

Appendix 4E

Preliminary final report for the year ended 30 June 2006

John Fairfax Holdings Limited

	Page
Results for announcement to the market	2
Income Statement	3
Balance Sheet	4
Statement of Recognised Income and Expense	5
Cash Flow Statement	6
Notes to the Preliminary final report	
1. Significant accounting policies	7
2. Revenues	17
3. Expenses	17
4. Significant items	18
5. Finance costs and dividends paid and proposed	19
6. Investments accounted for using the equity method	20
7. Interest bearing liabilities	21
8. Contributed equity	22
9. Earnings per share	24
10. Control gained over entities during the financial year	25
11. Loss of control of entities during the financial year	25
12. Retained profits	26
13. Net tangible assets per share	26
14. Segment reporting	26
15. Events subsequent to balance date	28
16. Transition to Australian Equivalents to IFRS	28
17. Underlying trading performance	33
Compliance statement	34
Commentary on results for the financial year	34

Results for announcement to the market for the year ended 30 June 2006

John Fairfax Holdings Limited and its controlled entities

Underlying

Revenue from continuing operations	up	2%	34,435	to	1,907,842
Net profit for the period attributable to ordinary members (after PRESSES dividend and notional SPS dividend)	down	-4%	-9,144	to	228,485

Reported

Revenue from continuing operations	up	2%	34,435	to	1,907,842
Net profit for the period attributable to members (after PRESSES dividend)*	down	-7%	-17,245	to	227,453

* Under AIFRS, the PRESSES were reclassified as a financial liability and the dividends on the PRESSES reclassified as an interest expense (refer to note 16).

	Amount per security	Franked amount per security
30 June 2006		
Final dividend - ordinary securities	11.5¢	11.5¢
Interim dividend - ordinary securities	8¢	8¢
Record date for determining entitlements to the final dividend	11 September 2006	
30 June 2005		
Final dividend - ordinary securities	11¢	11¢
Special dividend - ordinary securities	5¢	5¢
Final dividend - preference securities	\$3.6493	\$3.6493
Interim dividend - ordinary securities	7.5¢	7.5¢
Interim dividend - preference securities	\$3.7710	\$3.7710

Consolidated Income Statement for the year ended 30 June 2006

	Note	2006 \$'000	Restated 2005 \$'000
Revenues from continuing operations	2(a)	1,907,842	1,873,407
Other income	2(b)	2,122	6,840
Total revenue from continuing operations		1,909,964	1,880,247
Share of net profits of associates and joint ventures	6	6,919	2,907
Expenses from continuing operations excluding depreciation, amortisation and finance costs	3(a)	(1,421,216)	(1,367,406)
Depreciation and amortisation	3(b)	(79,775)	(80,083)
Finance costs - PRESSES	3(d)	(18,893)	-
Finance costs - other	3(d)	(80,416)	(80,974)
Net profit from continuing operations before income tax		316,583	354,691
Income tax expense		(88,512)	(90,808)
Net profit from continuing operations after income tax expense		228,071	263,883
Net profit attributable to minority interest		(618)	(634)
Net profit attributable to members of the Company *		227,453	263,249
Earnings per share (cents per share)			
Basic earnings per share (cents per share)	9	24.41	26.63
Diluted earnings per share (cents per share)	9	23.84	26.63

The basic and diluted earnings per share (cents per share) before significant and non-recurring items are shown at note 9. Basic earnings before significant and non-recurring items and excluding notional SPS dividend was 24.52 (2005: 25.86).

Net profit attributable to members of the Company		227,453	263,249
Less dividend paid on PRESSES		-	(18,551)
Net profit after significant and non-recurring items		227,453	244,698
Significant and non-recurring items, net of tax	4	6,876	(7,069)
Net profit before significant and non-recurring items, net of tax		234,329	237,629
Less notional SPS dividend	9*	(5,844)	-
Net profit before significant and non-recurring items and including notional SPS dividend		228,485	237,629

The above consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet as at 30 June 2006

	Note	2006 \$'000	Restated 2005 \$'000
CURRENT ASSETS			
Cash and cash equivalents		52,748	134,154
Trade and other receivables		281,852	284,061
Inventories		35,663	30,195
Derivative assets		15,305	-
Other		-	411
Total current assets		385,568	448,821
NON-CURRENT ASSETS			
Receivables		217	8,739
Investments accounted for using the equity method	6	16,333	10,661
Available for sale investments		3,175	-
Held to maturity investments		16,949	-
Intangible assets		2,899,648	2,351,357
Property, plant and equipment		654,257	697,539
Derivative assets		134	-
Pension asset		10,676	6,816
Deferred tax assets		78,253	55,699
Other		6,119	13,151
Total non-current assets		3,685,761	3,143,962
Total assets		4,071,329	3,592,783
CURRENT LIABILITIES			
Payables		201,730	204,676
Interest bearing liabilities	7	610,175	163,420
Derivatives		246	-
Provisions		85,190	78,452
Current tax liabilities		7,656	25,805
Total current liabilities		904,997	472,353
NON-CURRENT LIABILITIES			
Interest bearing liabilities	7	897,757	885,019
Derivatives		35,847	-
Deferred tax liabilities		81,635	44,718
Provisions		11,910	21,115
Other		2,374	867
Total non-current liabilities		1,029,523	951,719
Total liabilities		1,934,520	1,424,072
NET ASSETS		2,136,809	2,168,711
EQUITY			
Contributed equity	8	1,541,501	1,425,547
Reserves		(126,824)	28,089
Retained profits	12	717,414	710,975
Total parent entity interest		2,132,091	2,164,611
Minority interest		4,718	4,100
Total equity		2,136,809	2,168,711

The above consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Recognised Income and Expense for the year ended 30 June 2006

	2006 \$'000	Restated 2005 \$'000
Net profit from continuing operations after income tax expense	227,453	263,249
Amounts recognised directly in equity		
Adjustments on adoption of AASB 132 and 139, net of tax		
Retained earnings	(580)	-
Foreign currency translation reserve	(3,059)	-
Cashflow hedge reserve, net of tax	(648)	-
Cashflow hedge reserve, net of tax	(667)	-
Net investment hedge reserve, net of tax	(4,494)	-
Foreign currency translation reserve, net of tax	(146,372)	1,077
Changes in fair value of available for sale assets, net of tax	(667)	-
Actuarial gain/(loss) on defined benefit plans, net of tax	2,911	(384)
Total recognised income and expense for the year	73,877	263,942
Attributable to minority interest	(618)	(634)
Total recognised income and expense for the year	73,259	263,308

The above consolidated Statement of Recognised Income and Expense is to be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement for the year ended 30 June 2006

	Note	2006 \$'000	Restated 2005 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,114,427	2,068,565
Payments to suppliers and employees (inclusive of GST)		(1,618,203)	(1,574,643)
Redundancy and severance payments		(20,264)	(11,526)
Interest received		10,795	7,432
Dividends and distributions income received from associates and joint venture		4,972	2,360
Finance costs paid - other		(86,887)	(85,440)
Finance costs paid - PRESSES **	5(b)	(18,601)	-
Net income taxes paid		(98,054)	(62,947)
Net cash inflows from operating activities		288,185	343,801
Cash flows from investing activities			
Payment for purchase of controlled entities, associates and joint ventures (net of cash acquired)	10	(663,045)	(13,563)
Payment for purchase of businesses, including mastheads	10	(14,216)	(9,697)
Proceeds from sale of controlled entities, associates and joint ventures		-	7,699
Payment for property, plant and equipment and other assets		(52,554)	(48,181)
Proceeds from sale of property, plant and equipment		141	3,167
Payment for investments		(21,077)	-
Proceeds from sale/liquidation of other financial assets		47	95
Other		-	680
Net cash outflow from investing activities		(750,704)	(59,800)
Cash flows from financing activities			
Proceeds from issue of shares	8(a)	1,913	441
Refund of transaction costs - share issue		-	1,117
Proceeds from issue of SPS (net of costs)	8(a)	293,167	-
Proceeds from borrowings and other financial liabilities		735,765	182,091
Repayment of borrowings and other financial liabilities		(488,046)	(233,769)
Transaction costs - debt securities		(375)	(6,705)
Dividends paid to shareholders*	5(a)	(161,162)	(102,576)
Dividends paid - PRESSES **		-	(18,551)
Net cash inflows/(outflows) from financing activities		381,262	(177,952)
Net (decrease)/increase in cash and cash equivalents held		(81,257)	106,049
Cash and cash equivalents at beginning of the year		134,154	28,105
Effect of exchange rate changes on cash and cash equivalents		(149)	-
Cash and cash equivalents at end of the year		52,748	134,154

* Under the terms of the DRP, \$61.460 million (2005: \$66.321 million) of dividends were paid via the issue of 14,137,642 ordinary shares (2005: 17,494,932 ordinary shares).

