

# FINANCIAL REPORT

Fairfax Full Financial Report 2000

for the year ended 30 June 2000

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# Directors' Report

The directors present their report for the financial year ended 30 June 2000.

## Directors

The directors of the Company in office at the date of this report are:

**Mr Brian M. Powers**  
Non-Executive Chairman

**Mr Jonathan S. Pinshaw**  
Non-Executive Deputy Chairman

**Mr Mark Burrows**  
Non-Executive Director

**Sir Roderick Carnegie**  
Non-Executive Director

**Mr David Gonski**  
Non-Executive Director

**Mr Frederick G. Hilmer, AO**  
Chief Executive Officer

**Mrs Julia King**  
Non-Executive Director

**Mr David Shein**  
Non-Executive Director

**Mr Dean Wills, AO**  
Non-Executive Director

All directors were in office throughout the financial year and up to the date of this report.

A profile of each director is included on page 6 of the Concise Report.

## Principal Activities

The principal activities of the consolidated entity during the course of the financial year were news, information and entertainment publishing and advertising sales in newspaper, magazine and electronic formats. Internet businesses include directories, classified supersites, financial services, auctions, shopping and broadband services.

No significant change in the nature of activities took place during the year.

## Consolidated Result

The consolidated profit attributable to the consolidated entity for the financial year was \$185,751,000 (1999: \$180,269,000).

## Dividends

A final fully franked dividend of 6.5 cents per ordinary share and debenture in respect of the year ended 30 June 1999 was paid on 20 October 1999. This dividend was shown as approved in the previous annual report.

An interim fully franked dividend of 4.5 cents per ordinary share and debenture in respect of the year ended 30 June 2000 was paid on 10 March 2000.

The Board has approved a final fully franked dividend of 7.0 cents per ordinary share and debenture in respect of the year ended 30 June 2000 to be paid on 17 October 2000.

## Review of Operations

A review of the operations of the consolidated entity for the financial year is set out on pages 7 to 9 of the Concise Report.

## Significant Change in State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or elsewhere in the Concise Report.

## Subsequent Events

From the end of the financial year to the date of this report, no transaction or event has arisen that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity.

## Likely Developments and Expected Results

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the directors, to do so would prejudice the interests of the consolidated entity.

## Environmental Regulation and Performance

In 1999 the Company appointed an independent expert to audit performance in relation to environmental regulation. That expert has again audited the Company's facilities in 2000.

This year's audit covered an increased number of the Company's facilities. The audit has been completed.

The audit:

- ➔ did not reveal any material non-compliance with environmental regulation;
- ➔ described a substantial improvement in the Company's environmental performance in relation to environmental regulation;
- ➔ described a high level of implementation of recommendations that were made in the 1999 environmental audit report; and
- ➔ made further recommendations which are now being implemented.

## Rounding

The amounts contained in this report and the Full Financial Report have been rounded off to the nearest thousand dollars under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

# Directors' Report

## Directors' Interests

The relevant interest of each director in the share capital of the Company, as at the date of this report is:

Director	Fully Paid Ordinary Shares	Fully Paid Debentures	Options Over Ordinary Shares
B M Powers*	6,566	–	–
J S Pinshaw	9,799	–	–
M Burrows	3,031	–	–
Sir Roderick Carnegie	7,778	–	–
D M Gonski	13,031	–	–
F G Hilmer	40,204	–	3,500,000
J M King	12,678	–	–
D A Shein	15,778	–	–
D R Wills	27,778	–	–

\*B M Powers has 73,926,428 units in CPH Investment Corp which owns 109,054,197 shares in John Fairfax Holdings Limited.

## Options

Details of options on issue at 30 June 2000 and movements in options during the financial year are included in note 16 of the Full Financial Report.

At the date of this report, total unissued ordinary shares under options granted by the Company were 14,014,000. There are no unissued shares under option as at the date of this report other than those referred to above. These options do not entitle the holder to participate in any share issue of any other body corporate. From 1 July 2000 to the date of this report, no

options over ordinary shares were granted, 289,000 shares were issued by virtue of the exercise of options (217,000 options were exercised at \$2.67, 40,000 options were exercised at \$2.64 and 32,000 options were exercised at \$2.77) and no options were forfeited.

## Indemnification and Insurance of Officers and Auditors

The directors of the Company and such other officers as the directors determine, are entitled to receive the benefit of an indemnity contained in the Constitution to the extent allowed by the Corporations Law against liabilities incurred by them in

their respective capacities in successfully defending proceedings against them.

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

There are no indemnities given or insurance premiums paid during or since the financial year for the Auditors.

## Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors during the financial year were:

Director	Directors' Meetings		Finance & Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	No. Held*	No. Attended	No. Held*	No. Attended	No. Held*	No. Attended	No. Held*	No. Attended
B M Powers	9	8	7	7	1	1	–	–
J S Pinshaw	9	8	7	7	–	–	–	–
M Burrows	9	8	7	6	–	–	–	–
Sir Roderick Carnegie	9	9	–	–	1	1	–	–
D M Gonski	9	8	7	7	–	–	–	–
F G Hilmer	9	9	–	–	–	–	–	–
J M King	9	9	–	–	1	1	–	–
D A Shein	9	7	–	–	–	–	–	–
D R Wills	9	8	–	–	1	1	–	–

\*Reflects the number of meetings held during the time the director held office during the year.

# Directors' Report

## Directors' and Other Officers' Emoluments

Procedures for establishing and reviewing remuneration arrangements are included on page 4.

Emoluments of directors for the financial year are as follows:

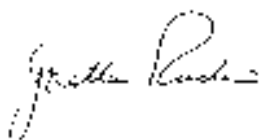
Director	Directors' Fees \$	Finance and Audit Committee Fees \$	Base Salary \$	Bonus \$	Other (including Superannuation) \$	Total Emoluments \$
B M Powers	125,000	5,000			10,055	140,055
J S Pinshaw	90,000	5,000			6,650	101,650
M Burrows	55,000	5,000			4,200	64,200
Sir Roderick Carnegie	55,000				3,850	58,850
D M Gonski	55,000	5,000			4,200	64,200
F G Hilmer			1,026,709	300,000	95,953	1,422,662
J M King	55,000				3,850	58,850
D A Shein	55,000				3,850	58,850
D R Wills	55,000				3,850	58,850

Emoluments of the five most highly paid executive officers of the Company and the consolidated entity, for the financial year are as follows:

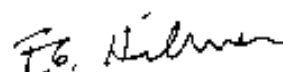
Executive	Base Salary \$	Bonus \$	Other (including Superannuation) \$	Total Emoluments \$
S Harris	387,826	80,000	96,044	563,870
N Dews	419,150	60,000	84,362	563,512
G Hywood	362,196	75,000	92,418	529,614
M Bayliss	412,274	–	92,424	504,698
R Wood	262,940	50,000	60,442	373,382

There were no options granted to these executives during or since the end of the financial year.

Signed at Sydney on 13 September 2000 in accordance with a resolution of the directors.



**Jonathan S. Pinshaw**  
Chairman Finance & Audit Committee



**Frederick G. Hilmer**  
Chief Executive Officer

# Corporate Governance

The Board of Directors of John Fairfax Holdings Limited (the Board) is responsible for the corporate governance of the consolidated entity. It sets the strategic direction, approves performance targets, monitors management achievements, provides overall policy guidance and ensures that policies and procedures for internal control and risk management are in place to ensure shareholder funds are prudently managed and the Company meets its regulatory obligations. To this end, the Board has established Finance and Audit, Nomination and Remuneration Committees which are supported by external auditors and risk management specialists.

## Composition of the Board

The name, qualifications and other details of each member of the Board are set out on page 6 of the Concise Report.

The Board presently comprises one executive director (the Chief Executive, Mr Fred Hilmer) and eight non-executive directors including the Chairman and Deputy Chairman.

The Company's Constitution authorises the Board to appoint directors to vacancies on the Board and to elect the Chairman. It also provides that one third of directors (rounded down to the nearest whole number) must retire at every annual general meeting. No director may remain in office for more than three years or the third annual general meeting following appointment without resigning and being re-elected.

The Constitution requires that the Board must have a minimum of three directors and that the Board has the power to set the maximum number of directors from time to time within the maximum of twelve set by the Constitution. Directors have resolved that the maximum number of directors be nine.

Within the rules set by the Constitution, if a vacancy exists on the Board or the Board considers that it would benefit from the services and skills of a new director, the Nomination Committee reviews the suitability of candidates whose names may be put forward by any director. The Committee may seek advice from external consultants. The Board then considers the Nomination Committee's recommendation and, where appropriate, makes the appointment. Any new director appointed by the Board must stand for election at the next general meeting of shareholders.

