986,544	923,336	-	-
Magazines		109,147	96,728	-	-
Other		37,891	80,231	1,298	636
		<u>1,133,582</u>	<u>1,100,295</u>	<u>1,298</u>	<u>636</u>
Revenue from rendering of services		10,305	7,034	18,494	16,187
Dividend income:					
Wholly-owned controlled entities		-	-	41,560	155,000
Other corporations		545	1,815	-	-
Distributions from unit trusts		330	200	-	-
		<u>1,144,762</u>	<u>1,109,344</u>	<u>61,352</u>	<u>171,823</u>
Trading revenue					
Proceeds from sale of property, plant and equipment		11,484	3,117	-	-
Proceeds from sale of investments		11,258	5,500	-	-
Proceeds from sale of controlled entities / businesses		46,772	34,340	-	-
Interest income:					
Wholly-owned controlled entities		-	-	89,586	93,563
Other persons / corporations		2,484	1,301	119	-
		<u>1,216,760</u>	<u>1,153,602</u>	<u>151,057</u>	<u>265,386</u>
Total operating revenue					
Non-operating revenue					
Share of associate's net profit		98,565	-	-	-
		<u>1,315,325</u>	<u>1,153,602</u>	<u>151,057</u>	<u>265,386</u>
3. Operating Profit					
Operating profit before income tax has been arrived at after charging (crediting) the following items:					
Borrowing costs					
Interest expense:					
Wholly-owned controlled entities		-	-	50,784	60,266
Other persons / corporations		42,486	50,442	-	25
Finance charges on capitalised leases		6,696	6,771	-	-
		<u>49,182</u>	<u>57,213</u>	<u>50,784</u>	<u>60,291</u>
Total borrowing costs					
Depreciation of freehold property		6,621	6,596	-	-
Depreciation of plant and equipment		59,229	61,470	405	200
Amortisation of leasehold property		1,241	1,239	-	-
		<u>67,091</u>	<u>69,305</u>	<u>405</u>	<u>200</u>
Total depreciation and amortisation					
Amounts provided for:					
Employee entitlements		7,768	11,824	909	651
Doubtful trade debts		2,828	2,829	-	-
Diminution in value of inventories		(31)	(98)	-	-
Other		(834)	1,183	-	-
		<u>9,731</u>	<u>15,738</u>	<u>909</u>	<u>651</u>
Total amounts set aside to provisions					
Operating lease rental expense		9,786	12,941	-	-
Net foreign exchange loss/(profit)		116	(503)	(69)	(216)
Net loss/(profit) on disposal of property, plant & equipment		1,233	(107)	-	-
Net profit on disposal of investments		(5,556)	(500)	-	-
Write down of property, plant and equipment		40,000	-	-	-
Write down of intangibles		1,070	-	-	-

For the year ended 30 June 1999

		Consolidated		Company	
	Note	1999 \$000	1998 \$000	1999 \$000	1998 \$000
4. Abnormal Items					
Abnormal items of income (expense) comprise:					
Share of associates net abnormal profit		98,565	-	-	-
Restructure and redundancy costs		(12,289)	(15,070)	(5,919)	(2,951)
Income tax benefit applicable		4,424	5,173	2,131	1,062
Development and relaunch costs		-	(11,636)	-	-
Income tax benefit applicable		-	4,189	-	-
System and Year 2000 costs		(11,592)	(6,801)	(9,724)	(6,801)
Income tax benefit applicable		4,173	2,449	3,501	2,449
Superannuation contribution shortfall relating to prior years		(7,474)	-	-	-
Income tax benefit applicable		2,691	-	-	-
Disposal of controlled entities / businesses	23 & 30	(1,920)	25,034	-	-
Income tax expense applicable		-	(8,176)	-	-
Disposal of non-current assets		2,265	-	-	-
Income tax expense applicable		(252)	-	-	-
Write down of non-current assets		(41,070)	-	-	-
Income tax benefit applicable		13,320	-	-	-
Prior years tax losses recognised		(5,040)	5,040	-	-
Net abnormal items after income tax		45,801	202	(10,011)	(6,241)
Abnormal items before income tax		26,485	(8,473)	(15,643)	(9,752)
Income tax benefit		19,316	8,675	5,632	3,511
		45,801	202	(10,011)	(6,241)

5. Income Tax

The prima facie tax on operating profit is reconciled to the income tax provided in the accounts as follows:

Prima facie tax on operating profit		84,489	57,395	14,880	59,990
Tax effect of permanent differences:					
Share of associate's net profit		(35,483)	-	-	-
Current year tax losses not recognised		1,575	-	-	-
Development allowance		-	(2,229)	-	-
Prior years tax losses recognised		5,040	(5,040)	-	-
Capital profits not taxable		(616)	(2,186)	-	-
Rebatable dividends		-	-	(14,961)	(55,800)
Other		1,169	(291)	(391)	(1,242)
Income tax expense (benefit) attributable to operating profit		56,174	47,649	(472)	2,948
Income tax expense (benefit) comprises:					
Provision attributable to current year		31,768	186	-	-
(Increase) decrease in future income tax benefits:					
Timing differences		(12,354)	(4,703)	(472)	(2,268)
Tax losses utilised		13,737	47,238	-	5,216
Increase (decrease) in deferred income tax liability		23,023	4,928	-	-
		56,174	47,649	(472)	2,948

For the year ended 30 June 1999

	Note	Consolidated		Company	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
6. Dividends Paid and Proposed					
Fully franked interim dividend of 4.0 cents (1998 3.5 cents unfranked) per share / debenture paid 31 March 1999		29,049	27,953	29,049	27,953
Proposed fully franked final dividend of 6.5 cents (1998 6.0 cents unfranked) per share / debenture		47,320	48,685	47,320	48,685
Total dividends provided for or paid		76,369	76,638	76,369	76,638

Franking credits available at 30 June 1999 total \$15,900,000. An additional \$51,916,000 of available franking credits will arise from the payment of income tax payable as at 30 June 1999. Of these amounts \$47,320,000 will be used to pay a fully franked dividend proposed at 30 June 1999. It is anticipated that dividends payable in the following year will be fully franked. At 30 June 1998 there were no franking credits against which franked dividends could be paid.

