Fairfax Report

FAIRFAX ANNUAL REPORT 2005

John Fairfax Holdings Limited
ABN 15 008 663 161

FAIRFAX ANNUAL REPORT 2005

METROPOLITAN, REGIONAL AND COMMUNITY NEWSPAPERS METROPOLITAN NEWSPAPERS The Sydney Morning Herald, The Sun-Herald, The Age, The Sunday Age, Fairfax Regional Newspapers, Regional New South Wales, The Herald –Newcastle, Illawarra Mercury, Hunter Post, Newcastle/Lake

MEETING THE COMPETITIVE CHALLENGE

Macquarie Post, Central Coast Sun Weekly, Port Stephens Examiner, Wollongong Advertiser, Regional Victoria, The Warrnambool Standard, Fairfax COMMUNITY NEWSPAPERS – NSW The St George & Sutherland Shire Leader, Cooks River Valley Times, Campbelltown-Macarthur Advertiser, Camden Advertiser, Wollondilly Advertiser, Fairfield City Champion, Liverpool City Champion, Bankstown-Canterbury Torch, Blacktown City Sun, Parramatta Sun, Penrith City Star, St Mary's Mt Druitt Star, Hills News, Northern News, Northern Beaches Weekender, South Western Rural Advertiser, Auburn Review Pictorial, Western Rural Weekly (Bringelly) FAIRFAX COMMUNITY NEWSPAPERS – VICTORIA Melbourne Weekly Magazine, Melbourne Weekly Bayside, Emerald Hill Weekly, City Weekly, The Melbourne Times, Melbourne Times Northern Edition, Heidelberg Weekly, Knox Journal, Maroondah Journal, Yarra Ranges Journal, The Journal, Berwick & District Journal/Pakenham Journal, Monash Journal, Whitehorse Weekly, Macedon Ranges/Sunbury Telegraph, Werribee Banner, Moreland Community News, Moonee Valley Community News, The Altona Laverton Mail, The Mail, Williamstown

A competitive mix of businesses

Maintaining the market position of newspapers

Pursuing strategic growth

Enhancing returns to shareholders

AGAINST A BACKGROUND OF REAL COST SAVINGS AND PRODUCT INNOVATION

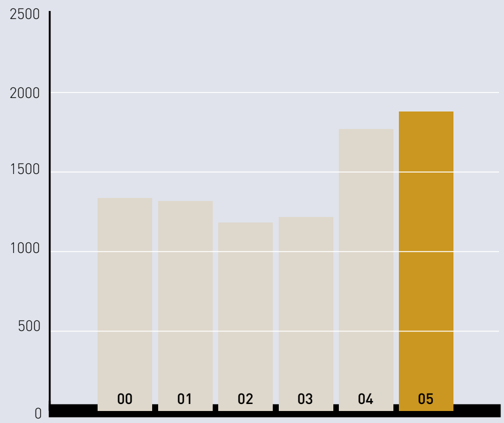
Underlying Trading Performance

Revenue	**5.9%**
EBIT	**15.6%**
Profit after tax	**23.7%**
Earnings per share attributable to ordinary shareholders	**19.2%**

Financial Highlights

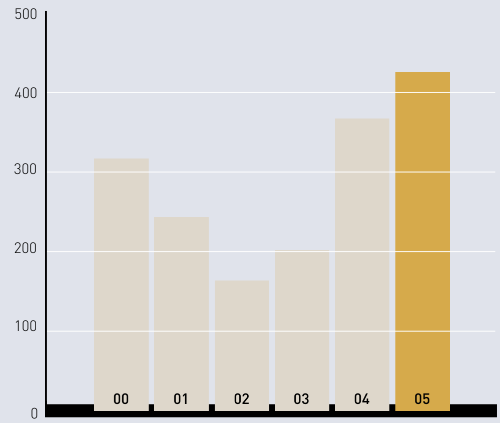
Excluding the effects of significant gains, the underlying trading results of the Company were:

Revenue
increased
5.9%



Revenue increased
5.9% to $1,876.3 million

EBIT
increased
15.6%



EBIT increased
15.6% to $425.8 million

ANNUAL GENERAL MEETING

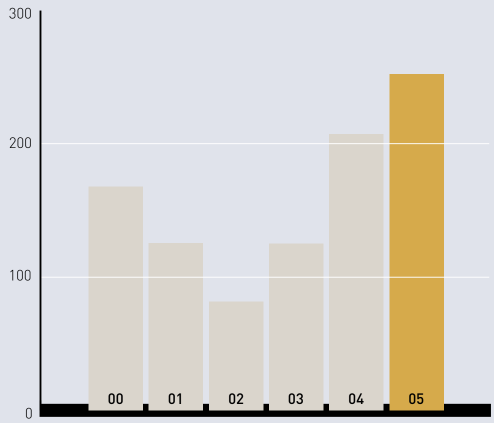
10.30am, Friday
18 November 2005,
Four Seasons Hotel
199 George Street, Sydney

Principal photography for the annual report by Virginia Star, Fairfax Business Media.

Designed and produced by
Text Pacific Publishing
www.textpacific.com.au

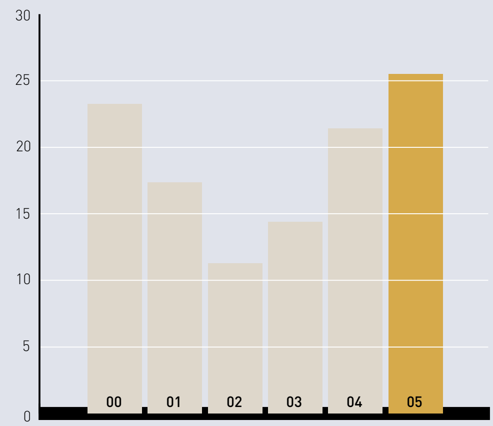
inside

Profit after tax **increased** **23.7%**



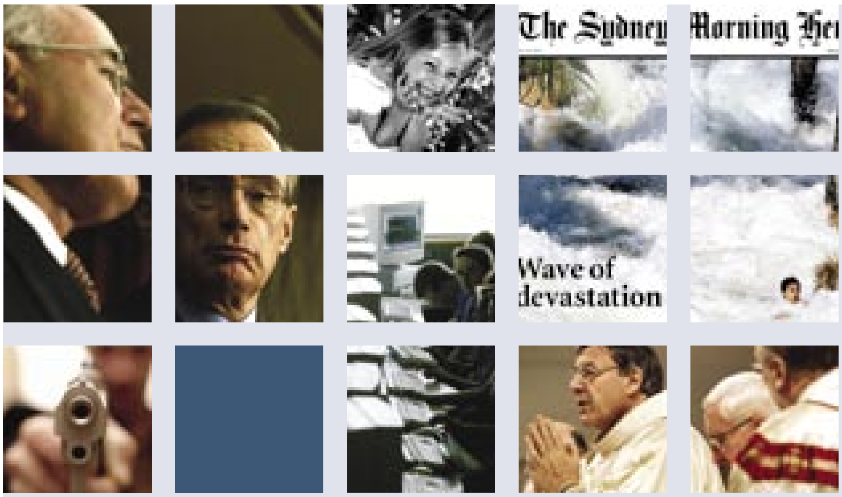
Profit after tax increased
23.7% to $234.1 million

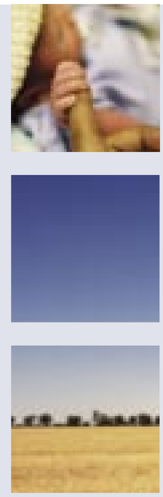
Earnings per share attributable to ordinary shareholders **increased** **19.2%**



Earnings per share attributable to ordinary shareholders increased
19.2% to 25.47cents

Reaching over two million readers every day



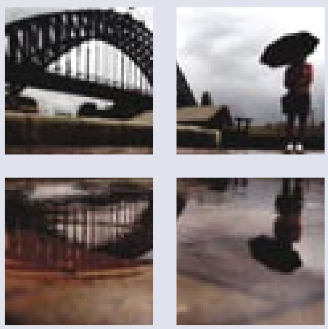


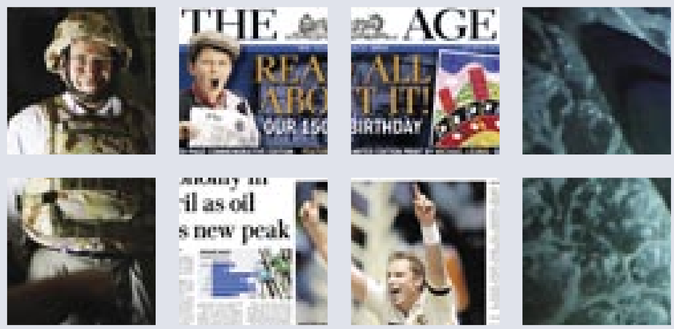
LOCAL

What is happening locally is of utmost importance to our readers. This year, *The Age* excelled in covering the gangland wars in Melbourne, and *The Sydney Morning Herald*, in a landmark series, set the agenda for Sydney's future for health, transport and infrastructure. *The Dominion Post* had a major exposé of a leading ACT politician. Our regional and community newspapers, from Newcastle to Warrnambool and across the North and South Islands, are the pulse beat of their communities.

WORLD

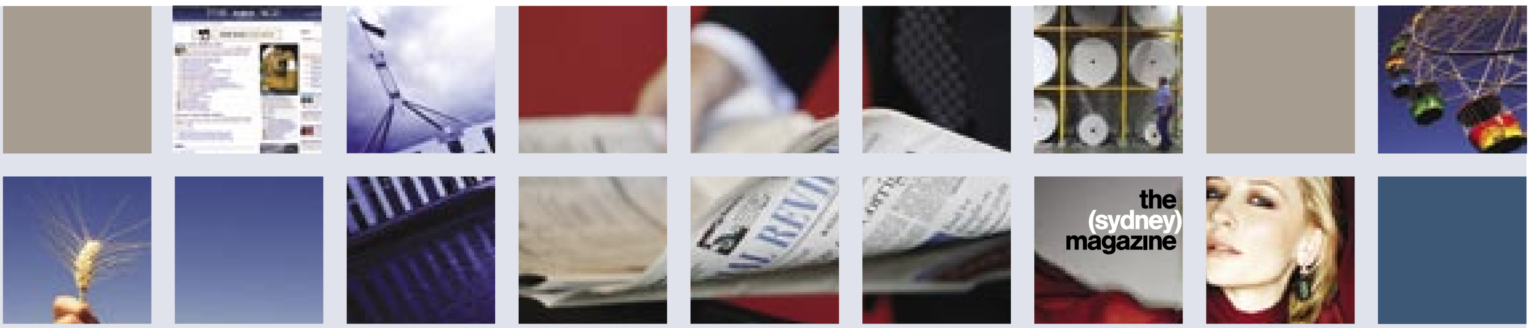
Fairfax correspondents are posted across the globe – from America to China, from the Mideast to Asia Pacific – to bring our readers the most incisive coverage of world events through Australian eyes. From war and terrorism to politics and trade, and supplemented by coverage from *The New York Times*, *The Washington Post*, *The Telegraph* and *The Guardian*, we bring our readers the world to help them understand not only what happened, but why.

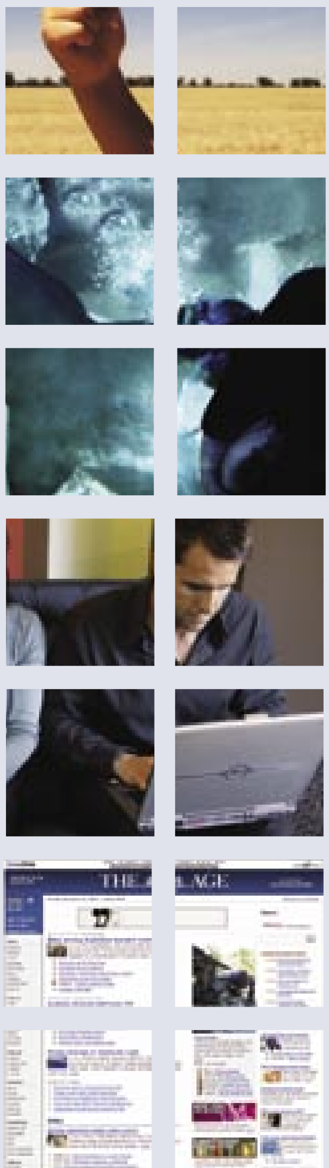




INSTANT COVERAGE

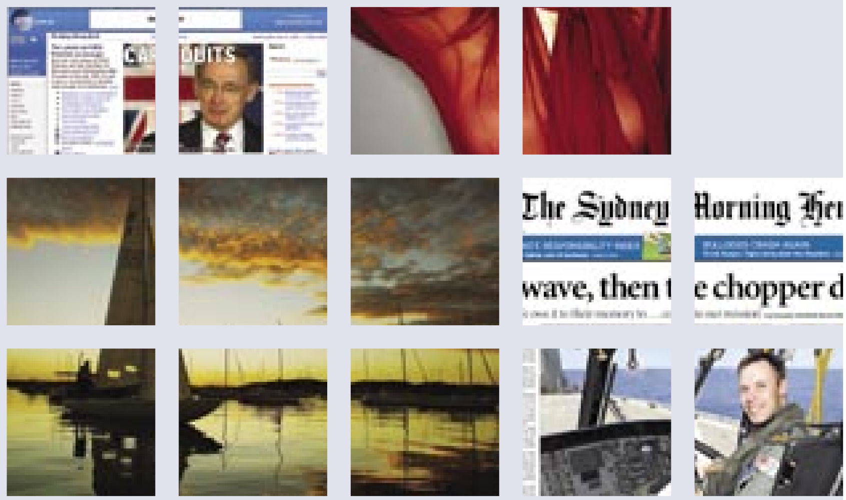
When news breaks, up-to-the-minute reports are found on the #1 news websites in Australia, smh.com.au and theage.com.au. When the Schappelle Corby verdict was announced in Bali in March 2005 – with our copy supplemented by video filed by our journalists at the trial – a record 656,000 unique browsers turned to us. Our websites are updated throughout the day with the news Australians want to know.

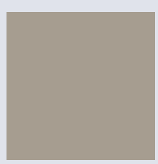


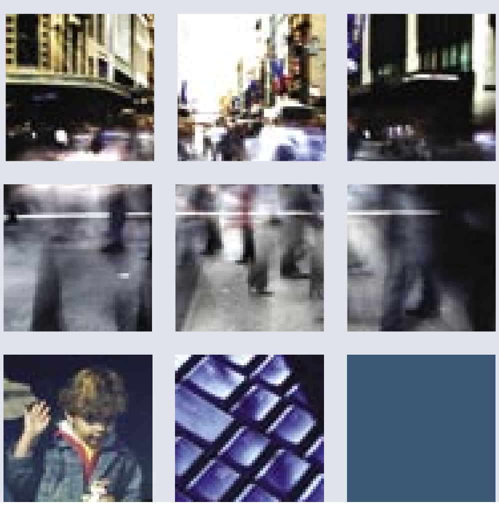


NATIONAL

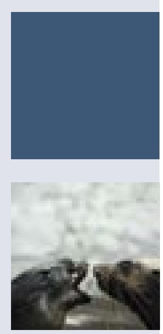
The Canberra bureaus for our flagship publications – *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review* – set the pace for political and national economic reporting in Australia, as do the *Sunday Star-Times*, *The Dominion Post* and *The Press* in New Zealand. What makes politics happen, and why, are the hallmarks of our coverage, with analysis and commentary unmatched in breadth and depth.



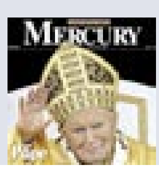




Our papers are recognised and rewarded for their brilliant and compelling coverage of sport, from the heroics to the controversies. Our journalists write for the punters, and for the thrill of the spectacle. Our sport photography is among the very best in the world, with images that capture the moments that define victory and defeat.



SPORT



Chairman's Report

Ronald Walker, AC, CBE
Chairman

"As a result of organic growth and acquisitions, Fairfax today is a larger and more diversified business that is less subject to the cycles of any one advertising market or geography where the Company operates. I am proud to say Fairfax is the largest newspaper publisher in Australia and New Zealand. And we have more options with respect to the future."

SNAPSHOT OF DIVIDEND

Ordinary dividends
Interim **7.5 cents** per share
Final **11.0 cents** per share

Special dividend
5.0 cents per share

Total dividends to shareholders in 2005
23.5 cents up 42.4%

This has been a year of challenge, achievement – and success. With record earnings per share, record net profits, and record revenues – all the result of the strategy that has been carefully and consistently implemented over the past several years by Fred Hilmer and his executive team together with your Board – Fairfax is in excellent shape to go forward.

As a result of organic growth and acquisitions, Fairfax today is a larger and more diversified business that is less subject to the cycles of any one advertising market or geography where the Company operates. I am proud to say Fairfax is the largest newspaper publisher in Australia and New Zealand. And we have more options with respect to the future.

Shareholder value is the paramount objective of your Board of Directors. As a result of the performance of the Company, record dividends to shareholders have been paid.

In 2004/5 the Company was able to meet a challenging economic environment through strong results in several advertising categories, our regional and community newspapers, Fairfax Digital, and with an exceptional performance from Fairfax New Zealand.

This would not have been possible seven or ten years ago under any circumstances.

Shareholder value is the paramount objective of your Board of Directors. As a result of the performance of the Company, record dividends to shareholders have been paid. The Board is especially pleased to have declared a final dividend of 11 cents per share, fully franked and, given the Company's record cash flows, a special dividend of 5 cents per share, fully franked. This brought the total dividends paid for the year to 23.5 cents per share, fully franked, an increase of 42.4% over last year.

We also concluded the search for Fred's successor, within the time we set, with the appointment of David Kirk as the new Chief Executive Officer. With Fred remaining fully in charge in the interim, there has been no loss to Fairfax's operational focus or momentum – as our results clearly demonstrate.

In David Kirk, we have found an excellent executive of breadth and experience, with the intelligence and energy to take Fairfax forward. We have had a textbook handover. David begins full-time with us on November 21. He is our man for the future.

The past 15 months since Fred announced his intention to step down have been extremely active and productive. Andrew Jaspan was appointed editor of *The Age*, and Alan Oakley, one of our most experienced and successful editors, as editor of *The Sydney Morning Herald*. Fairfax Digital is now the supplier of employment classifieds to Yahoo! Fairfax New Zealand issued NZ$186 million in redeemable preference shares, with the securities now held by 4,000 New Zealand residents. Brian Evans was appointed

Chairman's Report continued

During my watch as Chairman I hope to continue to enhance Fairfax's leading position in the industry by building on our achievements over the past several years in which we strengthened our business in Australia and extended it to New Zealand. We want to pursue options for future growth consistent with our commitment to shareholder value.

Chief Operating Officer for Australia, and has led a restructure that better aligns our metro, regional and community publishing businesses to their markets in NSW and Victoria. Fairfax acquired RSVP, the leading online dating website, expanding our footprint in a key demographic on the net. Fairfax New Zealand's proposed acquisition of the prestigious Rodney Times publishing group is pending.

I am honoured to have been selected by my colleagues to serve as Chairman of the Board. As a Board, we have worked hard to ensure the highest standards of corporate governance, and I reaffirm our commitment in that regard.

Your Board of Directors is also in the process of renewal. During the year, David Gonski retired as a director after serving with us since 1993. His commitment and dedication were outstanding, and we extend our thanks to him. Joan Withers resigned from the Board to take up the position of CEO of Fairfax New Zealand, where she has already made an impressive start. At the last AGM, you, our valued shareholders, suggested we add to the Board a person with media experience. We listened and we acted. David Evans, who has longstanding experience in the media industry – including free to air television, pay television, and television programming in the US, the UK and Australia – joined the Board earlier this year.

We also appointed to the Board another director with wide-ranging telecommunications and media sector experience. Peter Young, Chairman of Investment Banking for ABN AMRO in Australia and New Zealand is an outstanding business executive and leader, whose skills and expertise will be of great value to the Board. We are delighted he has accepted this position.

Both David and Peter will stand for re-election at the Annual General Meeting.

Mark Burrows, one of our most experienced directors, has been appointed Deputy Chairman.

Finally, Dean Wills retired in August. I particularly want to express the Board's appreciation for Dean's service over the last 11 years. It was under Dean's chairmanship that the Board began its current growth phase with the acquisition of the New Zealand business, Text Publishing, RSVP, and a number of regional and community titles. We wish him good health and happiness in his retirement.

I am proud to say that Fairfax's future is extremely bright, augmented by the prospects of changes in the media ownership laws. If enacted, we will be proactive, engaged and competitive in assessing all strategic opportunities for growth.

During my watch as Chairman I hope to continue to enhance Fairfax's leading position in the industry by building on our achievements over the past several years in which we strengthened our business in Australia and extended it to New Zealand. We want to pursue options for future growth consistent with our commitment to shareholder value.

We have had an excellent year. I look forward to speaking to you at the Annual General Meeting.

Dean Wills, AO

Chairman (2002 – 2005)

KEY CHANGES AT FAIRFAX

	1997/8	2004/5
Earnings	$111.6 million	$252.6 million
EPS	13.9 cents	25.5 cents
Share price	$2.87 (9/10/1998)	$4.54 (27/9/2005)
Dividends per share	9.5 cents	23.5 cents
Revenues	$1.153.6 million	$1.876.3 million
Underlying cost growth	≈ 8%	≈ 2%
Printing plants	poor	world class
Management team	• constant flux • principally external hires	• stable • mainly internal promotions
Business mix	Undiversified Metros: 80% of revenues	Diversified by geography, publication mix, online Metros: 48% of revenues

Over the last several years, Fairfax has undergone considerable change. Among other benefits, this has culminated in record results and dividends to shareholders in 2005. I am proud to see Fairfax rise to this level of success and competitiveness, and to retire as Chairman with the Company in such excellent shape.

The Company's progress is a tribute to our management team, led by Fred Hilmer.

One of my last responsibilities as Chairman was to conclude our search for a new CEO to replace Fred Hilmer. David Kirk is an outstanding man and an accomplished business executive who has strong experience in the media industry and publishing business. He has the energy, enthusiasm and vision we have sought, and is the calibre of person we need to lead Fairfax forward.

I am also very pleased that the Board has chosen Ron Walker as its new Chairman. Ron will be a strong champion for Fairfax and its businesses, and will work well with David Kirk and the senior management team.

I also express my warm thanks and appreciation to Fred Hilmer. The past seven years of Fred's leadership are ones of great achievement. The accompanying chart reflects this record. Fairfax is stronger today than at any time since emerging from receivership in 1991.

Finally, to my fellow shareholders I convey my appreciation of the support you have extended to me, and for the privilege of serving as Chairman of this outstanding company.

Thank you,
and farewell.

Illustration by John Shakespeare, *The Sydney Morning Herald*.

Chief Executive Officer's Report

Fred Hilmer, AO

Chief Executive Officer

OUR PERFORMANCE IN 2005

The Company's record net profit, earnings per share and cash flow per share in 2005 reflect the success of our strategy of diversification, selective investment, business improvement and continuing cost management.

In particular, record cash flows have enabled payment of a special dividend of 5 cents per share, bringing the total dividend for the year to 23.5 cents per share, up 42.4%, fully franked.

The Company's strategies, implemented over the past several years, have repositioned and strengthened Fairfax significantly. As a result, the challenges to our revenue base over the past year from a weak New South Wales economy and declining real estate markets in Sydney and Melbourne have been more than offset by strong results in display, employment, magazines, regional and community publishing and Fairfax Digital in Australia, and continued exceptional growth in New Zealand.

Fairfax has a number of growth initiatives underway for this financial year. In print, we have launched *Travel + Leisure* magazine, introduced *Domain Inner West* in Sydney, and agreed to acquire the Rodney papers in New Zealand. We are also making improvements in call centre selling and effectiveness. In digital, we will gain new revenues from RSVP, the leading online dating website, and the introduction of the new AFR digital product.

We pay rigorous attention to managing our costs. Operating margins have further improved, with publishing cost growth, excluding acquisitions, below 2%, even after absorbing new product initiatives in New Zealand and Australia.

There were significant developments in 2005 that improved our business operations and performance.

The restructure and establishment of the larger Metropolitan, Regional and Community Newspaper group allows us to capitalise on the gains of the past two years, including an improved operating focus that spans our metro-regional-community publishing footprint. These significant changes have been led by a strong and capable management team of great depth and talent who have been promoted from within. The new structure has been implemented smoothly. I want to express my thanks to my colleagues for their efforts.

The exceptional performance of Fairfax New Zealand continues to reflect successful ongoing implementation of our strategies, assisted by a positive economic environment.

Fairfax Digital enjoyed significant revenue growth, maintained market share in key categories, and again led as the #1 news sites in Australia, with an emphasis on breaking news and video reports.

With respect to potential legislation affecting the media industry, we are prepared to pursue opportunities afforded by any changes in the media ownership laws. Fairfax has consistently supported media deregulation, and we have played a constructive role in this public policy debate. This legislation, if enacted, will give us another series of particularly attractive options to grow through acquisition.

As a result of all these factors, Fairfax today is a more diversified and balanced company that is performing strongly, with strategies for organic growth from our existing businesses and the capacity for further expansion through investment and acquisition.

Fairfax Digital enjoyed significant revenue growth, maintained market share in key categories, and again led as the #1 news sites in Australia, with an emphasis on breaking news and video reports.

OUR STRATEGY

The achievements we have reported follow directly from our strategy, which has two pillars.

First, continued organic growth from our existing businesses.

We seek to improve our publications (as we have this year with *The Age*), expand our footprints (such as with our community newspapers in Australia and the acquisitions of new mastheads and launches of new publications in New Zealand), launch new initiatives in sections and magazines (such as the new Domains in real estate and new glossy inserted magazines in *The Sydney Morning Herald* and *The Age*), and improve cost management – all supported by new plant and systems.

With respect to organic growth, we keep our eye on four key elements:

Franchise quality. This is our competitive edge. Franchise quality, in both editorial and advertising content, delivers competitive positions with attractive audiences and the advertisers who want to reach them.

Cost management. It is a way of life and is never over. We need to keep finding better ways to do our work to be able to fund the initiatives needed to keep our edge in franchise quality and support our publications with marketing and sales.

Revenue growth. Each year we need to find new revenue streams to support the business and its quality.

Capability building. We are a people-intensive business, which is why we put so much emphasis on performance management, succession planning, and learning and development.

175 YEARS. THAT'S ONE HELLUVA CONVERSATION.

We started talking with our readers, giving them daily inspiration, 175 years ago.
Let the conversation continue for the next 175 years.

175 YEARS The Sydney Morning Herald

START A CONVERSATION
The Sydney Morning Herald

Second, adding to our businesses by investment and acquisition.

The purchase of the New Zealand newspapers from News Limited in 2003 has been an outstanding success. In Australia, we have invested in digital (such as the acquisition of RSVP) and added to our publishing portfolio (such as Text Media and the *Port Stephens Examiner*). In New Zealand, we started new publications (such as *AucklandMax*, *Sunday Magazine*), acquired others (*Autocar*, the pending acquisition of Rodney Times), and expanded our printing facilities (the Ashburton NZ joint venture).

David Kirk joins us on 21 November. In announcing his appointment, our former Chairman, Dean Wills, said that, "David brings the experience, energy, enthusiasm and vision for the Company we have sought in the next CEO." His appointment has been greeted with excitement and goodwill. I am confident he will be outstanding.

I am grateful to my colleagues on the Board and management for their support over the past several years.

I also thank you, the shareholders, for entrusting me with the responsibility to serve as Chief Executive Officer. Fairfax is a special company that combines commercial imperatives and a public trust.

I am honoured to have had the opportunity to lead Fairfax for the past seven years, and to work with so many people of high talent and integrity.

I am optimistic about Fairfax's future, and wish it continuing success.

David Kirk and Ronald Walker at the announcement of the new CEO.

DAVID KIRK
CHIEF EXECUTIVE OFFICER, FROM 21 NOVEMBER 2005

Fairfax is one of the most outstanding and respected companies in Australia and New Zealand, with its publications fulfilling a critical role in the functioning of our democracies and our market economies. My prime objective is to continue to strengthen and grow Fairfax by forging opportunities and meeting competitive challenges.

Fairfax has three compelling attributes:

First, the quality of the business. Fairfax's outstanding publications are underpinned by its independent, quality journalism. They have an excellent position in the market. Together, they make Fairfax the pre-eminent media company in Australia and New Zealand.

Second, the quality of its people. They are dedicated to the Company and proud of its values. They produce outstanding publications in print and online, and work hard to achieve business objectives.

Third, the quality of the opportunities ahead. I am confident Fairfax can continue to grow strongly and to succeed in a competitive environment. The Company's strategy is sound, and we can go forward with confidence in Fairfax's achievements and prospects.

I thank the Board for their confidence in me. Fred Hilmer has done a superb job, and leaves the Company in excellent shape, and well-positioned for future growth. He has my appreciation and friendship.

I very much look forward to serving the Company and our shareholders.

The Board of Directors

L TO R: Mr Roger Corbett, Mr Dean Wills, Mr Ronald Walker, Mr Mark Burrows, Mr Fred Hilmer, Mr David Evans, Mrs Julia King.