The terms and conditions of the appointment and retirement of non-executive directors are determined by the Board except to the extent that shareholder approval is required.

The Nomination Committee uses the following principles to recommend candidates:

- ➔ A majority of directors and the Chairman should be non-executive.
- ➔ The Board should represent a broad range of expertise consistent with the Company's strategic focus.

The Nomination Committee meets as required. Members during the year were Brian Powers (Chairman), Julia King, Jonathan Pinshaw and Dean Wills.

## Independent Professional Advice

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

## Directors' Dealings in Company Shares

The Constitution permits (but does not require) directors to acquire shares in the Company. By resolution of the Board each non-executive director must sacrifice 25 percent per annum of his or her director's fees to the Company's Employee Share Acquisition Scheme. Under this Scheme shares are purchased on-market by an independent trustee company on behalf of directors and employees of the Company and its subsidiaries who have salary sacrificed to participate in the Scheme. The dates for share acquisition by the trustee are pre-set and not influenced by directors or employees. Company policy and the law prohibit directors from dealing in Company shares whilst in possession of price sensitive information.

## Procedures for Establishing and Reviewing Remuneration Arrangements

The Remuneration Committee of the Board meets annually and otherwise as required to review and make recommendations to the Board on remuneration packages and policies including those of the Chief Executive and directors. Remuneration levels are competitively set to attract qualified and experienced employees. The Committee may obtain independent advice on the appropriateness of remuneration packages. The Chief Executive is invited to Committee meetings as required to discuss management performance and remuneration.

The current remuneration for non-executive directors is set by resolution of shareholders at \$700,000 per annum in aggregate. Within this limit, the Board determines directors' remuneration with advice from the Remuneration Committee. The Board also takes into account survey data on directors' fees paid by comparable companies and expert advice it may commission from time to time.

# Corporate Governance

Executive remunerations include a bonus component which is payable according to performance of the individual executive, the financial performance of the Company and the financial performance of the business unit relevant to the executive.

Further details of directors' and senior executives' remuneration are set out in the Directors' Report and the notes to the Full Financial Report.

The members of the Remuneration Committee during the year were Julia King (Chairperson), Sir Roderick Carnegie, Brian Powers and Dean Wills.

## Finance and Audit Committee

The Committee advises on the establishment and maintenance of a framework of risk management, internal control and ethical standards for the management of the consolidated entity. The Committee also monitors the quality and reliability of financial information prepared for the Board's use in determining policies or for inclusion in financial statements.

The primary functions of the Committee are to:

- ensure systems of control effectively safeguard the value of assets;
- ensure accounting records are maintained in accordance with statutory and accounting requirements;
- ensure financial statements and other information provided to shareholders is timely, reliable and accurate;
- review the performance and effectiveness of external auditors;
- formulate and oversee the key finance and treasury functions of the consolidated entity;

- formulate and oversee an effective business risk plan;
- ensure that appropriate policies and procedures are in place with the goal to ensure compliance with all regulatory requirements;
- monitor the entity's compliance with regulatory and ethical requirements.

Under the direction of the Committee there is a process to comply with all legal and ASX obligations. Compliance with the policy is monitored continuously.

The members of the Finance and Audit Committee during the year were Jonathan Pinshaw (Chairman), Mark Burrows, David Gonski and Brian Powers.

## Internal Control Framework

The Board is responsible for the Company's overall internal control framework. To assist in discharging this responsibility, the Board has approved an internal control framework summarised as follows:

- Financial reporting – there is a comprehensive budget process with the annual budget approved by the directors. Weekly and monthly results are reported against budget. The consolidated entity reports to shareholders half-yearly. Procedures are also in place to ensure that price sensitive information is reported to the ASX in accordance with continuous disclosure requirements.
- Operating unit controls – financial controls and procedures including information systems controls are set out in procedures manuals. Management reports on material business issues to the Board at regular Board meetings.

- Investment appraisal – the consolidated entity has defined guidelines for capital expenditure and contract negotiations. These include annual budgets, appraisal and review procedures, levels of authority and due diligence requirements where assets are being acquired or divested.
- Treasury policy – the policy sets out procedures for the management of foreign currency and interest rate exposure, liquidity and credit risks. This policy restricts transactions to those for hedging purposes only and segregates implementation of transactions from account monitoring and settlement.

Under the direction of the Finance and Audit Committee, management has established a Business Risk Group. Assisted by external experts, that Group undertakes regular reviews of business risk across the consolidated entity and is responsible for development and review of the Group's Business Risk Plan.

## Ethical Standards

All directors, managers and employees are expected to act with integrity and ethical standards. The Company has documented policies on equal opportunity and standards of workplace behaviour which are communicated to employees at the time of employment and reinforced by employee training programmes.

# Profit and Loss Statements

for the year ended 30 June 2000

	Note	Consolidated		Company	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>Trading revenue</b> .....	2	1,344,880	1,144,762	109,211	61,352
<b>Operating expenses</b>					
Staff costs .....		396,034	341,370	33,079	20,012
Newsprint and paper .....		204,460	193,256	-	-
Other .....		362,477	288,139	33,668	22,880
.....		962,971	822,765	66,747	42,892
<b>Operating profit before depreciation, interest, income tax and abnormal items</b> .....		381,909	321,997	42,464	18,460
Depreciation and amortisation.....	3	(64,681)	(67,091)	(1,371)	(405)
<b>Operating profit before interest, income tax and abnormal items</b> .....		317,228	254,906	41,093	18,055
Net interest (expense) income.....	2,3	(47,583)	(46,698)	48,400	38,921
<b>Operating profit before abnormal items and income tax</b> .....		269,645	208,208	89,493	56,976
Abnormal items before income tax.....	3,4	8,378	26,485	(21,701)	(15,643)
<b>Operating profit before income tax</b> .....		278,023	234,693	67,792	41,333
Income tax (expense) benefit attributable to operating profit.....	5	(92,552)	(56,174)	3,752	472
<b>Operating profit after income tax</b> .....		185,471	178,519	71,544	41,805
Outside equity interests in operating profit after income tax.....		280	1,750	-	-
<b>Operating profit after income tax attributable to members of the Company*</b> .....		185,751	180,269	71,544	41,805
Retained profits at the beginning of the financial year.....		362,430	279,507	53,036	87,600
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	-	-
<b>Total available for appropriation</b> .....		548,181	445,924	124,580	129,405
Dividends provided for or paid .....	6	(84,045)	(76,369)	(84,045)	(76,369)
Aggregate amounts transferred to reserves.....	17	-	(7,125)	-	-
<b>Retained profits at the end of the financial year</b>		464,136	362,430	40,535	53,036
<b>* Operating profit after income tax attributable to members of the Company comprises:</b>					
Net profit before abnormal items:					
Continued businesses .....		168,708	134,012	85,433	51,816
Discontinued businesses .....		-	456	-	-
.....		168,708	134,468	85,433	51,816
Abnormal items (net).....	4	17,043	45,801	(13,889)	(10,011)
.....		185,751	180,269	71,544	41,805

These Profit and Loss Statements should be read in conjunction with the Notes to and forming part of the Financial Statements

# Balance Sheets

as at 30 June 2000

	Note	Consolidated		Company	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>Current assets</b>					
Cash .....		10,557	19,876	8,640	298
Receivables .....	7	208,962	174,882	3,028	531
Inventories.....	8	19,291	16,501	-	-
<b>Total current assets</b> .....		238,810	211,259	11,668	829
<b>Non-current assets</b>					
Receivables .....	7	13,944	31,460	611,217	633,404
Investments.....	9	44,761	92,579	83,356	83,356
Property, plant and equipment .....	10	519,559	478,030	18,183	11,322
Intangibles .....	11	1,276,865	1,247,119	196	-
Future income tax benefits .....	12	58,804	44,794	7,104	2,783
<b>Total non-current assets</b> .....		1,913,933	1,893,982	720,056	730,865
<b>Total assets</b> .....		2,152,743	2,105,241	731,724	731,694
<b>Current liabilities</b>					
Accounts payable .....	13	205,363	153,138	14,018	10,310
Borrowings .....	14	5,000	9,700	-	-
Provisions .....	15	147,156	114,631	54,061	49,584
<b>Total current liabilities</b> .....		357,519	277,469	68,079	59,894
<b>Non-current liabilities</b>					
Borrowings .....	14	617,507	746,218	-	-
Provisions .....	15	89,164	97,092	3,947	3,990
<b>Total non-current liabilities</b> .....		706,671	843,310	3,947	3,990
<b>Total liabilities</b> .....		1,064,190	1,120,779	72,026	63,884
<b>Net assets</b> .....		1,088,553	984,462	659,698	667,810
<b>Shareholders' equity</b>					
Issued capital.....	16	619,163	614,774	619,163	614,774
Reserves.....	17	5,254	6,472	-	-
Retained profits .....		464,136	362,430	40,535	53,036
<b>Shareholders' equity attributable to members of the Company</b> .....		1,088,553	983,676	659,698	667,810
Outside equity interests in controlled entities .....	18	-	786	-	-
<b>Total shareholders' equity</b> .....		1,088,553	984,462	659,698	667,810