A cash dividend payment of \$161.162 million (2005: \$102.576 million) was made to ordinary shareholders that did not elect to participate in the DRP.

** Under AIFRS, the PRESSES were reclassified as a financial liability and the dividends on the PRESSES reclassified as an interest expense (refer to note 16).

The above consolidated Cashflow Statement is to be read in conjunction with the accompanying notes.

Notes to the Preliminary Final Report for the year ended 30 June 2006

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this Appendix 4E are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

This Appendix 4E for the financial year ended 30 June 2006 has been prepared in accordance with the measurement and recognition principles in Australian Equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 July 2005 to comply with AIFRS. The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, with 1 July 2004 as the date of transition.

The financial statements of John Fairfax Holdings Limited and the Group until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (previous AGAAP). Previous AGAAP differs in certain respects from AIFRS. When preparing this Appendix 4E for the financial year ended 30 June 2006, management has amended certain accounting and valuation methods applied in previous AGAAP financial statements to comply with AIFRS. The comparative information has been restated to reflect these adjustments, with the exception of financial instruments (AASB 132 and AASB 139), including derivatives, as permitted under the first time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the 2005 annual financial report.

Early adoption of standard

The Group has elected to apply AASB 119 *Employee Benefits* (issued in December 2004) to the annual reporting period beginning 1 July 2004.

Transitional elections

The Group has not taken advantage of any first time transition elections available under AASB 1 apart from the following:

- to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005
- to not apply AASB 3 *Business Combinations* retrospectively to business combinations that occurred before the transition date of 1 July 2004
- to recognise all cumulative defined benefit superannuation plan actuarial gains and losses directly in retained earnings; and
- to apply AASB 2 *Share Based Payment* only to shares and options granted after 7 November 2002 that had not vested on or before 1 January 2005.

The impact of the transition from previous AGAAP to AIFRS on the Group's equity and net profit are reconciled and described in note 16.

Historical cost convention

The statements in this Appendix 4E have been prepared on a going concern basis and on the basis of historical cost principles except for derivative financial instruments and certain financial assets which are measured at fair value. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

Comparatives

Certain comparative amounts have been reclassified.

Notes to the Preliminary Final Report for the year ended 30 June 2006

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Controlled entities

The consolidated financial statements incorporate the assets and liabilities of the Company, John Fairfax Holdings Limited, and its controlled entities. John Fairfax Holdings Limited and its controlled entities together are referred to in this Appendix 4E as the Group or the consolidated entity.

Controlled entities are fully consolidated from the date of control. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of controlled entities by the Group (refer to note 1(c)).

All inter-entity transactions, balances and unrealised gains on transactions between Group entities have been eliminated in full.

Minority interest in the earnings and equity of controlled entities is shown separately in the consolidated income statement and balance sheet respectively.

(ii) Associates and joint ventures

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method, after initially being recognised at cost.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses are recognised as revenue in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates and joint ventures are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in associates and joint ventures.

(c) Accounting for acquisitions

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity. The excess of the cost of acquisition over the fair value of the net identifiable assets acquired represents goodwill (refer to note 1(d)(i)).

(d) Intangibles

(i) Goodwill

Goodwill on acquisition represents the excess of purchase consideration, including incidental expenses associated with the acquisition, over the fair value of the Group's share of the identifiable net assets of the acquired. Goodwill on acquisition of subsidiaries and associates/joint ventures are included in intangible assets and investments in associates/joint ventures respectively.

Goodwill is not amortised, instead it is tested for impairment annually, or whenever there is an indication that the carrying value may be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purposes of impairment testing (refer note 1(e)). Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

(ii) Other intangible assets

Mastheads and tradenames

The newspaper mastheads and tradenames have been assessed to have indefinite useful lives. Accordingly, they are not amortised, instead they are tested for impairment annually, or whenever there is an indication that the carrying value may be impaired, and are carried at cost less accumulated impairment losses.

Notes to the Preliminary Final Report for the year ended 30 June 2006

1 Summary of significant accounting policies (continued)

(d) Intangibles (continued)

Computer software

Acquired computer software licences are capitalised as an intangible as are internal and external costs directly incurred in the purchase or development of computer software, including subsequent upgrades and enhancements when it is probable that they will generate future economic benefits attributable to the consolidated entity. These costs are amortised using the straight-line method over 3 years.

Other

Other intangibles, where applicable, are stated at cost less accumulated amortisation and impairment losses. The useful lives of the intangible assets are assessed to be either finite or indefinite and are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Intangible assets created within the business are not capitalised and are expensed in the income statement in the period the expenditure is incurred.

Intangible assets are tested for impairment annually (refer to note 1(e)).

(e) Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or whenever there is an indication that it may be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash generating unit is the grouping of assets at the lowest level for which there are separately identifiable cash flows.

At each balance date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(f) Foreign currency

Currency of presentation

All amounts are expressed in Australian dollars, which is the consolidated entity's presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation and qualifying cash flow hedges, which are deferred in equity until disposal. Tax charges and credits attributable to exchange differences on borrowings are also recognised in equity.

Translation differences on non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Translation differences on non-monetary items, such as available for sale financial assets, are translated using the exchange rates at the date when the fair value was determined and included in the fair value reserve in equity.

Group entities

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at closing rate at the date of that balance sheet
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

Notes to the Preliminary Final Report for the year ended 30 June 2006

1 Summary of significant accounting policies (continued)

(f) Foreign currency (continued)

On consolidation, exchange differences arising from the translation on any net investment in foreign entities are taken directly to a separate component of equity, the foreign currency translation reserve.

On disposal of a foreign entity, or borrowings that form part of the net investment are repaid, the deferred cumulative amount of the exchange differences in the foreign currency translation reserve relating to that foreign operation is recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(g) 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 the sale of newspapers, magazines and other publications is recognised on publication net of expected returns and pricing adjustments. Revenue from 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.

Revenue from dividends and distributions from controlled entities are recognised by the Company when they are declared by the controlled entities.

Interest is recognised as it accrues, taking into account the effective yield on the financial asset.

(h) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributed to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity.

Notes to the Preliminary Final Report for the year ended 30 June 2006

1 Summary of significant accounting policies (continued)

(h) **Income tax (continued)**

Tax consolidation - Australia

John Fairfax Holdings Limited (the head entity) and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. Each member in the tax consolidated group continues to account for their own current and deferred tax amounts as if they continued to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, John Fairfax Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding arrangements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. The amounts receivable/payable under the tax funding arrangements are due upon demand from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

(i) **Leases**

Finance leases

Assets acquired under finance leases which result in the consolidated entity receiving substantially all the risks and rewards of ownership of the asset (finance leases) are capitalised at the lease's inception at the lower of the fair value of the leased property or the estimated present value of the minimum lease payments. The corresponding finance lease obligation, net of finance charges, is included within interest bearing liabilities. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the liability for each accounting period. The leased asset is included in property, plant and equipment and is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental payments, excluding contingent payments, are recognised as an expense in the income statement on a straight-line basis over the period of the lease.

(j) **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term investments with original maturities of three months or less that are readily convertible to cash and subject to insignificant risk of changes in value. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

(k) **Trade and other receivables**

Trade receivables are recognised at original invoice amount less provision for doubtful debts. Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established where there is objective evidence that the Group will not be able to collect all amounts due.