7. Receivables

Current

Trade debtors	172,661	154,348	-	-
Provision for doubtful debts	(12,289)	(11,884)	-	-
	160,372	142,464	-	-
Loans and deposits	105	1,061	-	1,000
Other debtors and prepayments	14,405	9,547	531	337
Total current receivables	174,882	153,072	531	1,337

Movement in provision for doubtful debts

Balance at the beginning of the financial year	11,884	11,933	-	-
Bad and doubtful debts provided for during the year	2,828	2,829	-	-
Bad debts previously provided for written-off during the year	(2,813)	(2,550)	-	-
Controlled entities/businesses sold during year	(16)	(328)	-	-
Controlled entities acquired during year	406	-	-	-
Balance at the end of the financial year	12,289	11,884	-	-

Non-current

Amounts receivable from wholly-owned controlled entities	-	-	632,847	916,985
Loans and deposits	31,460	23,317	557	-
Total non-current receivables	31,460	23,317	633,404	916,985

8. Inventories

Current

Raw materials and stores, at cost	16,649	15,122	-	-
Provision for diminution in value	(343)	(532)	-	-
	16,306	14,590	-	-
Finished goods, at cost	195	8,457	-	-
Total inventories	16,501	23,047	-	-

For the year ended 30 June 1999

	Note	Consolidated		Company	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
9. Investments					
Shares in associated company (unlisted) at equity accounted amount (1998 at June 1998 directors' valuation)	24	89,738	24,367	-	-
Shares in other (unlisted), at June 1998 directors' valuation		2,194	7,896	-	-
Shares in controlled entities not listed on a prescribed stock exchange, at cost		-	-	83,356	83,356
Interests in unit trusts, at June 1999 directors' valuation (1998 at June 1996 directors' valuation)		647	647	-	-
Total investments		92,579	32,910	83,356	83,356
10. Property, Plant and Equipment					
Freehold land and buildings					
At independent valuation 1997		39,259	52,734	-	-
Provision for depreciation		(1,529)	(983)	-	-
		37,730	51,751	-	-
At cost		63,055	55,507	-	-
Provision for depreciation		(17,201)	(11,308)	-	-
		45,854	44,199	-	-
		83,584	95,950	-	-
Leasehold buildings					
At independent valuation 1997		692	692	-	-
Provision for amortisation		(123)	(115)	-	-
		569	577	-	-
At cost		49,435	49,546	-	-
Provision for amortisation		(4,075)	(2,859)	-	-
		45,360	46,687	-	-
		45,929	47,264	-	-
Plant and equipment					
At cost		548,630	548,578	11,927	2,030
Provision for depreciation		(227,709)	(151,441)	(605)	(200)
		320,921	397,137	11,322	1,830
Capital works in progress, at cost		27,596	13,230	-	-
Total property, plant and equipment		478,030	553,581	11,322	1,830

The independent valuation in 1997 was carried out by PR Dickinson AVLE (Val) AREI of Richard Ellis (Victoria) Pty Limited and was performed on the basis of market value - existing use.

Land and buildings at cost were completed during the financial year ended 30 June, 1997.

For the year ended 30 June 1999

	Note	Consolidated		Company	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
11. Intangibles					
Mastheads and tradenames, at cost		1,232,884	1,264,120	-	-
Goodwill, at cost		14,235	-	-	-
Total intangibles		1,247,119	1,264,120		

12. Future Income Tax Benefits

The future income tax benefit comprises the estimated future benefit at current income tax rates of the following:

Tax losses		-	13,737	-	-
Timing differences		44,794	32,481	2,783	2,152
Total future income tax benefits		44,794	46,218	2,783	2,152

13. Accounts Payable

Current

Trade and other creditors		150,490	113,204	10,310	4,063
Accrued interest on bank borrowings		2,648	3,702	-	-
Total current accounts payable		153,138	116,906	10,310	4,063

14. Borrowings

Current

Bank borrowings (unsecured)		9,700	-	-	-
-----------------------------	--	-------	---	---	---

Non-current

Bank borrowings (unsecured)		-	360,000	-	-
Other borrowings (unsecured)		693,743	258,018	-	-
Lease liability (secured)		52,475	51,503	-	-
Total non-current borrowings		746,218	669,521	-	-

The consolidated entity has access to a \$400 million committed bank facility. This facility can be drawn or utilised in various forms including overdraft, loan, bill, acceptance and letter of credit until 30 November 1999. A working capital facility totalling \$12 million is also available until June 2000. The interest rate for loan or similar drawings under these facilities is the applicable bank bill bid rate plus a credit margin. Overdraft drawings incur interest at the Bank Benchmark Rate.

A combined commercial paper program was established in November 1998. The facility comprises combined Promissory Notes and Medium Term Notes (MTN) totalling \$500m. The facility has issued \$150 million MTN's due April 2002 and \$280 million Promissory Notes with maturities of 30-90 days. The Promissory Notes are supported by standby lines to the value of \$350 million maturing in November 2001 and February 2002.

Senior Notes with a principal of US\$120 million and maturing on 19 December 2006 were issued in December 1996. The Senior Notes were issued at par with a fixed interest coupon of 7.43% per annum payable semi-annually in arrears. Interest and principal on the Senior Notes is payable in US dollars.

The Chullora printing facility in Sydney is partially financed by a finance lease facility and loans with maturity dates of September 2015. A loan with principal outstanding of \$60.8 million drawn in February 1996, is in the form of a CPI indexed annuity. A loan with current principal outstanding of \$52.2 million is a fixed rate facility with an established drawdown and repayment schedule. Drawdowns under this facility will continue until March 2000 at which time outstanding principal will reach \$53.7 million.

For the year ended 30 June 1999

	Note	Consolidated		Company	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
15. Provisions					
Current					
Employee entitlements	25	30,247	31,158	1,644	1,576
Dividends		47,320	48,450	47,320	48,450
Income tax		29,203	1,307	-	-
Other		7,861	14,063	620	640
Total current provisions		114,631	94,978	49,584	50,666
Non-current					
Employee entitlements	25	36,292	34,945	1,846	1,307
Deferred income tax liability		57,778	34,765	-	-
Other		3,022	4,713	2,144	2,765
Total non-current provisions		97,092	74,423	3,990	4,072

16. Issued Capital

Shares					
727,628,595 (1998 799,864,595) ordinary shares fully paid		614,424	399,933	614,424	399,933
Debentures					
350,281 (1998 7,000,281) debentures fully paid		350	7,000	350	7,000
Total issued capital		614,774	406,933	614,774	406,933

Movements in issued capital during the financial year

	Number	Issue Price
Shares		
Balance on issue at 30 June 1998	799,864,595	
Share buy-back*	(80,650,000)	
Converted from debentures	6,650,000	\$1.00
Converted from options:		
	499,000	\$2.67
	115,000	\$2.78
	80,000	\$2.60
	100,000	\$2.99
	200,000	\$2.88
	30,000	\$2.82
	700,000	\$2.72
	40,000	\$2.64
		<u>1,764,000</u>
Balance on issue at 30 June 1999		<u>727,628,595</u>

*In February 1999 the Company bought back 80,650,000 shares held by Brierley Investments Limited for \$250 million.