These Balance Sheets should be read in conjunction with the Notes to and forming part of the Financial Statements

# Statements of Cash Flows

for the year ended 30 June 2000

	Note	Consolidated		Company	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>Cash flows from operating activities</b>					
Receipts from customers.....		1,302,158	1,130,658	-	-
Payments to suppliers and employees.....		(959,942)	(839,394)	(82,121)	(46,513)
Redundancy and severance payments.....		(4,239)	(15,158)	(1,117)	(6,560)
Dividends and unit trust income received.....		109,148	17,525	-	-
Interest received.....		2,419	2,484	62	119
Borrowing costs paid.....		(45,358)	(50,236)	-	-
Income taxes paid.....		(86,696)	(3,831)	-	-
<b>Net cash provided by/(used in) operating activities</b> .....	30(b)	317,490	242,048	(83,176)	(52,954)
<b>Cash flows from investing activities</b>					
Payment for property, plant & equipment.....		(97,046)	(53,275)	(9,565)	(9,897)
Proceeds from sale of property, plant & equipment..		1,907	11,484	-	-
Payment for investments.....		(10,972)	-	-	-
Proceeds from sale of investments.....		1	11,258	-	-
Payment for controlled entities.....	30(d)	(15,532)	(5,304)	-	-
Proceeds from sale of controlled entities / businesses.....	30(c)	-	46,772	-	-
Payment for mastheads and tradenames.....		(5,788)	(4,925)	(196)	-
Loans and deposits issued.....		(1,777)	(11,383)	-	-
Advances from controlled entities.....		-	-	177,055	385,133
<b>Net cash (used in)/provided by investing activities</b> .....		(129,207)	(5,373)	167,294	375,236
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares and debentures ...		4,389	4,831	4,389	4,831
Payment for buy-back of shares.....		-	(250,612)	-	(250,612)
Dividends paid.....		(80,165)	(77,499)	(80,165)	(77,499)
Proceeds from borrowings.....		159,235	442,664	-	-
Repayment of borrowings.....		(292,646)	(361,563)	-	-
Loan from associated entity.....		11,585	23,467	-	-
<b>Net cash used in financing activities</b> .....		(197,602)	(218,712)	(75,776)	(323,280)
<b>Net increase/(decrease) in cash held</b> .....		(9,319)	17,963	8,342	(998)
Cash at the beginning of the financial year.....		19,876	1,913	298	1,296
<b>Cash at the end of the financial year</b> .....	30(a)	10,557	19,876	8,640	298

These Statements of Cash Flows should be read in conjunction with the Notes to and forming part of the Financial Statements

# Notes to the Financial Statements

for the year ended 30 June 2000

## 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 does 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. 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 comprises 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) Cash and Cash Equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

### (d) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

Receivables are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down.

### (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.

### (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 cash flows or the estimated fair value of underlying net assets of the particular entities. Dividends are recognised when the right to receive payment is established.

### (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 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

# Notes to the Financial Statements

for the year ended 30 June 2000

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) Intangibles

### *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.

### *Goodwill*

Goodwill is amortised by the straight-line method over the period during which benefits are expected to be received. This is taken to be 20 years.

The carrying amount of intangibles 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 cash flows.

## (i) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

## (j) 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.

## (k) Provisions

Dividends payable are recognised when a legal obligation to pay the dividend arises, typically following approval of the dividend at a meeting of shareholders.

## (l) Loans and Borrowings

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Bills of exchange and promissory notes are carried at the principal amount plus deferred interest.

Finance lease liability is determined in accordance with the requirements of AASB 1008: Leases.

## (m) 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*.

# Notes to the Financial Statements

for the year ended 30 June 2000

## (n) Share Capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

## (o) 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.

## (p) 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.

The income tax expense for the year is calculated using the 36% tax rate, however, the deferred tax balances have been adjusted for the decreased corporate tax rate of 34% for the tax year 2000-01 and 30% thereafter. The adjustment recognised that reversal of timing differences will occur within the 2000-01 or later income tax year, at which time tax will be attributed at a lower rate. The corresponding adjustment has been charged to income tax expense.

## (q) 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.

## (r) 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(q).

## (s) Industry and Geographical Segments

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

# Notes to the Financial Statements

for the year ended 30 June 2000

	Note	Consolidated		Company	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>2. Revenue</b>					
<b>Operating Revenue</b>					
Advertising and circulation revenue generated from sale of:					
Newspapers.....		1,135,986	986,544	-	-
Magazines.....		129,887	109,147	-	-
Other.....		66,301	37,891	10,585	1,298
		1,332,174	1,133,582	10,585	1,298
Revenue from rendering of services.....		11,806	10,305	17,626	18,494
Dividend income:					
Wholly owned controlled entities.....		-	-	81,000	41,560
Other corporations.....		500	545	-	-
Distributions from unit trusts.....		400	330	-	-
		1,344,880	1,144,762	109,211	61,352
<b>Trading revenue</b>					
Proceeds from sale of property, plant and equipment.....		1,907	11,484	-	-
Proceeds from sale of investments.....		1	11,258	-	-
Proceeds from sale of controlled entities/businesses.....		-	46,772	-	-
Interest income:					
Wholly owned controlled entities.....		-	-	127,141	89,586
Other persons/corporations.....		2,419	2,484	62	119
		1,349,207	1,216,760	236,414	151,057
<b>Total operating revenue</b>					
<b>Non-operating revenue</b>					
Share of associate's net profit.....	24	59,382	98,565	-	-
		1,408,589	1,315,325	236,414	151,057
<b>Total Revenue</b>					
<b>3. Operating Profit</b>					
Operating profit before income tax has been arrived at after charging (crediting) the following items:					
Borrowing costs					
Interest expense:					
Wholly-owned controlled entities.....		-	-	78,803	50,784
Other persons/corporations.....		43,289	42,486	-	-
Finance charges on capitalised leases.....		6,713	6,696	-	-
		50,002	49,182	78,803	50,784
Total borrowing costs.....					
Depreciation of freehold property.....		1,872	6,621	-	-
Depreciation of plant and equipment.....		60,453	59,229	1,371	405
Amortisation of leasehold property.....		1,240	1,241	-	-
Amortisation of goodwill.....		1,116	-	-	-
		64,681	67,091	1,371	405
Total depreciation and amortisation.....					
Amounts provided for:					
Employee entitlements.....		10,568	7,768	1,247	909
Doubtful trade debts.....		3,985	2,828	-	-
Diminution in value of inventories.....		(3)	(31)	-	-
Other.....		(831)	(834)	-	-
		13,719	9,731	1,247	909
Total amounts set aside to provisions.....					
Operating lease rental expense.....		10,022	9,786	-	-
Net foreign exchange loss/(profit).....		(106)	116	(125)	(69)
Net loss/(profit) on disposal of property, plant & equipment.....		78	1,233	-	-
Net profit on disposal of investments.....		-	(5,556)	-	-
Write down of property, plant and equipment.....		-	40,000	-	-
Write down of goodwill.....		20,771	-	-	-
Write down of other intangibles.....		-	1,070	-	-