MR RONALD WALKER AC CBE
NON-EXECUTIVE CHAIRMAN
(Joined the Board 4 February 2003)

Mr Walker has been a prominent businessman in Australia for more than 30 years and was Lord Mayor of Melbourne from 1974 to 1976, having served two terms. He was founder and Chairman of one of Australia's largest private chemical companies between 1963 and 1976, was co-founder, director and major shareholder of Hudson Conway Limited, and co-founder and major shareholder of Crown Casino Limited. Mr Walker is a substantial shareholder and Deputy Chairman of Primelife Corporation Limited and is a substantial shareholder and director of Buka Minerals Limited. He is also Chairman of the Australian Grand Prix Corporation and the Melbourne 2006 Commonwealth Games and is a Director of Football Federation Australia Ltd.

MR MARK BURROWS

NON-EXECUTIVE DEPUTY CHAIRMAN
(Joined the Board 22 January 1996)

Mr Burrows is an investment banker and currently a Managing Director of Lazard, and Chairman of Lazard Australia, Deputy Chairman of Brambles Industries Limited and a Director of Burns Philp & Company Limited, and a recently appointed Director of Carter Holt Harvey Limited. He chaired the Companies and Securities Advisory Committee from 1989 to 1994 and was one of the principal participants in the creation of the Australian Securities Commission (now ASIC).

MR ROGER CORBETT AM

NON-EXECUTIVE DIRECTOR
(Joined the Board 4 February 2003)

Mr Corbett has been involved in the retail industry for more than 40 years. In late 1984 Mr Corbett joined the Board of David Jones Australia as Director of Operations. In 1990 he was appointed to the Board of Woolworths Limited and to the position of Managing Director of BIG W (82 discount department stores). On 1 January 1999, Mr Corbett was appointed Chief Executive Officer of Woolworths Limited and still holds this position.

MR DAVID EVANS

NON-EXECUTIVE DIRECTOR
(Joined the Board 22 June 2005)

Mr Evans has over three decades of experience in the television industry in Australia, the US and the UK. He is President and CEO of Crown Media Holdings, Inc, the owner of Hallmark Channels in the USA. Prior to joining The Hallmark Networks, Mr Evans was President and CEO of Tele-Communications International, Inc.

Mr Evans has also served as Executive Vice President of News Corporation, responsible for establishing its DTH service in Latin America. In the 1990s, Mr Evans was President and Chief Operating Officer of Fox Television after working for British Sky Broadcasting. In the 1980s, Mr Evans served seven years as the Chief Executive Officer of GTV Channel Nine in Melbourne.

MR FREDERICK HILMER AO

CHIEF EXECUTIVE OFFICER
(Joined the Board 9 November 1998)

Prior to Mr Hilmer's appointment to Fairfax, he was Dean and Professor of Management at the Australian Graduate School of Management (AGSM) in the University of New South Wales and a Director of Port Jackson Partners Limited. Prior to joining the AGSM, Mr Hilmer was a partner of McKinsey & Company for 19 years and for the last nine of those years, he managed the Australian practice. Mr Hilmer is Deputy Chairman of Westfield Holdings Limited, former Chairman of Pacific Power Limited and former Deputy Chairman of Foster's Brewing Group Limited.

MRS JULIA KING

NON-EXECUTIVE DIRECTOR
(Joined the Board 17 July 1995)

Mrs King has had more than 30 years' experience in media marketing and advertising. She was Chief Executive of the LVMH fashion group in Oceania and developed the businesses in this area. Prior to joining LVMH she was the Managing Director of Lintas Advertising. She has been on the Australian Government's Task Force for the restructure of the Wool Industry, the Council of the National Library and the Heide Museum of Modern Art. Mrs King is a director of Servcorp Australian Holdings Pty Limited and Opera Australia.

MR DEAN WILLS AO

NON-EXECUTIVE CHAIRMAN (RET)
(Retired from the Board 26 August 2005)

Mr Wills is one of Australia's leading businessmen. He has been President of the Business Council of Australia and a member of the Board of the University of New South Wales Graduate School of Management. Formerly, he was both Chairman and Managing Director of Coca Cola Amatil Limited and Chairman of National Mutual Life Association of Australasia Limited and National Mutual Holdings Limited. Presently, he is a director of Westfield Holdings Limited and until recently, Chairman of Transfield Services Ltd.

PETER YOUNG

NON-EXECUTIVE DIRECTOR
(Appointed to the Board
16 September 2005)

Peter Young has served as Chairman of Investment Banking for ABN AMRO in Australia and New Zealand since 2003. From 1998 to 2002, Peter was Executive Vice Chairman, ABN AMRO Group (Australia and New Zealand) and Head of Telecommunications, Media & Technology Client Management for Asia Pacific. He is the Chair of EFIC, the Federal Government's Export Agency, and is Chairman of Delta Electricity. He is involved in several other community, environmental and artistic activities.

Note: The directors had no other public company directorships during the past three years other than those included in the above biographies


theage
(melbourne)
magazine
If Melbourne was a magazine, what would it be? Elegant. Delicious. Stylish. Optimistic.
the age (melbourne) magazine. As engaging as the city itself.
Monthly in The Age.

THE AGE

Operational Performance

METROPOLITAN, REGIONAL AND COMMUNITY NEWSPAPERS

Fairfax Metropolitan, Regional and Community Newspapers business unit is comprised of the major metropolitan mastheads, *The Sydney Morning Herald, The Sun-Herald and The Age*; regional newspapers *The Herald* in Newcastle, the *Illawarra Mercury* in Wollongong, and *The Warrnambool Standard*; over 50 community titles in New South Wales and Victoria; Fairfax General Magazines, including *Good Weekend, SundayLife, the(sydney)magazine* and *theage(melbourne)magazine*, and *Travel + Leisure*; Fairfax Digital and its news and classified sites; and Group Operations, responsible for printing and distribution of the Fairfax publications. In 2005, 63% of the Company's revenues were generated by MRCN (including 48% from the metros).

FAIRFAX NEW ZEALAND

Fairfax New Zealand Limited, New Zealand's largest media company, established its operation immediately upon the 1 July 2003 purchase by Fairfax of the publishing assets of Independent Newspapers Ltd (INL).

These assets include nine daily newspapers including *The Dominion Post* and *The Press*; two national Sunday papers, the *Sunday Star-Times* and the *Sunday News*; a stable of magazines, including *Cuisine* and *NZ House & Garden*, with particular strength in the lifestyle category; and a news and classifieds internet operation, stuff.co.nz. Fairfax New Zealand Limited also publishes over 60 community newspapers throughout the country. In 2005, Fairfax New Zealand accounted for 28% of the Company's overall revenues.

FAIRFAX BUSINESS MEDIA

Fairfax Business Media publishes the pre-eminent business and finance titles in Australia, including *The Australian Financial Review*, *BRW, CFO, MIS, BOSS, AFR Smart Investor*, inserted magazines *AFR Magazine* and *AFR Sophisticated Traveller*, and afr.com. FBM readers are the most elite and influential in the country. 9% of Fairfax revenues are from Fairfax Business Media.

METROPOLITAN, REGIONAL AND COMMUNITY NEWSPAPERS

Brian Evans
Chief Operating Officer, Australia

With growing revenues and profits, we are making significant efforts to ensure franchise quality, continue tight cost management, promote revenue growth through new initiatives, and build capabilities in our people.

Metro publishing revenue was up slightly during the year as strong growth in retail, national and employment display and classifieds advertising were offset by the overall weakness in the NSW economy and a declining market for real estate listings in both NSW and Victoria.

Fairfax General Magazines had very strong revenue growth, led by record revenues for *Good Weekend* and *the(sydney)magazine*, as well as an impressive commercial debut by *theage(melbourne)magazine*. The Australian edition of *Travel + Leisure*, the world's leading travel magazine, was launched in September.

Fairfax Regional and Community Newspapers again posted strong double digit revenue growth, led by the acquisition of the *Port Stephens Examiner* and the Text Media publications. We added eight new titles to our community newspapers. The unit now contributes over 20% of Australian revenues.

Circulation revenues were up slightly. The declines in circulation in the weekday and Saturday editions of the metro newspapers slowed in the second half. *The Sunday Age* reported a strong rise in circulation. There were good readership gains overall with solid market share gains in the key AB demographic.

Fairfax Digital was profitable at the EBIT level for the first time. Total traffic across all the Fairfax sites increased 21% to over 8.1 million unique browsers per month. RSVP, the #1 online dating service, is performing ahead of expectations following its acquisition in July 2005, with memberships climbing to over 630,000, up 59% year-on-year.

Franchise quality. Our mastheads and their proud history – *The Sydney Morning Herald*, one of the oldest continuously published newspapers in the world turns 175 next year, and the *Illawarra Mercury* celebrates its 150th birthday – are of paramount importance to us. We are committed to quality, independent journalism, and our journalists win the industry's most prestigious awards. We want to ensure that our publications are aligned with the communities we serve.

With growing revenues and profits, we are making significant efforts to ensure franchise quality, continue tight cost management, promote revenue growth through new initiatives, and build capabilities in our people

Cost management. Cost leadership is an ongoing focus across the division. We look at each part of our publishing business – the metros, community and regional papers, magazines, and Fairfax Digital – distinctly, to ensure that the cost base is properly proportioned with the revenues generated, and consistent with our commitment to quality.

Revenue growth. The regional and suburban papers, the inserted magazines, and Fairfax Digital, are enjoying strong revenue growth. With excellent positions in the market, and their attractiveness as advertising platforms, there was a significant lift in revenues from display advertising. We are achieving revenue synergies by bundling advertising offers across the metros, regionals and suburbans. We are also upgrading our call centres and outbound selling capacity. This will also enable us to service our customers better.

Building capabilities. Our people are paramount, and we seek to have the right people in the right positions at the right time. Fairfax staff are distinguished by their commitment to excellence and quality in our mastheads and success and discipline in the business. We will continue to invest in the capabilities of our staff to support the growth areas of our business.

Investment and acquisition. Where we can expand our commercial footprint through bolt-ons that build our scale and reach, and provide value to shareholders, we will. We are also investing in Fairfax Digital to fuel its revenue and market share growth.

For the year ahead, attention to circulation and readership is a high priority, along with focus on our position in online advertising markets. We have invested significantly in our printing plants, with outstanding results in quality and efficiency. Cost management is ongoing even as we invest in growth areas of the business. New revenue streams from new sections and inserts, and from the call centre activity, are also important to our growth.

Fairfax Digital

Each month, Fairfax Digital attracts an audience of 5 million Australians and over 8 million unique browsers. Each week, our advertisers pay us well over $1 million to reach this audience.

The Australian digital media sector experienced outstanding growth in FY05 with total advertising revenues growing to $488 million. Fairfax Digital strengthened its position as the pre-eminent Australian digital media publisher. Revenue grew by 37.5% to $55.3 million with EBIT of $4.6 million. In addition to an internet audience exceeding 8 million unique browsers per month, the division is also reaching new audiences in the mobile sector. Content syndication agreements were completed with mobile telecommunications companies Hutchinson '3', Telstra and Vodafone, enabling subscribers to reach *The Sydney Morning Herald's* and *The Age's* branded content on their mobile phones. The division's exclusive distribution of drive.com.au and domain.com.au within the automotive and real estate sections of Yahoo! Australia and NZ was expanded to include mycareer.com.au in the employment section (commencing October 2005), displacing seek.com.au. These distribution agreements operate for three years. In July 2005, Fairfax purchased RSVP.com.au, Australia's leading online dating site.

FAIRFAX NEW ZEALAND

Joan Withers
Chief Executive Officer, Fairfax New Zealand

All aspects of Fairfax New Zealand continued their strong performance over the past year, with employment and real estate advertising markets driving solid advertising revenue growth. Our higher earnings margins reflect the revenue initiatives we have implemented and continued cost discipline. As a result, we have achieved sustained gains over and above cyclical economic factors. The New Zealand mastheads had stable circulation, with an increase in circulation revenues from organic growth in metro and regional franchises. Our papers held their competitive position in the Auckland market despite the launch of a new Sunday publication. The relaunched Jobstuff.co.nz employment site has significantly increased market share in online listings.

Franchise quality. Under Fairfax's ownership and management, the quality of our mastheads has been reinforced by the Fairfax brand. Fairfax epitomises quality, independent journalism, which is highly valued by our readers and advertisers. Our mastheads across New Zealand have a proud tradition of independent journalism and leadership in their communities. Journalists in our group aspire to be leaders in their profession. They are regularly honoured for their achievements. These traditions are being enhanced by Fairfax values, as is our ability to attract and retain the best staff. The opportunities created by Fairfax ownership include access by New Zealand publications to excellent content from Fairfax journalists in Australia and around the world, and from the AFR's business coverage.

Cost management. My predecessor, Brian Evans, set a benchmark on cost management that ensured discipline without compromising our ability to operate in a competitive environment or invest in new products. This remains our approach. Indeed, sound cost management ensures we have the capacity to devote resources to growth opportunities. The smart use of technology also ensures efficiency across the business.

Revenue growth. We continuously look for new categories that will drive revenue growth by developing products that are attractive to readers, thus enabling advertisers to cost effectively reach their target markets.

Recent initiatives include the *Sunday Magazine* which has enjoyed outstanding success in the last year and the *OnHoliday* magazine which is an off-shoot of our *NZ House & Garden title*.

Understanding our readers and our customers is a critical part of this process and we continue to dedicate resource and attention to researching the rapidly evolving market.

A cornerstone of our continuing success is a strong commitment to customer relationships. We have strong, credible and successful sales operations across the country which understand implicitly the need to be closest to the customer.

The telemarketing teams up and down the country continue to drive incremental sales through proactive outbound sales calls and up-selling advertisers calling in to our telesales operations.

Building capabilities. Having the best people in the right positions is, and will continue to be, a critical success factor for the business. Enhancing the perception of the Fairfax brand in New Zealand as a great place for talented people to work is a key objective going forward.

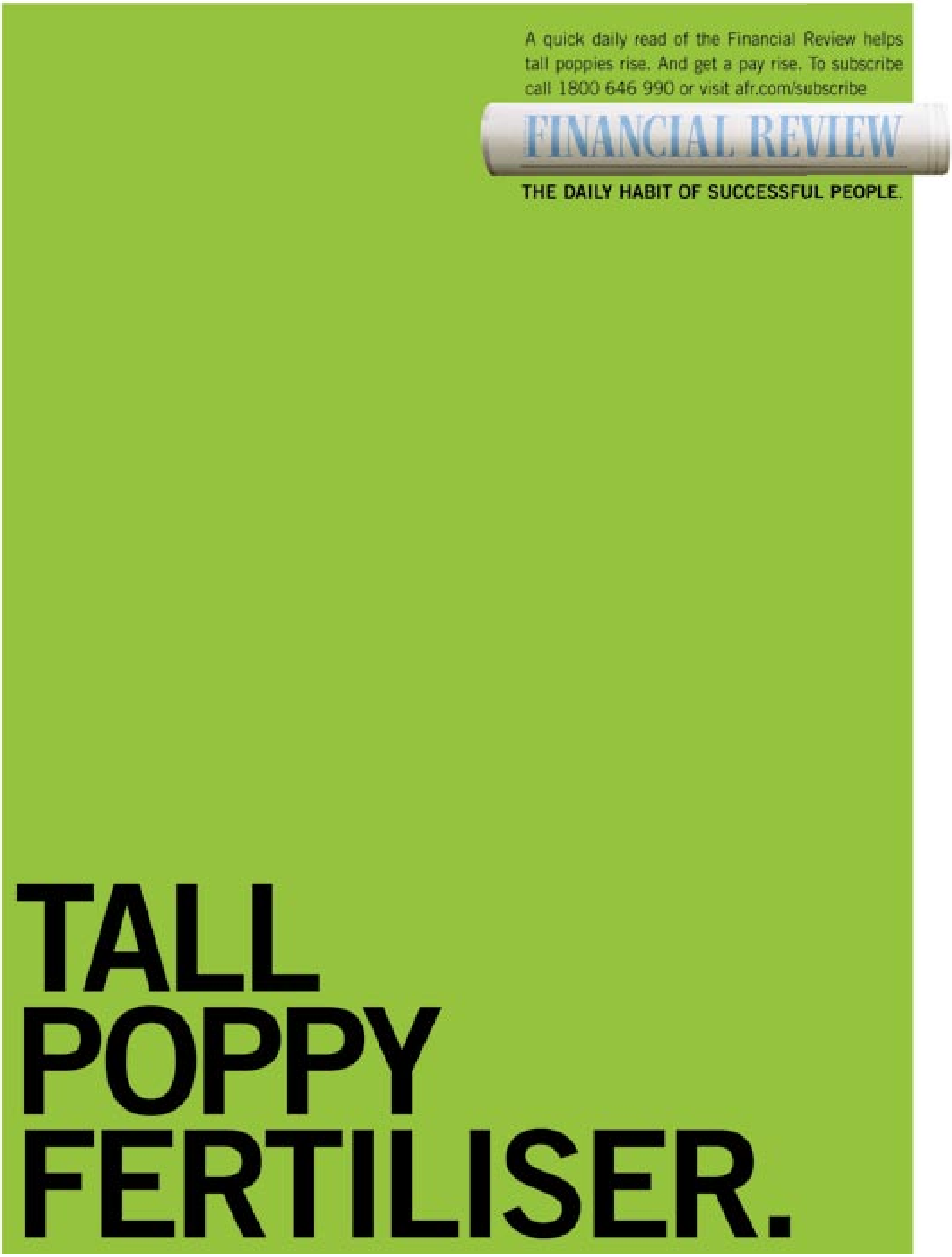
> All aspects of Fairfax New Zealand continued their strong performance over the past year, with employment and real estate advertising markets driving solid advertising revenue growth.

We continue to develop the talent we have and we are very proud of our record of promoting from within, thus providing our people with an opportunity to grow within the company. We have filled key posts in Wellington, with the appointment of Paul Elenio as General Manager of the Central Region, and in the Manawatu where Gerard Watt has taken over from Paul as General Manager.

We have a commitment to ensuring training and development plans are in place for all staff, and effective performance management strategies are in place across the group.

Investment and acquisition. We will continue to expand our commercial footprint where opportunities arise, and leverage the competencies of our people throughout the business. We are well placed for continued growth and to meet the competitive challenges we face every day.

The first two years of operation under Fairfax have been immensely successful. It is the strongest base to build on for the future.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FAIRFAX BUSINESS MEDIA

Michael Gill
Publisher and Editor-In-Chief Fairfax Business Media

The Australian Financial Review and our associated business and investor magazines are the pre-eminent business publications in the country, with franchises second to none for their authority and respect in the market.

In 2005, Fairfax Business Media had strong revenue and profit growth, driven by strong display employment advertising, and further growth in our business magazines, led by *BRW*.

Franchise quality. We are focusing on building our paid circulation, and delivering solid demographics in high value niche audiences. *The AFR* has not only the highest percentage of AB readers of any major publication in Australia, it has three times the number of senior executive readers of its direct competitor. We have restructured our business magazines under the AFR brand to expand our capacities in key niche markets. This is helping to build a strong base for profitable growth in digital markets.

Cost management. FBM has made further progress in developing its processes for improved quality and effectiveness, with a strong emphasis on staff planning. Delivering business change with stable costs is a vital plank in our strategy.

Revenue growth. Innovation in our publications, and capturing value through effective sales management, are highlights. New revenue has come through the introduction of *Life + Leisure* on Fridays and Saturdays in *The AFR* and further growth in both *AFR Magazine* and *BOSS*. Further development of our sales management saw improvements across the business, with the strong performance of *BRW* a notable factor.

Building capabilities. FBM has developed a distinctive culture that is both professional and enthusiastic. We have a strong focus on performance and the development of a quality work environment. We are building flexibility to meet the expanding expectations of a high value audience.

Investment and acquisition. We are targeting sizeable growth, in both print and new media, through acquisition or organic developments. As the leading brand in business publishing in Australia, we are expanding our ability to meet the demands of people who look to FBM for the most authoritative and incisive news, analysis and opinion on the issues that matter to them.

The year ahead will be exciting. We are seeing strong early benefits in the reorganisation of our magazines. The launch of the new AFR digital product will begin a new era in the generation, packaging and distribution of our content – which is our competitive advantage.

FAIRFAX AWARDS FOR 2004 / 2005

Winner	Award	Organisation/Award Ceremony
The Sydney Morning Herald		
Good Weekend, The Sydney Morning Herald	2nd Place	International Newspaper Marketing Awards
Good Weekend, The Sydney Morning Herald	Winner in the newspaper research/data books and media packets category – "Project Empower"	International Newspaper Marketing Awards
The (Age) Melbourne Magazine, The Age	Winner of a PANPA award – highly commended in the display advertising category for the trade campaign at launch	2005 PANPA Newspaper Marketing Awards
Paul McGeough, *The Sydney Morning Herald*	International Journalism – "The Aftermath Of War"	2004 Walkley Awards
Malcolm Knox and Caroline Overington, *The Sydney Morning Herald*	Investigative Journalism – "Norma Khouri Investigation"	2004 Walkley Awards
Debra Jopson and Gerard Ryle, *The Sydney Morning Herald*	Coverage Of Indigenous Affairs – "Black Land, White Shoes"	2004 Walkley Awards
Jacquelin Magnay, *The Sydney Morning Herald*	Coverage Of Sport – "Cycling's Shooting Gallery"	2004 Walkley Awards
Paul McGeough, *The Age*	Journalist of the Year	2004 Graham Perkin Award for Australian Journalist of the Year
The Age		
Gay Alcorn, Malcolm Schmidke and Liz Minchin	Best Feature Article – for groundbreaking special on Labor leader Mark Latham	2004 Walkley Awards
Andrew Dyson	Best Artwork – for illustration "Media software"	2004 Walkley Awards
Ray Kennedy	Best Sport Photography – for "Doubles", a picture of brothers Mike and Bob Bryan during the Australian Open	2004 Walkley Awards
Kathy Evans, *Sunday Age* feature writer	Award For Social Equity Journalist – for "Tuesday's child", a feature about the birth of her daughter Caoimhe, who has Down syndrome	2004 Walkley Awards
Jane Cadzow, *Good Weekend*	Best Magazine Feature – for story in which morals campaigner MP Ross Cameron admitted cheating on his wife	2004 Walkley Awards
Lindsay Murdoch	Best News Report in Print – on the 2004 Boxing Day Tsunami	Melbourne Press Club Quill Awards
Malcolm Maiden	Best Business Story in any Medium – for disclosing the deep rift in the NAB Board in the wake of the rogue trader scandal	Melbourne Press Club Quill Awards
Andrew Rule, *Good Weekend*	Best Sports Story in any Medium – for "Little Big Man/The Slugger"	Melbourne Press Club Quill Awards
Jason South	Best News Photograph: for "Tsunami death toll – Galle hospital"	Melbourne Press Club Quill Awards
Ray Kennedy	Best Sports Photograph – "Doubles"	Melbourne Press Club Quill Awards
Paul Harris	Best Features Photograph – "Silo"	Melbourne Press Club Quill Awards
Andrew Dyson	Best Illustration in any Medium – for "Remembrance"	Melbourne Press Club Quill Awards
Ian Munro	Grant Hattam Award for Investigative Journalism in any Medium (Highly commended)	Melbourne Press Club Quill Awards
Virginia Trioli	Best Columnist (Highly commended)	Melbourne Press Club Quill Awards
John Woudstra	Best News Photograph (Highly commended)	Melbourne Press Club Quill Awards
Sebastian Costanzo	Best Sports Photograph (Highly commended)	Melbourne Press Club Quill Awards
Angela Wylie, Paul Harris	Best Features Photograph (Highly commended)	Melbourne Press Club Quill Awards
Melissa Fyfe, Sandy Scheltema, Simon Johanson and Hugh J Martin	Best Online Report (Highly commended)	Melbourne Press Club Quill Awards
Karen Kissane, Malcolm Schmidtke, Gay Alcorn, Liz Minchin	Best Feature in Print (Highly commended)	Melbourne Press Club Quill Awards
Peter Ellingsen, *Sunday Age*	Best newspaper or magazine article on mental health – "Shame of Our Forgotten People"	Australian and New Zealand Mental Health Service Media Award 2005
Andra Jackson, Reporter	Excellence in Australian journalism relating to Arabic issues – for her article "No man's land"	2004 Australian Arabic Council Media Award
Roslyn Guy, Reporter	Highly regarded journalist from print, radio or television media who has made an outstanding contribution to raising the level of public awareness and the quality of debate on significant national issues, including education	Australian Council for Educational Leaders 2004 Media Award
Shane Green, Education Editor	Best commentary in the print of electronic media – "Tackling Literacy: read all about it!", which examined the literacy initiatives of the Coalition and ALP	Australian Council of Deans of Education for excellence in education journalism
Alice Russell, Education Reporter	Best Print Feature – "Losing our Asian Accent", examining the decline of Asian studies	Australian Council of Deans of Education for excellence in education journalism
Martin Blake	Best Feature – "Thin edge of the wedge"	Australian Golf Media Awards

Winner	Award	Organisation/Award Ceremony
Ray Kennedy	Best Photograph – shot of Aaron Baddeley playing out of a bunker at the 2003 Australian Open	Australian Golf Media Awards
Barney Zwartz, Religion Editor	Peace Award	Australian Intercultural Society (a Muslim interfaith group)
Gary Tippet, Senior Writer	Ochberg Fellowship Award – travel to New Orleans to talk about trauma and its impact on journalists at an international conference	Dart Foundation
Gary Walsh, Travel Editor	Inaugural Peregrine Responsible Tourism Travel Writing Award – for a piece on Siem Reap	Peregrine Responsible Tourism Travel in conjunction with the Australian Society of Travel Writers
Royce Millar, Martin Boulton and David Rood Urban Affairs team	Inaugural media award – for summer series “Battle for the Beach”	Planning Institute of Australia (Victoria Division) Media Award
Royce Millar, Martin Boulton and David Rood, *The Age*	Planning Excellence Award – 2004 summer series “Battle for the Beach”	Planning Institute of Australia’s National Media Award
Andrew Garvey, *AgeForm*	The Bert Wolfe Award (made for the outstanding contribution to racing during the season	Racing Media Association Awards
Patrick Bartley, Racing Writer	Best Feature Story – for story on former champion jockey Harry White	Racing Media Association Awards
Ray Kennedy	Best Sports Photojournalism – for “Doubles” taken at the Australian Open Tennis in November 2004	The Australian Sports Commission Award
Royce Millar, Martin Boulton	Inaugural Urban Development Institute of Australia (Victoria) media award – for coverage of the controversy surrounding a planning appeals tribunal approval of a twin high-rise tower project in Mitcham	Urban Development Institute of Australia (Victoria)
Ian Munro, Law and Justice Editor	Legal Journalism: Reporter of the Year	Victoria Law Foundation 2005 Media Awards
Ian Munro, Law and Justice Editor	Legal Journalism: Best Report in Print – undercover policing, “True Lies”	Victoria Law Foundation 2005 Media Awards
Liz Porter, *Sunday Age*	Legal Journalism: Best Report in Print – “He said, she said” (Honourable mention)	Victoria Law Foundation 2005 Media Awards
John Silvester and Jamie Berry	Legal Journalism: Best Deadline Report – the arrest of Keith George Faure on charges brought by the Purana gangland taskforce	Victoria Law Foundation 2005 Media Awards
Ray Kennedy, Photographer	For best feature photo from the Caulfield Cup – of Nash Rawiller urging on Elvstroem as they neared the post to win the Cup	Victorian Amateur Turf Club Award
FRCN		
Illawarra Mercury	Finalist in Regional Category	2004 Walkley Awards
Ken Robertson, *Illawarra Mercury*	Photo of the Year Winner – Darnel Mee of the Hawks	NBL Award 2004-2005
Illawarra Mercury	Highly Commended – Newspaper Of The Year (20,000-50,000 circulation)	2005 PANPA Newspaper Marketing Awards
Fairfax Business Media		
Neil Chenoweth, Shraga Elam, Colleen Ryan, Andrew Main, Rosemarie Graffagnini, *The Australian Financial Review*	Gold Walkley - “Rivkin’s Swiss Bank Scandal”	2004 Walkley Awards
Neil Chenoweth, Shraga Elam, Colleen Ryan, Andrew Main, Rosemarie Graffagnini, *The Australian Financial Review*	Business Journalism - “Rivkin’s Swiss Bank Scandal”	2004 Walkley Awards
Fred Brenchley, AFR contributor	Winner of 2005 Blake Dawson Waldron prize for business literature – Biography of Allan Fels	2005 Blake Dawson Waldron
Andrew Main	Short listed for the 2005 Blake Dawson Waldron prize for business literature – “Other People’s Money”	2005 Blake Dawson Waldron
Helen Trinca and Catherine Fox	Short listed for the 2005 Blake Dawson Waldron prize for business literature – “Better than Sex”	2005 Blake Dawson Waldron
Mark Davis	Inaugural JN Pierce Award for Media Excellence in 2004 – for a feature on why Australia’s self-sufficiency in crude oil reserves was declining	The Australian Petroleum Production & Exploration Association
Susannah Moran	Awarded Runner-up	Fairfax Trainee of The Year Award 2004
Andrew Cornell	Highly commended for his NAB rogue traders coverage in 2004	Melbourne Press Club Quill Awards 2005
Cherelle Murphy, AFR Economic Correspondent	Awarded the German Grant for Journalism 2005	German Embassy in association with the National Press Club
John Davidson	Best Technology Journalist	Sun Microsystems IT Journalism Awards