	Number
Debentures	
Balance on issue at 30 June 1998	7,000,281
Converted to shares	(6,650,000)
Balance on issue at 30 June 1999	<u>350,281</u>

Options to acquire shares

During the year, the consolidated entity granted 4,900,000 options to acquire shares on a one-for-one basis to 8 employees. The exercise price of the options is equivalent to the Company's share prices, as quoted on the Australian Stock Exchange, at the date the options were issued. At balance date, the Company's closing share price was \$4.50.

16. Issued Capital (cont.)

Options to acquire shares (continued)

	Number
Balance on issue at 30 June 1998	10,000,000
Granted during the year	4,900,000
Forfeited during the year	(1,993,000)
Exercised and converted to shares	<u>(1,764,000)</u>
Balance on issue at 30 June 1999	<u>11,143,000</u>

Balance comprised of:

Date of grant	Exercise price	Number
Employee scheme options		
12 September 1994	\$2.69	75,000
23 November 1994	\$2.60	20,000
5 April 1995	\$2.78	70,000
22 August 1995	\$2.64	60,000
24 November 1995	\$2.69	110,000
24 January 1996	\$2.88	300,000
26 March 1996	\$2.82	20,000
6 June 1996	\$2.67	300,000
28 June 1996	\$2.67	2,298,000
29 January 1997	\$2.84	150,000
3 September 1997	\$3.12	350,000
3 October 1997	\$3.37	150,000
19 November 1997	\$3.15	200,000
27 February 1998	\$2.93	900,000
25 June 1998	\$2.77	190,000
11 September 1998	\$2.76	50,000
19 November 1998	\$3.08	400,000
1 March 1999	\$3.97	250,000
11 May 1999	\$3.97	500,000
25 June 1999	\$4.25	200,000
Other Options		
20 November 1996*	\$2.72	1,050,000
16 December 1998**	\$2.85	<u>3,500,000</u>
		<u>11,143,000</u>

Employee scheme options

On and after two years from the date of issue, 40% of options will become conditionally exercisable. On and after the passing of each subsequent year, a further 20% of the options will become conditionally exercisable. Options not exercised within five years of issue will lapse. On exercise, each option is convertible to one ordinary share. The maximum number of employee scheme options which may be issued at any one time is 4 per cent of the number of ordinary shares of the Company on issue at that date. The number of employee scheme options outstanding, which were issued under the employee option incentive scheme, is equivalent to 0.9% of the ordinary shares on issue at 30 June 1999. There are currently 126 employees eligible to participate in the scheme.

Other Options

*These options may be exercised any time up to 20 November 2001 after which date they lapse. On exercise, each option is convertible to one ordinary share.

**These options were issued to F G Hilmer, a director and chief executive of the Company. The first tranche of 1,400,000 options is exercisable from 16 December 2000. The second tranche of 700,000 options is exercisable from 16 December 2001. The third tranche of 700,000 options is exercisable from 16 December 2002. The fourth tranche of 700,000 options is exercisable from 16 December 2003. These options are subject to a qualifying share price having been achieved not earlier than six months before the start of the exercise period or at any time after. Options not exercised by 16 December 2003 lapse. On exercise, each option is convertible to one ordinary share. The exercise price of \$2.85 may be subject to adjustment for rights issues, bonus issues or for capital reconstructions as provided in the Share Option Deed.

For the year ended 30 June 1999

	Note	Consolidated		Company	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
17. Reserves					
Share premium		-	453,622	-	453,622
Asset revaluation		6,405	1,971	-	-
Foreign currency translation		67	317	-	-
Total reserves		6,472	455,910	-	453,622
Movements in reserves					
Share premium reserve					
Balance at the beginning of the financial year		453,622	426,933	453,622	426,933
Transfer of balance as at 1 July 1998 to the share capital account as a result of abolition of par value concept		(453,622)	-	(453,622)	-
Premium on shares issued		-	26,689	-	26,689
Balance at the end of the financial year		-	453,622	-	453,622
Asset revaluation reserve					
Balance at the beginning of the financial year		1,971	2,265	-	-
Adjustments resulting from adoption of revised Accounting Standard AASB 1016:					
Reversal of previous revaluations of investment in associates		(7,125)	-	-	-
Share of post-acquisition increments in reserves of associates		5,523	-	-	-
Transfer from/(to) retained earnings		6,036	(294)	-	-
Balance at the end of the financial year		6,405	1,971	-	-
Foreign currency translation reserve					
Balance at the beginning of the financial year		317	74	-	-
Net (loss)/gain on translation of overseas controlled entities		(250)	319	-	-
Transfer to retained earnings		-	(76)	-	-
Balance at the end of the financial year		67	317	-	-
18. Outside Equity Interests					
Balance at the beginning of the financial year		-	90		
Share acquisition of controlled entity		2,536	-		
Share of operating (loss)/profit		(1,750)	17		
Interest in controlled entities disposed of during year	23	-	(107)		
Total outside equity interests		786	-		
19. Earnings Per Share					
Basic earnings per share (cents) based on operating profit:					
Before abnormal items		17.28	13.93		
After abnormal items		23.16	13.95		
Diluted earnings per share has not been disclosed as it is not materially different from basic earnings per share					
Weighted average number of ordinary shares and debentures used in the calculation of basic earnings per share ('000s)		778,272	801,186		

For the year ended 30 June 1999

	Note	Consolidated		Company	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
20. Commitments					
Finance lease liabilities					
Payable:					
Not later than one year		6,835	5,745	-	-
Later than one year but not later than two years		5,209	5,925	-	-
Later than two years but not later than five years		21,708	19,259	-	-
Later than five years		100,998	110,570	-	-
Minimum lease payments		134,750	141,499	-	-
Less future finance charges		82,275	89,996	-	-
Total lease liability		52,475	51,503	-	-
Classified as:					
Non-current	14	52,475	51,503	-	-
Operating lease commitments					
Payable:					
Not later than one year		12,074	8,287	-	-
Later than one year but not later than two years		12,131	12,641	-	-
Later than two years but not later than five years		33,078	34,716	-	-
Later than five years		10,596	30,608	-	-
Total operating lease commitments		67,879	86,252	-	-
Capital expenditure commitments					
Payable:					
Not later than one year		5,689	8,621	-	-

21. Contingent Liabilities

Related bodies corporate

Under the terms of an ASIC class order, the Company and certain controlled entities, identified in note 22, have guaranteed any deficiency of funds if any party to the class order is wound up (refer note 22). No such deficiency exists.

