FAIRFAX REVIEW

John Fairfax Holdings Limited ABN 15 008 663 161 — Concise Report 2001

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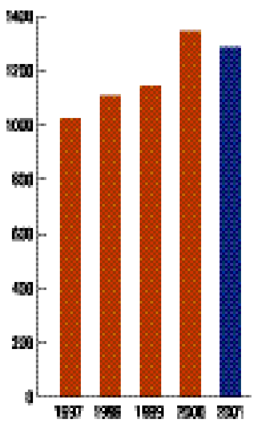
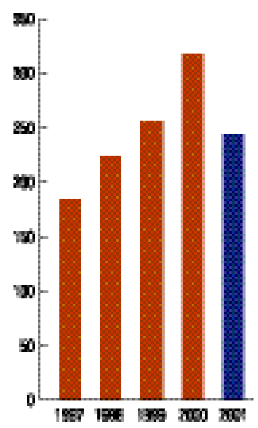
FINANCIAL HIGHLIGHTS
RESULTS OF OPERATIONS

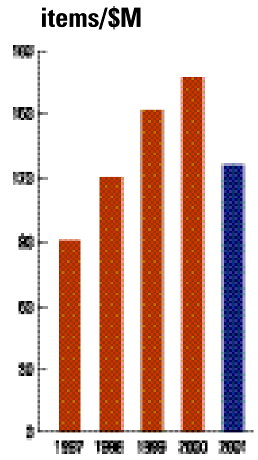
Trading revenue/$M



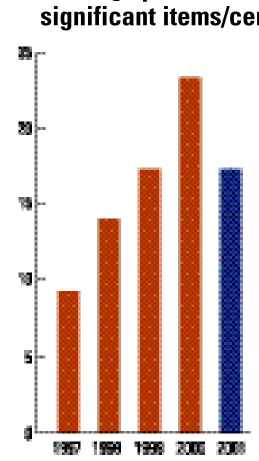
EBIT/$M



Profit before significant items/$M



Earnings per share before significant items/cents



CHAIRMAN'S REPORT BRIAN M. POWERS

Australia's premier information provider

The 2001 financial year was a challenging one for the company financially. The Australian economy slowed significantly following the Sydney Olympics, and with it the advertising market. With advertising constituting approximately 80% of our total revenues, the slowdown materially affected our results. Following two strong years during which earnings per share pre-abnormal items rose over 65%, earnings per share, pre-significant items, fell 25.4% to 17.3 cents. Against this background, we continued our efforts to reinforce Fairfax's position as Australia's premier information provider, to keep our costs under control by running our businesses as efficiently as possible, and to further build an appropriate online strategy. I am pleased to report substantial progress on all three of these initiatives.

Mastheads. Our publications remain strong in a difficult market. Our journalism continues to be marked by excellence, from ground-breaking stories which trigger national debate on issues of importance, to the outstanding coverage, with special editions and unprecedented traffic on our websites, of notable events, ranging from the highs of the Sydney Olympics to the lows of the recent terrorist attacks in the United States. While the quality and relevance of our editorial content remain the main focus, we have also invested heavily in a new printing plant at Tullamarine in Melbourne and a substantial upgrade at our Chullora plant in Sydney, which will both come on-stream towards the end of this financial year, to ensure production qualities, features and flexibility required to meet the needs of our readers and advertisers. Our mastheads were forced to weather the circulation effects of the cover price increases caused by the new GST, without any revenue benefit to the company. While there were some circulation declines, generally in line with industry performance, we did see gains in the crucial Saturday edition of *The Sydney Morning Herald*. Our commanding position with the AB audience has been fully maintained, with our papers being the newspapers of choice for the audience most valued by advertisers. *The Sun-Herald* enjoyed a burst in AB readership following its redesign, and has maintained its substantial lead over its competition in this category, although its circulation was off year on year.

Operating Efficiencies. Our ability to control costs generally, and to react to changes in economic conditions specifically, have improved markedly. Our costs rose in the 2000 financial year and the earlier part of the past year as we published larger papers to accommodate surging advertising volumes and we incurred incremental costs associated with our outstanding coverage of the Olympics. We reacted quickly to the post-Olympic slowdown, instituting a hiring freeze, reducing the size of our papers to reflect the decreased advertising volumes and scrutinising all discretionary spending. The results of these efforts were outstanding, with costs for the second half of the year down some $32.9 million, or 6.5%, from the first half, and $25.8 million, or 5.2%, from the corresponding second half one year ago. Our efforts to drive efficiencies have continued, with some 200 further redundancies already identified and the associated costs provided in the 2001 financial year accounts.

f2. The past year also saw a major reappraisal of f2, our online business, spawned by our increasing knowledge of how people actually use the internet, its relation to our print products and its implication on where profit opportunities may or may not exist in the Australian market. As a result, we are now focused on two main areas – News and Classifieds, and CitySearch Directories.