Interest receivable on related party loans is recognised on an accruals basis.

(l) **Inventories**

Inventories including work in progress are stated at the lower of cost and 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.
- finished goods and work-in-progress are assessed as the cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity
- 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 the estimated decline in value from the effects of storage hazards.

(m) **Available-for-sale investments**

Available-for-sale financial assets are investments in listed equity securities in which the Group does not have significant influence or control. They are stated at fair value based on current bid prices and unrealised gains and losses arising from changes in the fair value are recognised in the asset revaluation reserve. The assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Notes to the Preliminary Final Report for the year ended 30 June 2006

1 Summary of significant accounting policies (continued)

(n) Investments and other financial assets

The consolidated entity adopted AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. Adjustments have been made to the opening balance sheet at 1 July 2005 to reflect this change in accounting policy for the adoption of AASB 139 and these are shown separately in note 17.

From 1 July 2005, the consolidated entity classified its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

The consolidated entity classifies and measures its investments as follows:

(i) Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss on initial recognition. The policy of management is to designate a financial asset at fair value through profit and loss if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. These assets are measured at fair value and realised and unrealised gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are included in receivables in the balance sheet and measured at amortised cost using the effective interest method.

(iii) Available for sale financial assets

These assets are non-derivatives that are either designated or not classified in any of the other categories and measured at fair value. Any unrealised gains and losses arising from changes in fair value are included in equity.

(iv) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These assets are measured at amortised cost using the effective interest method.

Financial assets other than derivatives are recognised at fair value or amortised cost in accordance with the requirements of AASB 139. Where they are carried at fair value, gains and losses on remeasurement are recognised directly in equity unless the financial assets have been designated as being held at fair value through profit and loss, in which case the gains and losses are recognised directly in the income statement. All financial liabilities other than derivatives are carried at amortised cost.

The Group uses derivative financial instruments such as forward foreign currency contracts, foreign currency and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Derivatives, including those embedded in other contractual arrangements, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The measurement of the fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Hedge accounting

For the purposes of hedge accounting, hedges are classified as either fair value hedges (hedges of the fair value of recognised assets or liabilities or a firm commitment) or cash flow hedges (hedges of highly probable forecast transactions).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

Notes to the Preliminary Final Report for the year ended 30 June 2006

1 Summary of significant accounting policies (continued)

(n) Financial instruments (continued)

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

The consolidated entity's interest rate swaps and cross currency swaps held for hedging purposes are generally accounted for as cash flow hedges. At 30 June 2006, the consolidated entity had closed out all forward foreign currency contracts held for hedging purposes.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Derivatives that do not qualify for hedge accounting

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Financial instrument transaction costs

Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial instruments. Under AIFRS such costs are included in the carrying amounts.

(o) Property, Plant and Equipment

Property, plant and equipment is recorded at cost less depreciation. Directly attributable costs arising from the acquisition or construction of fixed assets, including internal labour and interest, are also capitalised as part of the cost.

Recoverable 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 cashflows.

Depreciation and amortisation

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	up to 60 years
Printing presses	up to 20 years
Other production equipment	up to 15 years
Other equipment	up to 40 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in the income statement.

(p) Trade and other payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received. Loans payable to related parties are carried at amortised cost and interest payable is recognised on an accruals basis.

Notes to the Preliminary Final Report for the year ended 30 June 2006

1 Summary of significant accounting policies (continued)

(q) Provisions

Provisions are recognised when an entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to others as a result of past transactions, or past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before balance date.

(r) Interest-bearing liabilities

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Preferred reset securities exchangeable for shares are classified as liabilities (refer to note 17). The dividends on these shares are recognised in the income statement as a finance cost.

Finance lease liabilities are determined in accordance with the requirements of AASB 117 *Leases* (refer to note 1(i)).

Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation or ancillary costs incurred in connection with arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(s) Employee benefits

(i) Wages, salaries, annual leave and long service leave

Liabilities for wages and salaries, holiday pay, annual leave are recognised in the provision for employee benefits and measured at the amounts expected to be paid when the liabilities are settled.

The employee benefit liability expected to be settled within 12 months from balance date is recognised in current liabilities. The non-current provision relates to entitlements, including long service leave, which are expected to be payable after twelve months from balance date and are measured as the present value of expected future payments to be made in respect of services provided by employees up to balance date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at balance date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(ii) Share-based payment transactions

Share based compensation benefits can be provided to employees in the form of shares and options. There are currently two plans in place to provide these benefits. Information relating to these schemes is set out in the 2005 annual financial report.

Shares options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in the income statement in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Shares options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the share plans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

Notes to the Preliminary Final Report for the year ended 30 June 2006

1 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the Long Term Incentive Share Plan is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in earnings per share.

(iii) Defined benefit superannuation plans

John Fairfax Holdings Limited and certain controlled entities participate in a number of superannuation plans. An asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses), less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the balance date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Actuarial gains and losses are recognised in retained earnings in the periods in which they arise.

Contributions made by the Company to defined contribution superannuation funds are charged to the income statement in the period the employee's service is provided.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(t) Contributed equity

Ordinary shares are classified as equity. Preferred reset securities exchangeable for shares are classified as liabilities (refer note 1(r)). Stapled preference shares are classified as equity (refer note 8).

Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a reduction from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

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 Preliminary Final Report for the year ended 30 June 2006

1 Summary of significant accounting policies (continued)

(u) **Earnings per share**

Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members, adjusted to exclude costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share is calculated by dividing the basic EPS earnings adjusted by the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(v) **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Geographical segments are the consolidated entity's primary reporting format.

(x) **Rounding of Amounts**

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

Notes to the Preliminary Final Report for the year ended 30 June 2006

2. Revenues

(a) Revenues from continuing operations

	2006 \$'000	Restated 2005 \$'000
Revenue generated from sales of:		
Newspapers	1,560,592	1,603,274
Magazines	195,064	177,532
Online and other	134,908	74,303
Total revenue from sales	1,890,564	1,855,109
Revenue from rendering of services	16,254	17,174
Dividend/distribution revenue - other corporations	1,024	1,124
Total revenue from continuing operations	1,907,842	1,873,407

(b) Other income

Interest income - other corporations	2,122	4,349
Net gain on sale of property, plant and equipment	-	2,261
Net gain on sale of other assets	-	230
Total other income	2,122	6,840

3. Expenses

(a) Expenses by nature

Staff costs excluding staff redundancy costs	620,064	605,303
Newsprint and paper	242,891	245,057
Distribution and other production costs	225,156	217,566
Promotion and advertising costs	91,270	75,969
Staff redundancy costs	19,518	5,267
Rent and outgoings	37,773	33,799
Repairs and maintenance	21,597	20,518
Communication costs	14,980	13,340
News services	10,947	10,246
Computer costs	12,689	11,107
Fringe benefits tax	7,573	7,283
Other	116,758	121,951
Total expenses before depreciation, amortisation and finance costs	1,421,216	1,367,406

(b) Depreciation and amortisation

Depreciation of freehold property	3,188	4,379
Depreciation of plant and equipment	60,751	63,603
Amortisation of leasehold property/buildings	1,396	1,282
Amortisation of software	14,440	10,819
Total depreciation and amortisation	79,775	80,083

Notes to the Preliminary Final Report for the year ended 30 June 2006

3. Expenses (continued)

	2006 \$'000	Restated 2005 \$'000
(c) Net gain/(loss)		
Net foreign exchange loss	(1,948)	(764)
Net (loss)/gains	(1,948)	(764)

(d) Finance costs

Finance cost - external corporations / persons	75,627	76,284
Finance cost - finance lease	4,789	4,690
Total finance costs - other	80,416	80,974
Finance cost - PRESSES	18,893	-
Total finance costs	99,309	80,974

4. Significant Items

Profit from continuing operations before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the consolidated entity:

Share of profits from an associate's, Australian Associated Press Pty Limited, sale of one of its operating divisions	4,380	-
Major restructure and redundancy programme	(16,080)	-
Proceeds from sale of Gordon and Gotch business and associated assets and liabilities sold	-	7,679
Cost of sale of Gordon and Gotch business and associated assets and liabilities sold	-	(3,640)
Net significant and non-recurring items before income tax expense	(11,700)	4,039
Income tax benefit	4,824	-
Reversal of over provision of tax	-	3,030
Net significant and non-recurring items after income tax expense	(6,876)	7,069

Notes to the Preliminary Final Report for the year ended 30 June 2006

5. Finance costs and dividends paid and proposed

	2006 \$'000	Restated 2005 \$'000
(a) Ordinary Shares		
Interim fully franked dividend:		
2006: 8 cents - paid 12 April 2006 (2005: 7.5 cents - paid 31 March 2005)	74,669	69,143
Final fully franked dividend and special dividend:		
2006: 11 cents (final) - paid 11 October 2005 (2005: 11 cents - paid 21 October 2004)	101,718	99,754
2006: 5 cents (special) - paid 11 October 2005 (2005: nil)	46,235	-
(b) Preferred Reset Securities Exchangeable for Shares (PRESSES)		
Fully franked PRESSES dividend:		
2006: \$3.7304 per share - paid 13 June 2006*	9,326	-
2006: \$3.7101 per share - paid 12 December 2005*	9,275	-
2005: \$3.6493 per share - paid 10 June 2005	-	9,123
2005: \$3.7710 per share - paid 13 December 2004	-	9,428
Total finance costs and fully franked dividends paid	241,223	187,448

* Under AIFRS, the PRESSES were reclassified as a financial liability and the dividends on the PRESSES reclassified as interest expense from 1 July 2005 under AASB 132 *Financial Instruments: Presentation and Disclosure*. At 30 June 2006, fully franked dividends paid amounted to \$222,622,000 and interest expense on PRESSES totalled \$18,601,000.

(c) Conversion of PRESSES

Subsequent to the end of the financial year, the PRESSES were converted into 66,348,490 ordinary shares on 27 July 2006 in accordance with the terms of the PRESSES issue. The final fully franked PRESSES dividend of \$0.8291 per share for the period 12 June 2006 to 26 July 2006 was paid on 4 August 2006. The dividend paid totalled \$2,230,250.

The PRESSES (FXJPA) were suspended from quotation on the Australian Stock Exchange on 19 July 2006.

(d) Dividends

Dividends proposed and not recognised as a liability

Since balance date the directors have declared a final dividend of 11.5 cents per fully paid ordinary share fully franked to the corporate tax rate of 30%. The aggregate amount of the final dividend to be paid on 6 October 2006 out of the retained profits at 30 June 2006, but not recognised as a liability at the end of the year is expected to be \$116 million.

Franking credits available

Franking credits available as at 30 June 2006 total approximately \$66 million (2005: \$111 million). Based on this amount, approximately \$154 million fully franked dividends can be paid.

Dividend reinvestment plan

John Fairfax Holdings Limited introduced a Dividend Reinvestment Plan (DRP) to eligible shareholders during the financial year ended 30 June 2004.

The DRP will apply to the payment of the final dividend for the year ended 30 June 2006 to be paid on 6 October 2006. The last date for the receipt of an election notice for participation in the plan for the final dividend is 11 September 2006.

Under the terms of the DRP eligible shareholders are able to elect to reinvest their dividends in additional Fairfax shares, free of any brokerage or other transaction costs. Shares are issued and/or transferred to DRP participants at a predetermined price, less any discount that the directors may elect to apply from time to time.

The DRP issue price in relation to the final dividend for the financial year ended 30 June 2006 will be based on the arithmetic average of the daily volume weighted average sale price of John Fairfax Holdings Limited shares traded on the Australia Stock Exchange during the period 12 September 2006 to 25 September 2006 inclusive, excluding any trades that do not qualify under the terms of the DRP, less a 2.5% discount rounded to the nearest cent.

Notes to the Preliminary Final Report for the year ended 30 June 2006

6. Investments accounted for using the equity method

	Note	2006 \$'000	Restated 2005 \$'000
Shares in associates	(a)	15,553	9,796
Shares in joint ventures	(b)	780	865
Total investments accounted for using the equity method		16,333	10,661

(a) Interests in Associates

Name of Company	Principal Activity	Place of Incorporation	Ownership interest	
			2006	2005
Executive Publishing Network	Mazagine Publishing	Australia	30.0%	-
Australian Associated Press Pty Limited	News agency business	Australia	44.7%	44.7%
NGA.net.au	E-commerce: recruitment	Australia	30.0%	30.0%
Newspaper House Limited	Property ownership	New Zealand	45.5%	45.5%
New Zealand Press Association Limited	News agency business	New Zealand	49.2%	49.2%
Times Newspapers Limited	Newspaper Publishing	New Zealand	50.0%	50.0%
Ashburton Guardian Co Limited	Printing facility	New Zealand	25.0%	25.0%
Autobase Limited	E-commerce: online	New Zealand	24.7%	-

Share of Associates' profits

	2006 \$'000	Restated 2005 \$'000
Share of associates' profit before income tax expense	7,193	2,880
Share of associates' income tax expense	(1,114)	(875)
Contribution to consolidated entity's net profit	6,079	2,005

(b) Interests in Joint Ventures

Name of Company	Principal Activity	Place of Incorporation	Ownership interest	
			2006	2005
Text Pacific Pty Limited	Publishing	Australia	50.0%	50.0%

Share of Joint Ventures' profits

	2006 \$'000	Restated 2005 \$'000
Share of joint ventures' profit before income tax expense	1,184	1,280
Share of joint ventures' income tax expense	(344)	(378)
Contribution to consolidated entity's net profit	840	902

Notes to the Preliminary Final Report for the year ended 30 June 2006

7. Interest bearing liabilities

		2006	Restated 2005
	Note	\$'000	\$'000
CURRENT - Unsecured			
Bank borrowings		185,732	7,043
Preferred Reset Securities Exchangeable for Shares	(a)	249,536	-
Other loans			
Senior notes	(b)	165,331	-
Medium term notes	(c)	-	150,000
Other	(d)	6,889	5,399
Finance lease liability	(d)	2,687	978
Total current interest bearing liabilities		610,175	163,420
NON-CURRENT - Unsecured			
Bank borrowings		145,000	95,000
Redeemable Preference Shares	(e)	148,395	173,615
Other loans			
Senior notes	(b)	295,635	497,789
Medium term notes	(c)	199,765	-
Other	(d)	77,644	83,218
Finance lease liability	(d)	31,318	35,397
Total non-current interest bearing liabilities		897,757	885,019

(a) Preferred Reset Securities Exchangeable for Shares (PRESSES)

The Company issued 2,500,000 PRESSES during the financial year ended 30 June 2002, each having a face value of \$100 for a total of \$250 million. During the financial year ended 30 June 2006, the PRESSES were fully paid, non-cumulative, non-redeemable reset exchangeable preference shares. These have been reclassified as a financial liability under AIFRS from 1 July 2005. PRESSES entitle holders to a fully franked dividend in preference to any dividends paid on ordinary shares. PRESSES rank in priority to ordinary shares for payment of dividends and for a return of capital on winding-up.

On 27 July 2006, the PRESSES were converted into ordinary shares (refer to note 5(c) for further details).

(b) Senior Notes

Senior Notes issued in December 1996 with a principal of US\$120 million (A\$165.3 million) mature on 19 December 2006. As a result, the Senior Notes have been classified as a current financial liability.

The Senior Notes were issued at par with a fixed interest coupon of 7.43% p.a. payable semi-annually in arrears. Interest and principal on the Senior Notes is payable in US dollars and was swapped into floating rate Australian dollars via a cross-currency swap.

The Company also issued Senior Notes in the US private placement market with a principal value of US\$230 million (A\$295.6 million) in January 2004 with a fixed coupon of between 4.74% p.a. and 5.85% p.a payable semi-annually in arrears. The interest and principal on the Senior Notes are payable in US dollars and were swapped into floating rate New Zealand dollars and floating rate Australian dollars via a cross-currency swap. This issue of Senior Notes comprises maturities ranging from January 2011 to January 2019. The weighted average maturity of the issue is approximately 8.5 years. The applicable cross-currency swap credit margin includes the cost of hedging all currency risk and future interest and principal repayments on a quarterly basis.