Winner	Award	Organisation/Award Ceremony
Fairfax Business Media (continued)		
John Davidson	Best Technology Columnist	Sun Microsystems IT Journalism Awards
John Davidson	Best Consumer Technology Journalist	Sun Microsystems IT Journalism Awards
Ben Woodhead	Best Business Technology Journalist	Sun Microsystems IT Journalism Awards
Ben Woodhead	Best News Journalist	Sun Microsystems IT Journalism Awards
David Crowe	Best Case Study Series	Sun Microsystems IT Journalism Awards
The Australian Financial Review	Best Technology Industry Title	Sun Microsystems IT Journalism Awards
The Australian Financial Review	Best Technology News Title	Sun Microsystems IT Journalism Awards
MIS	Won Business-To-Business Magazine Of The Year – for print-run greater than 15,000 copies	2004 Bell Awards
MIS	Won Best Editorial/Feature Rewrite	2004 Bell Awards
Fiona Harris / *ASSET Magazine*	Won Best Analytical Writer of the Year	2004 Bell Awards
Group Operations		
Karina Black, Publishing Services (Magazines)	Gold Award: 2005 Web-Offset Uncoated Stock (21st Anniversary Special Edition 13th November 2004) – *Good Weekend Magazine*	22nd National Print Awards, Printing Industries Association of Australia
Karina Black, Publishing Services (Magazines)	Silver Award: 2005 Web-Offset Uncoated Stock (26th June 2004 edition) – *Good Weekend Magazine*	22nd National Print Awards, Printing Industries Association of Australia
Karina Black, Publishing Services (Magazines)	Bronze Award: 2005 Web-Offset Uncoated Stock (27th November 2004 edition) *Good Weekend Magazine*	22nd National Print Awards, Printing Industries Association of Australia
Athula Amarasinghe, Fairfax Printers Chullora	Bankstown City Industry & Export Awards – Excellence in Manufacturing Award	Bankstown City Council
Michael Aubrey, Fairfax Regional Printers, Beresfield	Five Years without a Lost Time Injury	Fairfax
Michael Aubrey, Glen St Leon, Paul Peters, Fairfax Regional Printers, Beresfield	International Newspaper Color Quality Club 2004–2006 – *Newcastle Herald*	IFRA
Glen St Leon, Paul Peters, Stuart Shirvington, Fairfax Printers, Chullora	International Newspaper Color Quality Club 2004–2006 – *The Sydney Morning Herald*	IFRA
Glen St Leon, Paul Peters, Chris Monaghan Tullamarine, TAPC	International Newspaper Color Quality Club 2004–2006 – *The Age*	IFRA
Michael Aubrey, Fairfax Regional Printers, Beresfield	Hunter Region Environmental Award for Cleaner Production	Newcastle City Council
Michael Aubrey, Fairfax Regional Printers, Beresfield	Cleaner Production for Resource Use and Waste Efficiency	NSW Department of Environment and Conservation
Athula Amarasinghe, Fairfax Printers Chullora	Green Globe Environmental Awards – Bronze Award (Reaching 20% milestone and saving the emission of harmful greenhouse pollution)	NSW Minister for Energy and Utilities – Frank Sartor
Michael Aubrey, Fairfax Regional Printers, Beresfield	Technical Excellence Award for single width under 4 webs – *Newcastle Herald*	2005 PANPA Newspaper Marketing Awards
Chris Monaghan, Tullamarine, TAPC	PANPA Technical Excellence Award, Category newspapers printed on a double width press using more than four webs – *The Age*	2005 PANPA Newspaper Marketing Awards
Chris Monaghan, Tullamarine, TAPC	The Property Council of Australia 2005 Award, Category Winner Victoria – Factories, Warehouses and Industrial Estates	2005 PANPA Newspaper Marketing Awards
Fairfax New Zealand		
Cuisine	Best News-stand Magazine	Qantas Media Awards 2005
Philip Kitchin, *Dominion Post*	Senior Reporter	Qantas Media Awards 2005
Haydon Dewes, *Dominion Post*	Junior Reporter	Qantas Media Awards 2005
Philip Kitchin, *Dominion Post*	Crime And Justice – 'Louise Nicholas',	Qantas Media Awards 2005
Tracy Watkins, *Dominion Post*	Columnist: Politics – 'Perks Of Office'	Qantas Media Awards 2005
Dominion Post	Best Newspaper Investigation – 'Louise Nicholas',	Qantas Media Awards 2005
Dominion Post	Best Newspaper Specialist Page Or Section - Books,	Qantas Media Awards 2005
Dominion Post	Best Newspaper Specialist Page Or Section - Business	Qantas Media Awards 2005
Dominion Post	Best Newspaper Specialist Page Or Section - Information Technology	Qantas Media Awards 2005
Dominion Post	Best Newspaper Specialist Page Or Section – Other 'Books'	Qantas Media Awards 2005
Hutt News	Best Suburban or Community Newspaper	Qantas Media Awards 2005
Manawatu Standard	Best Daily Newspaper up to 25,000 Circulation	Qantas Media Awards 2005
Simon Fergusson, *Marlborough Express*	Junior Photography: Best Single Breaking News Picture – 'Firemen take a break'	Qantas Media Awards 2005
Andrew Cornaga, *Nelson Mail*	Senior Photography: Best Single Sports Picture – 'Cyclist crash'	Qantas Media Awards 2005
Evan Barnes, *Nelson Mail*	Best Single Sports Picture by a Junior – 'Rugby NPC'	Qantas Media Awards 2005
Kamala Hayman, *The Press*	Reporter: Environment and Conservation – 'DOC to remove hundreds of baches'	Qantas Media Awards 2005
Michelle Brooker, *The Press*	Reporter: Social Issues – 'Cool IT has hot $15m price tag'	Qantas Media Awards 2005
Tim Cronshaw, *The Press*	Newspaper Feature Writer: Environment and Conservation – 'Hieracium curse of the hills'	Qantas Media Awards 2005
Joe Bennett, *The Press*	Columnist	Qantas Media Awards 2005
Alexis Stuart, *The Press*	Columnist: Social issues – 'Something comforting about noble, wholesome heroes'	Qantas Media Awards 2005

Winner	Award	Organisation/Award Ceremony
Christchrch Press	Web Offset – Coldset	Pride In Print Awards
Christopher Moore, *The Press*	Columnist: The Arts – 'Messiah habit wears thin'	Qantas Media Awards 2005
Peter Luke, *The Press*	Editorial Writer	Qantas Media Awards 2005
Jane Saunders, *The Press*	Senior Photography: Best Single Arts Picture – 'Shining stars'	Qantas Media Awards 2005
The Press	Best Newspaper Specialist Page Or Art Section: The Arts – 'Arts'	Qantas Media Awards 2005
The Press	Best Editorial Project With Significant Impact Upon The Community – 'Facing racism'	Qantas Media Awards 2005
Robyn Edie, *Southland Times*	Best Single Arts Picture by a Junior – "Fluoro dancer'	Qantas Media Awards 2005
Stuff – www.stuff.co.nz	Best Website	Qantas Media Awards 2005
Kirsty Wynn, *Sunday News*	Reporter: Health and Medicine – 'Mystery of cancer curse'	Qantas Media Awards 2005
Donna Chisholm, *Sunday Star-Times*	Newspaper Feature Writer: Senior	Qantas Media Awards 2005
Lauren Quaintance, *Sunday Star-Times*	Newspaper Feature Writer: Crime and Justice – 'End of the line'	Qantas Media Awards 2005
Kim Knight, *Sunday Star-Times*	Newspaper Feature Writer: Food and Nutrition – 'The wisdom of chicken nuggets'	Qantas Media Awards 2005
Kim Knight, *Sunday Star-Times*	Newspaper Feature Writer: General - 'In the shadow of hope and despair'	Qantas Media Awards 2005
Jon Stephenson, *Sunday Star-Times*	Newspaper Feature Writer: Government, Diplomacy and Foreign Affairs – 'Swapping a scalpel for a rifle'	Qantas Media Awards 2005
Donna Chisholm, *Sunday Star-Times*	Newspaper Feature Writer: Health and Medicine – 'Shock proof'	Qantas Media Awards 2005
Donna Chisholm, *Sunday Star-Times*	Newspaper Feature Writer: Human Relations – 'Weekend at Bernies'	Qantas Media Awards 2005
Tara Ross, *Sunday Star-Times*	Newspaper Feature Writer: Social Issues - 'The down trodden stepfamily'	Qantas Media Awards 2005
Tim Hunter, *Sunday Star-Times*	Columnist: Business, Finance and Consumer Affairs – 'Stobo produces curate's egg'	Qantas Media Awards 2005
Helen Bain, *Sunday Star-Times*	Columnist: Maori Issues – 'Maori Party's 'nice guy' approach'	Qantas Media Awards 2005
Sunday Star-Times	Best Newspaper Magazine – 'Sunday'	Qantas Media Awards 2005
Susan Pepperell, *Waikato Times*	Newspaper Feature Writer: Science & Technology – 'Pocket rockets'	Qantas Media Awards 2005
Bruce Holloway, *Waikato Times*	Columnist: Food and Nutrition – 'Menus: Grin and beer it'	Qantas Media Awards 2005
Susan Pepperell, *Waikato Times*	Columnist: General – 'It still isn't over'	Qantas Media Awards 2005
Waikato Times	Best Newspaper Poster – 'It's Don the dancing pig'	Qantas Media Awards 2005
Western Leader	Best Newspaper Front Page	Qantas Media Awards 2005
Stuff – www.stuff.co.nz	Best News Site	NetGuide 2004 Industry Awards
Stuff – www.stuff.co.nz	Best News Media Coverage Elections 2005	New Zealand Electoral Commission
www.cuisine.co.nz	Magazine Website of the Year	Magazine Publisher's Association Awards 2004/2005
NZ Gardener	Circulation Promotion of the Year: NZ Gardener (Ellerslie Flower Show)	Magazine Publisher's Association Awards 2004/2005
NZ Gardener	Cover of the Year (special interest): 60th birthday	Magazine Publisher's Association Awards 2004/2005
The TV Guide	Cover of the Year (mass market): Test the Nation	Magazine Publisher's Association Awards 2004/2005
Cuisine	Magazine of the Year (Home & Food)	Magazine Publisher's Association Awards 2004/2005
Nelson Mail Property Weekly supplement (Press print on behalf of the *Nelson Mail*)	Gold in the "Web Offset – Coldset – Other" category	Pride in Print Awards
Daniel Robertson, Fairfax Network	Media Sales Proposal of the Year (silver) – State Cricket Campaign with Walkers Advertising	CAANZ Media Awards
Bernadette Kirkham, *Waikato Times*	1st place: 'Promotion of the Newspaper as an Advertising Medium – under 75,000 category' – launch and promotion of Business Day	International Newspaper Marketing Awards
Bernadette Kirkham, *Waikato Times*	1st place: 'Managing Advertiser Relationships – under 75,000 category' – House and Lifestyle Magazine promotion	International Newspaper Marketing Awards
Bernadette Kirkham, *Waikato Times*	Highly Commended – 'Public Relations Programmes and Events – under 75,000 category – Italian Film Festival promotion	International Newspaper Marketing Awards
Fairfax Digital		
John Silvester, Matthew Absalom-Wong, Hugh Martin, Simon Johanson, *The Age* Online Team	Best Use Of Any Medium – for "Ganglands", a multimedia feature on the underworld killings in Melbourne	2004 Walkley Awards
John Silvester, Matthew Absalom-Wong, Hugh Martin, Simon Johanson, *The Age* Online Team	Best Online Journalism - The Age "Gangland", a multimedia feature on the underworld killings in Melbourne	Melbourne Press Club Quill Awards 2005
John Silvester, Matthew Absalom-Wong, Hugh Martin, Simon Johanson, *The Age* Online Team	Finalist in the Best Media-Affiliated Internet Services – for "Ganglands", a multimedia feature on the underworld killings in Melbourne	Editor & Publisher's International "Eppy" Awards
The Age & *SMH* Online Olympics Website	Highly Commended	2005 PANPA Newspaper Marketing Awards
Steve Manfredi and the *SMH* Online Team; Paul Whybrow, David Poland, Rod Tobin, David McMillan, Darren Connell, Matthew Absalom-Wong	Standard of Excellence – The Interactive Cook (Steve Manfredi) on smh.com.au and 3G mobile	2005 WebAwards

Financial Directory

Directors' Report

The directors present their report together with the financial report of John Fairfax Holdings Limited (the Company) and of the consolidated entity, being the Company and its controlled entities for the year ended 30 June 2005 and the auditor's report thereon.

DIRECTORS

The directors of the Company in office during the financial year and until the date of this report are:

Mr Ronald Walker, AC, CBE
Non-Executive Chairman

Mr Mark Burrows
Non-Executive Deputy Chairman

Mr Roger Corbett, AM
Non-Executive Director

Mr David Evans
Non-Executive Director

Mr Frederick G Hilmer, AO
Chief Executive Officer

Mrs Julia King
Non-Executive Director

Mr Peter Young
Non-Executive Director

Sir Roderick Carnegie, AC
Non-Executive Director
Resigned from the Board on 17 September 2004.

Mr David Gonski, AO
Non-Executive Director
Resigned from the Board on 7 April 2005.

Ms Margaret Jackson, AC
Non-Executive Director
Resigned from the Board on 31 August 2004.

Mr Dean Wills, AO
Non-Executive Chairman
Resigned from the Board on 26 August 2005.

Ms Joan Withers
Non-Executive Director
Resigned from the Board on 16 June 2005.

A profile of each director as at the date of this report is included on pages 12 and 13 of this report.

COMPANY SECRETARY

The company secretary is Ms Gail Hambly. Ms Hambly was appointed to the position of Group General Counsel and Company Secretary in 1993. Before joining John Fairfax Holdings Limited she practised as a solicitor at Freehills. She has extensive experience in commercial, media and communications law. She is a member of the Media and Communications Committee for the Law Council of Australia and a member of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.
Ms Hambly holds degrees in Law, Economics, Science and Arts.

CORPORATE STRUCTURE

John Fairfax Holdings Limited is a company limited by shares that is incorporated and domiciled in Australia.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were news, information and entertainment publishing and advertising sales in newspaper, magazine and electronic formats.

There were no significant changes in the nature of the consolidated entity during the year.

CONSOLIDATED RESULT

The consolidated profit attributable to the consolidated entity for the financial year was $259,687,000 (2004: $276,014,000).

DIVIDENDS

A final fully franked dividend of 11.0 cents per ordinary share and debenture in respect of the year ended 30 June 2004 was paid on 21 October 2004. This dividend was shown as approved in the previous annual report.

An interim fully franked dividend of 7.5 cents per ordinary share and debenture in respect of the year ended 30 June 2005 was paid on 31 March 2005.

The Board has declared a final fully franked dividend of 11.0 cents per ordinary share and debenture in respect of the year ended 30 June 2005 to be paid on 11 October 2005.

DIVIDENDS continued

The Board has also declared a special fully franked dividend of 5.0 cents per ordinary share and debenture in respect of the year ended 30 June 2005 to be paid on 11 October 2005.

Fully franked PRESSES dividends of $3.7710 and $3.6493 per PRESSES were paid on 13 December 2004 and 10 June 2005 respectively.

REVIEW OF OPERATIONS

A review of the operations of the consolidated entity for the financial year is set out on pages 15 to 21 of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In May 2005 Fairfax issued NZ$186,462,000 of redeemable preference shares. Funds raised were used to repay existing debt, satisfy other financial obligations and for the general corporate purposes of the Fairfax group of companies.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company's prospects and strategic direction are discussed in the Chairman's and Chief Executive Officer's reports on pages 4 and 8 of this report.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company maintains its established practice of commissioning an independent expert to audit and report annually. Recommendations resulting from these annual audits and reports have been, or are being, implemented. No material non-compliance with environmental regulation has been identified relating to the current year.

EVENTS AFTER BALANCE DATE

Acquisition of RSVP.COM.AU Pty Limited

On 11 July 2005, John Fairfax Holdings Limited announced that it had acquired the privately owned RSVP.COM.AU Pty Limited, the market leader in Australian online dating. The business was purchased for $38.92 million from the original founders of RSVP.

Repayment of debt

On 15 July 2005, Fairfax repaid $150 million of the medium-term note debt which was classified as interest-bearing liabilities, current, as of the end of the 2005 financial year

REMUNERATION REPORT

A remuneration report is set out on pages 33 to 41 and forms part of this Directors' Report.

DIRECTORS' INTERESTS

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

30 June 2005

Ordinary shares

	Opening Balance	Acquisitions	Disposals	Closing Balance*	Post Year End Acquisitions	Post Year End Disposals	Post Year End Balance*
RJ Walker	307,316	5,289	-	312,605	101,467	-	414,072
MD Burrows	19,298	4,907	-	24,205	1,614	-	25,819
RC Corbett	8,399	5,349	-	13,748	1,526	-	15,274
FG Hilmer	2,948,653	-	(2,800,000)	148,653	-	-	148,653
JM King	27,590	4,640	-	32,230	1,584	-	33,814
P Young	-	-	-	-	-	-	-
R Carnegie	24,495	931	-	25,426	-	-	n/a
DM Gonski	29,298	5,056	-	34,354	-	-	n/a
MA Jackson	17,672	1,017	-	18,689	-	-	n/a
DR Wills	50,903	11,334	-	62,237	3,668	-	65,905
J Withers	-	3,296	-	3,296	-	-	n/a
TOTAL	**3,433,624**	**41,819**	**(2,800,000)**	**675,443**	**109,859**	**-**	**703,537**
Options							
PRESSES							
JM King	128	-	(128)	-	-	-	-
DR Wills	180	-	(180)	-	-	-	-
FG Hilmer	180	-	-	180	-	-	180
TOTAL	**488**	**-**	**(308)**	**180**	**-**	**-**	**180**

* In the case of retired directors, the closing or post year end balance represents the number of shares at the date the director retired from the Board.

Note: This table has been audited.

All equity transactions with specified directors and executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

DIRECTORS' MEETINGS

The following table shows the number of Board and committee meetings held during the year and the number attended by each director or committee member.

Director	Directors' Meetings***		Audit & Risk Committee Meetings***		Nominations Committee Meetings***		Personnel Policy and Remuneration Committee Meetings***	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
RJ Walker	11	11	-	-	-	-	-	-
MD Burrows	11	10	2	2	-	-	-	-
RC Corbett	11	11	-	-	-	-	5	5
D Evans	-	-	-	-	-	-	-	-
FG Hilmer*	11	10	2	2	-	-	5	5
JM King	11	11	-	-	-	-	5	5
R Carnegie	2	1	-	-	-	-	1	1
DM Gonski	9	9	2	2	-	-	-	-
MA Jackson	1	-	1	-	-	-	-	-
DR Wills**	11	11	2	2	-	-	5	4
J Withers	8	8	-	-	-	-	-	-

* FG Hilmer attended Audit & Risk and Personnel Policy and Remuneration Committee meetings as an invitee of the committees.

** Mr Wills, as Chairman, was an ex-officio member of the Audit & Risk and the Personnel Policy and Remuneration Committees.

*** Relating to meetings held, the numbers in the columns refer to the number of meetings held while the director was a member of the Board or the relevant committee.

ROUNDING

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

OPTIONS

Details of options on issue at 30 June 2005 and movements in options during the financial year are included in Note 28 to the financial statements.

At the date of this report, total unissued ordinary shares under options granted by the Company were 196,000. There are no unissued shares under option as at the date of this report other than those referred to above. These options do not entitle the holder to participate in any share issue of any other body corporate. From 1 July 2005 to the date of this report, no options over ordinary shares were granted, 300,000 shares were issued by virtue of the exercise of options.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The directors of the Company and such other officers as the directors determine, are entitled to receive the benefit of an indemnity contained in the Constitution of the Company to the extent allowed by the Corporations Act 2001, including against liabilities incurred by them in their respective capacities in successfully defending proceedings against them.

During or since the end of the financial year, the Company has paid premiums under contracts insuring the directors and officers of the Company and its controlled entities against liability incurred in that capacity to the extent allowed by the Corporations Act 2001. The terms of the policies prohibit disclosure of the details of the liability and the premium paid.

Each director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a director to the extent allowed by the law.

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

No officers are former auditors

No officer of the Fairfax Group has been a partner of an audit firm or a director of an audit company that is or was an auditor of any entity in the Fairfax Group during the year ended 30 June 2005.

NON AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (Ernst & Young) for audit and non-audit services provided during the year are set out below.

The Board of Directors has received written advice from the Audit & Risk Committee and is satisfied that the provision of the non-audit services did not compromise the auditor independence requirements of the Corporations Act 2001 because none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 32 of this report.

During the year Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Subsidiary company and other audits required by regulatory or other bodies
- Australia $148,629
- Overseas $97,281

Accounting advice and due diligence services
- Australia $35,300

Tax compliance services
- Overseas $28,225

Signed on behalf of the directors in accordance with a resolution of the directors.

Mark Burrows
Chairman, Audit and Risk Committee

Sydney, 27 September 2005

Frederick G Hilmer AO
Chief Executive Officer and Director

AUDITOR'S INDEPENDENCE DECLARATION

ERNST & YOUNG

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Sydney NSW 2001

Tel 61 2 9248 5555
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Exchange 10172

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF JOHN FAIRFAX HOLDINGS LIMITED

In relation to our audit of the financial report of John Fairfax Holdings Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

David Simmonds
Partner

27 September 2005

REMUNERATION REPORT

1. INTRODUCTION

This report forms part of the Company's 2005 Directors' Report and describes the Fairfax remuneration arrangements for directors and prescribed senior executives with the greatest authority. It has been prepared to comply with section 300A of the Corporations Act 2001 and accounting standard AASB 1046.

The Report also contains details of Fairfax equity interests of directors and certain senior executives.

2. PERSONNEL POLICY AND REMUNERATION COMMITTEE (PPRC)

The current members of the PPRC are all independent, non-executive directors, being Julia King (Chairman), Ronald Walker and Roger Corbett. The PPRC met five times during the year.

The role of the PPRC is set out in its Charter which is available on the Fairfax website www.fxj.com.au. The Committee's primary responsibilities are to:

(a) review and approve Fairfax employee and remuneration strategies and frameworks and oversee the development and implementation of employee remuneration programs, performance management processes and succession planning with the goal of attracting, motivating and retaining high quality people;

(b) review and recommend to the Board for approval goals and objectives relevant to the remuneration of the CEO, assist the Board to evaluate the performance of the CEO in light of those goals and objectives, and recommend to the Board the CEO's remuneration based on this evaluation;

(c) review the key principles to apply to contractual terms of employment for direct reports to the CEO including base pay, incentives, superannuation arrangements, retention arrangements, termination payments, performance goals and performance evaluation procedures and succession plans;

(d) make recommendations to the Board on directors' fees and review and recommend the aggregate remuneration of non-executive directors to be approved by shareholders.

The CEO, the Director of Organisation Development and the Group Remuneration and Benefits Manager regularly attend PPRC meetings but not when their own remuneration arrangements are being discussed.

The Committee commissions reports from independent remuneration experts on market relativities and other matters relating to remuneration practices to assist it with setting appropriate remuneration levels and processes.

3. REMUNERATION OF NON-EXECUTIVE DIRECTORS

Under the Company's Constitution, the aggregate remuneration of non-executive directors is set by resolution of shareholders. The aggregate was last reviewed by shareholders at the 2004 Annual General Meeting and set at $1,500,000 per annum. Within this limit, the Board annually reviews directors' remuneration with advice from the PPRC. The Board also considers survey data on directors' fees paid by comparable companies, and expert advice commissioned from time to time.

Fees to non-executive directors reflect the demands and the responsibilities of each director including service on Board Committees. By resolution of the Board, each non-executive director sacrifices at least 25% per annum of his or her director's fees to the Company's Employee Share Acquisition Plan. Under this Plan, shares are purchased on-market by an independent trustee on behalf of directors, as well as employees who have salary sacrificed to participate in the Plan. Share acquisition dates are pre-set and determined by the trustee.

The Chairman's remuneration is inclusive of all Committee fees. Non-executive directors who are members of the Audit & Risk Committee or the PPRC receive additional fees for service on these Committees.

At the date of this report the Board has set fees as follows:

Chairman	$250,000
Deputy Chairman	$130,000
Other Non-Executive Director	$100,000

Additional fees:

Chairman of Audit & Risk Committee	$20,000
Member of Audit & Risk Committee	$10,000
Chairman of Personnel Policy & Remuneration Committee	$8,000
Member of Personnel Policy & Remuneration Committee	$4,000

The above fees do not include 9% superannuation payments.

3. REMUNERATION OF NON-EXECUTIVE DIRECTORS continued

3.1 RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS

The Company makes superannuation contributions on behalf of non-executive directors equivalent to 9% of directors' fees.

The Company has discontinued its previous retirement benefits scheme for non-executive directors. Other than superannuation contributions as outlined above, non-executive directors who did not have five years service on the Board as at 30 June 2004 are not eligible for retirement benefits. Non-executive directors who had served on the Board for at least five years as at 30 June 2004 and who therefore had already qualified for benefits under the Company's previous scheme are, on retirement, entitled to a retirement benefit equivalent to the lesser of:

(a) three times the relevant director's annual directors' fee as at 30 June 2004; or

(b) the maximum allowable without shareholder approval under the Corporations Act and the ASX Listing Rules.

During the financial year, two directors retired and became eligible for retirement payments. They were Sir Roderick Carnegie and Mr David Gonski. Details of their benefits are set out in Section 5.7 of this report.

Since the end of the financial year, Mr Dean Wills retired from the Board. Mr Wills is entitled to a retirement benefit of $495,043. This payment will appear as a retirement benefit in the 2006 Remuneration Report.

4. REMUNERATION OF THE CHIEF EXECUTIVE

The remuneration details for the present CEO, Mr Hilmer, are set out in the directors' remuneration table in Section 5.7 in this report.

As previously announced, Mr Hilmer will cease employment with the Company after the 2005 Annual General Meeting when the Company's new CEO, Mr David Kirk, will commence in the role. The key terms of Mr Kirk's Executive Services Agreement with the Company include a base salary of $1.2 million per year, and performance bonuses of up to 150% of base salary based on achievement of defined performance criteria set at the beginning of each financial year. Subject to shareholder approval, one third of the bonus will be paid in Company shares, which vest over three years from their issue. In addition, a one-off special compensation is provided of $1.2 million in benefits foregone from previous employment, with $400,000 payable on commencement of employment, and equal instalments of $400,000 payable on 1 July 2006 and 1 July 2007. Mr Kirk's employment contract has been posted with the Australian Stock Exchange. The Board has determined a retirement allowance of $4.5 million for Mr Hilmer, which is consistent with his employment arrangements, and reflects the timing and circumstances of the transition.

5. REMUNERATION OF SENIOR EXECUTIVES

The objective of the Company's executive remuneration framework is to align executive remuneration with the achievement of strategic objectives and the creation of value for shareholders, and to be consistent with market standards.

The PPRC aims to ensure that executive remuneration addresses the following key criteria:

- Attract, retain and motivate talented, qualified and experienced people in light of competitive employment markets.
- Align remuneration strategy with business strategy.
- Align the interests of executives and Fairfax shareholders.
- Comply with regulatory requirements.
- Be transparent and fair.

The framework provides a mix of fixed salary and performance-based incentives. The performance-based remuneration is based on the financial performance of the Company, the financial performance of the business unit relevant to the executive and the performance of the individual executive against agreed objectives.

The PPRC discusses and approves the remuneration packages and any bonus payments to the direct reports of the CEO annually in August. On the recommendation of the CEO it also approves key performance indicators for all relevant executives for the following year.

The executive remuneration framework has the following components:

- A fixed remuneration package which includes base pay, superannuation and other benefits.
- Performance incentives.

The combination comprises the executive's total remuneration.

The fixed component of the remuneration package represents the total cost to the Company and includes all employee benefits and related Fringe Benefits Tax (FBT) including, for example, motor vehicle, parking and superannuation.

5. REMUNERATION OF SENIOR EXECUTIVES continued

5.1 SHORT-TERM INCENTIVES (STIs) FOR SENIOR EXECUTIVES

STI payments for senior executives depend on achievement of annual financial performance criteria for the Group as well as specific strategic and operational criteria. The STI criteria for the CEO are set each year by the Board.

Each senior executive has a target STI opportunity depending on the accountabilities of the role and impact on Company or business unit performance. For most senior executives reporting to the CEO the maximum target bonus opportunity is 40% of the fixed remuneration package. Generally, the STI opportunity consists of three components: 30% of the STI opportunity is based on reported corporate profit, 30% is based on business unit profit and 40% is based on other KPIs. For corporate executives whose duties are not confined to one business unit, 60% of the STI opportunity is based on corporate profit. This is the case for the Chief Financial Officer, Group General Counsel/Company Secretary and the Director of Strategy.

For the year ended 30 June 2005, the key performance indicators (KPIs) linked to STI plans for senior executives were based on Company performance, individual business unit performance and personal objectives. The KPIs required performance in increasing revenue, reducing operating costs and achieving specific targets relating to other key strategic non-financial measures linked to drivers of the Company's performance, including circulation, readership and market position. Specific measures for individuals include EPS, EBITDA, revenue and circulation and readership targets.