Our News and Classifieds sites, which are, of course, direct, natural and necessary adjuncts to our core print business, have enjoyed considerable success. Just as *The Sydney Morning Herald* and *The Age* have been papers of record for well over a century, their respective online sites have established themselves as the online news sites of record, holding the number one and two positions in Australia. Similarly, *The Australian Financial Review* online site is the pre-eminent business site. Our classified sites – MyCareer.com.au, Drive.com.au and Domain.com.au – have established themselves among the leaders in their areas. Our News and Classifieds sites together lost approximately $17.2 million last year, an improvement of some $4.9 million over the prior year. We would expect further improvement this year. While we view this as an essential investment that supports and strengthens our franchises, we will continue to seek to devise ways to monetise the substantial traffic generated by these sites.

CitySearch, our directories business, revamped and relaunched its products under a new management team in the past year. The results of the efforts now underway will be carefully reviewed.

Looking Ahead. In addition to our ongoing efforts to improve and grow our existing business we will seek new platforms for growth: new outlets for our content, both in new technology or other media, and new geographical markets. To this end, we continue to advocate a change to the media laws which restrict our ability to grow and restrict access to our share register. The cross-media laws, which prohibit us from active involvement in the television and radio businesses, are particularly constraining. While these laws were designed to meet valid public policy concerns, we believe the media market has changed materially since their enactment in 1992. The launch of pay television and the exponential growth in internet access and use gives Australians access to many more sources for their news. Similarly, the maturation and professionalisation of the major media companies mitigate the concern that common ownership of media properties would diminish diversity. Conversely, the importance of scale and the need for a company to house multiple skills in a converging media market has increased the "costs" of these restrictive laws, in that they inhibit the ability of Australian media companies to continue to provide Australians with the world class products they have come to expect. In our view, it is now clear that the public policy concerns no longer require the restrictive cross-media laws. Rather, the media industry should be regulated by the ACCC and FIRB, just as other industries are.

We welcome the re-opening of the political debate of these issues. With our share register completely open for the first time since we have been publicly listed, our company is now truly master of its own destiny. This freedom and flexibility will be particularly important if the restrictive laws are in fact relaxed.

It is impossible to forecast financial results for the year ahead with any confidence. The economy is too uncertain, not only here in Australia, but worldwide, to make meaningful predictions. It is for this reason that we have been conservative in our outlook.

However, as we look ahead in a more general sense, we believe the company is extremely well positioned for the future, and should restrictive government regulations be relaxed, well positioned to benefit from any realignment of Australia's media landscape.

We have an enormously dedicated and highly professional staff across the Group, from sales to IT. Our journalists and printers take great pride in their craft, and we are grateful for the efforts of all our employees in good years and years of challenge.

CHIEF EXECUTIVE OFFICER'S REPORT FREDERICK G. HILMER, AO

A stronger company in a weaker market

Every set of results reflects two factors, the state of the markets in which we compete and the effects of management action. Last year we competed in an exceptional advertising market. For the 2001 financial year the picture was quite different. The strong market of 2000 collapsed in September and has not recovered since the Olympics. The effects of the recent events in the United States create further uncertainties. Consequently, my report to you this year focuses on management action from two perspectives, near-term and longer-term.

Near Term

With the worst advertising market and slowest economic growth for a decade, our main emphasis is clearly on cost, while maintaining both quality and market share.

The magnitude and speed with which cost reductions were achieved in the second half of the year are evidence of our commitment to this task. As we reported, for the second half, costs were down $32.9 million, or 6.5% on the first half, and down $25.8 million, or 5.2% on the corresponding second half a year ago. The $25.8 million in cost reductions comprised publishing cost reductions of $19.1 million, or 4.2%, and f2 cost reductions of $6.7 million, or 14.2%.

These cost reductions went well beyond the effects of reduced volumes due to the drop in the advertising market. Reductions due to volume such as in newsprint, supplies, distribution, and variable labour were implemented beginning in October last year and contributed about one-third of the achieved savings.

The majority of the savings were due to management actions to restructure the cost base, and reflects our ongoing work over a number of years to improve systems and work processes. We have also benefited from the new arrangements for newsprint purchasing allowing us to cap the impact of global newsprint prices and the low Australian dollar on our results. In addition, we have reduced the rate of wage inflation specific to our company through new industrial agreements and the increasing proportion of remuneration contingent on performance.

We are continuing to identify and implement efficiency improvements. As previously announced, further savings in the order of a reduction of about 200 positions are currently under way and will be implemented over the next year as new equipment and systems come on-stream.