Other persons

From time to time, entities in the consolidated entity are sued for defamation and similar matters in the ordinary course of business. The amount of contingency for such actions cannot be determined with any accuracy. However, on the basis of professional advice, the accounts incorporate adequate provision to cover material contingencies.

22. Controlled Entities

	Notes		Notes
John Fairfax Holdings Limited	(a),(c)		
Controlled entities			
Associated Newspapers Limited	(a)	John Fairfax Group Finance Pty Limited	(a)
Australian Geographic Pty Limited	(a),(f)	John Fairfax Limited	(a)
Big Colour Pages Pty Limited	(e)	John Fairfax & Sons Limited	(a)
Big Hand Asia Pacific Pty Limited		John Fairfax (UK) Limited	(b)
Fairfax Properties Pty Limited	(a),(g)	John Fairfax (US) Limited	(b)
David Syme & Co Limited	(a)	Morisset Newspapers Pty Limited	(a)
Dysford Pty Limited	(a),(f)	Morisset Courier Unit Trust	
Fairfax Business Information Solutions Pty Limited	(a)	Newcastle Newspapers Pty Limited	(a)
Fairfax Regional Printers Pty Limited	(a),(h)	Personal Investment Direct Access Pty Limited	
Fairfax Community Newspapers Pty Limited	(a)	Prowsey Pty Limited	(e)
Fairfax Corporation Pty Limited	(a)	Pyasina Pty Limited	(e)
Fairfax Multimedia Holdings Pty Limited	(a),(d)	Rydge Publications Pty Limited	(a)
Fairfax Printers Pty Limited	(a),(d)	Rydge Publications (Australia) Pty Limited	(a),(f)
Fairfax Print Holdings Pty Limited	(a),(d)	South Australian Real Estate Press Pty Limited	(a)
FCN Online Pty Limited	(a)	Suburban Investments Pty Limited	(a),(f)
Gold Coast Community Press Pty Limited	(a)	The Age Online Pty Limited	(a)
Homes Pictorial Publications Pty Limited	(a)	The Warrnambool Standard Pty Limited	(a)
Homes Pictorial Unit Trust		The Rockwood Pastoral Company Pty Limited	(a)
Illawarra Newspapers Holdings Pty Limited	(a)	Wattle Street Properties Pty Limited	(a)
John Fairfax Publications Pty Limited	(a),(d)		

For the year ended 30 June 1999

22. Controlled Entities (cont.)

Notes

(a) The Company and the controlled entities incorporated within Australia are party to a class order and have entered into a group cross indemnity agreement. Under the class order, exemption has been granted to these controlled entities from the requirements of the Corporations Law with regard to the preparation, audit and publication of accounts. The consolidated profit and loss statement and balance sheet of the entities are as follows:

Balance Sheet	1999 \$'000	Profit and Loss Statement	1999 \$'000
Current assets		Operating profit before abnormal items and income tax	210,271
Cash	14,879	Abnormal items before income tax	<u>29,485</u>
Receivables	165,373	Operating profit before income tax	239,756
Inventories	<u>16,050</u>	Income tax expense attributable to operating profit	<u>(56,167)</u>
Total current assets	<u>196,302</u>	Operating profit after income tax	183,589
Non-current assets		Outside equity interests	<u>-</u>
Receivables	31,420	Operating profit attributable to members of holding company	183,589
Investments	100,695	Retained earnings at the beginning of the financial year	279,507
Property, plant and equipment	473,081	Dividends paid	(76,369)
Intangibles	1,229,911	Reserve transfers	<u>(20,977)</u>
Future income tax benefits	<u>44,794</u>	Retained earnings at the end of the financial year	<u>365,750</u>
Total non-current assets	<u>1,879,901</u>		
Total assets	<u>2,076,203</u>		
Current liabilities		(b) All controlled entities are incorporated in Australia except for:	
Accounts payable	133,317	Country of Incorporation	
Borrowings	-	John Fairfax (UK) Limited	UK
Provisions	<u>113,467</u>	John Fairfax (US) Limited	USA
Total current liabilities	<u>246,784</u>	(c) The consolidated entity holds a 100% equity interest in all controlled entities except for Big Colour Pages Pty Limited in which a 60% interest is held.	
Non-current liabilities		(d) Denotes entities controlled directly by the Company.	
Accounts payable	-	(e) Controlled entity acquired during the year.	
Borrowings	746,218	(f) Controlled entity disposed of during the year.	
Provisions	<u>96,205</u>	(g) Changed name during year from Brainw@@ve Interactive Pty Limited.	
Total non-current liabilities	<u>842,423</u>	(h) Changed name during the year from Fairfax CD Rom Pty Limited.	
Total liabilities	<u>1,089,207</u>		
Net assets	<u>986,996</u>		
Shareholders' equity			
Issued capital	614,774		
Reserves	6,472		
Retained profits	<u>365,750</u>		
Total shareholders' equity	<u>986,996</u>		

23. Acquisition and Disposal of Controlled Entities

On 30 November 1998 the consolidated entity acquired a 60% interest in Big Colour Pages Pty Limited.

On 30 September 1998 the consolidated entity disposed of Australian Geographic Pty Limited. On 28 February 1998 the consolidated entity disposed of its 95% interest in AAV (NZ) Limited and the video duplication, post production and corporate communication businesses of Brainw@ve Interactive Pty Limited (formerly AAV Australia Pty Limited).

The operating results of these entities have been included in consolidated operating profit from (to) the date the entities were acquired (disposed).

	Profit (loss) on disposal	
	1999 \$000	1998 \$000
Australian Geographic Pty Limited	(1,920)	-
AAV New Zealand Limited	-	2,035
AAV businesses disposed of during the year	-	22,999
	<u>(1,920)</u>	<u>25,034</u>

For additional information refer note 30(c) and 30(d).

24. Investments in Associates

The consolidated entity has a 43.4% ownership interest in AAP Information Services Pty Limited (AAPIS). The principal activities of AAPIS are operating the business of a news agency, disseminating news and information to the media and business communities, providing and maintaining communications networks and facilities, and developing communications technology.