The Board sets Company profit targets annually as part of the budget process. Using a profit target ensures reward is linked to achievement of the business plan and value creation for shareholders. The incentive pool is leveraged for performance above the threshold to provide an incentive for executive over performance.

5.2 EQUITY-BASED INCENTIVES (EBIs)

Equity based incentives are designed to align the interests of senior executives with Fairfax shareholders over the longer term. Senior executives reporting to the CEO whose roles and skills are critical to the longer-term strategy of the company (including the Specified Executives) participate in an EBI scheme.

Under the EBI currently in place for the 2005 financial year, EBIs were payable according to the total shareholder return (TSR) of the Company over a three year period against a comparator group of companies. The maximum reward is 25% of the total fixed remuneration package and short term incentives payable in cash, shares and/or options – in proportions determined by the Board Personnel Policy and Remuneration Committee. Shares and options are rewarded at zero cost to the executive.

Each year a target EBI amount is determined for each participating executive (the "Allocation"). At the end of three years from the Allocation date the Allocation becomes available to the executive ("Vests") if performance hurdles have been met. If the performance hurdles are not met at the end of the third year the executive loses the relevant Allocation.

The comparator group is the ASX 300 Industrial Accumulation Index ("Comparator"). For each Allocation to vest the Company's TSR over the relevant three year period must outperform the Comparator (the "Hurdle"). Over the performance period, 2002-2005, the Hurdle was not met and as a result, these Allocations did not Vest and no payment was made under the EBI to executives in 2005.

The Company's TSR over the performance period July 2002 to July 2005 was 13.76% compared to the Comparator of 14.67% (source: Bloomberg).

Allocations have also been made with respect to the performance periods of 1 July 2003 to 30 June 2006 and 1 July 2004 to June 30 2007. A final allocation will be made for the performance period 1 July 2005 to 1 July 2008.

New equity-based incentive scheme

The Board Personnel Policy and Remuneration Committee (PPRC) has reviewed the current long-term incentive scheme and agreed to introduce a new plan to replace the existing scheme. The Company has worked with external consultants to review the existing scheme and propose a new scheme that will more closely align shareholders' interests with the Company's remuneration principles. External consultants have noted limitations of the current scheme due to the cyclical nature of media companies and their market-based measurements and the lack of a comparable Australian peer index.

Under the new scheme, a set proportion of the annual incentive payment earned on the achievements of KPIs as detailed in Section 5.1 above will be deferred. This proportion of the incentive payment is currently under review but is expected to be between 20% and 34% of the incentive payment. The deferred amount will then be used to purchase shares which will be allocated to the designated executives. Each executive's shares will then vest in equal portions over a three year period. While shares are not vested, any dividends paid will be re-invested in shares on the executive's behalf.

To facilitate this arrangement, the incentive opportunity for executives will be increased, but the quantum for different positions will be determined on a case-by-case basis by the PPRC. The new scheme will be effective in the financial year ending 30 June 2006.

5. REMUNERATION OF SENIOR EXECUTIVES continued

The financial performance of the Company in key shareholder value measures over the past five years is shown below.

		2005	2004	2003	2002	2001
Underlying operating revenue	$m	**1,873.4**	1,767.7	1,208.9	1,174.8	1,288.5
Net profit before significant items	$m	**252.6**	207.6	125.5	90.2	126.2
Earnings per share before significant items	Cents	**25.5**	21.4	14.4	11.2	17.3
Dividends per share	Cents	**23.5**	16.5	13.0	11.5	11.5
*Total Shareholder Returns (TSR)	%	**23.20**	36.64	(7.71)	(14.34)	(10.12)
*Cumulative five year TSR	%	**19.74**	n/a	n/a	n/a	n/a

*Total shareholder returns comprises share price appreciation and dividends, gross of franking credits, reinvested in the shares (source: Bloomberg).

5.3 RETENTION ARRANGEMENTS

A retention arrangement has been put in place for three key executives to ensure their retention and successful contribution during the transition to the new CEO.

The three key executives and the amounts of the retention are:

B. Evans $500,000

G. Hambly $300,000

S. Narayan $300,000

To facilitate this arrangement, ordinary John Fairfax Holdings shares will be purchased for the employee and held in the employees share trust until they are vested. The shares will vest over a three year period subject to performance hurdles agreed by the CEO and PPRC each year. The performance hurdles relate to the successful delivery of business outcomes.

While shares are not vested, any dividends paid will be reinvested in shares on the executives' behalf.

Vesting is also contingent on the executive continuing to be employed by Fairfax on the date of vesting.

5.4 SPECIFIED EXECUTIVES

The following executives are the specified executives in accordance with accounting standards. These executives were also the five most highly paid executive officers of the Company and the consolidated entity for the financial year.

Name	Title
Brian Evans	Chief Operating Officer Australia* (from May 2005)
Peter Graham	Director Group Operations
Gail Hambly	Group General Counsel and Company Secretary
Sankar Narayan	Chief Financial Officer
Alan Revell	Group Executive** (from May 2005)

* Brian Evans's previous position was CEO, Fairfax New Zealand.
** Alan Revell's previous position was Managing Director, Commercial.

5. REMUNERATION OF SENIOR EXECUTIVES continued

5.5 RETIREMENT BENEFITS FOR EXECUTIVES

Except for a small number of long serving executives who are members of a defined benefit superannuation plan, retirement benefits are delivered through defined contribution superannuation plans. The defined benefit fund (which is closed to new entrants) provides defined lump sum benefits based on years of service, retirement age and the executive's remuneration at the time of retirement.

5.6 EXECUTIVE SERVICE AGREEMENTS

The remuneration and other terms of employment for the specified executives are set out in written agreements. Each of these service agreements are unlimited in term but may be terminated without cause by written notice by either party or by the Company making payment in lieu of notice.

Each of these agreements sets out the arrangements for total fixed remuneration, performance-related cash bonus opportunities, superannuation, termination rights and obligations and eligibility to participate in the equity-based incentive program.

As described elsewhere in this report, executive salaries are reviewed annually. The executive service agreements do not require the Company to increase base salary, pay incentive bonuses or continue the participants' participation in equity-based incentive programs. The key terms of the contracts for specified executives are set out below.

Name of Executive	Company Notice Period	Employee Notice Period	Termination Provision	Restraint
Brian Evans	12 months	6 months	12 months base salary	– 12 months no solicitation of employees or clients – 12 months no work for a competitor of the Fairfax Group
Peter Graham	18 months	3 months	18 months base salary	– 12 months no solicitation of employees or clients – 3 months no work for a competitor of the Fairfax Group
Gail Hambly	18 months	3 months	18 months base salary	– 12 months no solicitation of employees or clients – 6 months no work for a competitor of the Fairfax Group
Sankar Narayan	12 months	4 months	12 months base salary	– 12 months no solicitation of employees or clients – 6 months no work for a competitor of the Fairfax Group
Alan Revell	12 months	1 month	12 months base salary	– 12 months no solicitation of employees or clients – 6 months no work for a competitor of the Fairfax Group

Note: Base salary means the executive's fixed remuneration. It includes wages, superannuation and benefits but does not include any bonus or incentive payments.

Termination of employment without notice and without payment in lieu of notice

The Company may terminate the employment of the executive without notice and without payment in lieu of notice in some circumstances. Generally this includes if the executive :

(a) commits an act of serious misconduct;

(b) commits a material breach of the executive service agreement;

(c) is charged with any criminal offence which, in the reasonable opinion of the Company, may embarrass or bring the Fairfax Group into disrepute; or

(d) unreasonably refuses to carry out his or her duties including complying with reasonable, material and lawful directions from the Company.

5. REMUNERATION OF SENIOR EXECUTIVES continued

Termination of employment with notice or with payment in lieu of notice

The Company may terminate the employment of the executive at any time by giving the executive notice of termination or payment in lieu of such notice. The amount of notice or payment in lieu required from the Company in these circumstances is set out in the above table.

Termination on the grounds of bona fide redundancy

In the event of termination on the grounds of bona fide redundancy, Mr Evans is entitled to payment of the greater (but not both) of:

(a) one month's base salary for each completed year of continuous service with the Fairfax Group, plus two weeks base salary; or

(b) 12 months base salary.

5.7 REMUNERATION OF DIRECTORS AND SPECIFIED & HIGHEST PAID EXECUTIVES

Remuneration of directors

	Primary				Post Employment			Equity		
	Directors' Fees	Base Salary & Other Benefits	Cash Bonus	FBT	Superannuation	Retirement Benefits	Termination Benefits	Options	Shares	Total
MD Burrows										
2005	90,002	-	-	-	8,100	-	-	-	-	98,102
2004	65,835	-	-	-	5,925	-	-	-	-	71,760
R Carnegie										
2005	16,250	-	-	-	1,463	186,212	-	-	-	203,925
2004	60,835	-	-	-	5,475	-	-	-	-	66,310
RC Corbett										
2005	84,502	-	-	-	7,605	-	-	-	-	92,107
2004	60,835	-	-	-	7,517	-	-	-	-	68,352
DM Gonski										
2005	75,002	-	-	-	6,750	218,911	-	-	-	300,663
2004	65,835	-	-	-	5,925	-	-	-	-	71,760
FG Hilmer (i)										
2005	-	1,375,362	-	2,151	123,351	-	-	-	-	1,500,864
2004*	-	1,261,240	1,060,000	2,478	113,080	-	-	-	47,294	2,484,092
MA Jackson										
2005	17,500	-	-	-	1,575	-	-	-	-	19,075
2004	65,835	-	-	-	5,925	-	-	-	-	71,760
JM King										
2005	86,502	-	-	-	7,785	-	-	-	-	94,287
2004	60,835	-	-	-	5,475	-	-	-	-	66,310
RJ Walker										
2005	82,502	-	-	-	7,425	-	-	-	-	89,927
2004	60,835	-	-	-	5,475	-	-	-	-	66,310
J Withers										
2005	68,714	-	-	-	6,184	-	-	-	-	74,898
2004	-	-	-	-	-	-	-	-	-	-
DR Wills (ii)										
2005	207,505	-	-	-	18,675	-	-	-	-	226,180
2004	148,336	-	-	80	13,350	-	-	-	-	161,766
Total remuneration:										
Directors										
2005	**728,479**	**1,375,362**	**-**	**2,151**	**188,913**	**405,123**	**-**	**-**	**-**	**2,700,028**
2004	589,181	1,261,240	1,060,000	2,558	168,147	-	-	-	47,294	3,128,420

5. REMUNERATION OF SENIOR EXECUTIVES continued

Remuneration of specified & highest paid executives

	Primary			Post Employment			Equity		
	Base Salary & Other Benefits	Cash Bonus	FBT	Superannuation	Retirement Benefits	Termination Benefits	Options	Shares**	Total
B Evans (iii)									
2005*	601,019	225,000	28,506	11,947	-	-	227	55,146	921,845
2004*	488,057	250,000	3,200	-	-	-	1,205	-	742,462
P Graham (iv)									
2005	441,267	-	27,672	36,419	-	895,000	-	56,399	1,456,757
2004*	442,325	130,000	13,487	36,234	-	-	5,699	-	627,745
G Hambly									
2005*	348,566	150,000	12,649	43,066	-	-	16,699	48,097	619,077
2004*	348,566	110,000	9,522	43,066	-	-	34,330	-	545,484
S Narayan (v)									
2005	457,930	200,000	1,604	40,782	-	-	-	31,465	731,781
2004	103,934	30,000	324	9,254	-	-	-	-	143,512
A Revell (vi)									
2005*	639,905	160,000	6,581	56,312	-	-	3,554	54,208	920,560
2004*	437,499	100,000	19,840	54,506	-	-	8,039	-	619,884
Total remuneration: Specified & highest paid executives									
2005	**2,488,687**	**735,000**	**77,012**	**188,526**	**-**	**895,000**	**20,480**	**245,315**	**4,650,020**
2004	1,820,381	620,000	46,373	143,060	-	-	49,273	-	2,679,087

Note: This table has been audited.

* Remuneration includes the fair value of options granted in a previous period, amortised on a consistent basis to the vesting period.

** Represents the pro-rata benefit of shares granted under the old long-term incentive scheme which only vest on the achievement of the hurdle as described in Section 5.3.

(i) FG Hilmer will be entitled to a retirement benefit of $4,500,000 on his termination in November 2005. This amount will appear in the 2006 Remuneration Report as a retirement payment.

(ii) DR Wills retired on 26 August 2005 and is entitled to a retirement benefit of $495,043, which will be reflected in the 2006 accounts.

(iii) B Evans's remuneration in 2005 incorporates ten months of salary and other benefits paid in NZ$ converted at an exchange rate of NZ$1.08=A$1.00. The New Zealand component of his 2004 earnings were translated at NZ$1.14=A$1.00.

(iv) P Graham ceased employment on 22 July 2005. The table reflects amounts paid or accrued for payment in the financial year.

(v) S Narayan commenced employment on 13 April 2004.

(vi) A Revell's salary and other benefits include $200,000 relating to a deferred payment granted in 2000 as a condition of his employment in the Fairfax Digital business at that time.

5.8 REMUNERATION OPTIONS: GRANTED AND VESTED DURING THE YEAR

During the year there were no options granted (2004: nil). The number of options that vested during the year ended 30 June 2005 is set out in the following table:

Specified Executives	Number Vested
B Evans	4,000
G Hambly	60,000
A Revell	12,000

Note: This table has been audited.

No directors had options that vested during the year ended 30 June 2005.

5. REMUNERATION OF SENIOR EXECUTIVES continued

5.9 SHARES ISSUED ON EXERCISE OF REMUNERATION OPTIONS

Specified Executives	Number of Shares Issued	Value per Share ($)	Total Share Value ($)
A Revell	48,000	4.41	211,680

Note: This table has been audited.

5.10 OPTION HOLDINGS OF DIRECTORS AND SPECIFIED & HIGHEST PAID EXECUTIVES

	Balance at Beginning of Period 1 July 2004	Granted as Remuneration	Options Exercised	Options Expired	Balance at End of Period 30 June 2005	Vested at 30 June 2005		
						Total	Not Exercisable	Exercisable
B Evans	20,000	-	-	(20,000)	-	-	-	-
G Hambly	300,000	-	-	-	300,000	240,000	-	240,000
A Revell	60,000	-	(48,000)	(12,000)	-	-	-	-
Total	380,000	-	(48,000)	(32,000)	300,000	240,000	-	240,000

Note: This table has been audited.

5.11 OPTION VALUES OF SPECIFIED & HIGHEST PAID EXECUTIVES

	Total Value ($)	Value per Share ($)	Options Exercised
Value of options granted	-		
Value of options exercised (at exercise date)	8,160	0.17	48,000
Value of options lapsed	-		
Total	8,160		

Note: This table has been audited.

5. REMUNERATION OF SENIOR EXECUTIVES continued

5.12 AT RISK REMUNERATION

Total remuneration for executives is comprised of "at risk" and "not at risk" remuneration. Base salary, packaged items and superannuation is "not at risk", while short-term incentives (cash bonuses) and long-term incentives (options and shares) are "at risk". The percentage of total remuneration that is "at risk" for the specified and highest paid executives is set out below:

	Total Remuneration	Short-term Incentives Cash Bonus	Long-term Incentives Options/Shares No.	Percentage of Remuneration at Risk
B Evans	921,845	225,000	55,373	30%
P Graham	1,456,757	-	56,399	4%
G Hambly	619,077	150,000	64,796	35%
S Narayan	731,781	200,000	31,465	32%
A Revell	920,560	160,000	57,762	24%

The portion of short-term incentive that either vests or is forfeited during the year cannot be determined as no target amount is set. Executives may be paid a short-term incentive based on the Company's performance and their own performance. Therefore, the amount of short-term incentives that were forfeited during the year is zero. The amount of short-term incentive paid to an executive is recommended by the CEO and approved by the PPRC.

All long-term incentives relating to the 2002 year were forfeited.

5.13 LOANS TO DIRECTORS AND SPECIFIED & HIGHEST PAID EXECUTIVES

(i) Details of aggregates of loans to directors and specified & highest paid executives are as follows:

Period	Balance at Beginning of Period	Interest Not Charged	Balance at End of Period
2005	100,000	2,747	-
2004	100,000	5,270	100,000

(ii) Details of individuals with loans above $100,000 in the reporting period are as follows:

	Period	Balance at Beginning of Period	Interest Not Charged	Balance at End of Period	Highest Owing in Period
A Revell	2005	100,000	2,747	-	100,000
A Revell	2004	100,000	5,270	100,000	100,000

Note: This table has been audited.

Corporate Governance

The Company has considered the best practice recommendations established in the ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations" (ASX Principle) and recorded its compliance with the recommendations in the following table.

		Compliance	2005 Annual Report Page Reference
PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT OVERSIGHT			
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management	✓	44
PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE			
2.1	A majority of the Board should be independent directors	✓	
2.2	The Chairperson should be an independent director	✓	
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual	✓	
2.4	The Board should establish a nomination committee	✓	
2.5	Provide the information indicated in **Guide to reporting on Principle 2**	✓	44, 45
PRINCIPLE 3: ETHICAL AND RESPONSIBLE DECISION MAKING			
3.1	Establish a code of conduct to guide the directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:	✓	
	3.1.1 The practices necessary to maintain confidence in the Company's integrity		
	3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices		
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees	✓	
3.3	Provide the information indicated in **Guide to reporting on Principle 3**	✓	45, 47
PRINCIPLE 4: INTEGRITY AND FINANCIAL REPORTING			
4.1	Require the Chief Executive Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards	✓	
4.2	The Board should establish an audit committee	✓	
4.3	Structure the audit committee so that it consists of:	✓	
	• only non-executive directors	✓	
	• a majority of independent directors	✓	
	• an independent chairperson, who is not Chairperson of the Board	✓	
	• at least three members	1	
4.4	The audit committee should have a formal charter	✓	
4.5	Provide the information indicated in **Guide to reporting on Principle 4**	✓	43, 45, 46
PRINCIPLE 5: TIMELY AND BALANCED DISCLOSURE			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	✓	
5.2	Provide the information indicated in **Guide to reporting on Principle 5**	✓	46, 47
PRINCIPLE 6: RESPECT FOR THE RIGHTS OF SHAREHOLDERS			
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	✓	
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report	✓	46, 47

		Compliance	2005 Annual Report Page Reference
PRINCIPLE 7: RECOGNISE AND MANAGE RISK			
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management	✓	
7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:	✓	
	7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board	✓	
	7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects	[2]	
7.3	Provide the information indicated in **Guide to reporting on Principle 7**	✓	43, 47
PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE			
8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives	✓	47
PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY			
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance	✓[3]	
9.2	The Board should establish a remuneration committee	✓	
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives	✓	
9.4	Ensure that payment of equity-based executives' remuneration is made in accordance with thresholds set in plans approved by shareholders	✗[4]	
9.5	Provide the information indicated in **Guide to reporting on Principle 9**	✓	33–41
PRINCIPLE 10: RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS			
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	✓	45

The above disclosure should be read in conjunction with the following:

1) The Audit & Risk Committee has two members since the resignation of Mr Wills from the Board on 26 August 2005. The Nominations Committee is presently considering a replacement to return the committee numbers to three.

2) The Company has complied with the Guide to Compliance with the ASX Principle 7: Recognise and Manage Risk prepared by the Group of 100 and endorsed by the ASX Corporate Governance Council.

3) Disclosure of remuneration policy and procedures is set out in the Remuneration Report on pages 33–41 of the Annual Report.

4) Equity-based remuneration is not paid to directors. Equity-based remuneration paid to key executives under the Equity Based Incentive scheme has not been approved by shareholders, as the Board considers it to be part of the total compensation package for those executives and should not be individually segregated for separate approval.

Set out on the following pages are the key corporate governance principles of the Company.

THE BOARD OF DIRECTORS

The Board of Directors is responsible for the long-term growth and profitability of the corporate entity.

The Board has adopted a Board Charter which sets out the responsibilities of the Board and its structure and governance requirements.

Under the Board Charter, the powers and responsibilities of the Board are to:

(a) set the strategic direction of the Fairfax Group;

(b) provide overall policy guidance and ensure that policies and procedures for corporate governance and risk management are in place to ensure shareholder funds are prudently managed and that the Group complies with its regulatory obligations and ethical standards;

(c) set and monitor performance against the financial objectives and performance targets for the Group;

(d) determine the terms of employment and review the performance of the Chief Executive Officer;

(e) set and monitor the Group's programs for succession planning and key executive development with the aim to ensure these programs are effective;

(f) approve acquisitions and disposals of assets, businesses and expenditure above set monetary limits;

(g) approve any issues of securities, and entering into any material finance arrangements, including loans and debt issues.

Membership of the Board and its committees at the date of this report is set out in the table below.

		Committee Membership		
Director	**Membership Type**	**Audit & Risk**	**Nominations**	**Personnel Policy & Remuneration**
RJ Walker	Independent Chairman	(1)	Member	Member
FG Hilmer	CEO	(2)	-	(2)
MD Burrows	Independent Deputy Chairman	Chair	Member	-
RC Corbett	Independent	-	Member	Member
D Evans	Independent	Member	Member	-
JM King	Independent	-	Member	Chair
P Young	Independent	-	-	-

(1) The Chairman is an ex-officio member.
(2) The Chief Executive Officer attends by invitation.

The qualifications and other details of each member of the Board are set out on pages 12 and 13 of this report.

Except for the Chief Executive Officer, all directors (including the Chairman) are considered by the Board to be independent, non-executive directors.

The Constitution requires that the Board have a minimum of three directors and maximum of 12 or such lower number as the Board may determine from time to time. The Board has resolved that presently the maximum number of directors is seven.

The Constitution authorises the Board to appoint directors to vacancies and to elect the Chairman. One third of directors (excluding the Chief Executive Officer and a director appointed to fill a casual vacancy and rounded down to the nearest whole number) must retire at every Annual General Meeting. Other than the Chief Executive Officer, no director may remain in office for more than three years or the third Annual General Meeting following appointment without resigning and being re-elected.

Any director appointed by the Board must stand for election at the next general meeting of shareholders.

The Nominations Committee reviews potential Board candidates when necessary. The committee may seek expert external advice on suitable candidates.

The Board has adopted a formal Charter for the Nominations Committee. Under the Charter, the Committee uses the following principles to recommend candidates and provide advice and other recommendations to the Board:

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

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

INDEPENDENT DIRECTORS

Under the Board Charter, the majority of the Board and the Chairman must be independent.

Directors have determined that all directors except the Chief Executive Officer are independent on the basis of the following criteria:

(a) the director has no material relationship with Fairfax (either directly, or as a partner, shareholder, or executive officer of an organisation that has a material relationship with Fairfax except as a director of the Company);

(b) the director is not, and has not been within the previous three years:

  (i) employed by, or a partner in, any firm that in the past three years has been Fairfax's external auditor; or

  (ii) been employed by Fairfax, or a company in the Fairfax Group.

(c) no immediate family member of the director is, or has in the past three years, been an executive officer of Fairfax or employed by, or a partner of, any firm that has been Fairfax's external auditor within the past three years; and

(d) the director has no interest or other relationship which could or could be reasonably perceived to materially interfere with the director's ability to act in the best interest of the Company.

CODES OF CONDUCT

All directors, managers and employees are required to act honestly and with integrity.

The Company has developed and communicated to all employees, directors and consultants the Fairfax Codes of Conduct. The Codes assist in upholding ethical standards and conducting business in accordance with applicable laws. The Codes also set out the responsibility of individuals for reporting Code breaches.

The Fairfax Code of Conduct aims to:

- provide clear guidance on the Company's values and expectations while acting as a representative of Fairfax;
- promote a common minimum standard of ethical behaviour standards and expectations across the group, all business units and locations;
- offer guidance for shareholders, customers, readers, suppliers and the wider community on our values, standards and expectations, and what it means to work for Fairfax;
- raise employees awareness of acceptable and unacceptable behaviour and provide a means to assist in avoiding any real or perceived misconduct.

Supporting the Codes of Conduct is the Company's range of documented policies. These policies are posted on the Company intranet, are communicated to employees at the time of employment and are reinforced by training programmes.

AUDIT & RISK COMMITTEE

The Board has had an audit & risk committee since 1992. The committee operates in accordance with a written charter which sets out its role and functions which are, in summary, to advise and assist the Board on the establishment and maintenance of a framework of risk management, internal controls and ethical standards for the management of the economic entity and to monitor the quality and reliability of financial information for the Group. To carry out this role the committee:

- appoints the external auditor, reviews its performance independence and effectiveness, approves the auditor's fee arrangements and enforces the Company's Charter of Audit Independence;
- ensures that appropriate systems of control are in place to effectively safeguard the value of assets;
- ensures accounting records are maintained in accordance with statutory and accounting requirements;
- monitors systems designed to ensure financial statements and other information provided to shareholders is timely, reliable and accurate;
- formulates policy and oversees key finance and treasury functions;
- seeks to ensure there is an appropriate framework for compliance with all legal and regulatory requirements and monitors performance against these requirements;
- reviews the audit process with the external auditor, including in the absence of management to ensure full and frank discussion of audit issues;
- recommends to the Board the appointment and tenure of the Internal Audit Manager, reviews the Internal Audit Manager's performance, approves the internal audit plan, receives summaries of significant reports prepared by internal audit and meets with the Internal Audit Manager (including in the absence of management if considered necessary).

AUDIT & RISK COMMITTEE continued

All Audit & Risk Committee members must be non-executive directors. Executives may attend on invitation. The Chairman of the committee is required to have relevant financial expertise and not be the Chairman of the Board.

The Chairman of the committee may, at the Company's expense, obtain such external expert advice and obtain assistance and information from officers of the Group as is reasonably required from time to time.

CHARTER OF AUDIT INDEPENDENCE

The Board has also adopted a Charter of Audit Independence, a copy of which is available on the Corporate website.

The purpose of this Charter is to provide a framework for the Board and management to aim to ensure that the statutory auditor is both independent and seen to be independent. The purpose of an independent statutory audit is to provide shareholders with reliable and clear financial reports on which to base investment decisions. The Charter sets out key commitments by the Board and procedures to be followed by the Audit & Risk Committee and management aimed to set a proper framework of audit independence.

To promote audit quality, and effective audit service by suitably qualified professionals, the Board ensures that the auditor is fairly rewarded for the agreed scope of the statutory audit and audit-related services.

Restrictions are placed on non-audit work performed by the auditor. Non-audit fees above a fixed minimum level may not be incurred without the approval of the Chairman of the Audit and Risk Committee.

The Company requires rotation of the senior audit partner for the Company at least every five years. The Company's audit partner was last changed for the 2002 year end audit.

The Audit & Risk Committee requires the auditor to confirm annually that it has complied with all professional regulations and guidelines issued by the Australian accounting profession relating to auditor independence and to confirm that the auditor has no financial or material business interests in the Company outside of the supply of professional services.

INTEGRITY IN FINANCIAL REPORTING

As well as the principles set out in the Audit and Risk Committee Charter and the Charter of Audit Independence, the Company has implemented a structure to verify and safeguard the integrity of its financial reporting.

The Chief Executive Officer and the Chief Financial Officer provide a written statement to the Board that to the best of their knowledge and belief, the Company's published financial reports present a true and fair view, in all material respects, of the Company's financial condition and that the operational results are in accordance with relevant accounting standards.

This statement to the Board is underpinned by the requirement for appropriate senior executives to provide a signed letter of representation addressed to the Chief Executive Officer and Chief Financial Officer verifying material issues relating to the executive's areas of responsibility and disclosing factors that may have a material effect on the financial results or operations of the Group.

DISCLOSURE POLICY

The Company has a Market Disclosure Policy which sets out requirements aimed to ensure full and timely disclosure to the market of material issues relating to the Group to ensure that all stakeholders have an equal opportunity to access information.

The policy reflects the ASX Listing Rules and Corporations Act continuous disclosure requirements.

The Market Disclosure Policy requires that the Company notify the market, via the ASX, of any price sensitive information (subject to exceptions to disclosure under the Listing Rules). Information is price sensitive if a reasonable person would expect the information to have a material effect on the price or value of the Company's securities.

The Chief Executive Officer, the Chief Financial Officer, the Director, Corporate Affairs and Group General Counsel/Company Secretary are designated as Disclosure Officers who are responsible for reviewing potential disclosures and deciding what information should be disclosed.

Only the Disclosure Officers may authorise communication on behalf of the Company to the media, analysts and investors. This safeguards the premature exposure of confidential information and aims to ensure proper disclosure is made in accordance with the law. The Disclosure Officers are also authorised to determine whether a trading halt will be requested from the ASX to prevent trading in an uninformed market.

The onus is on all staff to inform a Disclosure Officer of any price sensitive information as soon as becoming aware of it. The Executive Management Team is responsible for ensuring staff understand and comply with the policy.

All ASX and press releases containing important material information must be approved by a Disclosure Officer and either the Chairman of the Board or the Audit & Risk Committee before release to the market.

As well as its statutory reporting obligations, the Company actively encourages timely and ongoing shareholder communications.

Company announcements, Annual Reports, Notices of Meetings, analyst and investor briefings, financial results and other information useful to investors such as press releases are placed on the Company's website as soon as practical after release to the ASX.

The Chairman's, and the Chief Executive Officer's, addresses and the results of resolutions of meetings of shareholders, are also posted on the Corporate Governance section of the Fairfax website.