We continually review under-performing parts of the business. We recently decided to suspend publication of our Melbourne daily commuter, *Express*. Despite strong support from readers, the discretionary advertising dollars required to place the publication on a path to commercial viability were not achievable in the current market. At the same time we are continuing to pursue attractive growth options, for example, by expanding our regional footprint with the acquisition of the *Central Coast Sun*. This paper services one of the largest and fastest growing regional communities in the nation.

f2 Restructuring In this environment and in particular given current views of dot-com business potential, we undertook a major reappraisal of f2. It was based on our experience with how people actually use the internet, its relation to our print businesses and our understanding of where profit potential might exist.

As a result, we have restructured the business and cut costs. We disposed of our interests in SOLD.com.au and withdrew from involvement in online broking. The net effect of this restructuring was positive, given the $18.3 million gain on SOLD.com.au compared with write-offs in this period of $4.8 million.

f2 is now focused on two businesses:

- News and Classifieds. Our mastheads have long been and continue to serve as the papers of record in their various marketplaces. We have now successfully established our news sites, smh.com.au, theage.com.au and afr.com, as the leading internet news sites of record. Moreover, our classifieds sites remain strong and well positioned. News and Classifieds revenues increased by $1.7 million, or 13.6%. With improving revenues and reduced costs, the EBITDA loss for News and Classifieds was reduced from $22.1 million last year to $17.2 million. We see this as an essential investment that supports and strengthens our franchises while providing the opportunity to build a business.
- CitySearch Directories. CitySearch is a controlled and contained venture aimed at building a significant second directory business combining our content and online strengths. With the restructuring complete, revenues recovered in the second half to $20.3 million, up 20.8% over the first half and back to the levels of a year ago. We are continually evaluating both our progress and options in the directory business.

In view of the actions taken and underway, f2's loss is expected to fall significantly over the 2002 financial year in both News and Classifieds and CitySearch, subject to economic conditions.

Long Term

Over the last three years, major steps have been taken aimed at streamlining and strengthening the company and our publications.

These include:

- Product improvement and redesign: Our mastheads and the journalism, advertising, printing, logistics and distribution on which they depend represent the bulk of the company's value. Most of our major publications have been significantly improved by redesign and new sections. Over the coming year, *The Age* will be the next to benefit from this process, given the impending move of its printing to Tullamarine.
- Reorganisation of work, including digital photography, computer-to-plate imaging systems, and enabling advertisers to book their ads online, without coming through our phone rooms.
- Upgrading systems and printing infrastructure through our investments at Tullamarine and Chullora. Both projects are on time and on budget. We have a strong emphasis on safety, with our Beresfield plant completing the past year without one lost day injury.
- Editorial cooperation. While the strength of our major metros, *The Sydney Morning Herald* and *The Age*, is very much a function of their local nature, there are opportunities to improve the way in which copy can be increasingly shared between these publications. To this end we are implementing a number of processes to encourage and facilitate further copy sharing so that the editors of each of our papers can choose from all available Fairfax copy in determining the best quality mix for our local audiences.

Given the ongoing strength of the company we are building – our unrivalled AB franchises; our new printing capacity with its advantages of colour, flexibility and cost; our improved cost base; a sharply focused f2; and a strong balance sheet – we are exceptionally well positioned when the economic and advertising markets improve, hopefully sooner rather than later.

In the longer term we will be seeking to build on these strengths in order to generate increased earnings per share. We are exploring a number of paths towards these objectives.

These include:

- Continued growth of our existing businesses by product innovation, sales initiatives and by increasing our footprint within Australia.
- Selective expansion offshore.
- Moves into related media as and when permitted by regulation.
- Capital management, a subject under constant review.

We are also fortunate to have a stable and well performing management team. Over the last year a number of changes were made, with all key positions filled from within via promotion and internal transfer.

The weak economy, and the efforts being made across the company, have made for a difficult environment for our staff over the past year. They continue to work hard under challenging conditions while maintaining the quality of our journalism and services to all our customers in print and online. I thank them for their efforts and dedication.

CHIEF FINANCIAL OFFICER MARK BAYLISS

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

- Profit after tax of $128.1 million
- Profit after tax pre-significant items of $126.2 million, down 25.2%
- Earnings per share pre-significant items of 17.3 cents, down 25.4%
- Earnings Before Interest and Tax (EBIT) of $242.6 million, down 23.5%
- Trading revenues of $1.29 billion, down 4.2%
- Interest cover based on EBITDA decreased from 8.0 to 7.0 times

Overview

The operating results for the 2001 financial year reflect the impact on revenue of a weak and deteriorating advertising market, offset by cost reductions and restructuring of the f2 business. The quantum of savings and the speed at which they have been achieved reflect the improvement in management controls and focus across the business. f2 was significantly restructured during the year in light of the slowing economy and a reappraisal of its future profit potential. Costs were decreased and our interests in SOLD.com.au and online broking disposed of at a net profit.