	1999 \$000
Share of associate's profit	
Share of associate's abnormal profit before income tax	146,492
Share of associate's income tax expense attributable to abnormal profit	<u>(47,927)</u>
Share of associate's net abnormal profit	<u>98,565</u>
Carrying amount of investment in associate	
Balance at the beginning of the year	24,367
Adjustment resulting from adoption of revised accounting standard – AASB 1016: Accounting for Investment in Associates	(16,544)
Share of associate's net profit	98,565
Dividends received from associates	<u>(16,650)</u>
Balance at the end of the financial year	<u>89,738</u>
Amount of retained profits of the consolidated entity attributable to associates	<u>66,974</u>
Amount of reserves of the consolidated entity attributable to associates	<u>5,523</u>

For the year ended 30 June 1999

	Note	Consolidated		Company	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
25. Employee Entitlements					
Aggregate employee entitlements including on-costs:					
Provisions for employee entitlements (current)	15	30,247	31,158	1,644	1,576
Provisions for employee entitlements (non-current)	15	36,292	34,945	1,846	1,307
Provision for redundancy (current)		2,702	8,025	-	-
		<u>69,241</u>	<u>74,128</u>	<u>3,490</u>	<u>2,883</u>

For information relating to employee option incentive scheme refer note 16.
For information relating to superannuation plans refer note 26.

26. Superannuation Commitments

The consolidated entity participates in employer-sponsored superannuation plans which provide benefits for employees and their dependants on retirement, disability or death. The plans operate on an accumulation basis with the exception of the John Fairfax Retirement Fund, which provides benefits on both an accumulation and defined benefit basis.

The defined benefits are based on years of service and final salary and are being funded on the basis of biannual actuarial assessments such that the funds will be adequate to provide the benefits payable to members on their retirement. Employees contribute various percentages of their gross income and the consolidated entity also contributes at generally twice the employee's contributions.

Any contributions made to the John Fairfax Retirement Fund by entities within the consolidated entity are charged against profits when due.

At balance date, the assets of each of the plans are sufficient to satisfy all benefits that would have vested under the plans in the event of termination of the plans and voluntary or compulsory termination of employment of each employee. The consolidated entity maintains a provision for any deficiency that may arise in the plans.

An actuarial assessment of the John Fairfax Retirement Fund as at 1 July 1998 was carried out by Ms M Napier BA (Hons) Dip Ed FIAA, Consultant & Actuary, AMP Consulting Pty Limited, on 16 August 1999. The financial position of the fund as at 30 June 1999 was:

	1999 \$000	1998 \$000
Estimated accrued benefits of the plan	159,892	152,278
Net market value of the plans' assets	<u>165,546</u>	<u>162,935</u>
Surplus	<u>5,654</u>	10,657
Vested benefits (estimate)	<u>153,300</u>	146,000
Consolidated entity contributions	<u>16,042</u>	<u>12,971</u>

For the year ended 30 June 1999

	Note	Consolidated		Company	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
27. Auditors' Remuneration					
Amounts received or due and receivable by the auditors of John Fairfax Holdings Limited for:					
Audit services		540	713	132	190
Other services:					
Financial systems implementation		1,689	700	1,689	700
Business process review		248	-	-	-
Internal audit		-	124	-	124
Other		222	364	106	40
		<u>2,159</u>	<u>1,188</u>	<u>1,795</u>	<u>864</u>
		<u>2,699</u>	<u>1,901</u>	<u>1,927</u>	<u>1,054</u>
Amounts received or due and receivable by other member firms of Ernst & Young International for:					
Audit services		17	25	-	-
Other services		-	5	-	-
		<u>17</u>	<u>30</u>	<u>-</u>	<u>-</u>

28. Remuneration of Directors and Executives

Directors' remuneration

Income paid or payable, or otherwise made available, to all directors of each entity in the consolidated entity by the entities of which they are directors or any related party

5,161 7,257

Income paid or payable, or otherwise made available, to all directors of John Fairfax Holdings Limited by the Company or any related party

2,918 2,535

The number of directors of John Fairfax Holdings Limited whose income from the Company or any related party falls within the following bands:

			No. of directors	No. of directors
\$0	-	\$9,999	-	2
\$20,000	-	\$29,999	1	-
\$30,000	-	\$39,999	-	1
\$50,000	-	\$59,999	3	4
\$60,000	-	\$69,999	2	2
\$80,000	-	\$89,999	1	-
\$90,000	-	\$99,999	1	-
\$100,000	-	\$109,999	-	1
\$130,000	-	\$139,999	1	-
\$410,000	-	\$419,999	-	*1
\$580,000	-	\$589,999	-	1
\$730,000	-	\$739,999	2	-
\$790,000	-	\$799,999	1	-
\$1,020,000	-	\$1,029,999	-	1

* Includes severance payments

For the year ended 30 June 1999

Note	Consolidated		Company	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000

28. Remuneration of Directors and Executives (cont.)

Executives' remuneration

Remuneration received, or due and receivable by executive officers of the consolidated entity and the Company whose remuneration is \$100,000 or more, from entities in the consolidated entity or related parties

7,647	9,520	4,079	3,214
-------	-------	-------	-------

The number of executives of the consolidated entity and the Company whose remuneration (including termination payments) falls within the following bands:

			No. of directors	No. of directors	No. of directors	No. of directors
\$110,000	-	\$119,999	-	1	-	-
\$130,000	-	\$139,999	1	-	-	-
\$160,000	-	\$169,999	-	1	-	-
\$220,000	-	\$229,999	1	5	-	2
\$230,000	-	\$239,999	-	2	-	1
\$240,000	-	\$249,999	3	-	2	-
\$260,000	-	\$269,999	-	1	-	-
\$270,000	-	\$279,999	2	2	1	1
\$280,000	-	\$289,999	1	1	-	-
\$290,000	-	\$299,999	-	1	-	1
\$320,000	-	\$329,999	1	-	1	-
\$340,000	-	\$349,999	3	-	-	-
\$350,000	-	\$359,999	1	1	1	1
\$360,000	-	\$369,999	1	-	1	-
\$390,000	-	\$399,999	-	1	-	-
\$400,000	-	\$409,999	1	1	-	-
\$420,000	-	\$429,999	-	1	-	-
\$480,000	-	\$489,999	1	-	-	-
\$500,000	-	\$509,999	1	-	-	-
\$580,000	-	\$589,999	-	1	-	1
\$730,000	-	\$739,999	2	-	2	-
\$790,000	-	\$799,999	1	-	1	-
\$1,020,000	-	\$1,029,999	-	1	-	1
\$1,090,000	-	\$1,099,999	-	*1	-	-
\$1,970,000	-	\$1,979,999	-	*1	-	-

*Includes severance payments

For the purpose of this disclosure, an executive officer has been defined as the Chief Executive, the executive management team and other persons who are directly accountable and responsible to the Chief Executive for the strategic direction and operational management of the consolidated entity.