# Notes to the Financial Statements

for the year ended 30 June 2000

	Note	Consolidated		Company	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>4. Abnormal Items</b>					
Abnormal items of income (expense) comprise:					
Share of associates net abnormal profit .....		59,382	98,565	-	-
Income tax expense applicable .....		-	-	-	-
Restructure and redundancy costs .....		(4,994)	(12,289)	(2,046)	(5,919)
Income tax benefit applicable .....		1,798	4,424	736	2,131
f2 float investigation and launch costs .....		(3,541)	-	(2,060)	-
Income tax benefit applicable .....		533	-	742	-
GST and System costs .....		(17,595)	(11,592)	(17,595)	(9,724)
Income tax benefit applicable .....		6,334	4,173	6,334	3,501
Superannuation contribution shortfall relating to prior years .....		-	(7,474)	-	-
Income tax benefit applicable .....		-	2,691	-	-
Disposal of controlled entities/businesses .....	23,30	-	(1,920)	-	-
Income tax expense applicable .....		-	-	-	-
Disposal of non-current assets .....		-	2,265	-	-
Income tax expense applicable .....		-	(252)	-	-
Write down of non-current assets .....		(24,874)	(41,070)	-	-
Income tax benefit applicable .....		-	13,320	-	-
Prior years tax losses recognised .....		-	(5,040)	-	-
<b>Net abnormal items after income tax .....</b>		<b>17,043</b>	<b>45,801</b>	<b>(13,889)</b>	<b>(10,011)</b>
Abnormal items before income tax .....		8,378	26,485	(21,701)	(15,643)
Income tax benefit .....		8,665	19,316	7,812	5,632
.....		17,043	45,801	(13,889)	(10,011)
<b>5. Income Tax</b>					
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 .....		100,088	84,489	24,405	14,880
Tax effect of permanent differences:					
Share of associate's net profit .....		(21,377)	(35,483)	-	-
Current year tax losses not recognised .....		1,831	1,575	-	-
Prior years tax losses recognised .....		-	5,040	-	-
Capital profits not taxable .....		-	(616)	-	-
Non deductible depreciation and amortisation ..		722	-	-	-
Rebateable dividends .....		(180)	-	(29,160)	(14,961)
Write down of non-current assets .....		8,954	-	-	-
Net gain attributable to change in income tax rate .....		(3,734)	-	-	-
Under/(over) provision of prior years .....		4,499	-	-	-
Other .....		1,749	1,169	1,003	(391)
<b>Income tax expense (benefit) attributable to operating profit .....</b>		<b>92,552</b>	<b>56,174</b>	<b>(3,752)</b>	<b>(472)</b>
<b>Income tax expense (benefit) comprises:</b>					
Provision attributable to current year .....		108,995	31,768	-	-
(Increase) decrease in future income tax benefits:					
Timing differences .....		(6,033)	(12,354)	(3,752)	(472)
Tax losses (recognised)/utilised .....		(6,463)	13,737	-	-
Increase (decrease) in deferred income tax liability ..		(3,947)	23,023	-	-
.....		92,552	56,174	(3,752)	(472)

# Notes to the Financial Statements

for the year ended 30 June 2000

	Consolidated		Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>6. Dividends Paid and Proposed</b>				
Fully franked interim dividend of 4.5 cents per share/debenture paid 10 March 2000 (1999: 4.0 cents fully franked, paid 31 March 1999).....	32,845	29,049	32,845	29,049
Proposed fully franked final dividend of 7.0 cents per share/debenture (1999: 6.5 cents fully franked paid 20 October 1999) .....	51,200	47,320	51,200	47,320
<b>Total dividends provided for or paid</b> .....	<b>84,045</b>	<b>76,369</b>	<b>84,045</b>	<b>76,369</b>

The tax rate at which dividends have or will be franked is 36% (1999: 36%). Franking credits available at 30 June 2000 total \$198.4 million (1999: \$15.9 million). From these amounts \$51.2 million will be used to pay a fully franked dividend proposed at 30 June 2000 and is expected to be paid on 17 October 2000. Due to the changes in tax legislation, dividends paid from 1 July 2000 to 30 June 2001 attract a maximum franking credit of 34%. Approximately \$112 million franking credits will arise from the payment of income tax payable as at the end of the financial year. It is anticipated that dividends payable in the following year will be fully franked.

	Consolidated		Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>7. Receivables</b>				
<b>Current</b>				
Trade debtors.....	206,625	172,661	-	-
Provision for doubtful debts .....	(14,234)	(12,289)	-	-
.....	192,391	160,372	-	-
Loans and deposits .....	2,270	105	2,124	-
Other debtors and prepayments .....	14,301	14,405	904	531
<b>Total current receivables</b> .....	<b>208,962</b>	<b>174,882</b>	<b>3,028</b>	<b>531</b>
<b>Movement in provision for doubtful debts</b>				
Balance at the beginning of the financial year .....	12,289	11,884	-	-
Bad and doubtful debts provided for during the year .....	3,985	2,828	-	-
Bad debts previously provided for written-off during the year .....	(2,062)	(2,813)	-	-
Controlled entities/businesses sold during year.....	-	(16)	-	-
Controlled entities acquired during year.....	22	406	-	-
Balance at the end of the financial year .....	14,234	12,289	-	-
<b>Non-current</b>				
Amounts receivable from wholly-owned controlled entities.....	-	-	611,217	632,847
Loans and deposits .....	10,652	31,460	-	557
Prepayments .....	3,292	-	-	-
<b>Total non-current receivables</b> .....	<b>13,944</b>	<b>31,460</b>	<b>611,217</b>	<b>633,404</b>

## 8. Inventories

<b>Current</b>				
Raw materials and stores, at cost.....	19,607	16,649	-	-
Provision for diminution in value .....	(340)	(343)	-	-
.....	19,267	16,306	-	-
Finished goods, at cost .....	24	195	-	-
<b>Total inventories</b> .....	<b>19,291</b>	<b>16,501</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

for the year ended 30 June 2000

	Note	Consolidated		Company	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>9. Investments</b>					
Shares in associated company (unlisted) at equity accounted amount .....	24	35,349	89,738	-	-
Shares in other (unlisted), at cost, 1999 at June 1998 directors' valuation .....		8,765	2,194	-	-
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 .....		647	647	-	-
<b>Total investments .....</b>		<b>44,761</b>	<b>92,579</b>	<b>83,356</b>	<b>83,356</b>
<b>10. Property, Plant and Equipment</b>					
Freehold land and buildings					
At independent valuation 2000 .....		111,253	39,259	-	-
Provision for depreciation.....		(20,387)	(1,529)	-	-
.....		90,866	37,730	-	-
At cost .....					
Provision for depreciation.....		-	63,055	-	-
.....		-	(17,201)	-	-
.....		-	45,854	-	-
.....		90,866	83,584	-	-
Leasehold buildings					
At independent valuation 2000 .....		50,189	692	-	-
Provision for amortisation.....		(5,314)	(123)	-	-
.....		44,875	569	-	-
At cost .....					
Provision for amortisation.....		-	49,435	-	-
.....		-	(4,075)	-	-
.....		-	45,360	-	-
.....		44,875	45,929	-	-
Plant and equipment					
At cost .....		567,510	548,630	19,612	11,927
Provision for depreciation.....		(284,192)	(227,709)	(1,429)	(605)
.....		283,318	320,921	18,183	11,322
Capital works in progress, at cost .....		100,500	27,596	-	-
<b>Total property, plant and equipment .....</b>		<b>519,559</b>	<b>478,030</b>	<b>18,183</b>	<b>11,322</b>

The independent valuation in 2000 was carried out by Gary R Longden AAPI, Director of Investment Advisory Services at Jones Lang LaSalle and was performed on the basis of market value – existing use. Included in capital works in progress in 2000 is borrowing costs capitalised of \$1.7 million at an average capitalisation rate of 7.8%.

# Notes to the Financial Statements

for the year ended 30 June 2000

	Consolidated		Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>11. Intangibles</b>				
Mastheads and tradenames, at cost.....	1,251,158	1,232,884	196	-
Goodwill, at cost.....	26,823	14,235	-	-
Provision for amortisation of goodwill.....	(1,116)	-	-	-
<b>Total intangibles</b> .....	<b>1,276,865</b>	<b>1,247,119</b>	<b>196</b>	<b>-</b>
<b>12. Future Income Tax Benefits</b>				
The future income tax benefit comprises the estimated future benefit at current income tax rates of the following:				
Tax losses .....	6,463	-	-	-
Timing differences .....	52,341	44,794	7,104	2,783
<b>Total future income tax benefits</b> .....	<b>58,804</b>	<b>44,794</b>	<b>7,104</b>	<b>2,783</b>
<b>13. Accounts Payable</b>				
<b>Current</b>				
Trade and other creditors .....	198,072	150,490	14,018	10,310
Accrued interest on bank borrowings .....	7,291	2,648	-	-
<b>Total current accounts payable</b> .....	<b>205,363</b>	<b>153,138</b>	<b>14,018</b>	<b>10,310</b>
<b>14. Borrowings</b>				
<b>Current</b>				
Bank borrowings (unsecured).....	5,000	9,700	-	-
<b>Non-current</b>				
Other borrowings (unsecured) .....	564,204	693,743	-	-
Lease liability (secured) .....	53,303	52,475	-	-
<b>Total non-current borrowings</b> .....	<b>617,507</b>	<b>746,218</b>	<b>-</b>	<b>-</b>

The consolidated entity has access to a \$100 million committed working capital facility. This facility can be drawn or utilised in various forms including loan and bill acceptance until June 2003 and is currently not utilised. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

A \$500 million combined Commercial Paper and Medium Term Note program was established in November 1998. This program was increased in March 2000 to \$750 million. MTN's to the value of \$150 million due April 2002 and \$150 million due July 2005 have been issued under the facility. The remaining \$450 million is available for the issue of Promissory Notes. Standby lines to the value of \$400 million maturing between February 2001 and November 2002 are available to support Promissory Note issues.