PROFIT AND LOSS GROUP: Underlying trading	2001 $M	2000 $M	Variance %
Trading revenue	1,288.5	1,344.9	(4.2%)
Costs	980.7	963.0	(1.8%)
EBITDA	307.8	381.9	(19.1%)
Depreciation	65.2	64.7	(0.8%)
EBIT	242.6	317.2	(23.5%)

Group Trading Performance

Fairfax's trading revenue declined 4.2% to $1.29 billion from last year, largely due to the tough economic environment affecting advertising revenues in particular. Although the effects of the cost reduction had a significant impact on the cost base, EBIT margins declined from 23.6% last year to 18.8% this year, reflecting the high level of fixed cost and operational leverage in the business. Earnings per share pre-significant items fell by 25.4% to 17.3 cents.

Publishing – Managing through the cycle

Revenues

The publishing business (General Newspapers, Fairfax Business Media and Group Operations) revenues declined 4.1% to $1.24 billion. Advertising revenues fell 4.3% and circulation revenues fell 3.0%. Classified and display advertising volumes were significantly affected, with classified down 9.9% and display down 12.5%.

The Sydney Morning Herald posted a 9.1% decrease in advertising revenue, driven by volume decline and aided by yield increases. Classified and display volumes decreased by 10.1% and 11.8%, respectively, while yields increased by 2.0% on average. While circulation, consistent with overall industry trends, fell 2.5% and 1.7% for the weekday and Saturday editions respectively, a 10 cent increase in the cover price for the Saturday edition to $1.90 in March 2001 helped reduce the effect on circulation revenue.

The Age posted a 6.9% decrease in advertising revenue over last year primarily driven by volume decline. Classified volume was down 10.8% against last year while display was down 13.3%, offset by average yield increases of 5%. Circulation volume decreased by 0.8% for the weekday edition and 3.6% for the Saturday edition, while the Sunday edition enjoyed an increase of 1.2%.

The Australian Financial Review suffered a decline in advertising revenue of 4.7% year on year, primarily due to lower display volumes, which were down 13.7% on last year, but offset by both an increase in yield and mix of yield. Circulation volumes declined for both the weekday and Saturday editions by 1.4% and 1.6% respectively. Circulation revenue was up year on year mainly due to better yield management of the Saturday edition.

The Sun-Herald posted a 5.9% drop in advertising revenue compared to last year. Overall advertising volumes fell 4.4% on last year, with display volumes down 9.2% and classified volumes up 4.1%. While strong yield gains were achieved in classified advertising, these were offset by a tougher display market.

Magazine revenues were up 13.6% on last year. The strong performance was largely due to the full year effects of advertising revenues in the Strategic Publishing Group (which includes *MIS* and *CFO* magazines) and the *Melbourne Property Guide*. All other magazines performed well, particularly *Personal Investor* and *Shares*.

Fairfax Community and Regional Newspapers delivered a revenue gain of 2.7% on last year, mostly due to full year effect the acquisition of the Flier Group of newspapers in Victoria.

Costs

While costs for the year as a whole grew by 2.8% to $894.1 million, costs for the second half of the year fell by 4.2% or $19.1 million over the corresponding half last year. When the effects of new acquisitions and startups (community newspapers in Victoria and the *Melbourne Express* commuter paper) are included, costs were reduced $26.5 million half on corresponding half. The reduction in advertising volumes accounted for some $11 million of this cost reduction, with the balance of $15.5 million attributable to specific management actions on restructuring the cost base.

f2 – A significantly restructured business

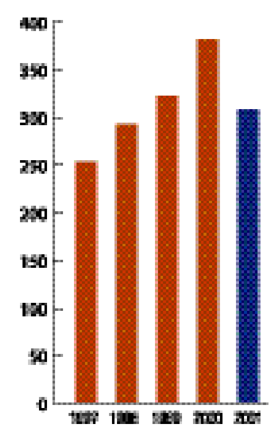
The significant restructuring of f2 during the year has resulted in a business focused on two areas going forward: News and Classifieds, and CitySearch Directories.

For the year as a whole, f2 revenues fell 7.4% to $51.3 million, with growth in News and Classifieds revenues of $1.7 million, or 13.6%, offset by a decline in CitySearch revenues of $5.8 million, or 13.5%, the result of significant internal restructuring of CitySearch. Costs decreased 7.2% to $86.6 million, with most of the reduction coming in the second half of the year.