The external auditor attends the Annual General Meeting and is available to answer shareholder questions about the audit and the audit report.

RISK MANAGEMENT

The Board has a set risk management program (including internal control and compliance).

This program draws upon guidance endorsed by the ASX Corporate Governance Council and seeks to provide a consistent approach to identifying, assessing, and reporting risks, whether they be related to Company performance, reputation, safety, environment, internal control, compliance or other risk areas.

Key aspects of the Company's risk management system are summarised as follows:

- Risk is assessed at least annually and revised periodically for each division through the business planning, budgeting, forecasting, reporting and performance management processes.
- The Board, through the Audit & Risk Committee, receives regular reports from management (and independent advisers where appropriate) on key risk areas such as treasury, health, safety and environment, regulatory compliance, taxation, finance and internal audit.
- The process for assessing and reporting on risks, internal controls and internal compliance is being standardised, enhanced and formalised across the Group in accordance with available best practice guidance. This is an ongoing process.
- An Executive Risk Committee has been established to oversee the implementation of the Board's risk management policy, including oversight and coordination of risk assessment activities, and coordination of risk reporting.
- The Company has engaged KPMG to conduct a review of the Fairfax risk management framework (including the process for the identification of key risks across the Company) against better market practice. Improvements to the existing process will be implemented as required after consideration of the outcomes of this review.
- Formal risk assessments are required as part of business case approvals for one-off projects or initiatives of a significant nature. Project teams are responsible for managing the risks identified.
- Under the direction of the Audit and Risk Committee, Internal Audit conducts a program of internal control reviews over key areas based on their importance to the Company, and provides independent assurance over the internal control assessments undertaken by management.

REMUNERATION

Details of the Company's remuneration policies are set out in the Remuneration Report beginning on page 33.

DIRECTORS' DEALINGS IN COMPANY SHARES

By resolution of the Board, each non-executive director sacrifices at least 25% per annum of his or her director's fees to the Company's Employee Share Acquisition Scheme. Under this Scheme, shares are purchased on-market by an independent trustee on behalf of directors and employees who have salary sacrificed to participate in the Scheme. Share acquisition dates are pre-set and determined by the trustee.

Consistent with the law, directors must not trade directly or indirectly in Fairfax securities while in possession of unpublished price sensitive information.

Price sensitive information is information, usually about the Company or its intentions, which a reasonable person would expect to have a material effect on the price or value of Fairfax securities.

A director must not trade in Fairfax securities without first reviewing the matter with the Group General Counsel/Company Secretary and notifying the Chairman.

Notwithstanding the above, it is the responsibility of the individual director to reasonably consider whether he or she is in possession of price sensitive information and, when in doubt, the director should not trade, thus minimising the possibility of a perception of improper trading.

A director must notify the Company Secretary of any change in the director's legal or beneficial interest in Company securities so as to ensure compliance with the disclosure requirements of the ASX Listing Rules.

REVIEW OF THE BOARD'S EFFECTIVENESS

During the year, the Board commenced a review of its structure, composition and performance with the assistance of Cameron Ralph Pty Limited.

While the review confirmed the soundness of the Board's key decisions, it confirmed the need for an ongoing program of Board renewal and identified a number of potential improvements in Board processes. These matters are being implemented as at the date of this report.

Management Discussion & Analysis Report

Sankar Narayan, **Chief Financial Officer**

OVERVIEW

The 2005 financial year saw record underlying net profits and free cash flows achieved by the Group. Excluding significant items, the underlying net profit attributable to ordinary shareholders (post PRESSES dividend) increased 23.7% to $234.1 million and underlying earnings per share increased 19.2% to 25.4 cents.

Including significant items, our profits after tax were higher by $7 million at $241.1 million. In comparison to last year, reported profits declined due to the tax credit of $88.9 million which was booked in 2004 as part of the Company's transition to a tax consolidation regime and was treated as a significant item last year.

A highlight of the result is the strong operating and financial leverage we are driving through the businesses which can be seen in our financial statements. On our underlying result, a 5.9% growth in revenue resulted in a 12.1% growth in earnings before depreciation, amortisation, interest and tax, a 23.7% growth in net profit after tax (post PRESSES) and an increase of 76.9% in free cash flows.

This leverage was achieved by focussing on all parts of the financial statements: costs, capital expenditure, funding, tax and the other items in the balance sheet that drive free cash flows.

GROUP TRADING

(For comparison purposes, all references exclude significant items and are on an underlying trading base.)

Revenues

Group revenues increased 5.9% to $1.88 billion with increases achieved across all of the operations.

Australian publishing total revenues grew 3.7% for the year. This result was achieved against a background of a relatively weak New South Wales economy and declining real estate markets in Sydney and Melbourne. Employment revenue grew 8.2%, national/retail revenue 7.2%, and other classifieds and insert revenues 11.1%. Offsetting these increases were a 3.5% decline in real estate and a 4.9% decline in motor vehicle revenues.

The overall weakness in Australian real estate advertising revenues was partially tempered by new initiatives such as the Domain inserts in New South Wales and the full year effect of the acquisition of Text Media in Victoria. Motor vehicle revenues were affected as a number of advertisements migrated into the national display category.

A highlight of the result is the strong operating and financial leverage we are driving through the businesses which can be seen in our financial statements. On our underlying result, a 5.9% growth in revenue resulted in a 12.1% growth in earnings before depreciation, amortisation, interest and tax, a 23.7% growth in net profit after tax (post PRESSES) and an increase of 76.9% in free cash flows.

Fairfax Digital increased revenues by 38%. This increase was achieved across the entire Fairfax Digital network, including classifieds and banner advertising.

New Zealand advertising revenues increased 9.4% and circulation revenues were 2.3% higher than last year. The advertising market was strong across the board with classifieds up 11.1% and display 8.2%. All businesses recorded higher revenue and overall higher volume and yields.

Costs

Tight cost controls were in evidence across the Group.

Australian publishing costs increased only 1.4% during the year (excluding acquisitions). Cost control and reductions in newsprint prices offset increases in staff, promotion, production and distribution costs. This excellent cost performance also incorporates a number of new product initiatives and launches such as Domain East and Domain North in *The Sydney Morning Herald* and *theage(melbourne)magazine*.

New Zealand continued its strong cost performance as a number of the initiatives that have been put into place since its acquisition have delivered sustainable cost control. Excluding the effects of business disposals and acquisitions, costs (in New Zealand dollars) increased 2.8%.

The net result is an overall increase in Group costs of 3.8%. Much of this increase relates to Fairfax Digital where costs increased 31.3% as we continued to re-invest to improve the competitive position of this high growth business. Costs also increased as several new product and revenue initiatives were undertaken during the year.

Earnings

The revenue growth together with tight cost controls across the Group drove a 12.1% increase in EBITDA to $508 million from $453 million in 2004 and an increase in the EBITDA margin to 27.1% compared to 25.6% last year.

With the reduction in required capital expenditure, depreciation charges reduced this year which in turn has increased EBIT by 15.6% and expanded the EBIT margin from 20.7% to 22.7%.

A further highlight has been the strong turnaround in the profitability of the Fairfax Digital business which reported an EBIT of $4.6 million this year compared to a loss of $2.0 million in 2004.

	2005 A$m	2004 A$m	Variance
PROFIT AND LOSS			
GROUP: Underlying Trading			
Trading revenue	1,876.3	1,772.1	5.9%
Costs	1,368.1	1,318.6	(3.8%)
EBITDA	508.2	453.5	12.1%
Depreciation	82.4	85.3	3.4%
EBIT	425.8	368.2	15.6%
AUSTRALIA: Underlying Trading			
Trading revenue	1,351.4	1,290.3	4.7%
Costs	1,019.9	982.3	(3.8%)
EBITDA	331.5	308.0	7.6%
Depreciation	72.5	72.8	0.4%
EBIT	259.0	235.2	10.1%
NEW ZEALAND: Underlying Trading			
Trading revenue	524.9	481.7	9.0%
Costs	348.1	336.2	(3.5%)
EBITDA	176.8	145.5	21.5%
Depreciation	10.0	12.5	20.0%
EBIT	166.8	133.0	25.4%

	2005 A$m	2004 A$m
BALANCE SHEET		
Total assets	3,606.2	3,531.2
Net debt	(931.8)	(1,089.5)
Shareholders' fund	2,205.1	2,063.9
FREE CASH FLOW		
Cash flows from operating activities	343.8	218.7
Capital expenditure	(48.2)	(43.7)
PRESSES dividend	(18.5)	(18.4)
Operating cash flow post capital expenditure and PRESSES (free cash flow)	277.1	156.6

Earnings per share attributable to ordinary shareholders rose 19.2% compared to the previous year. This rise was slightly lower than the actual increase in net profit after tax due to the full year effect of the additional shares issued by the Company as part of the Dividend Reinvestment Plan.

BALANCE SHEET, CASH FLOW AND DEBT

The Group's balance sheet is a reflection of the strengthening performance of the business. Net debt has reduced by $157.8 million to $931.8 million, working capital continues to be tightly managed and our debt profile is within our targeted levels. Over the past two years, the Company has reduced debt levels by $268.5 million.

Property, plant and equipment reduced by $46.1 million primarily due to capital expenditure being below our depreciation charge. It is anticipated that capital expenditure in the short to medium term will stay below our depreciation charge due to the completion of the printing plant work in Sydney and Melbourne.

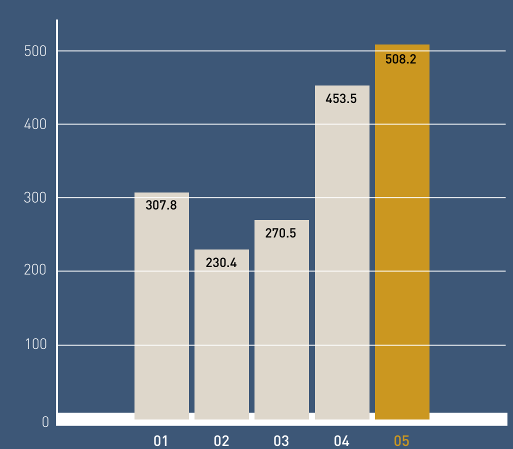
Free cash flow increased substantially to $277.1 million, up 76.9% on last year. Free cash flow per share of 30.2 cents is higher than the underlying earnings per share of 25.5 cents, reflecting the benefits of the investment in plant and equipment and tighter controls on working capital.

During the year, new debt facilities at a low cost were sourced from a NZ$186.5 million issue of Redeemable Preference Shares in New Zealand due in 2010. The proceeds from this issue were used in July 2005 to repay $150 million in debt which matured at that time.

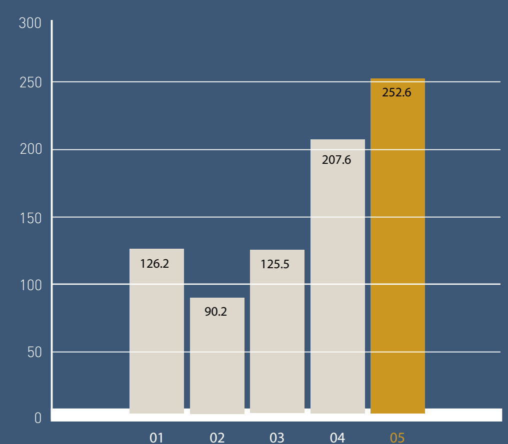
Gearing as measured by net debt as a percentage of net debt plus equity has reduced from 34.5% to 29.7%, while our key ratios of interest cover at 6.5 times and debt to EBITDA (including PRESSES) at 2.3 are both within our targets.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company is in the process of transitioning accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents to International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006.



Underlying Group EBITDA A$m



Underlying Net Profit after Tax

The effects upon both our Profit & Loss Statement and Balance Sheet will be quite minimal in 2006. Note 37 to the Financial Statements sets out in detail the adjustments required.

DIVIDENDS

The strong performance in underlying profits, the significant strengthening of the balance sheet and the improvement in cash flows have culminated in an increase in dividends paid to shareholders.

Dividends of $187.4 million were paid during the financial year. This comprises $168.9 million in ordinary dividends and $18.5 million for PRESSES. All dividends were fully franked.

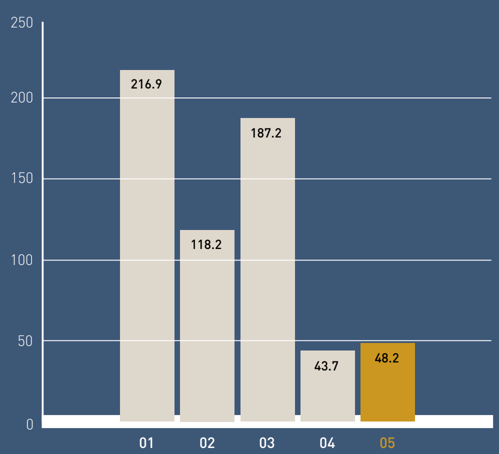
The ordinary dividend of $168.9 million included a final dividend for 2004 of 11.0 cents and an interim dividend of 7.5 cents for 2005. Both of these dividends were issued under the Dividend Reinvestment Plan (DRP) introduced to eligible shareholders during the year ended 30 June 2004. A 2.5% discount applied to the DRP last year and this discount did not apply in 2004/5. The Company issued 17,494,932 shares under the DRP in 2005. The DRP was not underwritten during 2005. The PRESSES dividends paid in December 2004 and June 2005 were $3.7710 and $3.6493 respectively per $100 share.

A fully franked final dividend for 2005 of 11.0 cents has been declared and a fully franked special dividend of 5.0 cents has been declared taking the total dividend per share for 2005 to 23.5 cents per share or 42.4% higher than the prior year.

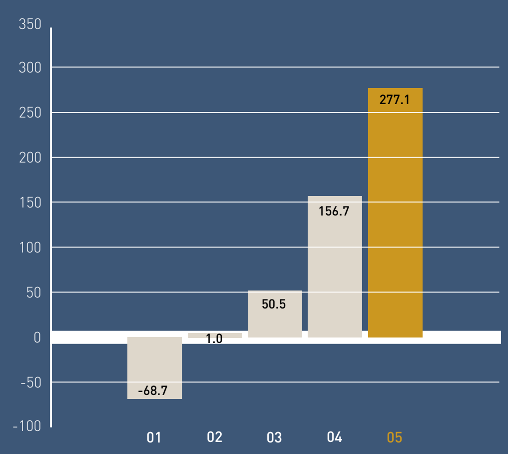
In light of the Company's strong operating performance, reduced earnings volatility, strengthening credit ratios and continuing lower levels of capital expenditure, the Board will target a payout ratio of approximately 80% through the cycle.

SIGNIFICANT ITEMS

During the year, post tax significant gains totalling $7.0 million were recorded. This comprised $3.0 million adjustment of a prior year overprovision for taxes and $4.0 million gained at the EBITDA level in relation to the sale of Gordon & Gotch in New Zealand.



Group Capital Expenditure A$m



Free Cash Flow A$m

Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
Revenues from ordinary activities, excluding interest income	2	**1,884,368**	1,773,368	**482,093**	155,422
Share of net profits of associates and joint ventures	2	**2,907**	1,408	**–**	–
Expenses from ordinary activities, excluding depreciation and borrowing costs	3	**(1,374,992)**	(1,341,815)	**(104,705)**	(93,071)
Profit from ordinary activities before depreciation, interest income, borrowing costs and income tax		**512,283**	432,961	**377,388**	62,351
Depreciation and amortisation	3	**(82,441)**	(85,306)	**(9,991)**	(7,813)
Profit from ordinary activities before interest income, borrowing costs and income tax		**429,842**	347,655	**367,397**	54,538
Interest income	2	**7,432**	9,598	**158,549**	158,185
Borrowing costs	3	**(85,863)**	(81,492)	**(210,694)**	(158,627)
Profit from ordinary activities before income tax expense		**351,411**	275,761	**315,252**	54,096
Income tax benefit/(expense) relating to ordinary activities	5	**(91,090)**	1,012	**(36,495)**	25,903
Net profit		**260,321**	276,773	**278,757**	79,999
Net profit attributable to outside equity interest	22	**(634)**	(759)	**–**	–
Net profit attributable to members of the Company*	21	**259,687**	276,014	**278,757**	79,999
Net increase in asset revaluation reserve	20	**–**	523	**–**	–
Net exchange difference on translation of financial reports of foreign controlled entities	20	**1,076**	18,783	**–**	–
Refund of initial transaction costs from issue of shares/(share issue costs)	19	**1,117**	(1,806)	**1,117**	(1,806)
Total revenues, expenses and valuation adjustments attributable to members of the Company and recognised directly into equity		**2,193**	17,500	**1,117**	(1,806)
Total changes in equity other than those resulting from transactions with owners		**261,880**	293,514	**279,874**	78,193
Basic earnings per share (cents)	23	**26.24**	29.07		
Diluted earnings per share (cents)	23	**26.24**	28.81		
*** Net profit attributable to members of the Company comprises:**					
Ongoing operations		**252,618**	207,644	**278,757**	79,999
Significant items, net of tax	4	**7,069**	68,370	**–**	–
		259,687	276,014	**278,757**	79,999

Statement of Financial Position

AS AT 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
CURRENT ASSETS					
Cash assets	33(A)	**134,154**	28,105	**23,813**	–
Receivables	7	**284,061**	270,662	**4,525**	4,685
Inventories	8	**30,195**	42,079	**–**	–
Other financial assets	10	**411**	683	**–**	–
Tax assets	13	**–**	6,887	**–**	7,535
Total current assets		**448,821**	348,416	**28,338**	12,220
NON-CURRENT ASSETS					
Receivables	7	**8,739**	3,268	**1,387,040**	1,227,837
Investments accounted for using the equity method	9	**10,661**	8,129	**–**	–
Other financial assets	10	**13,151**	24,538	**155,570**	155,329
Property, plant and equipment	11	**734,345**	780,416	**50,268**	47,999
Intangible assets	12	**2,337,142**	2,314,919	**201**	199
Tax assets	13	**53,369**	51,504	**50,064**	47,544
Total non-current assets		**3,157,407**	3,182,774	**1,643,143**	1,478,908
Total assets		**3,606,228**	3,531,190	**1,671,481**	1,491,128
CURRENT LIABILITIES					
Payables	14	**204,676**	255,017	**22,917**	23,700
Interest-bearing liabilities	15	**163,420**	43,289	**–**	7,503
Provision for income tax	16	**25,805**	–	**25,521**	–
Provisions	17	**61,004**	50,649	**5,605**	3,633
Total current liabilities		**454,905**	348,955	**54,043**	34,836
NON-CURRENT LIABILITIES					
Non interest-bearing liabilities	18	**867**	109	**–**	–
Interest-bearing liabilities	15	**902,543**	1,074,352	**–**	–
Deferred tax liabilities	16	**3,732**	1,654	**3,732**	2,134
Provisions	17	**34,999**	37,372	**3,012**	2,652
Total non-current liabilities		**942,141**	1,113,487	**6,744**	4,786
Total liabilities		**1,397,046**	1,462,442	**60,787**	39,622
Net assets		**2,209,182**	2,068,748	**1,610,694**	1,451,506
EQUITY					
Contributed equity	19	**1,425,547**	1,357,668	**1,425,547**	1,357,668
Reserves	20	**27,479**	26,402	**–**	–
Retained profits	21	**752,056**	679,817	**185,147**	93,838
Total parent entity interest in equity		**2,205,082**	2,063,887	**1,610,694**	1,451,506
Total outside equity interest	22	**4,100**	4,861	**–**	–
Total equity		**2,209,182**	2,068,748	**1,610,694**	1,451,506

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		2,068,565	1,926,595	761	–
Payments to suppliers and employees		(1,574,643)	(1,551,823)	(129,336)	(140,778)
Redundancy and severance payments		(11,526)	(16,925)	–	–
Dividends and distributions received		2,360	3,544	–	–
Interest received		7,432	9,598	17	79
Borrowing costs paid		(85,440)	(76,310)	(7)	(1)
Net income taxes paid		(62,947)	(75,978)	(1,641)	(67)
Net cash provided by/(used in) operating activities	33(B)	343,801	218,701	(130,206)	(140,767)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for property, plant & equipment		(48,181)	(43,660)	(14,292)	(24,916)
Proceeds from sale of property, plant & equipment		3,167	4,567	–	–
Payment for investments		(4,888)	(643)	–	–
Proceeds from sale of investments		95	1,149	–	–
Proceeds from the sale of Gordon & Gotch (NZ) Limited		7,699	–	–	–
Purchase of The Text Media Group Limited (net of cash acquired)	33(C)	–	(65,456)	–	(65,456)
Purchase of Port Stephens Publishers Pty Limited (net of cash acquired)		(8,675)	–	–	–
Payment for other mastheads and tradenames		(9,697)	(443)	(2)	(3)
Loans and deposits repaid		680	328	170	513
Advances from controlled entities		–	–	295,215	217,433
Net cash (used in)/provided by investing activities		(59,800)	(104,158)	281,091	127,571
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		441	76,253	441	76,253
Refund of transaction costs from issue of shares/(share issue costs)		1,117	(1,806)	1,117	(1,806)
Dividends paid		(121,127)	(83,320)	(121,127)	(83,320)
Costs of private placement of US senior notes & redeemable preference shares		(6,705)	–	–	–
Proceeds from borrowings		182,091	550,166	–	–
Repayment of borrowings and other financial liabilities		(233,769)	(647,177)	–	–
Net cash (used in)/provided by financing activities		(177,952)	(105,884)	(119,569)	(8,873)
Net increase/(decrease) in cash held		106,049	8,659	31,316	(22,069)
Cash/(bank borrowings) at the beginning of the financial year		28,105	19,446	(7,503)	14,566
Cash/(bank borrowings) at the end of the financial year	33(A)	134,154	28,105	23,813	(7,503)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

1. STATEMENT OF ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the Corporations Act 2001. The report has been prepared on the basis of historical costs and except where stated does not take into account changing money values or current valuations of non-current assets.

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

(B) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous year.

(C) PRINCIPLES OF CONSOLIDATION

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

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

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

(D) CASH AND CASH EQUIVALENTS

Cash on hand and in banks and short-term deposits are stated at nominal values.

(E) TRADE AND OTHER RECEIVABLES

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

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

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

(F) INVENTORIES

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

- Raw materials (comprising mainly newsprint and paper on hand) are assessed at average cost and newsprint and paper in transit by specific identification cost.
- 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.

(G) INVESTMENTS

Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. Other investments are carried at the lower of cost or recoverable amount. The carrying amount is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed based upon the present value of expected future cash flows or the estimated fair value of underlying net assets of the particular entities. Dividends are only recognised when they have been declared, determined or recommended before reporting date.

(H) JOINT VENTURES

Interests in joint venture entities are accounted for using the lower of the equity accounted amount and recoverable amount. Under this method, the share of profits or losses are recognised as revenue in the Statement of Financial Performance, and the share of movements in reserves is recognised in reserves in the Statement of Financial Position.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

1. STATEMENT OF ACCOUNTING POLICIES continued

(I) PROPERTY, PLANT AND EQUIPMENT

COST

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

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 cash flows.

LEASING

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

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

Operating leases, where the lessor effectively retains all the risk and benefits of ownership of the leased asset, are not capitalised.

Rental payments and lease incentives are charged as an expense in the periods to which they relate.

DEPRECIATION AND AMORTISATION

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

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

- Buildings – up to 60 years
- Presses – up to 20 years
- Other production equipment – up to 15 years
- Other equipment – up to 40 years

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

(J) INTANGIBLES

Mastheads and tradenames are carried at cost and are not amortised. In accordance with AASB 1021 "Depreciation", no amortisation is provided against the carrying value of these assets because the directors believe that the life of these assets is of such duration and the residual value would be such that the amortisation charge is not material.

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or share in a controlled entity.

Goodwill is amortised on a straight-line basis over the period during which benefits are expected to be received. This is taken as being 20 years.

RECOVERABLE AMOUNT

Intangible assets are reviewed annually to ensure carrying values are not in excess of recoverable amounts. Recoverable amounts are based upon the present value of expected future cash flows.

(K) TRADE AND OTHER PAYABLES

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

Payables to related parties are carried at the principal amount.

Interest, when charged by the lender, is recognised as an expense on an accruals basis.

(L) EMPLOYEE BENEFITS

Provision has been made for salaries and wages, holiday pay, long service leave and other entitlements payable to employees under statutory and contractual requirements. The provision has been allocated into current and non-current proportions. The current proportion relates to the amount of the provision which is expected to be payable in the ensuing 12 months and is measured at nominal value based on remuneration rates which are expected to be paid when the liability is settled. The non-current proportion relates to entitlements which are expected to be payable after twelve months from balance date and are measured at the

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

1. STATEMENT OF ACCOUNTING POLICIES continued

present value of the expected future cash outflows. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

The value of the employee share plans described in Note 28 is not charged as an employee benefits expense.

In respect of the consolidated entity's defined benefits superannuation plans, any contributions made to the superannuation plans by entities within the consolidated entity are recognised against profits when due.

(M) PROVISIONS

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other 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 the reporting date.

(N) LOANS AND BORROWINGS

All loans are measured at the principal amount.

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

Interest is charged as an expense as it accrues.

Finance lease liabilities are determined in accordance with the requirements of AASB 1008 "Leases".

(O) 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.

(P) CONTRIBUTED EQUITY

Ordinary share capital and Preferred Reset Securities Exchangeable for Shares (PRESSES) are recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of share capital are recognised directly in equity as a reduction of the share proceeds received.

(Q) 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 the rendering of services is recognised when control of a right to be compensated for the services has been attained and the stage of completion of the service contract can be reliably measured. Stage of completion is measured by reference to the services performed to date as a percentage of total estimated services to be performed for each contract. If a contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

1. STATEMENT OF ACCOUNTING POLICIES continued

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(R) TAXES

INCOME TAX

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(S) FOREIGN CURRENCY

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

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

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

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

(T) DERIVATIVES

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

INTEREST RATE SWAPS AND FORWARD RATE AGREEMENTS

Interest rate swaps and forward rate agreements are not recognised in the financial statements.

Interest payments and receipts under interest rate swap contracts and realised gains and losses on forward rate agreements are recognised in the Statement of Financial Performance as an adjustment to interest expense during the period.

INTEREST RATE OPTIONS

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

1. STATEMENT OF ACCOUNTING POLICIES continued

FORWARD FOREIGN EXCHANGE CONTRACTS

The accounting for forward foreign exchange contracts is set out in Note 1(s).

(U) BORROWING COSTS

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of 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. For the year ended 30 June 2005 there were no borrowing costs capitalised.

(V) FINANCIAL INSTRUMENTS INCLUDED IN EQUITY

The $250 million of Preferred Reset Securities Exchangeable for Shares (PRESSES) has been classified as equity and the coupon interest payable on the PRESSES is treated as a distribution of shareholders' equity. The Statement of Financial Performance does not include the coupon interest on the PRESSES.

(W) EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of 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.