Senior Notes with a principal of US\$120 million and maturing 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 and was swapped into Australian Dollars with a cross currency swap.

The Chullora printing facility in Sydney is partially financed by a finance lease facility and loans with final maturity dates of September 2015. A loan with principal outstanding of \$59.9 million and a finance lease of \$53.3 million drawn in February 1996, is in the form of a CPI indexed annuity. The remaining principal outstanding of \$53.6 million is in the form of a fixed rate facility with an established drawdown and repayment schedule.

# Notes to the Financial Statements

for the year ended 30 June 2000

	Note	Consolidated		Company	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>15. Provisions</b>					
<b>Current</b>					
Employee entitlements .....	25	30,072	30,247	2,347	1,644
Dividends .....		51,200	47,320	51,200	47,320
Income tax .....		60,169	29,203	514	-
Other .....		5,715	7,861	-	620
<b>Total current provisions .....</b>		<b>147,156</b>	<b>114,631</b>	<b>54,061</b>	<b>49,584</b>
<b>Non-current</b>					
Employee entitlements .....	25	40,298	36,292	1,823	1,846
Deferred income tax liability .....		47,489	57,778	-	-
Other .....		1,377	3,022	2,124	2,144
<b>Total non-current provisions .....</b>		<b>89,164</b>	<b>97,092</b>	<b>3,947</b>	<b>3,990</b>
<b>16. Issued Capital</b>					
<b>Shares</b>					
730,559,595 (1999: 727,628,595) ordinary shares fully paid .....		619,163	614,424	619,163	614,424
<b>Debentures</b>					
281 (1999: 350,281) debentures fully paid .....		-	350	-	350
<b>Total issued capital .....</b>		<b>619,163</b>	<b>614,774</b>	<b>619,163</b>	<b>614,774</b>

The amount of former share premium reserve included in share capital is \$453,622,000.

## Movements in issued capital during the financial year

Shares	Number	Issue Price
Balance on issue at 30 June 1999 .....	727,628,595	
Shares issued .....	1,000,000	
Converted from debentures .....	350,000	\$1.00
Converted from options: .....	75,000	\$2.69
.....	20,000	\$2.60
.....	10,000	\$2.78
.....	20,000	\$2.64
.....	36,000	\$2.69
.....	200,000	\$2.88
.....	510,000	\$2.67
.....	70,000	\$2.84
.....	20,000	\$3.12
.....	20,000	\$3.37
.....	80,000	\$3.15
.....	120,000	\$2.93
.....	400,000	\$2.72
	1,581,000	
Balance on issue at 30 June 2000 .....	730,559,595	
<b>Debentures</b>		
	Number	
Balance on issue at 30 June 1999 .....	350,281	
Converted to shares .....	(350,000)	
Balance on issue at 30 June 2000 .....	281	

## Options to acquire shares

During the year, the consolidated entity granted 4,785,000 options to acquire shares on a one-for-one basis to 158 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 \$5.10.

# Notes to the Financial Statements

for the year ended 30 June 2000

## 16. Issued Capital (continued)

### Options to acquire shares (continued)

	Number	
Balance on issue at 30 June 1999 .....		11,143,000
Granted during the year .....		4,785,000
Forfeited during the year .....		(44,000)
Exercised and converted to shares .....		(1,581,000)
Balance on issue at 30 June 2000 .....		14,303,000
Balance comprises:		
Date of Grant	Exercise Price	Number
<i>Employee scheme options</i>		
22 August 1995 .....	\$2.64	40,000
24 November 1995 .....	\$2.69	50,000
24 January 1996 .....	\$2.88	100,000
26 March 1996 .....	\$2.82	20,000
6 June 1996 .....	\$2.67	300,000
28 June 1996 .....	\$2.67	1,848,000
29 January 1997 .....	\$2.84	80,000
3 September 1997 .....	\$3.12	330,000
3 October 1997 .....	\$3.37	130,000
19 November 1997 .....	\$3.15	120,000
27 February 1998 .....	\$2.93	780,000
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
28 September 1999 .....	\$4.01	4,405,000
5 April 2000 .....	\$5.66	250,000
29 May 2000 .....	\$4.30	20,000
28 June 2000 .....	\$4.41	90,000
<i>Other options</i>		
20 November 1996* .....	\$2.72	650,000
16 December 1998** .....	\$2.85	3,500,000
.....		14,303,000

#### *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 1.4% of the ordinary shares on issue at 30 June 2000. There are currently 264 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.

# Notes to the Financial Statements

for the year ended 30 June 2000

	Consolidated		Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>17. Reserves</b>				
Share premium .....	-	-	-	-
Asset revaluation .....	5,053	6,405	-	-
Foreign currency translation .....	201	67	-	-
<b>Total reserves</b> .....	<b>5,254</b>	<b>6,472</b>	<b>-</b>	<b>-</b>
<b>Movements in reserves</b>				
<b>Share premium reserve</b>				
Balance at the beginning of the financial year .....	-	453,622	-	453,622
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)
Balance at the end of the financial year .....	-	-	-	-
<b>Asset revaluation reserve</b>				
Balance at the beginning of the financial year .....	6,405	1,971	-	-
Increments on revaluation of land and buildings .....	4,171	-	-	-
Adjustments resulting from adoption of revised Accounting Standard AASB 1016:				
Reversal of Previous Revaluations of investment in associates .....	(5,523)	(7,125)	-	-
Share of post-acquisition increments in reserves of associates .....	-	5,523	-	-
Transfer from/(to) retained earnings .....	-	6,036	-	-
Balance at the end of the financial year .....	5,053	6,405	-	-
<b>Foreign currency translation reserve</b>				
Balance at the beginning of the financial year .....	67	317	-	-
Net (loss)/gain on translation of overseas controlled entities .....	134	(250)	-	-
Balance at the end of the financial year .....	201	67	-	-
<b>18. Outside Equity Interests</b>				
Balance at the beginning of the financial year .....	786	-		
Share acquisition of controlled entity .....	(506)	2,536		
Share of operating (loss)/profit .....	(280)	(1,750)		
<b>Total outside equity interests</b> .....	<b>-</b>	<b>786</b>		
	2000	1999		
<b>19. Earnings Per Share</b>				
<b>Basic earnings per share (cents) based on operating profit:</b>				
Before abnormal items .....	23.15	17.28		
After abnormal items .....	25.49	23.16		
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) .....				
	728,795	778,272		

# Notes to the Financial Statements

for the year ended 30 June 2000

	Note	Consolidated		Company	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>20. Commitments</b>					
<b>Finance lease liabilities</b>					
Payable:					
Not later than one year .....		6,732	6,835	-	-
Later than one year but not later than two years..		6,728	5,209	-	-
Later than two years but not later than five years		20,182	21,708	-	-
Later than five years .....		41,647	100,998	-	-
Minimum lease payments .....		75,289	134,750	-	-
Less future finance charges .....		21,986	82,275	-	-
<b>Total lease liability .....</b>		<b>53,303</b>	<b>52,475</b>	<b>-</b>	<b>-</b>
Classified as:					
Non-current .....	14	53,303	52,475	-	-
<b>Operating lease commitments</b>					
Payable:					
Not later than one year .....		10,656	12,074	-	-
Later than one year but not later than two years..		19,859	12,131	-	-
Later than two years but not later than five years		21,552	33,078	-	-
Later than five years .....		9,654	10,596	-	-
<b>Total operating lease commitments .....</b>		<b>61,721</b>	<b>67,879</b>	<b>-</b>	<b>-</b>
Operating leases have an average lease term ranging between 10 to 15 years and an average implicit interest rate of 10%. Assets which are the subject of operating leases include office premises and land and buildings.					
<b>Capital expenditure commitments</b>					
Payable:					
Not later than one year .....		1,227	5,689	-	-
Later than one year but not later than two years..		162	-	-	-
<b>Total capital expenditure commitments .....</b>		<b>1,389</b>	<b>5,689</b>	<b>-</b>	<b>-</b>