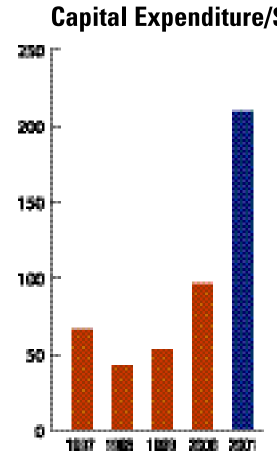
In view of the actions taken and underway, f2's loss is expected to fall significantly over the 2002 financial year in both News and Classifieds and CitySearch Directories, subject to economic conditions.

KEY STATISTICS	2001	2000
EBITDA margin (%)	23.9	28.4
Net debt to equity (%)	67.1	56.2
Interest cover (times)	7.0	8.0
Earnings per share – pre significant items (cents)	17.3	23.2
Earnings per share – after significant items (cents)	17.5	25.5
Dividend per share (cents)	11.5	11.5

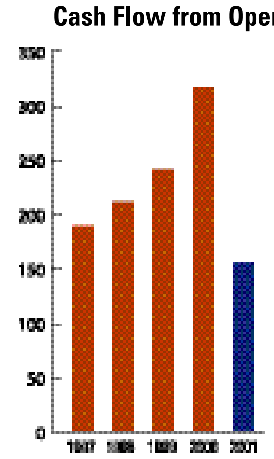
EBITDA/$M



Capital Expenditure/$M



Cash Flow from Operations/$M



PROFIT AND LOSS PUBLISHING: Underlying trading	2001 $M	2000 $M	Variance %
Trading revenue	1,237.2	1,289.5	(4.1%)
Costs	894.1	869.7	(2.8%)
EBITDA	343.1	419.8	(18.3%)
Depreciation	58.6	61.9	5.3%
EBIT	284.5	357.9	(20.5%)
f2: Underlying trading			
Trading revenue	51.3	55.4	(7.4%)
Costs	86.6	93.3	7.2%
EBITDA	(35.3)	(37.9)	6.9%
Depreciation	6.6	2.8	(135.7%)
EBIT	(41.9)	(40.7)	(2.9%)

Balance Sheet

Fairfax's capital management aims to maintain an efficient balance sheet, and ensures that adequate cash flows are available to meet financial obligations while providing financial flexibility.

The major changes in the balance sheet during the year reflect the effects of the investment being made at our new printing facility at Tullamarine in Melbourne, and the upgrading of our facility at Chullora in Sydney. These will deliver improved colour capacity and flexibility at reduced cost. The investment in additions to property, plant and equipment totalled some $217 million during the year.

Cash Flow and Debt

Fairfax increased its net debt levels by $153.8 million to $765.8 million at 30 June 2001, primarily due to capital expenditure for the Tullamarine printing facility ($105 million) and the expansion of the Chullora printing facility ($52 million). Funds were also used to increase investments including NewsAlert Asia Pacific, People Telecom and TradingRoom.

Fairfax did not issue debt in the domestic capital markets during the year as facilities put in place in recent years allowed the company to access short-term capital markets for its short term funding requirements. The increase in current interest-bearing liabilities at 30 June 2001 reflects the upcoming maturity in April 2002 of the $150 million medium-term note issued in 1999. Subsequent to year end, Fairfax has raised an additional $95 million of long-term debt which matures in December 2006. These funds have been used to retire short-term debt and will allow the company further flexibility in funding options during 2002. Fairfax maintains significant levels of unutilised facilities, which can be drawn at short notice.

Gearing, as measured by net debt as a percentage of shareholders' funds, increased from 56.2% last year to 67.1% this year. Interest cover based on EBITDA reduced from 8.0 times to 7.0 times.

Going forward, capital expenditures are expected to decrease significantly as the Tullamarine and Chullora projects are completed during 2002. With cash generation therefore increasing, we will continue to monitor proactively how we manage our capital base effectively to ensure shareholder value is optimised.

Dividends

Cash dividends for the 2001 financial year were 11.5 cents per share. The interim dividend was 4.5 cents and the final dividend declared was 7.0 cents, both fully franked. This represents a maintaining of the dividend level paid last year.

Significant Items

Significant items totalled a net after tax gain of $1.9 million for the year, and comprised three main areas:

- The significant restructuring of f2, which includes the gain on the sale of SOLD.com.au of $18.3 million; the writedown of non-current assets of $2.1 million ($3.2 million gross) relating to the TradingRoom joint venture; and the write down of previously capitalised development costs of $2.7 million ($4.1 million gross);
- Restructuring of the publishing business cost base, largely as a result of the upgrading of Chullora and the planned move to Tullamarine, with redundancy costs of $16.9 million ($24.2 million gross); and
- Share of associates net profit of $5.3 million.