(c) Medium Term Notes

A Medium Term Note (MTN) program was established in November 1998. MTNs to the value of \$150 million were repaid on 15 July 2005.

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

Notes to the Preliminary Final Report for the year ended 30 June 2006

7. Interest bearing liabilities (continued)

(d) Other loans and finance lease liability

The Chullora printing facility in Sydney is partially financed by a finance lease facility and loans with a maturity date of September 2015. There is a CPI indexed annuity loan with principal and interest outstanding of \$52.2 million (2005: \$53.5 million) and a finance lease of \$34 million (2005: A\$36.3 million), which was entered into in February 1996. There is also principal and interest outstanding of \$32.3 million (2005: A\$35.1 million) in the form of a fixed rate loan with an established drawdown and repayment schedule.

(e) Redeemable Preference Shares (RPS)

The Company issued Redeemable Preference Shares in New Zealand in May 2005 with a principal value of NZ\$186.5 million (2006: A\$148.3 million) with a fixed one year coupon of 8.03% p.a. payable quarterly in arrears and thereafter at a margin of 1% over the applicable one year swap rate. The Redeemable Preference Shares mature in June 2010. The interest and principal on the Redeemable Preference Shares are payable in NZ dollars and were swapped into one year fixed rate Australian dollars via a cross-currency swap and were partially used to repay the MTNs on 15 July 2005. The applicable cross-currency swap credit margin includes the cost of hedging all currency risk and future interest and principal repayments on a quarterly basis.

(f) Financing facilities available

A \$550 million syndicated bank facility is available to the Group companies until May 2009. At 30 June 2006, \$145 million has been drawn down (2005: nil) and included in non-current bank borrowings. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

A NZ\$50 million revolving committed cash advance facility is also available to the Group companies until 10 July 2007. At 30 June 2006, this facility was not drawn down (2005: nil).

8. Contributed Equity

	Note	2006 \$'000	Restated 2005 \$'000
Ordinary shares			
939,067,152 ordinary shares fully paid (2005: 924,463,510)		1,248,334	1,183,596
Preferred Reset Securities Exchangeable for Shares (PRESSES)			
2,500,000 shares (2005: 2,500,000)	5(c)	-	241,951
Stapled Preference Shares (SPS)			
3,000,000 stapled preference shares (2005: nil)		293,167	-
Debentures			
281 debentures fully paid (2005: 281)		*	*
Total contributed equity		1,541,501	1,425,547

* Amount is less than \$1000

Stapled Preference Shares (SPS)

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

Ordinary shares issued subsequent to 30 June 2006

Subsequent to the end of the financial year, 4,858,517 ordinary shares were issued on 25 July 2006 with an issue price of \$4.10 per share in exchange for Border Morning Mail (BMM) shares pursuant to the Scheme of Arrangement for the acquisition of BMM (refer note 10(a)).

Notes to the Preliminary Final Report for the year ended 30 June 2006

8. Contributed Equity (continued)

(a) Reconciliation of movement in contributed equity

	Note	2006 No. of shares	2005 No. of shares	2006 \$'000	Restated 2005 \$'000
Ordinary shares					
Balance at beginning of the year		924,463,510	906,856,578	1,183,596	1,115,717
Dividend reinvestment plan issue - 12 April 2006		5,535,530	-	21,977	-
Dividend reinvestment plan issue - 11 October 2005		8,602,112	-	39,483	-
Dividend reinvestment plan issue - 31 March 2005		-	2,439,660	-	10,466
Dividend reinvestment plan issue - 21 October 2004		-	15,055,272	-	55,855
Exercise of options - 30 March 2006	8(b)	66,000	-	236	-
Exercise of options - 12 March 2006	8(b)	100,000	-	369	-
Exercise of options - 19 September 2005	8(b)	60,000	-	262	-
Exercise of options - 19 September 2005	8(b)	240,000	-	1,046	-
Exercise of options - 21 June 2005	8(b)	-	48,000	-	212
Exercise of options - 7 June 2005	8(b)	-	64,000	-	229
Refund of share issue costs		-	-	-	1,117
Reclassification of share issue costs from equity to debt		-	-	1,365	-
Balance at end of the year		939,067,152	924,463,510	1,248,334	1,183,596
Stapled Preference Shares (SPS)					
Balance at beginning of the year		-	-	-	-
Share issue - 23 March 2006		300,000,000	-	300,000	-
Share issue costs		-	-	(6,833)	-
Balance at end of the year		300,000,000	-	293,167	-
Preferred Reset Securities Exchangeable for Shares (PRESSES)					
Balance at beginning of the year		2,500,000	2,500,000	241,951	241,951
Reclassification of PRESSES from equity to debt		(2,500,000)	-	(241,951)	-
Balance at end of the year		-	2,500,000	-	241,951
Debentures					
Balance at beginning of the year		281	281	*	*
Balance at end of the year		281	281	*	*
Total contributed equity				1,541,501	1,425,547

(b) Employee Share Option Plan

	Grant Date	Issue Price	Number of options
Exercised and converted to ordinary shares			
Exercise of options - 30 March 2006	30 March 2001	\$3.58	66,000
Exercise of options - 12 March 2006	12 March 2001	\$3.69	100,000
Exercise of options - 19 September 2005	19 September 2001	\$4.36	300,000
Exercise of options - 5 October 2005			
Forfeited during the financial year			
Forfeiture of options - 12 March 2006	12 March 2001	\$3.69	30,000

The Employee Share Option Plan ceased in March 2006 and there were no options held by employees as at 30 June 2006.

Notes to the Preliminary Final Report for the year ended 30 June 2006

9. Earnings per share

	2006 ¢ per share	Restated 2005 ¢ per share
Basic earnings per share		
After significant and non-recurring items	24.41	26.63
Before significant and non-recurring items and including notional SPS *	24.52	25.86
Diluted earnings per share		
After significant and non-recurring items	23.84	26.63
Before significant and non-recurring items	24.56	25.86

	2006 \$'000	Restated 2005 \$'000
Earnings reconciliation - basic		
Net profit attributable to members of the Company	227,453	263,249
Less dividend paid on PRESSES	-	(18,551)
Basic earnings after significant and non-recurring items	227,453	244,698
Significant and non-recurring items, net of tax	6,876	(7,069)
Basic earnings before significant and non-recurring items, net of tax	234,329	237,629
Less notional SPS dividend *	(5,844)	-
Basic earnings before significant and non-recurring items and including notional SPS dividend *	228,485	237,629
Earnings reconciliation - diluted		
Net profit attributable to members of the Company	227,453	263,249
Less dividend paid on PRESSES	-	(18,551)
Diluted earnings after significant and non-recurring items	227,453	244,698
Significant and non-recurring items, net of tax	6,876	(7,069)
Diluted earnings before significant and non-recurring items, net of tax	234,329	237,629
Less notional SPS dividend *	-	-
Diluted earnings before significant and non-recurring items	234,329	237,629

	2006 Number '000s	2005 Number '000s
Weighted average number of ordinary shares used in calculating basis EPS before and after significant and non-recurring items	931,650	918,979
Weighted average number of ordinary shares used in calculating diluted EPS before significant and non-recurring items	931,650	918,979
SPS	22,498	-
PRESSES	-	-
Options	-	58
	954,148	919,037
Weighted average number of ordinary shares used in calculating diluted EPS after significant and non-recurring items	954,148	919,037

* The notional SPS dividend represents the dividend to be paid to the SPS holders once the Company declares the dividend. The first dividend is due on 31 October 2006 (refer to note 8).

At 30 June 2006, the dividend is not a present obligation of the Company and accordingly has not been provided for. The notional SPS dividend has been calculated by applying the interest rate of 7.18% to the SPS on issue pro-rated for the period to 30 June 2006.