29. Related Party Disclosures

Directors

The directors of John Fairfax Holdings Limited during the financial year were:

B M Powers, J S Pinshaw, M Burrows, Sir Roderick Carnegie, D M Gonski, F G Hilmer (appointed 9 November 1998), J M King, D A Shein (appointed 29 September 1998), D R Wills, R S Muscat (resigned 31 August 1998), Sir Roger Douglas (resigned 21 December 1998) and J H Greaves (resigned 30 June 1999).

For the year ended 30 June 1999

29. Related Party Disclosures (cont.)

Directors' share, option and debenture holdings

Movements in the aggregate holdings of directors of the Company during the year were as follows:

	Shares	Options
Balance at beginning of year	49,900	4,000,000
Acquisitions	18,000	3,500,000
Disposals due to resignations	-	(4,000,000)
Balance at end of year	<u>67,900</u>	<u>3,500,000</u>

Brian Powers has 76,000,000 units in the FXF Trust which owned 109,054,197 shares in the Company at 30 June 1999 (30 June 1998 117,254,197). In addition Sir Roger Douglas was a director of Brierley Investments Limited and Jonathan Pinshaw was Chief Executive Officer – Australia of Brierley Investments Limited and each may be deemed to have been interested in the shareholdings of that entity. At 30 June 1999 Brierley Investments Limited had a beneficial interest in nil (1998 190,940,985) ordinary shares and 350,000 (1998 7,000,000) debentures of the Company.

Controlled entities

John Fairfax Holdings Limited has undertaken transactions with its controlled entities including the issue and receipt of loans (both at commercial interest rates and interest free) and management fees. On consolidation, all such transactions have been eliminated in full.

Note	Consolidated		Company	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000

30. Notes to the Statements of Cash Flows

(a) Reconciliation of cash

For the purpose of the Statements of cash flows, cash includes cash on hand and at bank.

Cash	<u>19,876</u>	<u>1,913</u>	<u>298</u>	<u>1,296</u>
------	---------------	--------------	------------	--------------

(b) Reconciliation of operating profit after tax to net cash flows from operations

Operating profit after tax	178,519	111,782	41,805	163,691
Depreciation and amortisation	67,091	69,305	405	200
Amounts set aside to provisions	18,925	30,808	6,828	3,602
Write down of fixed assets	40,000	-	-	-
Write-down of intangibles	1,070	-	-	-
Net loss (profit) on disposal of property, plant & equipment	1,233	(107)	-	-
Net profit on disposal of investments	(5,556)	(500)	-	-
Loss/(profit) on disposal of controlled entities / businesses	1,920	(25,034)	-	-
Share of associate's net profits	(98,565)	-	-	-
Dividends received from associate	16,650	-	-	-
Changes in assets and liabilities net of effects from disposal of controlled entities / businesses:				
Trade debtors	(13,229)	(20,337)	-	-
Other debtors and prepayments	(7,672)	10,239	-	-
Inventories	(1,165)	3,408	-	-
Trade creditors	20,274	4,576	5,496	1,149
Sundry creditors	(5,080)	(2,611)	-	-
Provisions	(24,710)	(16,717)	(6,862)	(4,112)
Tax balances	52,343	47,584	(631)	(626)
Transfers from related bodies corporate	-	-	(99,995)	(201,546)
Net cash flows from operating activities	<u>242,048</u>	<u>212,396</u>	<u>(52,954)</u>	<u>(37,642)</u>

For the year ended 30 June 1999

	Note	Consolidated		Company	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
30. Notes to the Statements of Cash Flows (cont.)					
(c) Disposal of controlled entities / businesses					
Consideration:					
Cash		46,772	34,340	-	-
Loan receivable		-	9,750	-	-
		46,772	44,090	-	-
Net assets of controlled entities / businesses disposed:					
Receivables		3,602	6,642	-	-
Inventories		8,212	2,142	-	-
Property, plant and equipment		6,880	14,066	-	-
Mastheads		35,090	-	-	-
Future income tax benefit		-	134	-	-
Accounts payable		(4,579)	(2,522)	-	-
Provisions		(513)	(1,299)	-	-
		48,692	19,163	-	-
Outside equity interests		-	(107)	-	-
		48,692	19,056	-	-
(Loss)/Profit on disposal		(1,920)	25,034	-	-
(d) Acquisition of controlled entity					
Consideration:					
Cash		5,304	-	-	-
Net assets of controlled entity acquired					
Receivables		7,853	-	-	-
Inventories		470	-	-	-
Property, plant and equipment		7,291	-	-	-
Intangibles		12,734	-	-	-
Accounts payable		(11,330)	-	-	-
Provisions		(1,628)	-	-	-
Borrowings		(9,050)	-	-	-
		6,340	-	-	-
Outside equity interests		2,536	-	-	-
		3,804	-	-	-
Goodwill on acquisition		1,500	-	-	-
		5,304	-	-	-
(e) Financing facilities					
Refer note 14.					

31. Financial Instruments

The consolidated entity enters into a range of derivative financial instruments to manage risks in accordance with a Treasury Policy approved by the board of directors of John Fairfax Holdings Limited.

The consolidated entity does not use financial instruments for speculative or trading purposes.

Interest rate risk

The consolidated entity enters into a range of financial instruments to manage interest rate risk with the objectives of reducing the risk to profitability and cashflow as well as the volatility of interest expense. Treasury Policy requires the proportion of fixed and variable rate risk, as well as the maturity of the fixed rate risk, be maintained within defined limits.

Interest rate swaps, forward rate agreements and options are utilised to maintain the proportion within policy limits and manage the rate setting process on the variable rate risk.

For the year ended 30 June 1999

31. Financial Instruments (cont.)

The following tables summarise the consolidated entity's exposure to interest rates.