Financial Systems and Procedures

During the year Fairfax made significant improvements to its business processes, systems and controls. Updated policies and procedures are in place which reflect sound business practices and controls. Business systems, particularly finance-related systems such as payroll & HRMS have been substantially upgraded and refined, resulting in much greater operational control and levels of efficiency.

Our staff are committed to continuous improvement in all areas and have initiated a number of change programs that will be implemented during the 2002 financial year.

BALANCE SHEET DATA	2001 $M	2000 $M
Total assets	2,272.2	2,152.7
Net debt	(765.8)	(612.0)
Shareholders' funds	1,141.0	1,088.6
CASH FLOW DATA	$M	$M
Cash flow from operations	156.5	317.5
Capital expenditure	(216.9)	(97.0)
Interest paid (net)	(44.0)	(42.9)
Dividends paid	(84.1)	(80.2)
Net debt reduction/(increase)	(153.8)	124.1
Cash flow per share (cents)	21.3	43.5

THE BOARD OF DIRECTORS

Left to Right: Mr Brian M. Powers, Mr Jonathan S. Pinshaw, Mr Mark Burrows, Mrs Julia King, Sir Roderick Carnegie, Mr Frederick Hilmer AO, Mr Dean Wills AO, Mr David Gonski, Mr David Shein

Mr Brian M. Powers

Non-executive Chairman
(Joined the Board 19 May 1998)

Mr Powers is Managing Director of Hellman & Friedman LLC. He is also the former Chief Executive of Consolidated Press Holdings Limited, the former Executive Chairman and Managing Director of Publishing & Broadcasting Limited, the former Managing Director of Jardine Matheson Holdings Limited, Dairy Farm International Holdings Limited and Mandarin Oriental Holdings Limited and former Chairman of Hong Kong Land Holdings Limited and Jardine Fleming Holdings Limited. Age 52.

Mr Mark Burrows

Non-executive Director
(Joined the Board 22 January 1996)

Mr. Burrows is an investment banker and currently the Deputy Chairman of ING Baring Holdings Limited (UK), Deputy Chairman of Brambles Industries Limited, Chairman of the Sydney Theatre Company, and a Director of Burns Philp & Company 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. Age 57.

Sir Roderick Carnegie

Non-executive Director
(Joined the Board 7 January 1992)

Sir Roderick Carnegie is the former Managing Director, Chief Executive and Chairman of CRA Limited and the founder of the Australian practice of McKinsey & Company. Sir Roderick is Chairman of Adacel Technologies Limited and the patron of the Australian Centre for Blood Diseases. He is a founding member of the General Motors Australian Advisory Council. Age 68.

Mr David Gonski

Non-executive Director
(Joined the Board 29 September 1993)

Mr Gonski is a solicitor and Chairman of Investec Wentworth Pty Limited. He is also Chairman of Morgan Stanley Dean Witter Australia Limited, Coca-Cola Amatil Limited and the National Institute of Dramatic Art. He is President of the Art Gallery of New South Wales Trust and a director of Westfield Holdings Limited. Age 48.

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. Earlier in his career, Mr Hilmer was a partner of McKinsey & Company for 20 years and for the last 9 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. Age 56.

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; and has recently completed a project for LVMH in India. 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 Heide Museum of Modern Art. Mrs King is a Director of Servcorp Australian Holdings Pty Limited and Opera Australia.

Mr Jonathan S. Pinshaw

Non-executive Director
(Joined the Board 29 May 1998)

Mr Pinshaw is Managing Director, OPSM Protector Limited. He is currently Chairman of John Fairfax Holding's Finance and Audit Committee. He was formerly Chief Executive-Australia of Brierley Investments Limited and Managing Director of Freedom Furniture Limited. Age 49.

Mr David Shein

Non-executive Director
(Joined the Board 29 September 1998; resigned from the Board 18 September 2001)

Mr Shein is Managing Director and major shareholder of Com Tech Communications Pty Limited, a company he started in July 1987. Com Tech is a specialist supplier of computer networking and communications products and a leading provider of networking, e-commerce and communications services to the Australian market. He is also a Director of Jarren Investments Pty Limited. Age 41.

Mr Dean Wills AO

Non-executive Director
(Joined the Board 4 October 1994)

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 Chairman of Transfield Services Ltd., Deputy Chairman of the Australian Grand Prix Corporation and a Director of Westfield Holdings Limited and the Australia Business Arts Foundation Limited. Age 68.

HERALD PUBLICATIONS ALAN REVELL – PUBLISHER AND EDITOR-IN-CHIEF

Keeping pace with our readers and their lives

It was a dramatic year for *The Sydney Morning Herald*, as we were able to literally show the world, during the Olympic Games in Sydney, the outstanding quality of our journalism, sports photography, and commitment to quality and excellence. It was a richly rewarding experience of which we are very proud. Our journalism continued to win recognition, including six prestigious Walkley Awards, and an international honour for news design.