Notes to the Preliminary Final Report for the year ended 30 June 2006

10. Control gained over entities during the financial year

The consolidated entity gained control over the following entities in Australia and New Zealand during the financial year:

Entity or business acquired	Principal activity	Date of Acquisition	Ownership Interest
Rodney Times	Newspaper Publishing	24 October 2005	*
RSVP.com.au Pty Limited	Online dating	8 July 2005	100%
Stayz Pty Limited	Online holiday accommodation advertising	3 January 2006	100%
Australian Property Monitors Pty Limited	Property sales and auction data specialist	3 January 2006	100%
The Independent	Newspaper Publishing	23 February 2006	**
Trade Me Limited	Online auction site	3 April 2006	100%
Commercial Real Estate.com.au	Online commercial and industrial real estate advertising	4 May 2006	***

* The publishing assets of the Times Media Group were acquired, which included the Rodney Times masthead.

** The publishing assets of The Independent were acquired, including The Independent masthead.

*** The business assets of Commercial Real Estate.com.au were acquired.

Contribution of acquired entities to net profit

Since acquisition, Trade Me Limited contributed to the consolidated entity for the three months ended 30 June 2006 net profit after income tax expense of \$5,103,000.

Whilst the other acquisitions continue to perform strongly their contribution to net profit is not considered material to the consolidated entity's net profit result.

(a) Acquisitions after 30 June 2006

Since the end of the financial year, the consolidated entity has also gained control over the following entities in three separate transactions:

Entity or business acquired	Principal activity	Date of Acquisition	Ownership Interest
The Border Morning Mail Limited	Newspaper Publishing	25 July 2006	100%
Border Mail Printing Pty Limited	Printing facility	25 July 2006	75.5%
Melbourne Community Newspapers Pty Ltd	Printing facility	25 July 2006	100%
The Independent News Pty Limited	Newspaper Publishing	25 July 2006	100%
International Data Group	IT Magazine masthead publishing	7 August 2006	****

**** Certain publishing assets of the International Data Group in New Zealand, Singapore and Malaysia were acquired.

Consideration paid for the acquisition of Border Morning Mail Limited, including 51% of Border Mail Printing Pty Limited, consisted of \$135 million in cash and 4,858,517 ordinary shares at a price of \$4.10 per share, for a net consideration of \$155 million.

The Independent News Pty Limited, including 24.5% of Border Mail Printing Pty Limited held by Melbourne Community Newspapers Pty Limited, were acquired for a total consideration of \$15.1 million

11. Loss of control of entities during the financial year

The consolidated entity did not lose control over any entity (or group of entities) during the financial year ended 30 June 2006.

Notes to the Preliminary Final Report for the year ended 30 June 2006

12. Retained Profits

	Note	2006 \$'000	Restated 2005 \$'000
Balance at beginning of the year		710,975	679,817
Adjustment on adoption of AIFRS (balance sheet), net of tax	16(i)	-	(40,697)
Adjustment on adoption of AIFRS (income statement), net of tax	16(iii)	-	(3,562)
Adjustment on adoption of AASB 132 and AASB 139, net of tax	16(iv)	(580)	-
Transfer in/(to) from reserves		(723)	-
Net profit for the year		227,453	263,249
Actuarial gain/(loss) on defined benefit plans	16(i)	2,911	(384)
Total available for appropriation		940,036	898,423
Dividends paid	5*	(222,622)	(187,448)
Balance at end of the year		717,414	710,975

13. Net tangible assets per share

Net tangible asset backing per ordinary share*	(81.2)¢	(41.9)¢
Net asset backing per ordinary share	\$2.28	\$2.35

* Under AIFRS, the PRESSES were reclassified as a financial liability from 1 July 2005 (refer note 16) and therefore excluded from the 2005 calculation.

14. Segment reporting

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

Results by geographic segment

(i) 30 June 2006

	Australia \$'000	New Zealand \$'000	Unallocated \$'000	Consolidated entity \$'000
Revenue from continuing operations	1,373,637	534,205	-	1,907,842
Other income	-	-	2,122	2,122
Share of net profits of associates and joint ventures	6,769	150	-	6,919
Total segment revenue	1,380,406	534,355	2,122	1,916,883
Segment profit from continuing operations before income tax expense	240,443	173,327	2,122	415,892
Unallocated expenses (including PRESSES)	-	-	(99,309)	(99,309)
Net profit from continuing operations before tax	240,443	173,327	(97,187)	316,583
Significant items	11,700	-	-	11,700
Net profit from continuing operations before income tax expense and before significant items	252,143	173,327	(97,187)	328,283

Notes to the Preliminary Final Report for the year ended 30 June 2006

14. Segment reporting (continued)

Results by geographic segment

(ii) 30 June 2005 (restated)

	Australia \$'000	New Zealand \$'000	Unallocated \$'000	Consolidated entity \$'000
Revenue from continuing operations	1,348,575	524,832	-	1,873,407
Other income	-	2,491	4,349	6,840
Share of net profits of associates and joint ventures	2,792	115	-	2,907
Total segment revenue	1,351,367	527,438	4,349	1,883,154
Segment profit from continuing operations before tax	260,668	170,648	4,349	435,665
Unallocated expenses	-	-	(80,974)	(80,974)
Net profit from continuing operations before tax	260,668	170,648	(76,625)	354,691
Significant items	-	(4,039)	-	(4,039)
Net profit from continuing operations before income tax expense and before significant items	260,668	166,609	(76,625)	350,652

Assets and liabilities by geographic segment

(i) 30 June 2006

	Australia \$'000	New Zealand \$'000	Consolidated entity \$'000
Assets			
Segment assets	2,352,038	1,641,038	3,993,076
Unallocated assets			78,253
Total assets			4,071,329
Liabilities			
Segment liabilities	271,452	65,845	337,297
Unallocated liabilities			1,597,223
Total liabilities			1,934,520
Net assets			2,136,809

(ii) 30 June 2005 (restated)

	Australia \$'000	New Zealand \$'000	Consolidated entity \$'000
Assets			
Segment assets	2,355,134	1,181,950	3,537,084
Unallocated assets			55,699
Total assets			3,592,783
Liabilities			
Segment liabilities	242,811	62,299	305,110
Unallocated liabilities			1,118,962
Total liabilities			1,424,072
Net assets			2,168,711

Notes to the Preliminary Final Report for the year ended 30 June 2006

15. Events subsequent to balance date

With the exception of the events disclosed in note 7(a) and 10(a) which have not been brought to account in the financial statements for the year ended 30 June 2006, no other events that have occurred since balance date.

16. Transition to Australian equivalents to IFRS

The impacts of transition to AIFRS on the Group's total equity and net profit after income tax expense are set out below.

(i) Reconciliation of consolidated total equity reported under previous AGAAP to consolidated total equity under AIFRS

	Note	30 June 2005 \$'000	1 July 2004 \$'000
Total equity under previous AGAAP (audited)		2,209,182	2,068,748
AIFRS adjustments to retained earnings:			
Derecognition of internally generated intangibles	(a)	(6,874)	(6,874)
Mastheads and tradenames impairment writedowns, net of foreign currency	(b)	(18,302)	(18,302)
Writeback of goodwill amortisation	(c)	2,585	226
Recognition of defined benefit pension asset, net of tax	(d)	4,623	4,725
Straight-lining of finance leases, net of tax	(e)	16,329	14,673
Straight-lining of operating leases, net of tax and incentives	(e)	(2,495)	(2,100)
Recognition of share based payment expense	(f)	(595)	(179)
Application of AASB 112 <i>Income Taxes</i>	(g)	(36,352)	(36,352)
Adjustments to reserves:			
Recognition of share based payment expense	(f)	595	179
Foreign currency translation movements on above adjustments		15	-
Total equity under AIFRS		2,168,711	2,024,744

The transition to AIFRS also resulted in the reclassification of certain balances on the balance sheet as described below:

(ii) Adjustments to balance sheet classifications at 1 July 2004

	Property, plant & equipment \$'000	Intangibles \$'000	Provisions (non-current) \$'000	Provisions (current) \$'000
Reclassification of software to intangible assets	(32,320)	32,320	-	-
Reclassification of unconditional long service leave from non-current provisions to current provisions	-	-	(17,448)	17,448

Notes to the Preliminary Final Report for the year ended 30 June 2006

16. Transition to Australian equivalents to IFRS (continued)

(iii) Reconciliation of consolidated net profit under previous AGAAP to consolidated net profit under AIFRS

	Note	30 June 2005 \$'000
Net profit from continuing operations after income tax expense under previous AGAAP (audited)		260,321
AIFRS adjustments to retained earnings:		
Write back of goodwill amortisation	(c)	2,358
Straight-lining of leases	(e)	1,806
Straight-lining of operating leases, net of incentives	(e)	(395)
Expense of share based payments	(f)	(416)
Movement in defined benefit plan asset	(d)	282
Other		(73)
Net profit under AIFRS		263,883

Reconciliation of cashflow statement

The transition to AIFRS has not resulted in any material adjustments between the cashflow statement presented under AIFRS and previous AGAAP.