	Floating Interest Rate \$000	Fixed interest maturing in			Non- Interest Bearing \$000	Total \$000	Weighted average effective interest rate%
		1 Year or less \$000	Over 1 to 5 years \$000	More than 5 years \$000			
As at 30 June 1999							
Financial assets							
Cash	19,876	-	-	-	-	19,876	4.6
Receivables	-	-	-	-	206,342	206,342	-
Investments	-	-	-	-	92,579	92,579	-
	<u>19,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,921</u>	<u>318,797</u>	
Financial liabilities							
Bank bills	9,700	-	-	-	-	9,700	5.4
Senior notes	-	-	-	150,754	-	150,754	6.8*
Medium term notes	-	-	150,000	-	-	150,000	5.8
Promissory notes	280,000	-	-	-	-	280,000	6.7*
Other borrowings	60,819	-	-	52,170	-	112,989	8.3
Lease liability	-	-	-	52,475	-	52,475	12.9
	<u>350,519</u>	<u>-</u>	<u>150,000</u>	<u>255,399</u>	<u>-</u>	<u>755,918</u>	
Total borrowings	350,519	-	150,000	255,399	-	755,918	
Interest rate swaps	(159,246)	50,000	240,000	(130,754)	-	-	
Accounts payable	-	-	-	-	153,138	153,138	
Provision for dividends	-	-	-	-	47,320	47,320	
	<u>191,273</u>	<u>50,000</u>	<u>390,000</u>	<u>124,645</u>	<u>200,458</u>	<u>956,376</u>	
As at 30 June 1998							
Financial assets							
Cash	1,913	-	-	-	-	1,913	4.9
Receivables	-	-	-	-	176,389	176,389	-
Investments	-	-	-	-	32,910	32,910	-
	<u>1,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,299</u>	<u>211,212</u>	
Financial liabilities							
Bank borrowings	360,000	-	-	-	-	360,000	6.9*
Senior notes	-	-	-	150,754	-	150,754	5.8*
Other borrowings	62,382	-	-	44,882	-	107,264	8.5
Lease liability	-	-	-	51,503	-	51,503	13.7
	<u>422,382</u>	<u>-</u>	<u>-</u>	<u>247,139</u>	<u>-</u>	<u>669,521</u>	
Total borrowings	422,382	-	-	247,139	-	669,521	
Interest rate swaps	(229,246)	190,000	190,000	(150,754)	-	-	
Accounts payable	-	-	-	-	116,906	116,906	
Provision for dividends	-	-	-	-	48,450	48,450	
	<u>193,136</u>	<u>190,000</u>	<u>190,000</u>	<u>96,385</u>	<u>165,356</u>	<u>834,877</u>	

*The weighted average effective interest rate incorporates the effect of interest rate swaps and options.

For the year ended 30 June 1999

31. Financial Instruments (cont.)

Foreign exchange risk

The consolidated entity enters into a range of financial instruments to manage foreign exchange risk with the objectives of reducing the risk to profitability and cashflow and removing uncertainty in valuation of the balance sheet. The principal balance sheet risk arises from the issue of Senior Notes denominated in US dollars (refer note 14). The exposure to US dollar payments for interest and principal under this transaction was fully hedged by a cross currency and interest rate swap transaction. The consolidated entity also enters into forward exchange contracts and currency options to hedge foreign currency denominated payments (principally US dollar and Deutschmark) mainly for purchases of capital equipment, newsprint, paper and other materials.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity at reporting date.

		1999 Weighted average exchange rate	1998 Weighted average exchange rate	1999 \$'000	1998 \$'000
USD dollars	Not longer than one year	-	0.6126	-	578
German Marks	Not longer than one year	1.2043	1.2113	1,365	15,934
	Longer than one year but not longer than two years	-	1.2043	-	457
Swiss Francs	Not longer than one year	0.9358	0.9791	103	1,620

Credit risk

The consolidated entity is exposed to credit risk representing the loss in the event of non-performance by financial instrument counterparties which are prime financial institutions. Credit risk is managed through the use of credit ratings and monitoring the usage of predetermined limits. As at 30 June 1999 the consolidated entity had no significant concentration of credit risk with any single counterparty or group of counterparties.

The consolidated entity's credit risk on financial assets excluding investments and derivatives is the carrying amount net of any provision for doubtful debts. Credit risk is managed through the use of credit ratings and monitoring the usage of credit limits. Credit exposure of interest rate and foreign currency derivatives is represented by the fair value of the contracts.

Net fair values

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

Cash, receivables, accounts payable and provision for dividends - The carrying amounts of these financial instruments approximate fair value.

Investments - The net fair value of investments in unlisted shares in other corporations and interests in unit trusts is determined by reference to the net fair value of the underlying net assets of the respective corporations / trusts.

Interest rate swaps, interest rate options, foreign currency contracts and borrowings - The net fair value is estimated as the present value of future cash flows using current market rates at reporting date and market accepted formulae.

	Carrying amount		Net fair value	
	Assets (liability)		Assets (liability)	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
Investments	92,579	32,910	99,581	128,350
Borrowings *	(755,918)	(669,521)	(755,918)	(669,521)
Interest rate swaps	-	-	(5,184)	(10,425)
Interest rate options	-	-	(671)	(70)
Foreign currency contracts	-	-	67	(1,231)

*Incorporates the effect of currency swaps.

Directors' Declaration

John Fairfax Holdings Limited and Controlled Entities

In accordance with a resolution of the directors of John Fairfax Holdings Limited, we state that -

1. In the opinion of the directors :

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Law, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 1999 and of their performance for the year ended on the date; and

(ii) complying with Accounting Standards and Corporations Regulations; 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.

2. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 22 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the board

Jonathan Pinshaw
Chairman Finance and Audit Committee

Frederick G. Hilmer
Chief Executive Officer

Sydney, 21 September 1999.