We put a special emphasis on changing our papers to keep pace with our readers and their lives. *The Sydney Morning Herald* enjoyed its first major redesign in over a decade, giving the paper a more modern look and feel, more entry points for time-poor readers, and features such as the commuter-friendly 10-minute Herald, and expanded daily arts coverage.

On Saturdays, the *SMH* has a revamped Spectrum section and an expanded Metropolitan section on the arts and ideas. *The Sun-Herald* was also successfully relaunched, with a new design and sections that have repositioned the paper to further differentiate it from the competition. As a result, Saturday circulation is growing, and both papers are showing continuing strength among the key AB readership demographic so valued by our advertisers.

As a business unit, we have restructured to become a 7-day Herald Publications operation under one publisher. All advertising teams now sell across seven days, creating internal efficiencies and opportunities (such as with the Sunday employment classifieds), with client-side development through one point of contact with Herald Publications. Another key by-product is regular and effective cross-promotion between the *SMH* and *The Sun-Herald*, and closer relationship between editorial staffs. Some of our most popular columnists now appear in both papers.

To help further build the business, the marketing and circulation departments have merged to bring a sales focus to all operations. As a result, Herald Publications are well positioned for growth as the economy improves.

THE AGE

GREG HYWOOD – PUBLISHER AND EDITOR-IN-CHIEF

HIGHEST SUBSCRIBER LEVELS IN THREE YEARS

The past twelve months has seen *The Age* focus its strategy towards investing in quality journalism and growing the key AB readership demographic. We have also focused on leveraging *The Age* brand through sections and innovative niche magazines. This broadens our publishing base and produces new revenue streams. Despite challenging economic conditions, our advertising performance in key categories continued to remain strong. theage.com.au continues to increase its readership, moving to the number two position for news and information in Australia.

The Age and its journalists won more than 50 awards for excellence in journalism, including three Walkley awards and eight Melbourne Press Club Quill awards.

We have increased the number of subscribers to their highest level in three years, and *The Sunday Age's* circulation grew to its highest level since 1997. Our aim with the new Tullamarine printing facility is to deliver *Age* readers a newspaper of unsurpassed quality underpinned by innovating and challenging journalism.

The Age is committed to the community we serve. Over the past year, *The Age* supported more than 80 organisations and events (including major sponsorship of the Melbourne Museum and Melbourne Symphony) and assisted 25 charities.

FAIRFAX REGIONAL NEWSPAPERS BRIAN EVANS – GENERAL MANAGER

Distribution growth in regional areas

Regional newspapers enjoyed strong success in the past financial year. *The Newcastle Herald* has grown circulation by almost 20% in the last three years to June 2001 and in March this year became the fastest growing daily newspaper in Australia. In the last 12 months, Newcastle Newspapers has also launched a 32-page inserted colour magazine, *Weekender*, to focus on the people of the region and to celebrate the lifestyles of the Hunter Valley; redeveloped its heritage Bolton Street offices; and acquired a newspaper on the rapidly growing Central Coast of NSW, the *Central Coast Sun*, which was relaunched in August.

Illawarra Newspapers enjoyed a strong 3.3% increase in Saturday circulation, and introduced new monthly features, and capitalised on community advertising and sponsorship opportunities.

The Warrnambool Standard had circulation growth, with its commercial operations boosted by winning several outside printing jobs, including a colour quarterfold TV guide for Geelong's daily newspaper.

FAIRFAX BUSINESS MEDIA MICHAEL GILL – PUBLISHER AND EDITOR-IN-CHIEF

Strong position in Business Media

Enhancements to our existing titles and new product launches in key niche segments were major steps this year in extending the very strong position of Fairfax in business media. Expanded specialist coverage of markets and management education were key features reflected in the AFR's launch of *BOSS* magazine and the new Market Wrap liftout.

We successfully launched the subscription versions of afr.com and brw.com.au, which have significantly enhanced the value of our print products and established strong offerings in a new media environment.

The publication of *Asset* magazine further fills out the range of strong business and investment magazines we have already in *BRW*, *Personal Investor* and *Shares*. *CFO* was relaunched in August, while the consolidation of the international editions of our IT magazine, MIS, is developing as a significant growth opportunity.