(X) ACQUISITION OF ASSETS

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
2. REVENUE FROM ORDINARY ACTIVITIES					
REVENUE FROM OPERATING ACTIVITIES					
Revenue generated from sale of:					
Newspapers		1,603,274	1,519,551	–	–
Magazines		177,532	168,862	–	–
Other		74,303	59,542	292,093	787
		1,855,109	1,747,955	292,093	787
Revenue from rendering of services		17,174	17,942	–	17,535
Dividend income:					
Wholly owned controlled entities		–	–	190,000	137,100
Other corporations		1,124	658	–	–
Distributions from unit trusts		–	1,097	–	–
Underlying operating revenue from ordinary activities		1,873,407	1,767,652	482,093	155,422
REVENUE FROM NON-OPERATING ACTIVITIES					
Proceeds from sale of property, plant and equipment		10,573	4,567	–	–
Proceeds from sale of investments and controlled entities		388	1,149	–	–
		1,884,368	1,773,368	482,093	155,422
INTEREST INCOME:					
Wholly-owned controlled entities		–	–	158,532	158,106
Other persons/corporations		7,432	9,598	17	79
Total revenue from ordinary activities		1,891,800	1,782,966	640,642	313,607
Share of associates' and joint ventures' net profit accounted for using the equity method	9	2,907	1,408	–	–

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
3. EXPENSES FROM ORDINARY ACTIVITIES				
(A) EXPENSES BY NATURE				
Staff costs excluding staff redundancy costs	**604,887**	572,904	**40,652**	34,029
Newsprint and paper	**245,057**	252,494	**–**	–
Distribution and other production costs	**217,566**	207,978	**6**	–
Promotion and advertising costs	**75,969**	62,808	**66**	15
Write-down of non-current assets	**–**	1,089	**–**	–
Cost of disposals	**8,312**	4,771	**(2)**	1
Staff redundancy costs	**5,267**	18,113	**2,048**	566
Rent and outgoings	**33,404**	31,276	**17,253**	15,504
Repairs and maintenance	**20,518**	18,751	**4,800**	4,732
Communication costs	**13,340**	15,043	**41**	1,943
News services	**10,246**	10,654	**60**	32
Computer costs	**11,107**	10,872	**5,017**	4,775
Fringe benefits tax	**7,283**	7,315	**524**	464
Other expenses from ordinary activities	**122,036**	127,747	**34,240**	31,010
Total expenses before borrowing costs, depreciation and amortisation	**1,374,992**	1,341,815	**104,705**	93,071
(B) DETAILED EXPENSE DISCLOSURES				
Interest expense:				
Wholly-owned controlled entities	**–**	–	**210,687**	158,626
Other persons/corporations	**79,367**	74,816	**7**	1
Finance charges on capitalised leases	**6,496**	6,676	**–**	–
Total borrowing costs	**85,863**	81,492	**210,694**	158,627
Depreciation of freehold property	**4,379**	4,453	**–**	–
Depreciation of plant and equipment	**74,421**	79,312	**9,991**	7,813
Amortisation of leasehold property/buildings	**1,282**	1,315	**–**	–
Amortisation of goodwill	**2,359**	226	**–**	–
Total depreciation and amortisation	**82,441**	85,306	**9,991**	7,813
Cost of sales	**586,159**	574,330	**–**	–
Amounts provided for:				
Employee benefits	**48,253**	47,978	**3,395**	3,245
Doubtful trade debts	**564**	2,182	**–**	–
Defamation	**3,372**	2,809	**–**	–
Total amounts set aside to provisions	**52,189**	52,969	**3,395**	3,245
Operating lease rental expense	**23,898**	20,701	**16,785**	15,111
Superannuation contributions – Defined benefit fund	**685**	716	**–**	189

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
3. EXPENSES FROM ORDINARY ACTIVITIES continued				
(C) GAINS/(LOSSES)				
Net foreign exchange loss	(764)	(31)	(195)	–
Net profit/(loss) on disposal of property, plant & equipment	2,261	1,008	2	(1)
Net profit/(loss) on disposal of other assets	230	(62)	–	–
4. SIGNIFICANT ITEMS				
Profit from ordinary activities includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Consolidated entity:				
Gain on sale of Gordon & Gotch (NZ) Limited	4,039	–	–	–
Reversal of over provision of tax	3,030	–	–	–
Editorial redundancies	–	(5,747)	–	–
Income tax benefit applicable	–	1,724	–	–
Staff redundancy and other items associated with the closure of Spencer Street printing operations	–	(14,794)	–	–
Income tax benefit applicable	–	4,438	–	–
Effect of entry into tax consolidations	–	82,749	–	–
Net significant items after tax	7,069	68,370	–	–
Significant items before income tax	4,039	(20,541)	–	–
Reversal of over provision of tax	3,030	–	–	–
Income tax benefit	–	88,911	–	–
	7,069	68,370	–	–

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
5. INCOME TAX					
The prima facie tax on profit from ordinary activities is reconciled to the income tax provided in the accounts as follows:					
Prima facie tax on profit from ordinary activities		**105,423**	82,729	**94,576**	16,229
Tax effect of permanent differences:					
Share of net (profits) of associates and joint ventures		**(827)**	(422)	**–**	–
Capital gains not taxable		**(918)**	(199)	**–**	–
Non deductible depreciation and amortisation		**(78)**	148	–	–
Non-assessable dividends		**(1,471)**	(659)	**(57,000)**	(41,130)
Adjustments to prior period tax expense		**(1,971)**	335	**(796)**	(909)
Overseas tax rate and accounting differentials		**(7,455)**	(5,347)	**–**	–
Non-deductible/(deductible) items		**856**	3,517	**(1,001)**	(1,020)
Other		**561**	1,635	**716**	927
Income tax (benefit)/expense pre significant items		**94,120**	81,737	**36,495**	(25,903)
Effect of entry into tax consolidations	4	**–**	(82,749)	**–**	–
Reversal of over provision of tax	4	**(3,030)**	–	**–**	–
Income tax expense/(benefit) relating to ordinary activities		**91,090**	(1,012)	**36,495**	(25,903)
6. DIVIDENDS PAID AND PROPOSED					
DIVIDENDS PAID DURING THE YEAR					
Fully franked interim dividend of 7.5 cents per share/debenture paid 31 March 2005 (2004: 5.5 cents fully franked, paid 6 April 2004)		**69,143**	49,050	**69,143**	49,050
Fully franked final dividend of 11.0 cents per share/debenture paid 21 October 2004 (2004: 8.0 cents fully franked, paid 14 November 2003)		**99,754**	69,642	**99,754**	69,642
Fully franked PRESSES dividend of $3.7710 per share paid 13 December 2004 (2004: $3.6732 fully franked, paid 12 December 2003)		**9,428**	9,183	**9,428**	9,183
Fully franked PRESSES dividend of $3.6493 per share paid 10 June 2005 (2004: $3.6696 fully franked, paid 11 June 2004)		**9,123**	9,174	**9,123**	9,174
Total fully franked dividends paid	21	**187,448**	137,049	**187,448**	137,049

DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
6. DIVIDENDS PAID AND PROPOSED continued				
FRANKING CREDIT BALANCE				
The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the end of the financial year at 30% (2004: 30%)	**110,977**	171,140	**110,977**	171,140
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	**25,805**	–	**25,805**	–
Franking debits that will arise from tax receivable as at the end of the financial year	**–**	(7,149)	**–**	(7,149)
	136,782	163,991	**136,782**	163,991

On a tax-paid basis, the Company's franking account balance is approximately $111 million. From this amount, $63.4 million franking credits will be used to pay a fully franked final dividend of $101.7 million and a fully franked special dividend of $46.2 million on 11 October 2005.

DIVIDEND REINVESTMENT PLAN

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

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

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 directors have resolved not to apply a discount to the interim, final or special dividends for 2005.

The DRP issue price in relation to the final and special dividends for the year ending 30 June 2005 will be based on the arithmetic average of the daily volume weighted average sale price of John Fairfax Holdings Limited shares traded on the ASX from 13 September 2005 to 26 September 2005 inclusive, excluding any trades that do not qualify under the terms of the DRP, rounded to the nearest cent.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
7. RECEIVABLES				
CURRENT				
Trade debtors	**261,081**	252,192	**316**	–
Provision for doubtful debts	**(6,359)**	(10,415)	**–**	–
	254,722	241,777	**316**	–
Loans and deposits	**(134)**	546	**(70)**	100
Other debtors and prepayments	**29,473**	28,339	**4,279**	4,585
Total current receivables	**284,061**	270,662	**4,525**	4,685
NON-CURRENT				
Amounts receivable from wholly-owned controlled entities	**–**	–	**1,385,360**	1,227,837
Loans and deposits	**6,717**	1,738	**648**	–
Other debtors and prepayments	**2,022**	1,530	**1,032**	–
Total non-current receivables	**8,739**	3,268	**1,387,040**	1,227,837
8. INVENTORIES				
CURRENT				
Raw materials and stores	**30,326**	29,168	**–**	–
Provision for diminution in value	**(261)**	(261)	**–**	–
	30,065	28,907	**–**	–
Finished goods	**27**	13,103	**–**	–
Work in progress	**103**	69	**–**	–
Total inventories	**30,195**	42,079	**–**	–

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Carrying amount of investment in associates (A)	**9,796**	6,931	**–**	–
Carrying amount of investment in joint ventures (B)	**865**	1,198	**–**	–
Total investment accounted for using the equity method	**10,661**	8,129	**–**	–

(A) INTEREST IN ASSOCIATES

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

PRINCIPAL ACTIVITIES

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

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

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

The principal activity of Times Newspapers Limited is newspaper publishing.

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

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD continued

(A) INTEREST IN ASSOCIATES continued

	2005 $'000	2004 $'000
SHARE OF ASSOCIATES' PROFITS		
Share of associates' profit before income tax	2,880	1,624
Share of associates' income tax (expense) attributable to profit	(875)	(487)
Share of associates' net profit	2,005	1,137
CARRYING AMOUNT OF INVESTMENT IN ASSOCIATES		
Balance at the beginning of the year	6,931	7,031
Investments in associates acquired during the year	887	–
Adjustment for foreign exchange revaluation	2	29
Share of associates' net profit	2,005	1,137
Share of associates' reserve increment	–	523
Dividends received from associates	(29)	(1,789)
Balance at the end of the year	9,796	6,931
RETAINED PROFITS/ACCUMULATED (LOSSES) OF THE CONSOLIDATED ENTITY ATTRIBUTABLE TO ASSOCIATES		
Balance at the beginning of the year	(13,358)	(12,706)
Share of associates' net profit	2,005	1,137
Dividends received from associates	(29)	(1,789)
Balance at the end of the year	(11,382)	(13,358)
RESERVES OF THE CONSOLIDATED ENTITY ATTRIBUTABLE TO ASSOCIATES		
Balance at the beginning of the year	2,408	1,885
Share of associates' reserves	–	523
Balance at the end of the year	2,408	2,408
SHARE OF ASSOCIATES' ASSETS AND LIABILITIES		
Current assets	19,129	12,713
Non-current assets	12,452	11,604
Current liabilities	(12,346)	(7,995)
Non-current liabilities	(973)	(326)
Net assets	18,262	15,996

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD continued

(B) INTEREST IN JOINT VENTURES

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

PRINCIPAL ACTIVITIES

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

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

	2005 $'000	2004 $'000
SHARE OF JOINT VENTURES' PROFITS		
Share of joint ventures' revenues	9,387	4,262
Share of joint ventures' expenses	(8,485)	(3,991)
Share of joint ventures' net profit	902	271
CARRYING AMOUNT OF INVESTMENT IN JOINT VENTURES		
Balance at the beginning of the year	1,198	–
Balance acquired	–	927
Share of joint ventures' net profit	902	271
Dividends received from joint ventures	(1,235)	–
Balance at the end of the year	865	1,198
RETAINED PROFITS OF THE CONSOLIDATED ENTITY ATTRIBUTABLE TO JOINT VENTURES		
Balance at the beginning of the year	1,198	–
Balance acquired	–	927
Share of joint ventures' net profit	902	271
Dividends received from joint ventures	(1,235)	–
Balance at the end of the year	865	1,198
SHARE OF JOINT VENTURES' ASSETS AND LIABILITIES		
Current assets	2,069	3,036
Non-current assets	161	187
Current liabilities	(1,365)	(2,023)
Net assets	865	1,200

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
10. OTHER FINANCIAL ASSETS				
CURRENT				
Investment held for resale	–	514	–	–
Deferred hedge loss	411	169	–	–
	411	683	–	–
NON-CURRENT				
Shares in other unlisted entities at cost	6,321	2,456	–	–
Shares in controlled entities not listed on a prescribed stock exchange, at cost	–	–	155,570	155,329
Interests in unit trusts, at cost	–	647	–	–
Cross currency swap receivable	6,830	21,435	–	–
Total non-current other financial assets	13,151	24,538	155,570	155,329
11. PROPERTY, PLANT AND EQUIPMENT				
Freehold land and buildings				
At cost	183,685	189,563	–	–
Provision for depreciation	(11,032)	(6,957)	–	–
	172,653	182,606	–	–
Leasehold buildings				
At cost	53,654	52,810	–	–
Provision for amortisation	(12,247)	(10,402)	–	–
	41,407	42,408	–	–
Plant and equipment				
At cost	1,079,624	1,071,598	75,013	59,636
Provision for depreciation	(593,529)	(543,611)	(37,195)	(27,207)
	486,095	527,987	37,818	32,429
Capital works in progress, at cost	34,190	27,415	12,450	15,570
Total property, plant and equipment	734,345	780,416	50,268	47,999

ASSETS PLEDGED AS SECURITY

Assets under lease (leasehold buildings) are pledged as security for the associated lease liabilities. Details of this facility can be found in Note 15.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

11. PROPERTY, PLANT AND EQUIPMENT continued

VALUATION

The latest independent valuation of freehold land and buildings in Australia was performed as at 30 June 2003 by Gary R Longden AAPI, Director of Investment Advisory Services at Jones Lang LaSalle and was performed on the basis of existing use value. Freehold land and buildings in Australia were valued at a total amount of $162.9 million. This valuation is in excess of the carrying value of freehold land and buildings and has not been booked. This valuation excludes assets in New Zealand.

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
RECONCILIATIONS				
FREEHOLD LAND AND BUILDINGS				
Carrying amount at the beginning of the year	182,606	178,785	–	–
Additions	1,087	8,017	–	–
Disposals	(7,481)	(2,558)	–	–
Depreciation	(4,379)	(4,453)	–	–
Foreign exchange movement on opening balance	452	2,792	–	–
Other (includes transfers from other asset categories)	368	23	–	–
Carrying amount at the end of the year	172,653	182,606	–	–
LEASEHOLD BUILDINGS				
Carrying amount at the beginning of the year	42,408	46,799	–	–
Additions	111	–	–	–
Disposals	–	–	–	–
Depreciation	(1,282)	(1,315)	–	–
Other (includes transfers from other asset categories)	170	(3,076)	–	–
Carrying amount at the end of the year	41,407	42,408	–	–
PLANT AND EQUIPMENT				
Carrying amount at the beginning of the year	527,987	560,967	32,429	19,305
Additions	18,688	19,316	2,513	10,600
Disposals	(2,842)	(1,002)	(10)	(1)
Depreciation	(74,421)	(79,312)	(9,991)	(7,813)
Foreign exchange movement on opening balance	1,464	2,806	–	–
Other (includes transfers from other asset categories)	15,219	25,212	12,877	10,338
Carrying amount at the end of the year	486,095	527,987	37,818	32,429
CAPITAL WORKS IN PROGRESS				
Carrying amount at the beginning of the year	27,415	33,175	15,570	11,606
Additions	28,295	16,327	11,779	14,316
Foreign exchange movement on opening balance	(39)	–	–	–
Transfers to other asset categories	(21,481)	(22,087)	(14,899)	(10,352)
Carrying amount at the end of the year	34,190	27,415	12,450	15,570

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
12. INTANGIBLES				
Goodwill	45,980	5,545	–	–
Accumulated amortisation	(2,586)	(226)	–	–
	43,394	5,319	–	–
Mastheads and tradenames, at cost	2,293,748	2,309,600	201	199
Total intangibles	2,337,142	2,314,919	201	199
13. TAX ASSETS				
CURRENT				
Tax receivable	–	6,887	–	208
Tax receivable from wholly owned controlled entities	–	–	–	7,327
Total current tax assets	–	6,887	–	7,535
NON-CURRENT				
Future income tax benefits arising from:				
Tax losses	–	175	–	–
Timing differences	53,369	51,329	4,211	2,548
Tax receivable from wholly owned controlled entities	–	–	45,853	44,996
Total non-current tax asset	53,369	51,504	50,064	47,544
14. PAYABLES				
CURRENT				
Trade and other creditors	193,099	242,429	22,917	23,700
Accrued interest on bank borrowings	11,577	11,154	–	–
Net hedge payable	–	1,434	–	–
Total current payables	204,676	255,017	22,917	23,700
15. INTEREST-BEARING LIABILITIES				
CURRENT				
Bank borrowings (unsecured)	7,043	36,393	–	7,503
Other borrowings (unsecured)	156,377	6,896	–	–
Total current interest-bearing liabilities	163,420	43,289	–	7,503
NON-CURRENT				
Bank borrowings (unsecured)	849,622	1,019,930	–	–
Lease liability (unsecured)	52,921	54,422	–	–
Total non-current interest-bearing liabilities	902,543	1,074,352	–	–

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

15. INTEREST-BEARING LIABILITIES continued

The consolidated entity has access to a A$550 million committed Syndicated Bank Facility. This facility can be drawn until May 2009. This facility is currently not drawn (2004: $175 million). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

A bank loan of A$95 million was established in September 2001 which matures in December 2006. The interest rate for this fully drawn facility is the applicable bank bill rate plus a credit margin.

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

A NZ$50 million revolving committed cash advance facility was established in June 2004. This facility is currently not drawn (2004: NZ$40 million (A$36.4 million)).

Senior Notes with a principal of US$120 million (A$157.6 million) and maturing 19 December 2006 were issued in December 1996. The Senior Notes were issued at par with a fixed interest coupon of 7.43% 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 Chullora printing facility in Sydney is partially financed by a finance lease facility and loans with a final maturity date of September 2015. A loan with principal and interest outstanding of A$53.5 million (2004: A$56.0 million) and a finance lease of A$52.9 million (2004: A$54.4 million) drawn in February 1996, is in the form of a CPI indexed annuity. There is also principal and interest outstanding of A$35.1 million (2004: A$39.9 million) in the form of a fixed rate facility with an established drawdown and repayment schedule.

The Company issued Senior Notes in the US private placement market with a principal value of US$230 million (A$340.2 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 of maturities ranging from January 2011 to January 2019. The weighted average maturity of the issue is approximately 10 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.

The Company issued Redeemable Preference Shares in New Zealand with a principal value of NZ$186.5 million (A$173.6 million) in May 2005 with a fixed one year coupon of 8.03% p.a. payable quarterly in arrears 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
16. TAX LIABILITIES					
CURRENT					
Provision for income tax		25,805	–	29,106	–
Amounts receivable from wholly owned controlled entities		–	–	(3,585)	–
Total current tax liabilities		25,805	–	25,521	–
NON-CURRENT					
Deferred income tax liability		3,732	1,654	97	–
Amounts receivable from wholly owned controlled entities		–	–	3,635	2,134
Total non-current tax liabilities		3,732	1,654	3,732	2,134
17. PROVISIONS					
CURRENT					
Employee benefits	28	56,500	48,214	4,316	3,633
Defamation		2,250	2,435	–	–
Other		2,254	–	1,289	–
Total current provisions		61,004	50,649	5,605	3,633
NON-CURRENT					
Employee benefits	28	34,999	37,372	3,012	2,652
Total non-current provisions		34,999	37,372	3,012	2,652
RECONCILIATIONS					
Reconciliations of the carrying amount of each class of provision except for employee benefits, are set out below:					
DEFAMATION					
Carrying amount at the beginning of the year		2,435	3,142	–	–
Provisions made during the year		3,480	3,163	–	–
Payments made during the year		(3,665)	(3,870)	–	–
Carrying amount at the end of the year		2,250	2,435	–	–

From time to time entities in the consolidated group are sued for defamation and similar matters in the ordinary course of business. A defamation provision is recognised on the basis of professional advice to cover an estimate of material liabilities.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
18. NON INTEREST-BEARING LIABILITIES				
NON-CURRENT				
Other	867	109	–	–
Total non interest-bearing liabilities	867	109	–	–
19. CONTRIBUTED EQUITY				
SHARES				
924,463,510 (2004: 906,856,578) ordinary shares fully paid	1,183,596	1,115,717	1,183,596	1,115,717
PREFERRED RESET SECURITIES EXCHANGEABLE FOR SHARES				
2,500,000 (2004: 2,500,000)	241,951	241,951	241,951	241,951
DEBENTURES				
281 (2004: 281) debentures fully paid	*	*	*	*
Total contributed equity	1,425,547	1,357,668	1,425,547	1,357,668

	2005 Number	2004 Number	2005 $'000	2004 $'000
MOVEMENTS IN CONTRIBUTED EQUITY DURING THE FINANCIAL YEAR				
SHARES				
Balance at the beginning of the year	906,856,578	867,457,363	1,115,717	987,541
Shares issued – dividend reinvestment plan	17,494,932	35,469,215	66,321	118,692
Refund of transaction costs from issue of shares/(shares issue costs)	–	–	1,117	(1,806)
Converted from options (i)	112,000	3,930,000	441	11,290
Balance at the end of the year	924,463,510	906,856,578	1,183,596	1,115,717
PREFERRED RESET SECURITIES EXCHANGEABLE FOR SHARES (PRESSES)				
Balance at the beginning of the year	2,500,000	2,500,000	241,951	241,951
Balance at the end of the year	2,500,000	2,500,000	241,951	241,951
DEBENTURES				
Balance at the beginning of the financial year	281	281	*	*
Balance at the end of the year	281	281	*	*

* Amount is less than $1000

(i) During the year options were exercised and converted to shares as detailed in Note 28(B).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

19. CONTRIBUTED EQUITY continued

DIVIDEND REINVESTMENT PLAN (DRP)

John Fairfax Holdings Limited introduced a DRP to eligible shareholders during the year ended 30 June 2004. Under the terms of the DRP eligible shareholders are able 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.

During the year ended 30 June 2005, 17,494,932 shares were issued under the terms of the DRP (2004: 35,469,215). In 2004 19,389,618 of these shares were issued to UBS AG as part of the underwriting agreement.

TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

SHARES

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

PREFERRED RESET SECURITIES EXCHANGEABLE FOR SHARES (PRESSES)

PRESSES are fully paid, non-cumulative, non-redeemable reset exchangeable preference shares.

The Company issued 2.5 million PRESSES during the year ended 30 June 2002, each having a face value of $100 for a total of $250 million.

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 the Reset Date some or all of the outstanding PRESSES may be Exchanged for a number of Ordinary Shares at the option of holders of PRESSES or the Company. In certain circumstances, Exchange may occur other than on the Reset Date. The first Reset Date is 12 December 2006. On Exchange, each of the PRESSES will Exchange for Ordinary Shares that rank equally in all respects with Ordinary Shares from the Exchange Date. Each of the PRESSES will generally Exchange for Ordinary Shares at a 2.5% discount to the weighted average sale price of Ordinary Shares traded on the ASX during the 20 Business Days immediately preceding the date of Exchange. The number of Ordinary Shares issued on Exchange will vary depending on the Ordinary Share price prior to Exchange.

A non-cumulative dividend is paid semi-annually on the PRESSES. The dividend rate was increased from 6.65% p.a. to 7.40% p.a. on 30 June 2003 as a result of the credit rating of the PRESSES falling to BB+ from BBB-. The dividend may be increased or decreased on reset dates. Payment of dividends is at the discretion of directors and is subject to the directors declaring or otherwise resolving to pay a dividend and there being no impediment under the Corporations Act 2001 to the payment.

DEBENTURES

Debenture holders terms and conditions are disclosed in Note 1.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
20. RESERVES					
Asset revaluation		**7,336**	7,336	**–**	–
Foreign currency translation		**20,143**	19,066	**–**	–
Total reserves		**27,479**	26,402	**–**	–
MOVEMENTS IN RESERVES					
ASSET REVALUATION RESERVE					
Prior to 2001 the asset revaluation reserve was used to record increments and decrements in the value of non-current assets.					
Balance at the beginning of the year		**7,336**	6,813	**–**	–
Share of associates' reserve increments arising during the year		**–**	523	**–**	–
Balance at the end of the year		**7,336**	7,336	**–**	–
FOREIGN CURRENCY TRANSLATION RESERVE					
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements and associated funding of self-sustaining foreign operations.					
Balance at the beginning of the year		**19,066**	283	**–**	–
Net gain on translation of overseas controlled entities and associated funding		**1,077**	18,783	**–**	–
Balance at the end of the year		**20,143**	19,066	**–**	–
21. RETAINED PROFITS					
Balance at the beginning of the year		**679,817**	540,852	**93,838**	150,888
Net profit attributable to members of the Company		**259,687**	276,014	**278,757**	79,999
Total available for appropriation		**939,504**	816,866	**372,595**	230,887
Dividends paid	6	**(187,448)**	(137,049)	**(187,448)**	(137,049)
Retained profits at the end of the year		**752,056**	679,817	**185,147**	93,838

22. OUTSIDE EQUITY INTEREST

On 12 January 2004 as part of the acquisition of The Text Media Group Limited, the consolidated entity acquired a 79% interest in Large Publications Pty Limited.

Reconciliation of outside equity interest in controlled entities:

	Consolidated 2005 $'000	Consolidated 2004 $'000
Unitholder funds	**3,195**	3,195
Retained profits	**–**	761
Reserves	**905**	905
Balance at end of the year	**4,100**	4,861

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Consolidated 2005 $'000	Consolidated 2004 $'000
23. EARNINGS PER SHARE		
EARNINGS RECONCILIATION – BASIC		
Net profit attributable to members of the Company:		
Before significant items	252,618	207,644
Less dividend paid on PRESSES	(18,551)	(18,357)
Basic earnings before significant items	234,067	189,287
Net profit attributable to members of the Company:		
After significant items	259,687	276,014
Less dividend paid on PRESSES	(18,551)	(18,357)
Basic earnings after significant items	241,136	257,657
EARNINGS RECONCILIATION – DILUTED		
Net profit attributable to members of the Company:		
Before significant items	252,618	207,644
Less dividend paid on PRESSES	(18,551)	(18,357)
Diluted earnings before significant items	234,067	189,287
Net profit attributable to members of the Company:		
After significant items	259,687	276,014
Less dividend paid on PRESSES	(18,551)	–
Diluted earnings after significant items	241,136	276,014

	2005 Number	2004 Number
Weighted average number of ordinary shares used in calculating basic EPS before and after significant items (000's)	918,979	886,319
Options	58	208
Weighted average number of ordinary shares used in calculating diluted EPS before significant items (000's)	919,037	886,527
PRESSES	–	71,386
Weighted average number of ordinary shares used in calculating diluted EPS after significant items (000's)	919,037	957,913

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

23. EARNINGS PER SHARE continued

	Consolidated 2005	Consolidated 2004
Basic earnings per share (cents) based on net profit attributable to members of the Company:		
Before significant items	**25.47**	21.36
After significant items	**26.24**	29.07
Diluted earnings per share (cents) based on net profit attributable to members of the Company:		
Before significant items	**25.47**	21.35
After significant items	**26.24**	28.81

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

As at 30 June 2004, all potential ordinary shares (PRESSES and options) were dilutive and included in the diluted EPS calculation after significant items. PRESSES were not dilutive and are not included in the diluted EPS calculation before significant items.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
24. COMMITMENTS					
FINANCE LEASE LIABILITIES					
Payable:					
Not later than one year		**7,270**	7,063	**–**	–
Later than one year and not later than five years		**31,941**	30,980	**–**	–
Later than five years		**49,961**	58,559	**–**	–
Minimum lease payments		**89,172**	96,602	**–**	–
Less future finance charges		**36,251**	42,180	**–**	–
Total lease liability		**52,921**	54,422	**–**	–
Classified as:					
Non-current interest-bearing liabilities	15	**52,921**	54,422	**–**	–

Finance leases have an average lease term of 6.37 years (2004: 6.78 years) and an average implicit interest rate of 10.3% (2004: 12.2%). Assets which are the subject of finance leases include office premises, land and buildings.

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
OPERATING LEASE COMMITMENTS				
Payable:				
Not later than one year	**23,155**	16,573	**–**	–
Later than one year but not later than five years	**50,284**	58,446	**–**	–
Later than five years	**123,188**	112,520	**–**	–
Total operating lease commitments	**196,627**	187,539	**–**	–

Operating leases have an average lease term ranging between 10 to 15 years (2004: 10 to 15 years) and an average implicit interest rate of 4% (2004: 4%). Assets which are the subject of operating leases are office premises.

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
CAPITAL EXPENDITURE COMMITMENTS				
Payable:				
Not later than one year	**7,658**	7,445	**2,170**	–
Later than one year but not later than five years	**–**	–	**–**	–
Total capital expenditure commitments	**7,658**	7,445	**2,170**	–

Capital expenditure commitments primarily relate to the purchase of property, plant and equipment.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

25. CONTINGENT LIABILITIES

RELATED BODIES CORPORATE

Under the terms of an ASIC class order, the Company and certain controlled entities, identified in Note 26, have guaranteed any deficiency of funds if any party to the class order is wound up. No such deficiency exists at balance date.

OTHER PERSONS

From time to time, entities in the consolidated entity are sued for defamation and similar matters in the ordinary course of business. The amount of contingency for such actions cannot be determined with any accuracy.