Notes to the reconciliations

(a) De-recognition of internally generated intangible assets

Under previous AGAAP, recognition of internally generated intangible assets on balance sheet was permitted whereas under AIFRS, internally generated intangible assets must meet strict criteria in order to be recognised.

At the date of transition and in accordance with AASB 138 *Intangible Assets*, certain mastheads and trade names have been derecognised. The effect of this is a decrease in intangibles by \$6.9m and corresponding decrease in retained earnings at 1 July 2004.

(b) Impairment of non-financial assets

Under AIFRS, the recoverable amount of a non-financial asset is determined as the higher of its net selling price and value in use. Following an assessment of the recoverable amount of the consolidated entity's individual mastheads in accordance with AASB 136 *Impairment of Assets* compared with the impairment testing for groups of assets basis used previously, an impairment write-down adjustment is required. The effect of this is a decrease in intangible assets by \$18.3 million and corresponding decrease in retained earnings at 1 July 2004.

(c) Goodwill

Under previous AGAAP, goodwill was amortised over a maximum of 20 years. Under AIFRS, goodwill is no longer amortised but instead is tested for impairment annually to ensure that the carrying amount is not greater than the recoverable amount. As a result, accumulated goodwill amortisation is written back to goodwill.

During the year ended 30 June 2005, additional goodwill was amortised under previous AGAAP. Accordingly, intangible assets increased by \$2.6 million representing the write-back of accumulated goodwill amortisation and there was a corresponding decrease in amortisation expense for the year ended 30 June 2005.

(d) Defined benefit plan pension asset

The company and certain controlled entities currently sponsor defined benefit superannuation plans in Australia and New Zealand. Under previous AGAAP, surpluses and/or deficits that arise on the defined benefit superannuation plans were not recognised on the balance sheet and contributions to the plans were recognised as an expense when due and payable. Under AASB 119 *Employee Benefits*, a pension asset (surplus) or liability (deficit) is recognised on the balance sheet and any actuarial gains or losses in the movement of the asset or liability is recognised in retained earnings, as elected by the Company in accordance with AASB 1.

The effect of this is the recognition of a new defined benefit plan pension asset on the balance sheet at 1 July 2004 for \$6.9 million, which represents the cumulative actuarial gains existing at transition date, an increase in retained earnings of \$4.7 million and increase in deferred tax liabilities of \$2.2 million.

Notes to the Preliminary Final Report for the year ended 30 June 2006

16. Transition to Australian equivalents to IFRS (continued)

(d) **Defined benefit plan pension asset (continued)**

At 30 June 2005, an actuarial loss on the defined benefit plans resulted in a net decrease in the defined benefit pension asset by \$0.1 million and a decrease in retained earnings of \$0.4 million. The decrease in the asset was offset by a net increase (including foreign exchange translation loss for the New Zealand pension asset) to reflect the write back of the net contributions and service costs based on actuarial valuations for the period to 30 June 2005. The tax-effect of this adjustment decreased deferred tax liabilities and increased income tax expense for the year to 30 June 2005.

(e) **Leases**

(i) *Finance lease liability*

Under previous AGAAP, the minimum lease payments of a finance lease were determined using an implicit interest rate, whereas under AIFRS, a constant periodic interest rate must be applied.

The effect in the consolidated entity is:

- a decrease in the lease liability by \$14.6 million and corresponding increase in retained earnings at 1 July 2004. Due to the nature of the finance lease, deferred tax assets have immaterially increased.
- a decrease in the lease liability by \$1.8 million and increase in deferred tax assets at 30 June 2005. Interest expense for the year ended 30 June 2005 decreased by \$1.8 million.

(ii) *Operating leases*

Under previous AGAAP, lease payments were recognised in the income statement on an accruals basis reflecting the payment terms of the underlying lease. Under AIFRS, lease payments under leases which contain fixed increases are recognised on a straight line basis over the lease term. Lease incentives are also required to be amortised over the lease term.

The effect in the consolidated entity is:

- an increase in deferred lease liability, net of tax of \$2.1 million for lease incentives at 1 July 2004
- an increase in the deferred lease liability, net of tax and incentives of \$0.4 million and corresponding increase in lease expense at 30 June 2005.

(f) **Shared based payments**

Under previous AGAAP the Group did not account for performance options or shares issued to employees or directors of the Group. Under AIFRS, the consolidated entity is required to recognise an expense for all share based remuneration, including shares or options issued to employees or directors after 7 November 2002 which had not vested by 1 January 2005. The Company has elected not to apply AASB 2 *Share Based Payments* to its share based payment arrangements granted before 7 November 2002 in accordance with AASB 1.

The effect in the consolidated entity of accounting for share based payment transactions is:

- a decrease in retained earnings of \$0.2 million and corresponding increase in the share options reserves at 1 July 2004; and
- an increase in the share options reserve of \$0.4 million, a corresponding decrease in retained earnings and increase in the employee benefits expense by \$0.4 million for the year ended 30 June 2005.

(g) **Deferred tax**

The adoption of AIFRS has resulted in a change in accounting policy. Under previous AGAAP, income tax expense was calculated by reference to the accounting profit after allowing for permanent balances ('the income statement approach'). Deferred tax was not recognised in relation to amounts recognised directly in equity. The application of AASB 112 *Income Taxes* has resulted in the recognition of additional deferred tax assets of \$0.8 million and deferred tax liabilities of \$37.1 million and a decrease to retained earnings of \$36.3 million at 1 July 2004.

(h) **Software classified as intangible assets**

Under previous AGAAP, capitalised software and software developments costs were included in, and accounted for, as property, plant and equipment. As the date of transition, capitalised software and software development costs were reclassified in the balance sheet as intangible assets in accordance with AASB 138 *Intangible Assets*.

The effect of this was to reduce property, plant and equipment by:

- \$32.3 million and increase intangible assets by \$32.3 million at 1 July 2004 and
- \$6.7 million and increase intangible assets by \$6.7 million at 30 June 2005.

There was no effect on total or net assets and in all other respects, the accounting for the asset remains unchanged.

Notes to the Preliminary Final Report for the year ended 30 June 2006

16. Transition to Australian equivalents to IFRS (continued)

(i) **Long service leave classified as current employee benefits provision**

Under previous AGAAP, long service leave was classified according to when the benefits were expected to be paid. Under AIFRS, the portion of long service leave which the Company does not have an unconditional right to defer settlement on has been reclassified as a current provision. The effect of this change has been to increase current provisions by \$17.4 million and decrease non-current provisions by \$17.4 million.