## 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.

# Notes to the Financial Statements

for the year ended 30 June 2000

## 22. Controlled Entities

	Note		Note
<b>John Fairfax Holdings Limited</b>	(a),(c)		
<b>Controlled entities</b>			
Associated Newspapers Limited	(a)	Illawarra Newspapers Holdings Pty Limited	(a)
Big Colour Pages Pty Limited		John Fairfax & Sons Limited	(a)
Big Hand Asia Pacific Pty Limited		John Fairfax (UK) Limited	(b)
CitySearch Australia Pty Limited	(e)	John Fairfax (US) Limited	(b)
CitySearch Canberra Pty Limited	(e)	John Fairfax Group Finance Pty Limited	(a)
David Syme & Co Pty Limited	(a),(g)	John Fairfax Limited	(a)
f2 Australia & New Zealand Pty Limited	(a),(e)	John Fairfax Publications Pty Limited	(a),(d)
f2 Limited	(a),(d),(i)	Morisset Courier Unit Trust	
Fairfax Business Information Solutions Pty Limited	(a)	Morisset Newspapers Pty Limited	
Fairfax Community Newspapers Pty Limited	(a)	Newcastle Newspapers Pty Limited	(a)
Fairfax Corporation Pty Limited	(a)	Personal Investment Direct Access Pty Limited	
Fairfax EEC Limited (UK)	(b),(e)	Rydge Publications Pty Limited	(a)
Fairfax Print Holdings Pty Limited	(a),(d)	SOLD.com.au Pty Limited	(c),(h)
Fairfax Printers Pty Limited	(a),(d)	South Australian Real Estate Press Pty Limited	(a)
Fairfax Properties Pty Limited	(a)	Strategic Publishing Group Pte Ltd	(b),(e)
Fairfax Regional Printers Pty Limited	(a)	Strategic Publishing Group (South Asia) Pte Ltd	(b),(e)
FCN Online Pty Limited	(a)	The Age Company Limited	(a),(f)
Gold Coast Community Press Pty Limited	(a)	The Age Online Pty Limited	(a)
Homes Pictorial Publications Pty Limited	(a)	The Rockwood Pastoral Company Pty Limited	(a)
Homes Pictorial Unit Trust		The Warrnambool Standard Pty Limited	(a)
		Wattle Street Properties Pty Limited	(a)

### Notes

(a) The Company and the controlled entities incorporated within Australia are party to a class order 98/1418 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:

	2000 \$000		2000 \$000
<b>Balance Sheet</b>		<b>Profit and Loss Account</b>	
<b>Current assets</b>		Operating profit before abnormal items and income tax	
Cash	7,163	Abnormal items before income tax	294,272
Receivables	191,981	Operating profit before income tax	29,984
Inventories	18,738	Income tax expense attributable to operating profit	324,256
<b>Total current assets</b>	<b>217,882</b>	Operating profit after income tax	(100,746)
<b>Non-current assets</b>		Operating profit after income tax	223,510
Receivables	13,882	Outside equity interests	280
Investments	44,761	Operating profit attributable to members of holding company	223,790
Property, plant and equipment	508,786	Retained earnings at the beginning of the financial year	374,364
Intangibles	1,231,991	Dividends paid	(84,045)
Future income tax benefits	47,985	Reserve transfers	-
<b>Total non-current assets</b>	<b>1,847,405</b>	Retained earnings at the end of the financial year	514,109
<b>Total assets</b>	<b>2,065,287</b>	(b) All controlled entities are incorporated in Australia except for:	
<b>Current liabilities</b>		Country of Incorporation	
Accounts payable	71,971	John Fairfax (UK) Limited	UK
Borrowings	5,000	John Fairfax (US) Limited	USA
Provisions	144,925	Fairfax EEC Limited (UK)	UK
<b>Total current liabilities</b>	<b>221,896</b>	Strategic Publishing Group Pte Ltd	Singapore
Non-current liabilities		Strategic Publishing Group (South Asia) Pte Ltd	Singapore
Accounts payable	-	(c) The consolidated entity holds a 100% equity interest in all controlled entities except for SOLD.com.au Pty Limited in which a 81% interest is held.	
Borrowings	617,507	(d) Denotes entities controlled directly by the Company.	
Provisions	87,952	(e) Controlled entity acquired during the year.	
<b>Total non-current liabilities</b>	<b>705,459</b>	(f) Changed name during year from David Syme & Co Limited.	
<b>Total liabilities</b>	<b>927,355</b>	(g) Changed name during year from Prowsey Pty Limited.	
<b>Net assets</b>	<b>1,137,932</b>	(h) Changed name during year from Pyasina Pty Limited,	
<b>Shareholders' equity</b>		(i) Changed name during year from Fairfax Multimedia Holdings Pty Limited.	
Issued capital	619,163		
Reserves	4,660		
Retained profits	514,109		
<b>Total shareholders' equity</b>	<b>1,137,932</b>		

# Notes to the Financial Statements

for the year ended 30 June 2000

## 23. Acquisition and Disposal of Controlled Entities

On 27 August 1999 the consolidated entity acquired 100% ownership in CitySearch Australia Pty Limited and the remaining 40% interest in Big Colour Pages Pty Limited. These entities form part of the interactive businesses of the consolidated entity.

On 15 October 1999 the consolidated entity sold 19% of SOLD.com.au Pty Limited for \$19 and continues to hold a controlling interest of 81%.

On 1 January 2000 the consolidated entity completed the acquisition of Strategic Publishing Group (SPG), a publisher of specialist IT and financial management magazines in Australia and Asia, including leading titles MIS and CFO.

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

## 24. Investments in Associates

The consolidated entity has a 44.74% 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.

	Consolidated	
	2000 \$000	1999 \$000
<b>Share of associate's profit</b>		
Share of associate's abnormal profit before income tax .....	102,364	146,492
Share of associate's income tax expense attributable to abnormal profit .....	(42,982)	(47,927)
Share of associate's net abnormal profit .....	59,382	98,565
<b>Carrying amount of investment in associate</b>		
Balance at the beginning of the year .....	89,738	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 .....	59,382	98,565
Dividends received from associates .....	(108,248)	(16,650)
Transfer from reserves .....	(5,523)	–
Balance at the end of the financial year .....	35,349	89,738
Amount of retained profits of the consolidated entity attributable to associates .....	12,585	66,974
Amount of reserves of the consolidated entity attributable to associates .....	–	5,523

The consolidated entity also has a 50% ownership interest in f2 Investments Pty Ltd. The principal activities are investing in interactive businesses. There was no contribution to operating profit of the consolidated entity during the financial year.

# Notes to the Financial Statements

for the year ended 30 June 2000

	Note	Consolidated		Company	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>25. Employee Entitlements</b>					
Aggregate employee entitlements including on-costs:					
Provisions for employee entitlements (current) .....	15	30,072	30,247	2,347	1,644
Provisions for employee entitlements (non-current) .....	15	40,298	36,292	1,823	1,846
Provision for redundancy (current) .....		-	2,702	-	-
.....		70,370	69,241	4,170	3,490

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 2000 was:

	Consolidated	
	2000 \$000	1999 \$000
Estimated accrued benefits of the plan .....	176,500	159,892
Net market value of the plans' assets .....	180,822	165,546
Surplus (deficiency) .....	4,322	5,654
Vested benefits (estimate) .....	169,700	153,300
Consolidated entity contributions .....	16,093	16,042

# Notes to the Financial Statements

for the year ended 30 June 2000

	Consolidated		Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>27. Auditors' Remuneration</b>				
Amounts received or due and receivable by the auditors of John Fairfax Holdings Limited for:				
Audit services .....	600	540	308	132
Other services .....	1,920	2,159	2,120	1,795
.....	2,520	2,699	2,428	1,927
Amounts received or due and receivable by other member firms of Ernst & Young International for:				
Audit services .....	-	17	-	-
Other services .....	-	-	-	-
.....	-	17	-	-
<b>28. Remuneration of Directors and Executives</b>				
<b>Directors' remuneration</b>				
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 .....	7,897	5,161		
Income paid or payable, or otherwise made available, to all directors of John Fairfax Holdings Limited by the Company or any related party .....			2,028	2,918
The number of directors of John Fairfax Holdings Limited whose income from the Company or any related party falls within the following bands:			Number of Directors	Number of Directors
\$0 – \$9,999 .....			-	-
\$20,000 – \$29,999 .....			-	1
\$50,000 – \$59,999 .....			4	3
\$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
\$140,000 – \$149,999 .....			1	-
\$730,000 – \$739,999 .....			-	2
\$790,000 – \$799,999 .....			-	1
\$1,420,000 – \$1,429,999 .....			1	1