26. CONTROLLED ENTITIES

	Notes
John Fairfax Holdings Limited	(a), (c)
CONTROLLED ENTITIES	
AIPD Pty Limited	
Associated Newspapers Limited	(a)
David Syme & Co Pty Limited	(a)
Fairfax Business Media Pte Limited	(b)
Fairfax Business Media (South Asia) Pte Limited	(b)
Fairfax Business Information Solutions Pty Limited	(a)
Fairfax Community Newspapers Pty Limited	(a)
Fairfax Corporation Pty Limited	(a)
Fairfax Digital Australia & New Zealand Pty Limited	(a)
Fairfax Digital Limited	(a)
Fairfax EEC Limited (UK)	(b)
Fairfax NZ Finance Limited	
Fairfax New Zealand Holdings Limited	(b)
Fairfax New Zealand Limited	(b)
Fairfax Print Holdings Pty Limited	(a)
Fairfax Printers Pty Limited	(a)
Fairfax Properties Pty Limited	(a)
Fairfax Regional Printers Pty Limited	(a)
Freesurf Publishing Pty Limited	(a)
Illawarra Newspapers Holdings Pty Limited	(a)
John Fairfax & Sons Limited	(a)
John Fairfax (UK) Limited	(b)
John Fairfax (US) Limited	(b)

	Notes
John Fairfax Group Finance Pty Limited	(a)
John Fairfax Limited	(a)
John Fairfax Publications Pty Limited	(a)
Large Publications Pty Limited	(f)
Lime Digital Pty Limited	(a)
Metropolis Media Pty Limited	(a)
Newcastle Newspapers Pty Limited	(a)
Personal Investment Direct Access Pty Limited	
Port Stephens Publishers Pty Limited	
Port Stephens Examiner Trust	
Propaganda Print Pty Limited	(a)
Real Estate Publications Australasia Pty Limited	
Real Estate Publications Australasia Trust	(e)
Rydge Publications Pty Limited	(a)
South Australian Real Estate Press Pty Limited	(a)
Suzannenic Pty Ltd	(d)
The Age Company Limited	(a)
The Age Print Company Pty Limited	(a)
The Text City Newspaper Company Pty Limited	(a)
The Text Magazine Company Pty Limited	(a)
The Text Media Group Limited	(a)
The Text Newspaper Company Pty Limited	(a)
The Warrnambool Standard Pty Limited	(a)
Victorian Lifestyle Property Pty Limited	

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

26. CONTROLLED ENTITIES continued

NOTES:

STATEMENT OF FINANCIAL POSITION	2005 $'000	2004 $'000
CURRENT ASSETS		
Cash	128,446	23,062
Receivables	212,627	204,425
Tax asset	–	7,584
Inventories	23,462	22,986
Other financial assets	411	683
Total current assets	364,946	258,740
NON-CURRENT ASSETS		
Receivables	578,278	909,040
Investments	330,070	302,532
Other financial assets	6,830	21,435
Property, plant and equipment	624,592	664,096
Intangibles	1,310,526	1,311,480
Tax assets	51,104	47,703
Total non-current assets	2,901,400	3,256,286
Total assets	3,266,346	3,515,026
CURRENT LIABILITIES		
Payables	150,128	176,985
Interest-bearing liabilities	163,420	43,289
Provision for income tax	25,435	–
Provisions	52,193	41,127
Total current liabilities	391,176	261,401
NON-CURRENT LIABILITIES		
Non interest-bearing liabilities	–	–
Interest-bearing liabilities	731,986	1,074,352
Deferred tax liabilities	3,731	2,134
Provisions	32,179	33,352
Total non-current liabilities	767,896	1,109,838
Total liabilities	1,159,072	1,371,239
Net assets	2,107,274	2,143,787
EQUITY		
Contributed equity	1,425,548	1,357,668
Reserves	(4,625)	711
Retained profits	686,351	785,408
Total equity	2,107,274	2,143,787

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

26. CONTROLLED ENTITIES continued

NOTES:

STATEMENT OF FINANCIAL PERFORMANCE	2005 $'000	2004 $'000
Profit from ordinary activities before income tax	139,358	124,012
Income tax benefit/(expense) attributable to operating profit	(54,035)	30,271
Net profit attributable to members of the Holding company	85,323	154,283

(a) The Company and the controlled entities incorporated within Australia are party to class order 98/1418 and have entered into a group cross indemnity agreement. Under the class order, exemption has been granted to these controlled entities from the requirements of the Corporations Act, 2001 with regard to the preparation, audit and publication of accounts. The consolidated Statement of Financial Performance and Statement of Financial Position of the entities are as shown above.

(b) All controlled entities are incorporated in Australia except for:

	Country of Incorporation
John Fairfax (UK) Limited	UK
John Fairfax (US) Limited	USA
Fairfax EEC Limited (UK)	UK
Fairfax Business Media Pte Ltd	Singapore
Fairfax Business Media (South Asia) Pte Ltd	Singapore
Fairfax New Zealand Holdings Limited	New Zealand
Fairfax New Zealand Limited	New Zealand

(c) The consolidated entity holds a 100% equity interest in all controlled entities except for those in (e) and (f).

(d) Previously Fairfax Mastheads Pty Limited.

(e) The consolidated entity holds a 55% equity interest.

(f) The consolidated entity holds a 79% equity interest.

27. ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES

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

During the period the consolidated entity gained full control over Victorian Lifestyle Property Pty Limited (previously 50:50 joint venture arrangements), and the Port Stephens Examiner (previously 49% owned with the balance held by the founding family).

The consolidated entity gained control over The Text Media Group Limited on 12 January 2004, by acquiring 100% of the voting share capital. The consolidated entity disposed of The Text Publishing Company Pty Limited on 31 May 2004.

For additional information refer Note 33.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
28. EMPLOYEE BENEFITS					
The aggregate employee benefit liability is comprised of:					
Provisions for employee benefits (current)	17	**56,500**	48,214	**4,316**	3,633
Provisions for employee benefits (non-current)	17	**34,999**	37,372	**3,012**	2,652
Accrued redundancy costs		**2,209**	8,468	**1,289**	240
Total employee benefits		**93,708**	94,054	**8,617**	6,525

For information relating to superannuation plans refer Note 29.

NUMBER OF EMPLOYEES

As at 30 June 2005 the consolidated entity employed 6,375 full-time employees (2004: 6,311) and 1,053 part-time and casual employees (2004: 1,120). This includes 2,373 (2004: 2,456) full-time employees and 275 (2004: 305) part-time and casual employees in New Zealand.

EMPLOYEE SHARE PLANS

The Company has four employee share/share option plans operating as at the balance date. Information relating to each scheme is set out below:

1. FAIRFAX EXEMPT EMPLOYEE SHARE PLAN

This plan is open to all permanent full-time and part-time Australian employees with more than 12 months service with the consolidated entity in Australia. Under this Plan, participants may salary sacrifice up to $1,000 of pre tax salary per annum for purchase of issued Fairfax shares at the market price on the open market of the ASX. The shares are purchased by an independent trustee company on pre-fixed dates.

2. FAIRFAX DEFERRED EMPLOYEE SHARE PLAN

This plan is open to all permanent full-time and part-time Australian employees with more than 12 months service with the consolidated entity in Australia. Under this Plan, participants may salary sacrifice a minimum of $3,000 and up to a maximum of 25% of salary per annum for purchase of issued Fairfax shares at the market price on the open market of the ASX. The shares are purchased by an independent trustee company on pre-fixed dates.

3. LONG TERM INCENTIVE SHARE PLAN

Permanent full-time and part-time employees of the consolidated entity who are not directors of the Company may be eligible to participate in this Plan. The Plan is administered by an independent trustee which holds in trust ordinary shares issued to it by the Company for nil consideration. The trustee may allocate shares to employees after considering recommendations from the Company. Allocation to employees is at nil consideration.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

28. EMPLOYEE BENEFITS continued

EMPLOYEE SHARE PLANS continued

4. EMPLOYEE SHARE OPTION PLAN

Full-time and part-time employees of the consolidated entity are eligible to participate on invitation from the Company. On and after two years from the date of issue, 40% of options will become conditionally exercisable. On and after the passing of each subsequent year, a further 20% of the options will become conditionally exercisable. Options not exercised within five years of issue will lapse. On exercise, each option is convertible to one ordinary share. The maximum number of employee scheme options approved by shareholders at a general meeting which may be issued at any one time is 4% of the number of ordinary shares of the Company on issue at that date. The number of employee scheme options outstanding, which were issued under the employee option incentive scheme, is equivalent to 0.05% of the ordinary shares on issue at 30 June 2005. There are currently 5 employees who hold options issued under the scheme.

OPTIONS TO ACQUIRE SHARES

During 2005, the consolidated entity granted no options (2004: nil) to acquire shares. The exercise price of options granted in previous years was equivalent to the Company's average market share price on the ASX, at the date the options were issued. At balance date, the Company's closing share price was $4.30 (2004: $3.73).

Information with respect to the number of options granted under the employee share plan is as follows:

	Note	2005 Number of options	2005 Weighted average exercise price $	2004 Number of options	2004 Weighted average exercise price $
Balance at the beginning of the year	(A)	**5,325,000**	**4.10**	10,205,000	3.62
Forfeited		**(4,717,000)**	**4.10**	(950,000)	4.03
Exercised and converted to shares	(B)	**(112,000)**	**3.94**	(3,930,000)	2.87
Balance at the end of the year		**496,000**	**4.08**	5,325,000	4.10
Exercisable at the end of the year	(C)	**496,000**	**4.08**	5,325,000	4.10

(A) OPTIONS HELD AT THE BEGINNING OF THE REPORTING PERIOD:

The following table summarises information about options held by employees as at 1 July 2004:

Number of options	Grant date	Expiry date	Exercise price
4,405,000	28 September 1999	28 September 2004	$4.01
250,000	5 April 2000	5 April 2005	$5.66
20,000	29 May 2000	29 May 2005	$4.30
90,000	28 June 2000	28 June 2005	$4.41
300,000	19 September 2000	19 September 2005	$4.36
130,000	12 March 2001	12 March 2006	$3.69
130,000	30 March 2001	30 March 2006	$3.58

28. EMPLOYEE BENEFITS continued

(B) OPTIONS EXERCISED:

(i) The following table summarises information about options exercised by employees during the year ended 30 June 2005:

Number of options	Grant date	Exercise date	Expiry date	Exercise price	Proceeds from shares issued	Number of shares issued	Issue date
64,000	30 Mar 2001	7 Jun 2005	30 Mar 2006	$3.58	229,120	64,000	7 Jun 2005
48,000	28 Jun 2000	21 Jun 2005	28 Jun 2005	$4.41	211,680	48,000	21 Jun 2005

(ii) The following table summarises information about options exercised by employees during the year ended 30 June 2004:

Number of options	Grant date	Exercise date	Expiry date	Exercise price	Proceeds from shares issued	Number of shares issued	Issue date
30,000	11 Sept 1998	11 Sept 2003	11 Sept 2003	2.76	82,800	30,000	11 Sept 2003
160,000	19 Nov 1998	14 Oct 2003	19 Nov 2003	3.08	492,800	160,000	14 Oct 2003
80,000	19 Nov 1998	31 Oct 2003	19 Nov 2003	3.08	246,400	80,000	31 Oct 2003
160,000	19 Nov 1998	19 Nov 2003	19 Nov 2003	3.08	492,800	160,000	19 Nov 2003
2,800,000	16 Dec 1998	31 Oct 2003	16 Dec 2003	2.85	7,980,000	2,800,000	31 Oct 2003
700,000	16 Dec 1998	16 Dec 2003	16 Dec 2003	2.85	1,995,000	700,000	16 Dec 2003

(C) OPTIONS HELD AT THE END OF THE REPORTING PERIOD:

The following table summarises information about options held by employees as at 30 June 2005:

Number of options	Grant date	Expiry date	Exercise price
300,000	19 September 2000	19 September 2005	$4.36
130,000	12 March 2001	12 March 2006	$3.69
66,000	30 March 2001	30 March 2006	$3.58

(D) FAIR VALUES OF OPTIONS:

The fair value of each option is estimated on the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions used:

	Range
Dividend yield	1.92% – 3.47%
Expected volatility	0.202 – 0.342
Risk-free interest rate	4.80% – 6.30%
Expected life of option	5 years

The dividend yield reflects the assumption that the current dividend payout will continue with no material anticipated increases. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The fair value of options has been included in Note 31.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

29. SUPERANNUATION COMMITMENTS

The Company and certain controlled entities contribute to defined contribution and defined benefit employee superannuation plans, which provide benefits for employees and their dependants on retirement, disability and death.

The superannuation arrangements for the Company's Australian employees are managed in a sub-plan of the Mercer Super Trust, called Fairfax Super. The Trustee of the Trust is Mercer Investment Nominees Limited.

The superannuation arrangements for the Company's New Zealand employees are managed by three funds. Gordon and Gotch (N.Z.) Limited Superannuation Fund, now named Fairfax NZ Retirement Fund, Fairfax New Zealand Superannuation Fund and Fairfax NZ Senior Executive Superannuation Scheme. The Trustees of the three Trusts are executives and staff within Fairfax New Zealand.

In the case of the defined contribution employee superannuation plans, the Company and its controlled entities have a legally enforceable obligation to contribute to the plan.

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

The last actuarial assessment of Fairfax Super was carried out as at 1 July 2004 by Ian Manners, BMath FIAA, Actuary from Mercer Human Resource Consulting Pty Ltd.

The last actuarial assessment of Fairfax NZ Retirement Fund was carried out as at 31 March 2004, the last actuarial assessment of Fairfax NZ Senior Executive Superannuation Scheme was carried out as at 1 April 2002. The actuarial assessments were completed by Aon Consulting New Zealand Limited. An updated actuarial assessment of Fairfax NZ Senior Executive Superannuation Scheme has been scheduled to be carried out in September 2005.

Fairfax New Zealand Superannuation Fund is a defined contribution fund and does not require actuarial assessment.

At balance date, the assets of each of the plans are sufficient to satisfy all benefits that would have vested under the plans in the event of termination of the plans and voluntary or compulsory termination of employment of each employee.

The directors, based on the advice of the trustees of the plan, are not aware of any changes in circumstances since the date of the most recent financial statements of the plans (30 June 2005), which would have a material impact on the overall financial position of the defined benefit plan.

	2005 $'000	2004 $'000
SUPERANNUATION PLAN – AUSTRALIA		
Estimated accrued benefits of the plan	**379,028**	328,828
Net market value of the plan's assets	**384,702**	337,518
Surplus	**5,674**	8,690
Vested benefits (estimate)	**375,734**	329,919
Consolidated entity contributions	**22,953**	24,185
SUPERANNUATION PLANS – NEW ZEALAND		
Estimated accrued benefits of the plans	**72,993**	73,497
Net market value of the plans' assets	**77,540**	78,247
Surplus	**4,547**	4,750
Vested benefits (estimate)	**69,749**	69,396
Consolidated entity contributions	**605**	7,664

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
30. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors of John Fairfax Holdings Limited for:				
Audit services				
Ernst & Young Australia	**695**	600	**695**	600
Affiliates of Ernst & Young Australia	**338**	315	**–**	–
KPMG New Zealand	**–**	35	**–**	–
Special audits required by regulatory bodies				
Ernst & Young Australia	**149**	169	**–**	–
Affiliates of Ernst & Young Australia	**97**	4	**–**	–
	1,279	1,123	**695**	600
Other services				
Ernst & Young Australia	**52**	159	**35**	91
Affiliates of Ernst & Young Australia	**103**	141	**–**	–
	155	300	**35**	91
Total auditors' remuneration	**1,434**	1,423	**730**	691

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

31. REMUNERATION OF DIRECTORS AND SPECIFIED EXECUTIVES

(A) DETAILS OF DIRECTORS & SPECIFIED EXECUTIVES

(I) DIRECTORS

RJ Walker	Non-Executive Chairman
MD Burrows	Non-Executive Deputy Chairman
RC Corbett	Non-Executive Director
D Evans	Non-Executive Director
FG Hilmer	Chief Executive Officer
JM King	Non-Executive Director
Sir R Carnegie	Non-Executive Director (resigned 17 September 2004)
DM Gonski	Non-Executive Director (resigned 7 April 2005)
MA Jackson	Non-Executive Director (resigned 31 August 2004)
DR Wills	Non-Executive Chairman (resigned 26 August 2005)
J Withers	Non-Executive Director (appointed 20 September 2004; resigned 16 June 2005)
P Young	Non-Executive Director (appointed 16 September 2005)

(II) SPECIFIED EXECUTIVES

The following executives are the Specified Executives in accordance with accounting standards.

P Graham	Director, Group Operations (resigned 22 July 2005)
B Evans	Chief Operating Officer Australia* (from May 2005)
A Revell	Group Executive** (from May 2005)
S Narayan	Chief Financial Officer
G Hambly	Group General Counsel and Company Secretary

* Brian Evans' previous position was CEO, Fairfax New Zealand
** Alan Revell's previous position was Managing Director, Commercial

(B) REMUNERATION OF DIRECTORS & SPECIFIED EXECUTIVES

Please refer to the Director's Report pages 33 to 41 for details of remuneration of directors and specified executives.

31. REMUNERATION OF DIRECTORS AND SPECIFIED EXECUTIVES continued

(C) REMUNERATION OPTIONS: GRANTED AND VESTED DURING THE YEAR

During the year there were no options granted (2004: nil). Please refer to Note 28.4 for vesting condition requirements. The number of options that vested during the year ended 30 June 2005 is set out in the following table:

	Number Vested
Specified executives	
B Evans	4,000
G Hambly	60,000
A Revell	12,000

No Directors had options that vested during the year ended 30 June 2005.

(D) SHARES ISSUED ON EXERCISE OF REMUNERATION OPTIONS

	Number of shares issued	Value per share $	Total share value $
Specified executives			
A Revell	48,000	4.41	211,680

(E) OPTION HOLDINGS OF DIRECTORS AND SPECIFIED EXECUTIVES

DIRECTORS

During the year ended 30 June 2005, there were no options granted to or exercised by directors, nor were there any options held by directors that lapsed during the financial year.

SPECIFIED EXECUTIVES

The following table displays options granted, exercised or lapsed during the current year.

	Balance at beginning of period 1 July 2004	Granted as remuneration	Options exercised	Options expired	Balance at end of period 30 June 2005	Vested at 30 June 2005		
						Total	Not exercisable	Exercisable
Specified executives								
B Evans	20,000	–	–	(20,000)	–	–	–	–
G Hambly	300,000	–	–	–	300,000	240,000	–	240,000
A Revell	60,000	–	(48,000)	(12,000)	–	–	–	–
Total	380,000	–	(48,000)	(32,000)	300,000	240,000	–	240,000

(F) OPTION VALUES OF SPECIFIED EXECUTIVES

	Total value $	Value per share $	Options exercised
Value of Options Granted	–		
Value of Options Exercised (at exercise date)	8,160	0.17	48,000
Value of Options Lapsed	–		
Total	8,160		

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

31. REMUNERATION OF DIRECTORS AND SPECIFIED EXECUTIVES continued

(G) SHAREHOLDINGS OF DIRECTORS AND SPECIFIED EXECUTIVES

	Balance 1 July 04	Granted as remuneration	On exercise of option	Net Change Other	Balance 30 June 05	Post year end acquisitions	Post year end disposals	Post year end balance*
SHAREHOLDINGS								
Directors								
RJ Walker	307,316	–	–	5,289	312,605	101,467	–	414,072
MD Burrows	19,298	–	–	4,907	24,205	1,614	–	25,819
RC Corbett	8,399	–	–	5,349	13,748	1,526	–	15,274
FG Hilmer	2,948,653	–	–	(2,800,000)	148,653	–	–	148,653
JM King	27,590	–	–	4,640	32,230	1,584	–	33,814
P Young	–	–	–	–	–	–	–	–
R Carnegie	24,495	–	–	931	25,426	–	–	n/a
DM Gonski	29,298	–	–	5,056	34,354	–	–	n/a
MA Jackson	17,672	–	–	1,017	18,689	–	–	n/a
DR Wills	50,903	–	–	11,334	62,237	3,668	–	65,905
J Withers	–	–	–	3,296	3,296	–	–	n/a
Specified Executives								
B Evans	341	55,373	–	–	55,714	–	–	55,714
P Graham	2,366	56,399	–	–	58,765	–	–	58,765
A Revell	12,201	64,796	–	–	76,997	–	–	76,997
G Hambly	–	31,465	–	–	31,465	–	–	31,465
S Narayan	–	57,762	–	–	57,762	–	–	57,762
TOTAL	3,448,532	265,795	–	(2,758,181)	956,146	109,859	–	984,240
PRESSES								
Directors								
JM King	128	–	(128)	–	–	–	–	–
DR Wills	180	–	(180)	–	–	–	–	–
FG Hilmer	180	–	–	–	180	–	–	180
Specified Executives								
There were no PRESSES held, acquired or disposed of in the financial year ended 30 June 2005.								
TOTAL	488	–	(308)	–	180	–	–	180

* In the case of retired directors, the closing balance represents the number of shares at the date the director retired from the Board.

All equity transactions with directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arms length.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

31. REMUNERATION OF DIRECTORS AND SPECIFIED EXECUTIVES continued

(H) AT RISK REMUNERATION

Total remuneration for executives is comprised of "at risk" and "not at risk" remuneration. Base salary, packaged items and superannuation is "not at risk", while short term incentives (cash bonuses) and long term incentives (Options and Shares) are "at risk". The percentage of total remuneration that is "at risk" for the specified and highest paid executives is set out below:

	Total Remuneration	Short Term Incentives Cash Bonus	Long Term Incentives Options/Shares	Percentage of remuneration at risk
B Evans	921,845	225,000	55,373	30%
P Graham	1,456,757	–	56,399	4%
G Hambly	619,077	150,000	64,796	35%
S Narayan	731,781	200,000	31,465	32%
A Revell	920,560	160,000	57,762	24%

(I) LOANS TO DIRECTORS AND SPECIFIED EXECUTIVES

(I) DETAILS OF AGGREGATES OF LOANS TO DIRECTORS & SPECIFIED EXECUTIVES ARE AS FOLLOWS:

DIRECTORS

During the year ended 30 June 2005 there were no loans to directors (2004: nil).

SPECIFIED EXECUTIVES

Period	Balance at beginning of period	Interest not charged	Balance at end of period
2005	100,000	2,747	–
2004	100,000	5,270	100,000

(II) DETAILS OF INDIVIDUALS WITH LOANS ABOVE $100,000 IN THE REPORTING PERIOD ARE AS FOLLOWS:

DIRECTORS

During the year ended 30 June 2005 there were no loans to directors (2004: nil).

SPECIFIED EXECUTIVES

	Period	Balance at beginning of period	Interest not charged	Balance at end of period	Highest Owing in Period
A Revell	2005	100,000	2,747	–	100,000
A Revell	2004	100,000	5,270	100,000	100,000

TERMS AND CONDITIONS OF LOANS

The above loans to specified executives are interest free. The average commercial rate of interest during the year was 5.54% (2004: 5.27%). These loans must be used for income producing purposes and have a 5 year term.

During the financial year ended 30 June 2000, $100,000 was advanced to A Revell a specified executive of controlled entities. The loan to A Revell was repaid during the year ended 30 June 2005.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

32. RELATED PARTY DISCLOSURES

DIRECTORS

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

MD Burrows, Sir R Carnegie, RC Corbett, D Evans, DM Gonski, FG Hilmer, MA Jackson, JM King, RJ Walker, DR Wills and J Withers.

DIRECTORS' SHARE, OPTION AND DEBENTURE HOLDINGS

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

	Shares	PRESSES	Options
Balance at the beginning of the year	3,433,624	488	–
Acquisitions	41,819	–	–
Converted to ordinary shares	–	–	–
Disposals	(2,800,000)	(308)	–
Other changes during the year	(81,765)	–	–
Balance at the end of the year	593,678	180	–

DIRECTOR-RELATED ENTITIES

A number of directors of John Fairfax Holdings Limited also hold directorships with other corporations which provide and receive goods or services to and from the Fairfax Group in the ordinary course of business on normal terms and conditions and are considered to be minor in nature. None of these directors derive any direct personal benefit from the transactions between the Fairfax Group and these corporations.

Transactions were entered into during the financial year with the directors of John Fairfax Holdings Limited and its controlled entities or with director-related entities, which:

- occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the director or director-related entity at arm's length in the same circumstances;
- do not have the potential to adversely affect decisions about the allocation of scarce resources or discharge the responsibility of the directors; or
- are minor or domestic in nature.

CONTROLLED ENTITIES

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

LOANS

During the financial year ended June 2000 $1,125,000 was advanced to directors and executives of controlled entities, N Dews, N Leeder and A Revell as interest free loans. The balance outstanding as at 30 June 2005 is nil (2004: $100,000). During the year ended 30 June 2003 the loan to N Dews was repaid. The loan to N Leeder was repaid during the year ended 30 June 2004. The loan to A Revell was repaid during the year ended 30 June 2005.

ULTIMATE PARENT

John Fairfax Holdings Limited is the ultimate parent company.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

33. NOTES TO THE STATEMENT OF CASH FLOWS

(A) RECONCILIATION OF CASH

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
For the purpose of the Statement of Cash Flows, cash includes the following:				
Cash	134,154	28,105	23,813	–
Bank borrowings	–	–	–	(7,503)
	134,154	28,105	23,813	(7,503)

(B) RECONCILIATION OF NET PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATIONS

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
Net profit	260,321	276,773	278,757	79,999
NON-CASH ITEMS				
Depreciation and amortisation	82,441	85,306	9,991	7,813
Amounts set aside to provisions	52,189	52,969	3,395	3,245
Write-down of non current assets	–	1,089	–	–
Net (profit)/loss on disposal of property, plant & equipment	(2,261)	(1,008)	–	1
Net loss/(profit) on disposal of other assets	(230)	62	–	–
Share of associates' net (profits)	(2,907)	(1,408)	–	–
Dividends received from associates and joint ventures	1,265	1,790	–	–
Foreign Currency (gains)/losses	764	–	–	–
CHANGES IN ASSETS AND LIABILITIES NET OF THE EFFECTS OF ACQUISITIONS				
Trade debtors	(8,889)	(11,396)	(316)	–
Other debtors and prepayments	21,026	(4,812)	782	(158)
Inventories	11,884	(3,234)	–	–
Trade and other creditors	(54,292)	(56,251)	1,238	(1,307)
Sundry creditors	(2,149)	26,176	–	–
Provisions	(48,265)	(70,365)	–	(3,420)
Tax balances	32,904	(76,990)	(4,436)	(49,004)
Transfers from related bodies corporate	–	–	(419,617)	(177,936)
Net cash flows from operating activities	343,801	218,701	(130,206)	(140,767)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

33. NOTES TO THE STATEMENT OF CASH FLOWS continued

(C) ACQUISITION OF CONTROLLED ENTITY

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
Details of the cash outflow relating to the acquisition of The Text Media Company Limited at 12 January 2004 are as follows:				
Consideration:				
Cash	–	64,010	–	64,010
Other acquisition costs	–	4,978	–	4,978
	–	68,988	–	68,988
Fair value of net assets acquired:				
Cash	–	3,532	–	3,532
Trade debtors	–	6,341	–	6,341
Other receivables	–	–	–	–
Prepayments	–	–	–	–
Inventories	–	291	–	291
Investments	–	927	–	927
Property, plant and equipment	–	512	–	512
Tax assets	–	480	–	480
Goodwill	–	4,839	–	4,839
Mastheads and tradenames	–	62,359	–	62,359
Trade payables	–	(1,478)	–	(1,478)
Other payables	–	(7,658)	–	(7,658)
Employee benefits	–	(530)	–	(530)
Tax liability	–	(1,105)	–	(1,105)
Borrowings	–	(4,500)	–	(4,500)
Total net assets acquired	–	64,010	–	64,010
Other acquisition costs	–	4,978	–	4,978
Total cost of acquisition	–	68,988	–	68,988
Net cash effect relating to the acquisition of The Text Media Company Limited:				
Cash consideration paid	–	68,988	–	68,988
Cash included in net assets acquired	–	(3,532)	–	(3,532)
Cash paid for the purchase of controlled entity as reflected in the Statement of Cash Flows	–	65,456	–	65,456

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

33. NOTES TO THE STATEMENT OF CASH FLOWS continued

(D) NON-CASH FINANCING AND INVESTING ACTIVITIES

Under the terms of the DRP, $66.32 million (2004: $53.73 million) of dividends were paid via the issue of 17,494,932 shares (2004: 16,079,597). A cash dividend payment of $102.58 million was made to shareholders that did not elect to participate in the DRP.

(E) FINANCING FACILITIES

Refer Note 15.

(F) DISPOSAL OF CONTROLLED ENTITY

Details of the cash inflow relating to the disposal of The Text Publishing Company Pty Limited at 31 May 2004 are as follows:

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
Proceeds on disposal:				
Cash	–	608	–	–
The carrying amounts of assets and liabilities disposed of by major class are:				
Trade debtors	–	339	–	–
Inventories	–	271	–	–
Payables	–	(175)	–	–
Other	–	235	–	–
Net assets of entity sold	–	670	–	–
(Loss) on disposal	–	(62)	–	–
Net cash effect:				
Cash proceeds on disposal of The Text Publishing Company Pty Limited	–	608	–	–
Cash proceeds from the sale of other investments	–	541	–	–
Cash proceeds from the sale of investments as reflected in the Consolidated Statement of Cash Flows	–	1,149	–	–

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

34. FINANCIAL INSTRUMENTS

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

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

(A) INTEREST RATE RISK

The consolidated entity enters into a range of derivative financial instruments to manage financial risks associated with changes in interest rates with the objectives of reducing the risk to profitability and cashflow as well as the volatility of interest expense. Treasury Policy requires the proportion of fixed and variable interest rate risk as well as the maturity of the fixed interest rate risk to be maintained within defined limits. Interest rate swaps, options and forward rate agreements are utilised to maintain the proportion within policy limits and manage the rate setting process on the variable interest rate risk.