(iv) **Adoption of AASB 132 and AASB 139 on 1 July 2005**

John Fairfax Holdings Limited has taken the exemption available under AASB 1 *First Time Adoption of Australian International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

The adoption by the Group of AASB 132 and AASB 139 on 1 July 2005 had the following effects:

	Note	1 July 2005 \$'000
Total equity under AIFRS (excluding AASB 132 and AASB 139)		2,168,711
AIFRS adjustments to retained earnings:		
Fair value of derivative assets and liabilities	(a)	(13,292)
Fair value movement of hedged financial liabilities	(c)	26,184
Amortisation of transaction costs on PRESSES	(b)	(8,657)
Tax-effect of AASB 139 adjustments above		(4,815)
AIFRS adjustments to cashflow hedge reserve:		
Fair value of derivatives, net of tax	(a)	(648)
AIFRS adjustments to foreign currency translation reserve:		
Fair value of derivatives, net of tax	(a)	(3,059)
AIFRS adjustments to contributed equity:		
Reclassification of PRESSES from equity to debt	(b), 6	(241,951)
Reallocation of share issue costs relating to PRESSES from equity to debt	(b), 6	1,365
Total equity under AIFRS		1,923,838

The transition to AIFRS also resulted in the reclassification of certain balances on the balance sheet as described below:

(v) **Adjustments to balance sheet classifications at 1 July 2005**

	Contributed equity \$'000	Interest Bearing Liabilities \$'000
Reclassification of PRESSES from equity to debt	(241,951)	241,951
Reallocation of share issue costs relating to PRESSES from equity to debt	1,365	(1,365)

Notes to the Preliminary Final Report for the year ended 30 June 2006

16. Transition to Australian equivalents to IFRS (continued)

Notes to the reconciliation

(a) Derivatives and hedging

Under previous AGAAP, derivatives were not recorded on the balance sheet and unrealised gains or losses from re-measurement of derivatives used to hedge foreign exchange or interest rate exposures were excluded from the income statement but disclosed in the notes to the financial statements. In accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, derivatives are now recognised on balance sheet at fair value and derivatives held for hedging purposes are accounted for as fair value or cash flow hedges with changes in the fair value recognised directly in the income statement or equity respectively until the hedged transaction occurs.

The effect of this is to increase derivative assets and derivative liabilities by \$20.0 million and \$37.7 million respectively at 1 July 2005 with a corresponding decrease in retained earnings of \$13.3 million, cashflow hedge reserve of \$0.7 million and foreign currency translation reserve of \$3.1 million, net of tax. The adjustment is net of previously recognised hedge receivables and payables under AGAAP, which amounted to \$3.7 million at 30 June 2005.

(b) Reclassification of PRESSES

Under AGAAP, PRESSES were classified in the balance sheet as an equity instrument. Under AASB 132 *Financial Instruments: Presentation and Disclosure*, PRESSES were reclassified from equity to debt. \$1.3 million of transaction costs relating to PRESSES were reallocated at the time of reclassification of the PRESSES to debt (refer note 6). The effect of this was a net decrease from contributed equity by \$240.6 million and a corresponding increase in non-current interest bearing liabilities.

Under AASB 139, the PRESSES are measured at amortised cost and transaction costs totalling \$9.4 million are amortised over 5 years. At 1 July 2005, \$8.6 million of transaction costs were amortised and the effect of this was to increase the PRESSES in non-current interest bearing liabilities of \$8.6 million and decrease retained earnings. As such at 1 July 2005, PRESSES (inclusive of amortised transactions costs) were carried at \$249.2 million.

As a result of the PRESSES conversion on 27 July 2006 (refer to Note 5(c)), the PRESSES are have been reclassified from non-current interest bearing liabilities to current interest bearing liabilities at 1 July 2005.

(c) Interest bearing liabilities – US debt notes and redeemable preference shares

Under AGAAP, notes and redeemable preference shares (RPS) were recognised at cost and transaction costs capitalised and amortised over the life of those liabilities. Under AASB 139, interest bearing liabilities are recognised at amortised cost and fair valued to the extent the liability is hedged.

The effect of this is a \$26.2 million increase in non-current interest bearing liabilities and decrease in retained earnings at 1 July 2005 for the fair value changes in the hedged component of the US debt notes and RPS.

Notes to the Preliminary Final Report for the year ended 30 June 2006

17. Underlying trading performance

June 2005	As reported		Adjustment		As reported		Adjustment		Underlying trading performance			
	Previous AGAAP Jun-05		AIFRS Only Jun-05		Adjusted AIFRS Jun-05		Significant items only Jun-05		Adjusted AIFRS Jun-05		Previous AGAAP Jun-05	
	Note	\$'000	Note	\$'000	\$'000	Note	\$'000	\$'000	\$'000			
Revenue from Continuing Activities	(i)	1,873,407			1,873,407				1,873,407	1,873,407		
Associate profits & other	(ii)	5,398			5,398	(vii)	(4,039)		1,359	1,359		
Expenses (including impairment write-down)	(iii)	1,366,522	(vi)	884	1,367,406				1,367,406	1,366,522		
Operating EBITDA		512,283		(884)	511,399		(4,039)		507,360	508,244		
Depreciation & amortisation	(iv)	82,441	(vi)	(2,358)	80,083		-		80,083	82,441		
EBIT		429,842		1,474	431,316		(4,039)		427,277	425,803		
Net interest expense (including PRESSES)	(v)	96,982	(vi)	(1,806)	95,176		-		95,176	96,982		
Net profit before tax		332,860		3,280	336,140		(4,039)		332,101	328,821		
Tax expense/(benefit)		91,090	(vi)	(282)	90,808	(vii)	3,030		93,838	94,120		
Net profit post PRESSES		241,770		3,562	245,332		(7,069)		238,263	234,701		
Net profit attributable to outside equity interest		634			634		-		634	634		
Net profit attributable to members of the company		241,136		3,562	244,698		(7,069)		237,629	234,067		

June 2006	As reported		Adjustments		Underlying trading performance			
	AIFRS Jun-06	Adjusted AIFRS Jun-05	AIFRS Jun-06	Adjusted AIFRS Jun-05	AIFRS Jun-06	Adjusted AIFRS Jun-05		
	Note	\$'000	Note	\$'000	\$'000	\$'000		
Revenue from Continuing Activities	(i)	1,907,842	1,873,407	-	-	1,907,842	1,873,407	
Associate profits and other	(ii)	6,919	5,398	(vii)	(4,380)	(4,039)	2,539	1,359
Expenses (including impairment write-down)	(iii)	1,421,216	1,367,406	(vii)	(16,080)	-	1,405,136	1,367,406
Operating EBITDA		493,545	511,399		11,700	(4,039)	505,245	507,360
Depreciation & amortisation	(iv)	79,775	80,083		-	-	79,775	80,083
EBIT		413,770	431,316		11,700	(4,039)	425,470	427,277
Net interest expense (including PRESSES)	(v)	97,187	95,176		-	-	97,187	95,176
Net Profit before tax		316,583	336,140		11,700	(4,039)	328,283	332,101
Tax expense/(benefit)		88,512	90,808	(vii)	4,824	3,030	93,336	93,838
Net Profit After Tax		228,071	245,332		6,876	(7,069)	234,947	238,263
Net profit attributable to outside equity interest		618	634		-	-	618	634
Net profit attributable to members of the company		227,453	244,698		6,876	(7,069)	234,329	237,629
Adjusted notional SPS dividend		-	-	(viii)	5,844	-	5,844	0
Net profit post PRESSES & notional SPS dividend		227,453	244,698		1,032	(7,069)	228,485	237,629

Notes:

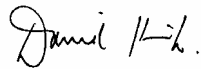
- (i) Revenue from ordinary activities excluding interest income.
- (ii) Share of net profits of associates/joint ventures and other income excluding interest income
- (iii) Expenses from ordinary activities excluding depreciation and borrowing costs.
- (iv) Depreciation and amortisation.
- (v) Interest income less finance costs.
- (vi) Adjustments relate to the transition to AIFRS – refer to note 16(iii) in the full year financial report for more detailed explanation.
- (vii) Significant and non-recurring item (Note 4: full year financial report ended 30 June 2006).
- (viii) Adjustment relating to notional SPS dividend (note 9*: full year financial report ended 30 June 2006)

Compliance statement

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

- | | | |
|-------------------------------------|--|---|
| <input type="checkbox"/> | The accounts have been audited. | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | The accounts have not yet been audited or reviewed. |

5. The entity does have a formally constituted audit committee.



Sign here:
(Director)

Date: 31/08/2006

Print name: DAVID KIRK

Commentary on results for the financial year

Refer to press release.