Scope

We have audited the financial report of John Fairfax Holdings Limited for the financial year ended 30 June 1999, as set out on pages 35 to 60, including the Director's Declaration. The financial report includes the financial statements of John Fairfax Holdings Limited, and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at year's end or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of John Fairfax Holdings Limited is in accordance with:

- (a) the Corporations Law including:
 - (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 1999 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Ernst & Young

Brian Long
Partner
Sydney

Date: 21 September 1999

Shareholder Information

John Fairfax Holdings Limited and Controlled Entities

Twenty largest holders of securities at 1 September 1999	Number of securities	%
(i) Ordinary shares		
FXF Investments Pty Limited	109,054,197	14.98
Chase Manhattan Nominees Limited	61,846,088	8.50
National Nominees Limited	46,378,846	6.37
Westpac Custodian Nominees Limited	36,487,279	5.01
BT Custodial Services Pty Limited (SUB CUS A/C)	32,011,834	4.40
Permanent Trustee Australia Limited (FIR0020 A/C)	21,091,379	2.90
Permanent Trustee Australia Limited (FIR0027 A/C)	20,845,377	2.86
AMP Life Limited	18,108,929	2.49
Permanent Trustee Australia Limited (FIR0018 A/C)	17,158,905	2.36
AXA Trustees Limited	12,350,593	1.70
BT Custodial Services Pty Limited (EQUI A/C)	11,958,190	1.64
Queensland Investment Corporation	11,404,164	1.57
Citicorp Nominees Pty Limited	10,719,204	1.47
The National Mutual Life Association of Australasia Limited	9,694,584	1.33
Westpac Financial Services Limited	9,193,867	1.26
Permanent Trustee Australia Limited (FIR0014 A/C)	7,616,428	1.05
MLC Limited	7,214,504	0.99
Westpac Life Insurance Services Limited	6,740,376	0.93
ANZ Nominees Limited	6,589,304	0.91
IOOF Australia Trustees (NSW) Limited	6,446,146	0.89
	<hr/>	
	462,910,194	63.61
(ii) Debentures		
Perpetual Trustee Company Limited	350,000	100.00
National Financial Services	281	-
	<hr/>	
	350,281	100.00

(iii) Options

All options were issued to employees of the Company (or its related entities) and are not listed separately.

Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by the Company at 1 September 1999 are:

	Ordinary Shares
Perpetual Trustees Australia Limited	146,933,669
Consolidated Press Holdings Limited	109,054,197
Colonial Limited	92,711,556
Permanent Trustee Company Limited	82,469,593
Royal & Sun Assurance Australia Limited	48,905,505

Distribution schedule of holdings at 1 September 1999

No. of securities	No. of ordinary shareholders	No. of debenture holders	No. of option holders
1 - 1,000	6,236	1	-
1,001 - 5,000	15,552	-	-
5,001 - 10,000	2,609	-	13
10,001 - 100,000	1,469	-	91
100,001 and over	201	1	17
Total number of holders	26,067	2	121
Number of holders holding less than a marketable parcel	587	-	-

Voting rights

Voting rights of shareholders are governed by Articles 5.8 and 5.9 of the Company's Constitution which provide that every member present personally or by proxy, attorney or representative shall on a show of hands have one vote and on a poll, shall have one vote for every share held. Debentures and options do not carry any voting rights.

Company secretary

Gail Hambly

Registered office

Level 19
Darling Park
201 Sussex Street
Sydney NSW 2000

Share registry

Computershare Registry Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 1115
Ph.: (02) 8234 5222

Computershare Registry Services Pty Limited
C/- Ernst & Young
54 Marcus Clarke Street
Canberra ACT 2601
Ph.: (02) 6247 3888

Stock exchange listing

The Company's ordinary shares are listed on the Australian Stock Exchange Limited - "FXJ".

Removal from annual report mailing list

Shareholders who do not wish to receive the annual report should advise the Share Registry in writing.

Consolidation of shareholdings

Shareholders who wish to consolidate their separate shareholdings into one account should advise the Share Registry in writing.

Direct payment to shareholder's accounts

Dividends may be paid directly to bank accounts in Australia. These payments are electronically credited on the dividend date and confirmed by a mailed payment advice. Shareholders are required to advise the Share Registry of their tax file number so that dividends can be paid without tax being withheld.

Performance Summary

John Fairfax Holdings Limited and Controlled Entities

		1999	1998	1997	1996	1995	1994	1993
Total Revenue	\$m	1,315.3	1,153.6	1,027.9	1,006.1	948.4	846.6	771.4
Trading revenue	\$m	1,144.8	1,109.3	1,023.2	995.9	945.3	842.6	768.2
Earnings before depreciation, interest and tax (EBITDA)	\$m	322.0	293.1	253.0	237.1	279.3	227.9	189.5
Depreciation	\$m	67.1	69.3	68.2	41.5	26.2	22.3	21.5
Earnings before interest and tax	\$m	254.9	223.8	184.8	195.6	253.1	205.6	168.0
Net interest expense	\$m	46.7	55.9	67.0	44.0	36.6	37.0	53.9
Profit before tax and abnormals	\$m	208.2	167.9	117.8	151.6	216.5	168.6	114.1
Abnormal items	\$m	26.5	(8.5)	(16.4)	(21.9)	(10.9)	(4.2)	-
Profit before tax	\$m	234.7	159.4	101.4	129.7	205.6	164.4	114.1
Income tax	\$m	56.2	47.6	27.4	42.2	58.3	53.7	47.0
Net profit	\$m	180.3	111.8	74.0	87.5	147.3	110.7	67.1
Shareholders equity	\$m	984.5	1,142.4	1,090.6	1,086.0	1,073.7	1,007.5	763.6
Total assets	\$m	2,105.2	2,098.2	2,165.4	2,223.1	2,084.2	1,864.1	1,650.6
Total borrowings	\$m	755.9	669.5	812.6	867.0	763.0	665.8	645.5
Number of shares and debentures	m	728.0	806.9	798.0	796.0	795.0	790.5	712.3
Number of shareholders		21,353	19,211	21,073	22,481	21,248	20,166	18,849
EBITDA to Trading Revenue	%	28.1	26.4	24.7	23.8	29.5	27.0	24.7
Earnings per share	cents	23.2	14.0	9.3	11.0	18.6	14.5	9.5
Cash flow per share	cents	33.2	26.3	23.7	14.6	30.0	22.7	16.3
Dividend per share	cents	10.5	9.5	9.5	9.5	9.5	7.5	4.5
Interest cover based on EBITDA	times	6.9	5.2	3.8	3.6	5.4	5.7	3.5
Gearing	%	76.8	58.6	74.5	79.8	71.0	66.1	84.5
Return on shareholders' equity	%	18.3	9.8	6.8	8.1	13.7	11.0	8.8

Annual General Meeting

The annual general meeting will be held at 11.00am on Thursday 18 November 1999 at the Savoy Ballroom, Grand Hyatt Hotel, 123 Collins Street, Melbourne.

Financial Calendar

For Financial Year 1998-99

Books close for final dividend	6 October 1999
Final dividend mailed	20 October 1999
Annual general meeting	18 November 1999

Estimated for Financial Year 1999-2000

Interim result and dividend announcement	March 2000
Books close for interim dividend	April 2000
Interim dividend mailed	April 2000
Preliminary final result and dividend announcement	September 2000
Final dividend mailed	October 2000
Annual general meeting	November 2000