# Notes to the Financial Statements

for the year ended 30 June 2000

	Consolidated		Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>28. Remuneration of Directors and Executives (continued)</b>				
<b>Executives' remuneration</b>				
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 .....	7,256	7,647	3,980	4,079
The number of executives of the consolidated entity and the Company whose remuneration (including termination payments) falls within the following bands:				
	Number of executives	Number of executives	Number of executives	Number of executives
\$120,000 – \$129,999 .....	1	–	–	–
\$130,000 – \$139,999 .....	–	1	–	–
\$220,000 – \$229,999 .....	–	1	–	–
\$230,000 – \$239,999 .....	3	–	1	–
\$240,000 – \$249,999 .....	1	3	1	2
\$260,000 – \$269,999 .....	1	–	–	–
\$270,000 – \$279,999 .....	–	2	–	1
\$280,000 – \$289,999 .....	1	1	–	–
\$290,000 – \$299,999 .....	1	–	1	–
\$320,000 – \$329,999 .....	–	1	–	1
\$330,000 – \$339,999 .....	1	–	–	–
\$340,000 – \$349,999 .....	1	3	1	–
\$350,000 – \$359,999 .....	2	1	–	1
\$360,000 – \$369,999 .....	–	1	–	1
\$370,000 – \$379,999 .....	1	–	1	–
\$400,000 – \$409,999 .....	–	1	–	–
\$480,000 – \$489,999 .....	–	1	–	–
\$500,000 – \$509,999 .....	1	1	1	–
\$530,000 – \$539,999 .....	1	–	–	–
\$560,000 – \$569,999 .....	2	–	1	–
\$730,000 – \$739,999 .....	–	2	–	2
\$790,000 – \$799,999 .....	–	1	–	1
\$1,420,000 – \$1,429,999 .....	1	–	1	–

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: BM Powers, JS Pinshaw, M Burrows, Sir Roderick Carnegie, DM Gonski, FG Hilmer, JM King, DA Shein, DR Wills.

# Notes to the Financial Statements

for the year ended 30 June 2000

## 29. Related Party Disclosures (continued)

### 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 .....	67,900	3,500,000
Acquisitions .....	68,743	-
Disposals due to resignations .....	-	-
Balance at end of year.....	136,643	3,500,000

BM Powers has 73,926,428 units in the CPH Investment Corp (1999: 76,000,000) which owned 109,054,197 shares in the Company at 30 June 2000 (30 June 1999: 109,054,197).

### Director-related entities

Consulting services were provided to the consolidated entity as follows:

- (a) \$282,696 by Morgan Stanley Dean Witter Australia Limited, a company of which DM Gonski is Chairman;
- (b) \$362,500 by Wentworth Associates Pty Ltd, a company of which DM Gonski is a director; and
- (c) \$300,000 by Nighcue Pty Ltd, a company of which JS Pinshaw is a director.

### 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.

During the year \$1,125,000 was advanced to directors of controlled entities, N Dews and N Leeder, as interest free loans. The balance outstanding as at 30 June 2000 is \$1,125,000. These loans are repayable either out of future bonus entitlements or when the director ceases to be an employee of the controlled entity.

	Consolidated		Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>30. Notes to the Statements of Cash Flows</b>				
<b>(a) Reconciliation of cash</b>				
For the purpose of the Statements of Cash Flows, cash includes cash on hand and at bank.				
Cash.....	10,557	19,876	8,640	298

# Notes to the Financial Statements

for the year ended 30 June 2000

	Consolidated		Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>30. Notes to the Statements of Cash Flows (continued)</b>				
<b>(b) Reconciliation of operating profit after tax to net cash flows from operations</b>				
Operating profit after tax .....	185,471	178,519	71,544	41,805
Depreciation and amortisation .....	64,681	67,091	1,371	405
Amounts set aside to provisions .....	15,364	18,925	1,724	6,828
Write-down of fixed assets .....	-	40,000	-	-
Write-down of other non current assets .....	24,874	1,070	-	-
Net loss (profit) on disposal of property, plant & equipment .....	78	1,233	-	-
Net profit on disposal of investments .....	-	(5,556)	-	-
Loss/(profit) on disposal of controlled entities/businesses .....	-	1,920	-	-
Share of associate's net profits .....	(59,382)	(98,565)	-	-
Dividends received from associate .....	108,248	16,650	-	-
Changes in assets and liabilities net of effects from disposal of controlled entities/businesses:				
Trade debtors .....	(34,358)	(13,229)	-	-
Other debtors and prepayments .....	(7,464)	(7,672)	-	-
Inventories .....	(2,787)	(1,165)	-	-
Trade creditors .....	16,123	20,274	5,171	5,496
Sundry creditors .....	12,128	(5,080)	-	-
Provisions .....	(11,342)	(24,710)	(1,685)	(6,862)
Tax balances .....	5,856	52,343	(3,752)	(631)
Transfers from related bodies corporate .....	-	-	(157,549)	(99,995)
Net cash flows from operating activities .....	317,490	242,048	(83,176)	(52,954)
<b>(c) Disposal of controlled entities/businesses</b>				
Consideration:				
Cash .....	-	46,772	-	-
Loan receivable .....	-	-	-	-
Net assets of controlled entities/businesses disposed:				
Receivables .....	-	3,602	-	-
Inventories .....	-	8,212	-	-
Property, plant and equipment .....	-	6,880	-	-
Mastheads .....	-	35,090	-	-
Future income tax benefit .....	-	-	-	-
Accounts payable .....	-	(4,579)	-	-
Provisions .....	-	(513)	-	-
Outside equity interests .....	-	48,692	-	-
(Loss)/Profit on disposal .....	-	(1,920)	-	-

# Notes to the Financial Statements

for the year ended 30 June 2000

	Consolidated		Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
<b>30. Notes to the Statements of Cash Flows (continued)</b>				
<b>(d) Acquisition of controlled entities</b>				
Consideration:				
Cash .....	15,532	5,304	-	-
Retention payable.....	3,400	-	-	-
.....	18,932	5,304	-	-
Net assets of controlled entities acquired:				
Receivables .....	2,988	7,853	-	-
Inventories.....	-	470	-	-
Property, plant and equipment .....	2,468	7,291	-	-
Intangibles .....	17,576	12,734	-	-
Accounts payable .....	(9,101)	(11,330)	-	-
Provisions .....	-	(1,628)	-	-
Borrowings .....	(22,328)	(9,050)	-	-
.....	(8,397)	6,340	-	-
Outside equity interests .....	506	(2,536)	-	-
.....	(7,891)	3,804	-	-
Goodwill on acquisition .....	26,823	1,500	-	-
.....	18,932	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.

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

# Notes to the Financial Statements

for the year ended 30 June 2000

## 31. Financial Instruments (continued)

	Floating interest rate \$000	Fixed 1 year or less \$000	Interest Over 1 year to 5 years \$000	Maturing in More than 5 years \$000	Non- interest bearing \$000	Total \$000	Weighted average effective interest rate %
<b>As at 30 June 2000</b>							
<b>Financial assets</b>							
Cash .....	10,557	-	-	-	-	10,557	5.9
Receivables .....	-	-	-	-	222,906	222,906	-
Investments .....	-	-	-	-	44,761	44,761	-
.....	10,557	-	-	-	267,667	278,224	
<b>Financial liabilities</b>							
Senior notes .....	-	-	-	150,754	-	150,754	7.2*
Medium term notes .....	-	-	150,000	150,000	-	300,000	7.8*
Promissory notes .....	5,000	-	-	-	-	5,000	6.3
Other borrowings .....	59,902	-	-	53,548	-	113,450	9.6
Lease liability .....	-	-	-	53,303	-	53,303	12.6
Total borrowings .....	64,902	-	150,000	407,605	-	622,507	
Interest rate swaps .....	40,754	140,000	100,000	(280,754)	-	-	
Accounts payable .....	-	-	-	-	205,363	205,363	
Provision for dividends .....	-	-	-	-	51,200	51,200	
.....	105,656	140,000	250,000	126,851	256,563	879,070	
<b>As at 30 June 1999</b>							
<b>Financial assets</b>							
Cash .....	19,876	-	-	-	-	19,876	4.6
Receivables .....	-	-	-	-	206,342	206,342	-
Investments .....	-	-	-	-	92,579	92,579	-
.....	19,876	-	-	-	298,921	318,797	
<b>Financial liabilities</b>							
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
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	
.....	191,273	50,000	390,000	124,645	200,458	956,376	

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

### 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. At balance date the fair value of this cross currency swap is \$48.7 million. The consolidated entity also enters into forward exchange contracts and currency options to hedge foreign currency denominated payments (principally Swiss francs and EURO) mainly for purchases of capital equipment, newsprint, paper and other materials.