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

		Fixed interest maturing in					
	Floating interest rate $'000	1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000	Weighted average effective interest rate %
AS AT 30 JUNE 2005							
FINANCIAL ASSETS							
Cash	134,154	–	–	–	–	134,154	5.4
Receivables	–	–	–	–	292,800	292,800	–
Investments	–	–	–	–	16,980	16,980	–
Cross currency swap receivable	–	–	–	–	6,830	6,830	–
	134,154	–	–	–	316,610	450,764	
FINANCIAL LIABILITIES							
Bank borrowings (unsecured)	–	–	–	–	–	–	–
Bank loans	102,044	–	–	–	–	102,044	6.2
Senior notes	–	–	157,584	340,205	–	497,789	7.1*
Medium term notes	–	150,000	–	–	–	150,000	6.4*
Other borrowings	–	6,375	–	83,218	–	89,593	9.5
Lease liability	52,921	–	–	–	–	52,921	10.3
RPS	–	–	173,615	–	–	173,615	4.4
Total borrowings	154,965	156,375	331,199	423,423	–	1,065,962	
Interest rate swaps	308,263	100,000	(138,969)	(269,294)	–	–	–
Accounts payable	–	–	–	–	204,676	204,676	–
	463,228	256,375	192,230	154,129	204,676	1,270,638	

34. FINANCIAL INSTRUMENTS continued

	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000	Weighted average effective interest rate %
AS AT 30 JUNE 2004							
FINANCIAL ASSETS							
Cash	28,105	–	–	–	–	28,105	5.25
Receivables	–	–	–	–	273,930	273,930	–
Investments	–	–	–	–	11,915	11,915	–
Cross currency swap receivable	–	–	–	–	21,435	21,435	–
	28,105	–	–	–	307,280	335,385	
FINANCIAL LIABILITIES							
Bank borrowings (unsecured)	175,000	–	–	–	–	175,000	6.0
Bank loans	131,394	–	–	–	–	131,394	5.8
Senior notes	–	–	171,600	339,359	–	510,959	6.0*
Medium term notes	–	–	150,000	–	–	150,000	7.7*
Other borrowings	–	6,896	–	88,969	–	95,865	10.4
Lease liability	54,422	–	–	–	–	54,422	12.2
Total borrowings	360,816	6,896	321,600	428,328	–	1,117,640	
Interest rate swaps**	74,527	(100,000)	364,246	(338,773)	–	–	–
Accounts payable	–	–	–	–	255,017	255,017	–
	435,343	(93,104)	685,846	89,555	255,017	1,372,657	

* The weighted average effective interest rate incorporates the effect of interest rate swaps and options.
** In addition to these interest rate swaps, the Company also entered into $125 million of interest rate swaptions which matured in December 2004.

(B) FOREIGN EXCHANGE RISK

The consolidated entity enters into a range of derivative financial instruments to manage foreign exchange risk with the objectives of reducing the risk to profitability and cash flow and removing uncertainty in valuation of the statement of financial position. The principal statement of financial position risk arises from the issue of Senior Notes denominated in US dollars (refer Note 15) and the underlying assets and liabilities of our New Zealand business. The exposure to US dollar payments for principal and interest under this transaction was fully hedged into AUD and NZD by cross currency and interest rate swap transactions. At balance date the fair value of these cross currency swaps are $18.4 million (2004: $35.0 million). The consolidated entity also enters into forward foreign exchange contracts to hedge foreign currency denominated payments (principally US dollars, NZD and GBP) mainly for the purchases of capital equipment, newsprint, paper, other materials, and hedging of loan receivables and dividend payments from overseas subsidiaries.

The consolidated entity has hedged a NZD loan receivable from its New Zealand subsidiary.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

34. FINANCIAL INSTRUMENTS continued

		2005 weighted average exchange rate	2004 weighted average exchange rate	2005 $'000	2004 $'000
GBP	Not later than one year	–	0.4088	–	(2,829)
SGD	Not later than one year	–	1.2535	–	(6,145)
NZD	Not later than one year	**1.0812**	1.1018	**(602,426)**	(632,014)
USD	Not later than one year	**0.7237**	0.6489	**97**	823
	Later than one year	**0.7378**	0.7378	**350,000**	350,000

(C) CREDIT RISK

The consolidated entity is exposed to credit risk representing the loss in the event of non-performance by financial instrument counterparties which are investment grade rated financial institutions. Credit risk is managed through the use of credit ratings and monitoring the usage of predetermined limits. As at 30 June 2005 the consolidated entity had no significant concentration of credit risk with any single counterparty or group of counterparties other than the mark to market on the cross currency swaps of $18.4 million (2004: $35.0 million).

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

(D) NET FAIR VALUES

All financial assets and liabilities have been recognised at the balance date at the net fair value except for the following:

RECOGNISED

Cash, receivables, investments, accounts payable and provision for dividends, cross currency swaps and borrowings – The carrying amounts of these approximate fair value which is stated at the lower of cost or net realisable value.

UNRECOGNISED

Interest rate swaps and interest rate options – The net fair value is estimated as the present value of future cash flows using current market rates prevailing at reporting date and market accepted formulae.

Foreign exchange contracts – The fair value of foreign exchange contracts is determined as the gain or loss at reporting date calculated by reference to current foreign exchange rates for contracts with similar maturity profiles.

	Carrying amount asset/(liability)		Net fair value asset/(liability)	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Interest rate swaps	–	–	**1,326**	6,373
Interest rate options	–	–	–	(1,570)
Foreign currency contracts	**6,048**	(1,434)	**5,405**	(1,929)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

35. SEGMENT REPORTING

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

The economic entity operates in one business segment, publishing. The publishing business comprises news, information and entertainment publishing and advertising sales in newspaper, magazine and electronic formats.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

36. SUBSEQUENT EVENTS

ACQUISITION OF RSVP.COM.AU PTY LIMITED

On 11 July 2005, John Fairfax Holdings Limited announced that it had acquired the privately owned RSVP.COM.AU Pty Limited, the market leader in Australian online dating. The business was purchased for $38.92 million from the original founders of RSVP.

REPAYMENT OF DEBT

On 15 July 2005, Fairfax repaid $150 million of the medium term note debt which was classified as current interest-bearing liabilities as at the end of the 2005 financial year.

ACQUISITION OF THE RODNEY TIMES NEWSPAPER GROUP PUBLICATIONS

On 3 September 2005, John Fairfax Holdings Limited announced that the Warkworth NZ-based Rodney Times newspaper group has agreed to sell its publications to Fairfax New Zealand Limited, for less than $10 million.

The financial effects of these transactions have not been brought to account in the financial statements for the year ended 30 June 2005.

37. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

37. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS continued

(A) RECONCILIATION OF EQUITY AS PRESENTED UNDER AGAAP TO THAT UNDER AIFRS

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

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

(ii) Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of its net selling price and value in use, with strict tests to be applied for assessing potential impairment, and detailed guidance given for assessing value in use. Unlike the current Australian Accounting Standards, AIFRS prohibits the inclusion of forecasted increases in profitability arising from a restructuring when calculating recoverable amount. The expected financial impact of such changes is regularly factored in when applying existing Australian Accounting Standards. Following an assessment of the recoverable amount of the Consolidated entity's individual mastheads in accordance with the more prescriptive and detailed requirements of AASB 136 Impairment of Assets, a transition adjustment of $17,713,000 has been identified.

(iii) Under AASB 3 *Business Combinations*, goodwill is no longer amortised, rather it is to be assessed annually for potential impairment. For the year ended 30 June 2005 the amortisation of goodwill recorded under AGAAP is written back in the AIFRS transition balance sheet.

(iv) Under AASB 112 *Income Taxes*, the Fairfax Group would be required to use a balance sheet liability method, (rather than an income statement method) which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a deferred tax liability in relation to the re-valued assets. Under existing Australian Accounting Standards, the tax effects of asset revaluations are not recognised. The expected impact of the change in basis for the financial year ended 30 June 2005 is a cumulative increase in deferred tax liabilities of $34,933,000 for the consolidated entity and the company.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

37. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS continued

(A) RECONCILIATION OF EQUITY AS PRESENTED UNDER AGAAP TO THAT UNDER AIFRS continued

(v) Under AASB 119 *Employee Benefits*, the Fairfax Group would recognise the net surplus in its employer sponsored defined benefit funds as an asset. Fairfax has defined benefit superannuation plans in Australia and New Zealand. The AASB 1 election to recognise in full actuarial gains and losses at transition date through retained earnings has been adopted. At the date of transition an amount of $6,927,000 is expected to be recognised as an asset of the consolidated entity with a consequential increase in retained earnings. (Company: $nil)

(vi) Under AASB 119 *Employee Benefits*, the Fairfax Group will recognise an increase to the profit for the year of $456,000 to reflect the write back of contributions and the recognition of the service cost of the defined benefit funds based on actuarial valuations in the consolidated entity. Actuarial gains/losses of $552,000 (Company: $nil) are expected to be recognised directly through retained earnings.

(vii) Under AASB 2 *Share Based Payments*, the Fairfax Group would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payments costs are not recognised under existing Australian Accounting Standards.

(viii) Under AASB 112 *Income Taxes*, the Fairfax Group would be required to recognise the tax effect of share issuance costs directly into reserves.

(B) RECONCILIATION OF NET PROFIT UNDER AGAAP TO THAT UNDER AIFRS

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

(ix) Under AASB 2 *Share based Payments*, employee benefits expense, retained earnings and reserves will be increased by $416,000 to reflect the expensing of unvested share based payments for the reporting period.

(x) Under AASB 112 *Income Taxes*, adjustments will need to be made to income tax expense for the Fairfax Group and the Company as a result of the impact of the AIFRS transition adjustments outlined above.

(C) CONSIDERATION OF THE IMPACT OF AIFRS STANDARDS ON THE STATEMENT OF CASH FLOWS

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005
JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

37. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS continued

(D) CONSIDERATION OF THE IMPACT OF OTHER AIFRS STANDARDS AND ELECTIONS TAKEN

(i) AASB 132 *Financial Instruments: Disclosure and Presentation*, and AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, provides an election whereby the requirements of AASB 132 and AASB 139 are not required to be applied to the first AIFRS comparative year; the Fairfax Group has taken this election and will apply these standards from 1 July 2005. Under AASB 132 and AASB 139, certain financial instruments held by the Fairfax Group will be reclassified as financial liabilities rather than as equity instruments. Consequently, the associated dividend payments will be recognised as an interest expense through the Statement of Financial Performance rather than as equity distributions. Fairfax has $250m of PRESSES on issue that are classified as equity under current Australian GAAP. As noted above, the application of AASB 132 is not required for comparative periods and first time adoption of this change will be at 1 July 2005.

(ii) AASB 3 *Business Combinations*. As permitted by the election available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, the classification and accounting treatment of business combinations that occurred prior to transition date have not been restated in preparing the opening AIFRS balance sheet.

(iii) The consolidated entity has not chosen to adopt the AASB 1 election to reset the foreign currency translation reserve to $nil. Therefore as at 1 July 2004 the consolidated reserve will be retained with a credit balance of $19,066,000.

Directors' Declaration

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

1. In the opinion of the directors:
   (a) the financial report and the additional disclosures included in the Directors' Report designated as audited, of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on the date; and
      (ii) complying with Accounting Standards and Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2005.
3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 26 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Mark Burrows
Chairman, Audit and Risk Committee

Frederick G Hilmer
Chief Executive Officer and Director

Sydney
27 September 2005

Independent audit report to the members of John Fairfax Holdings Limited

Ernst & Young

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Australia

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Sydney NSW 2001

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SCOPE

THE FINANCIAL REPORT, REMUNERATION DISCLOSURES AND DIRECTORS' RESPONSIBILITY

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for John Fairfax Holdings Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard 1046 *Director and Executive Disclosures by Disclosing Entities*, under the heading "remuneration report" in sections 3–5 of the directors' report, as permitted by the *Corporations Regulations 2001*.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

AUDIT APPROACH

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Independent audit report to the members of John Fairfax Holdings Limited

ERNST & YOUNG

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

AUDIT OPINION

In our opinion:

1. the financial report of John Fairfax Holdings Limited is in accordance with:
   (a) the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the financial position of John Fairfax Holdings Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
   (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained in sections 3 – 5 of the directors' report comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

David J Simmonds
Partner

Sydney
27 September 2005

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Shareholder information

JOHN FAIRFAX HOLDINGS LIMITED

TWENTY LARGEST HOLDERS OF SECURITIES AT 31 AUGUST 2005	Number of securities	%
(I) ORDINARY SHARES		
National Nominees Limited	162,820,654	17.61
J P Morgan Nominees Australia Limited	145,984,351	15.79
Westpac Custodian Nominees Limited	127,590,248	13.80
RBC Global Services Australia Nominees Pty Limited	37,138,702	4.02
Cogent Nominees Pty Limited	23,816,424	2.58
Citicorp Nominees Pty Limited	22,951,321	2.48
Queensland Investment Corporation	22,539,097	2.44
RBC Global Services Australia	20,734,803	2.24
ANZ Nominees Limited	15,792,147	1.71
UBS Nominees Pty Limited	13,578,813	1.47
IAG Nominees Pty Limited	9,367,208	1.01
Government Superannuation Office	8,113,374	0.88
Citicorp Nominees Pty Limited	7,670,569	0.83
AMP Life Limited	6,661,742	0.72
Westpac Financial Services Limited	5,437,888	0.59
Citicorp Nominees Pty Limited	5,334,100	0.58
Victorian Workcover Authority	5,293,547	0.57
RBC Global Services Australia	5,236,126	0.57
Subcorp Custodian Services Pty Limited	4,760,000	0.51
Health Super Pty Ltd	4,071,646	0.44
	654,892,760	70.84

Shareholder information

JOHN FAIRFAX HOLDINGS LIMITED

TWENTY LARGEST HOLDERS OF SECURITIES AT 31 AUGUST 2005 continued	Number of securities	%
(II) PREFERRED RESET SECURITIES EXCHANGEABLE FOR SHARES (PRESSES)		
National Nominees Limited	156,828	6.27
Share Direct Nominees Pty Limited	150,000	6.00
UBS Private Clients Australia Nominees Pty Limited	112,477	4.50
J P Morgan Nominees Australia Limited	100,636	4.03
RBC Global Services Australia Nominees Pty Limited	71,671	2.87
Westpac Custodian Nominees Limited	71,449	2.86
Cogent Nominees Pty Limited	70,183	2.81
ANZ Nominees Limited	66,920	2.68
Questor Financial Services Limited	64,580	2.58
AMP Life Limited	46,479	1.86
Australian Foundation Investment Company Limited	28,250	1.13
Cogent Nominees Pty Limited	28,200	1.13
Citicorp Nominees Pty Limited	27,068	1.08
Citicorp Nominees Pty Limited	25,000	1.00
Westpac Financial Services Limited	25,000	1.00
UBS Nominees Pty Ltd	21,185	0.85
ANZ Executors and Trustee Company Limited	20,466	0.82
RBC Global Services Australia Nominees Pty Limited	12,388	0.50
Argo Investments Limited	10,000	0.40
Darinka Pty Limited	10,000	0.40
	1,118,780	44.77
(III) DEBENTURES		
National Financial Services	281	100.00

(IV) OPTIONS

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

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as shown in substantial shareholder notices received by the Company as at 31 August 2005 are:

	Ordinary shares
Maple-Brown Abbott Limited	104,346,432
Commonwealth Bank of Australia	69,536,374
Perpetual Trustees Australia Limited	66,099,957
UBS Nominees Pty Limited	65,096,120
Lazard Asset Management Pacific Co.	48,845,310

Shareholder information

JOHN FAIRFAX HOLDINGS LIMITED

DISTRIBUTION SCHEDULE OF HOLDINGS AT 31 AUGUST 2005

No. of securities	No. of ordinary shareholders	No. of PRESSES holders	No. of debenture holders	No. of option holders
1 – 1,000	8,176	5,668	1	–
1,001 – 5,000	21,587	136	–	–
5,001 – 10,000	5,370	13	–	–
10,001 – 100,000	2,779	14	–	4
100,001 and over	177	4	–	1
Total number of holders	38,089	5,835	1	5
Number of holders holding less than a marketable parcel	654	1	–	–

VOTING RIGHTS

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

Five year performance summary

JOHN FAIRFAX HOLDINGS LIMITED AND CONTROLLED ENTITIES

		2005	2004	2003	2002	2001
Total revenue from ordinary activities	$m	**1,891.8**	1,783.0	1,226.0	1,197.8	1,327.7
Operating revenue	$m	**1,873.4**	1,767.7	1,208.9	1,174.8	1,288.5
Earnings before depreciation, interest and tax (EBITDA)	$m	**512.3**	433.0	270.5	188.6	299.8
Depreciation	$m	**82.4**	85.3	69.2	67.1	65.2
Earnings before interest and tax	$m	**429.8**	347.7	201.3	121.6	234.6
Net interest expense	$m	**78.4**	71.9	23.5	29.7	43.8
Profit before tax	$m	**351.4**	275.8	177.8	91.8	190.8
Income tax (benefit)/expense	$m	**91.1**	(1.0)	52.0	38.2	62.7
Net profit attributable to members of the company	$m	**259.7**	276.0	125.5	53.7	128.1
Net profit before significant items	$m	**252.6**	207.6	125.5	90.2	126.2
Total equity	$m	**2,209.2**	2,068.7	1,781.8	1,344.5	1,141.0
Total assets	$m	**3,606.2**	3,531.2	3,426.2	2,314.7	2,291.8
Total borrowings	$m	**1,066.0**	1,117.6	1,219.8	593.4	774.3
Number of shares and debentures	m	**924.5**	906.9	867.5	735.1	734.9
Number of shareholders		**38,089**	37,899	45,455	44,731	45,007
Number of PRESSES holders		**5,835**	5,984	6,285	6,201	–
EBITDA to operating revenue	%	**27.3**	24.5	22.4	16.1	23.3
Earnings per share	Cents	**26.2**	29.1	14.4	6.2	17.5
Earnings per share before significant items	Cents	**25.5**	21.4	14.4	11.2	17.3
Operating cash flow per share	Cents	**37.3**	24.1	29.3	18.5	21.3
Dividend per share	Cents	**23.5**	16.5	13.0	11.5	11.5
Interest cover based on EBITDA before significant items	Times	**6.5**	6.3	11.5	7.8	7.0
Gearing	%	**42.2**	52.7	67.4	43.6	67.1
Return on equity	%	**11.8**	13.3	7.0	4.0	11.2

Directory

JOHN FAIRFAX HOLDINGS LIMITED

ANNUAL GENERAL MEETING

The annual general meeting will be held at 10.30am on Friday, 18 November 2005 at the Four Seasons Hotel (formerly the Regent), 199 George Street, Sydney.

FINANCIAL CALENDAR

FOR FINANCIAL YEAR 2004–2005

Books close for final and special dividends	9 September 2005
Annual general meeting	18 November 2005
Final dividend mailed	11 October 2005
PRESSES dividend	12 December 2005

ESTIMATED FOR FINANCIAL YEAR 2005–2006

Interim result and dividend announcement	February 2006
Books close for interim dividend	April 2006
Interim dividend mailed	April 2006
PRESSES dividend	June 2006
Preliminary final result and dividend announcement	August 2006
Final dividend mailed	October 2006
Annual general meeting	November 2006
PRESSES dividend	December 2006

COMPANY SECRETARY

Gail Hambly

REGISTERED OFFICE

Level 19
Darling Park
201 Sussex Street
Sydney NSW 2000

Ph: (02) 9282 3046

Fax: (02) 9282 3065

Directory

JOHN FAIRFAX HOLDINGS LIMITED

SHARE REGISTRY

ASX Perpetual Registrars Limited
Level 8
580 George Street
Sydney NSW 2000

Ph: 1300 888 062

Fax: (02) 9261 8489

www.asxperpetual.com.au

STOCK EXCHANGE LISTING

The Company's ordinary shares are listed on the Australian Stock Exchange Limited – "FXJ".
The Company's PRESSES are listed on the Australian Stock Exchange Limited – "FXJPA".
The NZ redeemable preference shares are listed on the New Zealand Debt Exchange – "FXF".

IMPORTANT INFORMATION ABOUT THE FAIRFAX ANNUAL REPORT

To obtain a free copy of this report, contact ASX Perpetual Registrars – see contact details above.

WEBSITE

The Fairfax Annual Report can be found via the Company's website at www.fxj.com.au. The Company's family of websites can be accessed through www.fairfax.com.au.

REMOVAL FROM ANNUAL REPORT MAILING LIST

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

CONSOLIDATION OF SHAREHOLDINGS

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

DIRECT PAYMENT TO SHAREHOLDERS' ACCOUNTS

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

Roster of Publications

AUSTRALIAN PUBLICATIONS

FAIRFAX METROPOLITAN, REGIONAL AND COMMUNITY NEWSPAPERS

METROPOLITAN NEWSPAPERS

The Sydney Morning Herald
The Sun-Herald
The Age
The Sunday Age

FAIRFAX REGIONAL NEWSPAPERS

Regional New South Wales

The Herald – Newcastle
Illawarra Mercury
Hunter Post
Newcastle/Lake Macquarie Post
Central Coast Sun Weekly
Port Stephens Examiner
Wollongong Advertiser

Regional Victoria

The Warrnambool Standard

Fairfax Community Newspapers – NSW

The St George & Sutherland Shire Leader
Cooks River Valley Times
Campbelltown-Macarthur Advertiser
Camden Advertiser
Wollondilly Advertiser
Fairfield City Champion
Liverpool City Champion
Bankstown-Canterbury Torch
Blacktown City Sun
Parramatta Sun
Penrith City Star
St Marys Mt Druitt Star
Hills News
Northern News
Northern Beaches Weekender
South Western Rural Advertiser
Auburn Review Pictorial
Western Rural Weekly (Bringelly)

Fairfax Community Newspapers – Victoria

Melbourne Weekly Magazine
Melbourne Weekly Bayside
Emerald Hill Weekly
City Weekly
The Melbourne Times
Melbourne Times Northern Edition
Heidelberg Weekly
Knox Journal
Maroondah Journal
Yarra Ranges Journal
The Journal
Berwick & District Journal/ Pakenham Journal
Monash Journal
Whitehorse Weekly
Macedon Ranges/Sunbury Telegraph
Werribee Banner
Moreland Community News
Moonee Valley Community News
The Altona Laverton Mail
The Mail
Williamstown Advertiser
North-West Advocate
The Advocate
Melton Express Telegraph
Bacchus Marsh Express Telegraph
Whittlesea Weekly
Valley Weekly
Manningham Weekly
Peninsular Journal Weekender
Hume Weekly (Inc. Broadmeadows/Tullamarine edition)
Colac & Corangamite Extra

FAIRFAX GENERAL MAGAZINES

Good Weekend
Television
Sunday Life
the(sydney)magazine
theage(melbourne)magazine
Uncorked
Drive
Fashion
Travel + Leisure

FAIRFAX DIGITAL

smh.com.au
theage.com.au
rugbyheaven.com
realfooty.com.au
monyemanager.com.au
tradingroom.com.au
mycareer.com.au
domain.com.au
drive.com.au
tradingroom.com.au
RSVP.com.au

FAIRFAX BUSINESS MEDIA

The Australian Financial Review
The Australian Financial Review – Weekend Edition
afr.com
AFR Magazine
AFR Smart Investor
AFR Sophisticated Traveller
Asset
BOSS
Business Review Weekly
CFO Australia
MIS Australia
MIS NZ
MIS Asia
MIS UK

NEW ZEALAND PUBLICATIONS

METROPOLITAN NEWSPAPERS

The Dominion Post
The Christchurch Press
Waikato Times

PROVINCIAL NEWSPAPERS

The Manawatu Standard
The Marlborough Express
The Nelson Mail
The Southland Times
Taranaki Daily News
Timaru Herald

NATIONAL

Sunday Star-Times
Sunday News
Friday Flash, Turf Digest, Best Bets
New Zealand Truth

ONLINE

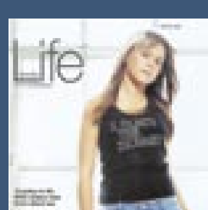
stuff.co.nz
Jobstuff

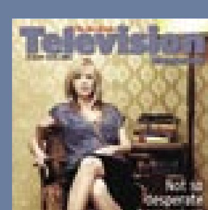
COMMUNITY NEWSPAPERS

Wellingtonian
Hutt News
Kapi-Mana News
Kapiti Observer
Horowhenua Mail
Upper Hutt Leader
Wairarapa News
Christchurch Mail
The Northern Outlook
Central Canterbury News
Central Districts Farmer
Feilding Herald
Rangitikei Mail
The Tribune
Kaikoura Star
Motueka Golden Bay News
The Nelson Leader
The Richmond-Waimea Edition
The Mirror
Clutha Leader
Newslink
Taieri Herald
Otago Southland Farmer
The Bay Chronicle
Central Leader
Auckland City Harbour News
Eastern Courier
East & Bays Courier
Manukau Courier
Papakura Courier
Northern News
North Harbour News
North Shore Times
Norwest Newsbrief
Western Leader
Whangarei Leader
South Taranaki Star
North Taranaki Midweek
High Country Herald
Cambridge Edition
Franklin County News
North Waikato News
Hauraki Herald
Matamata Chronicle
East Waikato Country
Rural Delivery
Piako Post
Rotorua Review
South Waikato News
Ruapehu Press
Taupo Times

FAIRFAX MAGAZINES

Autocar
Cuisine
New Zealand Gardener
NZ House & Garden
TV Guide
Boating New Zealand
New Zealand Fishing News
Fish & Game New Zealand
New Zealand Growing Today
New Zealand Horse & Pony
New Zealand Trucking
Truck & Machinery Trader
onHoliday





Talk to Fairfax
Talk to New Zealand

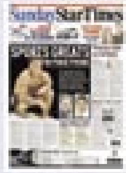
National
- Sunday Star Times
- Sunday News
- Best Bets
- Friday Flash
- New Zealand Truth
- Turf Digest

Auckland Suburbans
- North Harbour News
- Nor-West News
- North Shore Times
- Western Leader
- Central Leader
- Auckland City Harbour News
- East & Bays Courier
- Eastern Courier
- Manukau Courier
- Papakura Courier

Northland
Communities
- The Bay Chronicle
- Northern News
- Whangarei Leader
- Dargaville & Districts News
- Look North

Waikato / Bay of Plenty
Daily
- Waikato Times
- Taranaki Daily News

Communities
- Franklin County News
- North Waikato News
- Hauraki Herald
- Piako Post
- Hamilton Press
- Cambridge Edition
- Matamata Chronicle
- South Waikato News
- Rotorua Review
- Ruapehu Press
- Taupo Times
- North Taranaki Midweek
- The South Taranaki Star
- A to Z Directories

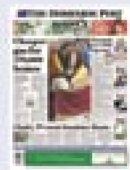


Sunday Star Times
(National)
Circulation: 203,647*
Readership: 666,000**

* ABC 6 months to March 05
**NMR NRS Jul04 - Jun05, AIR 15yrs+

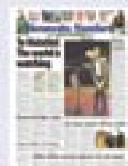
Sunday News
(National)
Circulation: 101,279*
Readership: 462,000**

* ABC 6 months to March 05
**NMR NRS Jul04 - Jun05, AIR 15yrs+



The Dominion Post
(Wellington)
Circulation: 98, 232*
Readership: 237,000**

*ABC 6 months to March 05
**NMR NRS Jul04 - Jun05, AIR 15yrs+

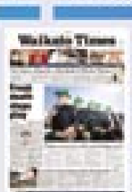


Manawatu Standard
(Palmerston North)
Circulation: 20,576*
Readership: 41,000**

*ABC 12 months to March 05
**NMR RS Jan - Dec04, AIR 15yrs+

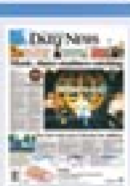


Fairfax
New Zealand Ltd



Waikato Times
(Hamilton)
Circulation: 41,017*
Readership: 99,000**

* ABC 6 months to March 05
**NMR NRS Jul04 - Jun05, AIR 15yrs+



Taranaki Daily News
(New Plymouth)
Circulation: 26,754*
Readership: 55,000**

* ABC 6 months to March 05
**NMR RS Jan - Dec 04, AIR 15yrs+

Central
Daily
- The Dominion Post
- Manawatu Standard

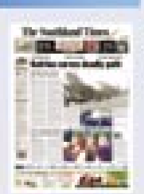
Communities
- Feilding Herald
- Feilding Herald & Rangitikei Mail
- The Tribune
- Wairarapa News
- Horowhenua Mail
- Kapiti Observer
- Kapi Mana News
- Upper Hutt Leader
- The Hutt News
- The Wellingtonian
- Central District Farmer

The Press
(Christchurch)
Circulation: 92,458*
Readership: 223,000**

*ABC 6 months to March 05
**NMR NRS Jul04 - Jun05, AIR 15yrs+

South Island
Daily
- The Press
- The Marlborough Express
- The Nelson Mail
- The Timaru Herald
- The Southland Times

Communities
- Central Canterbury News
- The Saturday Express
- Marlborough Midweek
- Kaikoura Star
- The Northern Outlook
- High Country Herald
- The Christchurch Mail
- Clutha Leader
- The Leader
- Taieri Herald
- Newslink
- The Mirror
- Motueka-Golden Bay News
- Otago-Southland Farmer



The Southland Times
(Invercargill)
Circulation: 29,567*
Readership: 64,000**

* ABC 6 months to March 05
**NMR RS Jan - Dec04, AIR 15yrs+

The Nelson Mail
(Nelson)
Circulation: 18,437*
Readership: 40,000**

*ABC 12 months to March 05
**NMR RS Jan - Dec04, AIR 15yrs+

The Marlborough Express
(Blenheim)
Circulation: 10,362*
Readership: 23,000**

* ABC 12 months to March 05
**NMR RS Jan - Dec04, AIR 15yrs+

The Timaru Herald
(Timaru)
Circulation: 14,335*
Readership: 29,000**

* ABC 12 months to March 05
**NMR RS Jan - Dec04, AIR 15yrs+

Magazines
Magazines
- Auckland Max
- Boating NZ
- Cuisine
- FHM
- Fish & Game NZ
- NZ Autocar
- NZ Fishing News
- NZ Gardener
- NZ Growing Today
- NZ Horse & Pony
- NZ House & Garden
- NZ Trucking
- onHoliday
- Sunday Magazine
- The TV Guide
- AA Directions (contract)
- SkyWatch (contract)