# Notes to the Financial Statements

for the year ended 30 June 2000

## 31. Financial Instruments (continued)

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.

		2000 Weighted average exchange rate	1999	2000 \$000	1999 \$000
US dollars	Not longer than one year .....	0.6001	–	3,333	–
EURO	Not longer than one year .....	0.6413	0.6157*	85,778	698*
	Longer than one year but not longer than two years.....	0.6132	–	11,356	–
	Longer than two years but not longer than three years.....	0.6031	–	3,848	–
Swiss Francs	Not longer than one year .....	1.0038	0.9358	18,829	103
	Longer than one year but not longer than two years.....	0.9658	–	3,901	–
	Longer than two years but not longer than three years.....	0.9282	–	8,759	–

\*Translated into EUROS for comparative purposes.

### 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 2000 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 limited. 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 which is stated at the lower of cost or net realisable 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 asset (liability)		Net fair value asset (liability)	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
Investments.....	44,761	92,579	44,464	99,581
Borrowings* .....	(622,507)	(755,918)	(622,507)	(755,918)
Interest rate swaps.....	–	–	64	(5,184)
Interest rate options .....	–	–	–	(671)
Foreign currency contracts.....	–	–	2,739	67


\*Incorporates the effect of currency swaps.

# Directors' Declaration

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

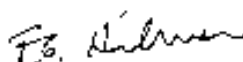
1. In the opinion of the directors:
  - (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Law, including:
    - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2000 and 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 S. Pinshaw**  
Chairman Finance and Audit Committee

Sydney, 13 September 2000.



**Frederick G. Hilmer**  
Chief Executive Officer

# Independent Audit Report

to the members of John Fairfax Holdings Limited

## Scope

We have audited the Financial Report of John Fairfax Holdings Limited for the financial year ended 30 June 2000, as set out on pages 6 to 31, including the Directors' 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.

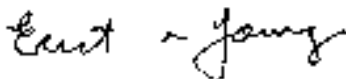
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Financial Report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the Financial 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, in Australia, 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 2000 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

13 September 2000

# Shareholder Information

Twenty largest holders of securities at 22 August 2000	Number of Securities	%
<b>(i) Ordinary shares</b>		
CPH Investment Corp	109,054,197	14.92
Chase Manhattan Nominees Limited	72,373,390	9.90
National Nominees Limited	61,834,509	8.46
Westpac Custodian Nominees Limited	31,736,713	4.34
Permanent Trustee Australia Limited (FIR0020 A/C)	24,266,007	3.32
Perpetual Nominees Limited	22,597,581	3.09
Permanent Trustee Australia Limited (FIR0018 A/C)	18,988,066	2.60
Permanent Trustee Australia Limited (FIR0027 A/C)	18,388,749	2.52
Citicorp Nominees Pty Limited	14,931,301	2.04
HSBC Custody Nominees (Australia) Limited	14,851,157	2.03
Queensland Investment Corporation	11,282,164	1.54
AMP Life Limited	10,635,928	1.46
Permanent Trustee Australia Limited (FIR0014 A/C)	10,596,066	1.45
Zurich Australia Limited	9,065,782	1.24
MLC Limited	8,212,241	1.12
BT Custodial Services Pty Limited (EQUI A/C)	7,592,733	1.04
Perpetual Trustees Nominees Limited	6,388,973	0.87
Westpac Life Insurance Services Limited	6,313,912	0.86
ANZ Nominees Limited	6,148,025	0.84
Commonwealth Custodial Services Limited	6,105,026	0.84
	471,362,520	64.48
<b>(ii) Debentures</b>		
National Financial Services	281	100.00
	281	100.00
<b>(iii) Options</b>		

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 22 August 2000 are:

	Ordinary Shares
Consolidated Press Holdings Limited	109,054,197
Commonwealth Bank of Australia	105,996,818
Colonial Limited	89,867,661
Permanent Trustee Company Limited	82,469,593
Perpetual Trustees Australia Limited	57,872,984
Deutsche Australia Limited	37,632,447

## Distribution schedule of holdings at 22 August 2000

No. of securities	No. of ordinary shareholders	No. of debenture holders	No. of option holders
1 – 1,000	8,818	1	–
1,001 – 5,000	18,782	–	4
5,001 – 10,000	2,983	–	46
10,001 – 100,000	1,560	–	194
100,001 and over	182	–	20
Total number of holders	32,325	1	264
Number of holders holding less than a marketable parcel	98	–	–

## 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.

# Performance Summary

	2000	1999	1998	1997	1996	1995	1994
Total Revenue.....\$m	1,408.6	1,315.3	1,153.6	1,027.9	1,006.1	948.4	846.6
Trading revenue.....\$m	1,344.9	1,144.8	1,109.3	1,023.2	995.9	945.3	842.6
Earnings before depreciation, interest and tax (EBITDA).....\$m	381.9	322.0	293.1	253.0	237.1	279.3	227.9
Depreciation.....\$m	64.7	67.1	69.3	68.2	41.5	26.2	22.3
Earnings before interest and tax.....\$m	317.2	254.9	223.8	184.8	195.6	253.1	205.6
Net interest expense.....\$m	47.6	46.7	55.9	67.0	44.0	36.6	37.0
Profit before tax and abnormals.....\$m	269.6	208.2	167.9	117.8	151.6	216.5	168.6
Abnormal items.....\$m	8.4	26.5	(8.5)	(16.4)	(21.9)	(10.9)	(4.2)
Profit before tax.....\$m	278.0	234.7	159.4	101.4	129.7	205.6	164.4
Income tax.....\$m	92.6	56.2	47.6	27.4	42.2	58.3	53.7
Net profit.....\$m	185.8	180.3	111.8	74.0	87.5	147.3	110.7
Shareholders' equity.....\$m	1,088.6	984.5	1,142.4	1,090.6	1,086.0	1,073.7	1,007.5
Total assets.....\$m	2,152.7	2,105.2	2,098.2	2,165.4	2,223.1	2,084.2	1,864.1
Total borrowings.....\$m	622.5	755.9	669.5	812.6	867.0	763.0	665.8
Number of shares and debentures.....m	730.6	728.0	806.9	798.0	796.0	795.0	790.5
Number of shareholders.....	32,325	21,353	19,211	21,073	22,481	21,248	20,166
EBITDA to Trading Revenue.....%	28.4	28.1	26.4	24.7	23.8	29.5	27.0
Earnings per share.....cents	25.5	23.2	14.0	9.3	11.0	18.6	14.5
Cash flow per share.....cents	43.5	33.2	26.3	23.7	14.6	30.0	22.7
Dividend per share.....cents	11.5	10.5	9.5	9.5	9.5	9.5	7.5
Interest cover based on EBITDA.....times	8.0	6.9	5.2	3.8	3.6	5.4	5.7
Gearing.....%	57.2	76.8	58.6	74.5	79.8	71.0	66.1
Return on shareholders' equity.....%	17.1	18.3	9.8	6.8	8.1	13.7	11.0

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# Directory

## Annual General Meeting

The Annual General Meeting will be held at 11.00 am on Friday, 3 November 2000 in the Grand Ballroom, The Regent Sydney Hotel, 199 George Street, Sydney.

## Financial Calendar

### For Financial Year 1999-2000

Books close for final dividend	10 October 2000
Annual General Meeting	3 November 2000
Final dividend mailed	17 October 2000

### Estimated for Financial Year 2000-2001

Interim result and dividend announcement	March 2001
Books close for interim dividend	April 2001
Interim dividend mailed	April 2001
Preliminary final result and dividend announcement	September 2001
Final dividend mailed	October 2001
Annual General Meeting	November 2001

## 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 2000 Ph.: (02) 8234 5222 email: sydney.services@computershare.com.au	Computershare Registry Services Pty Limited C/- Ernst & Young 51 Allara Street Canberra City ACT 2601 Ph.: (02) 6267 3888
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## Stock exchange listing

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

## Website

This Full Financial Report and the Company's Concise Report can be found via the Fairfax Corporate Website at [www.fxj.com.au](http://www.fxj.com.au). The Company's family of websites can be accessed through [www.f2.com.au](http://www.f2.com.au).

## Removal from annual report mailing list

Shareholders who do not wish to receive either the Full Financial Report or the Concise 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.

## Buy-Back

The Company has no current on-market Share buy-back programme in operation.