Circulations softened during the year in line with weaker business conditions, though the major factor, in the AFR and especially *Shares*, was the fall off from the circulation peaks recorded in the June 2000 half, which tracked the declines in activity in the share market. Our internal research and business performance continues to support the view that our business products are highly effective for both readers and advertisers.

f2 FAIRFAX INTERACTIVE NETWORK NIGEL DEWS – CHIEF EXECUTIVE

Online network leading the way

f2 has undertaken significant restructuring during the year to focus in on two areas: News & Classifieds and the CitySearch Directories business. In doing so, f2 delivered a profit of $18.3 million through the sale of SOLD.com.au to Yahoo! In addition, the TradingRoom joint venture with Macquarie Bank was unwound and the portfolio of sites was rationalised.

f2's news sites have become the online news sites of record with more than twice the page views of the nearest competitor (Source: Red Sheriff, June 2001). In the classifieds businesses (MyCareer.com.au, Drive.com.au and Domain.com.au), on all key metrics, f2 retained leadership positions in the employment, cars and houses businesses. This has been achieved at a fraction of the losses incurred by most competitors undertaking similar activities.

In financial terms, f2's EBITDA improved 7%, with revenues down 7% and costs down 7%. This result masks different trends in the businesses over the two halves. The News & Classifieds businesses EBITDA improved year on year by 22% with strong revenue growth and tight cost control. This was offset by increased losses in the CitySearch business, largely incurred in the first half while the business was being restructured. The fruits of the restructure were becoming evident in the second half of the financial year, with CitySearch's EBITDA improving 34% half on half.

f2 ended the financial year as a much more focused business, well placed in difficult market conditions. f2's focused approach is improving underlying performance. We are building strong, low cost positions in News and Classifieds, and the CitySearch Directories business is making encouraging progress, particularly in view of the weak SME market.

FAIRFAX COMMUNITY NEWSPAPERS IAN CROWTHER – GENERAL MANAGER

Expanding into new areas

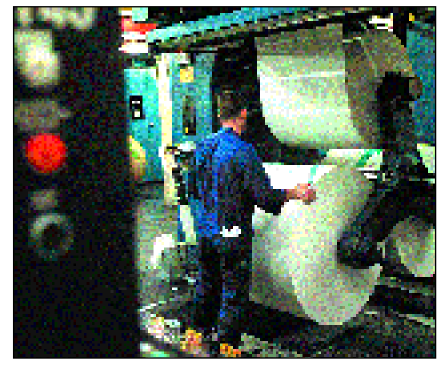
Fairfax Community Newspapers implemented important expansion and business re-engineering strategies over the past year.

FCN acquired two established free papers in Victoria, *Moreland Community News* and *Moonee Valley Community News*, taking the total number of Fairfax's Melbourne suburbans to 18. Both represent excellent short- and long-term investments and have contributed to publishing revenues. FCN adopted an aggressive strategy for building its presence in Western Sydney with the launch of a new paper, *St Mary's Star*, increasing the number of Sydney mastheads to 10. *Homes Pictorial* launched two new real estate gloss magazines, in Sutherland and Northern Districts, while the main Sydney magazine has been significantly upgraded with re-designed layouts in a larger page format and better quality heatset printing on higher-grade stock.

In addition to the development of websites for all community mastheads, the overall quality of FCN papers was reinforced with the *Macarthur Advertiser* named Best Newspaper (Over 40,000 Circulation) at the Northern Division Australian Suburban Newspaper Association (ASNA) Awards.
FCN's Sydney and Melbourne titles won a total of nine ASNA awards for newspaper excellence.

GROUP OPERATIONS PETER GRAHAM – DIRECTOR OF OPERATIONS

Competitive advantage



The core focus of Group Operations is captured in three words: time, cost and quality. Group Operations are working hard to support the competitive advantage of Fairfax by making better use of our existing capacity and by building new resources for the future.

Ontime Running. Printing and delivering our products on time is critical to our current and future success. Over the past 12 months we have improved our ontime running and consistency. Our goal is to deliver all of our products in full, on time, every day. We are targeting 100% ontime performance.

A continuing focus on our systems and processes, together with our commitment to the construction of new capacity in Sydney and Melbourne, will help us achieve our 100% target over the next two years.

Cost Reduction. Costs continue to be reduced through a combination of Group Procurement and making better use of our existing publishing services, printing and distribution facilities. Our new printing capacity in Sydney and Melbourne will give us more opportunity in this regard.

Quality Improvement. Our focus remains on the continuous improvement of consistency in print quality and the availability of colour capacity. Quality measures and feedback which engages our staff in this critical area have been introduced across the business.

Our new plant and expansion will increase our capacity to deliver higher quality and greater colour over the next two years.

Our greatest opportunities and challenges are to engage our people at all levels in providing higher levels of service to our mastheads and other internal and external customers.

ADVERTISING SALES

JOHN ALLAN – PUBLISHER, GROUP GENERAL MAGAZINES AND METROPOLITAN ADVERTISING SALES

Leading in-paper magazine publisher

Fairfax continued to be the leading in-paper magazine publisher in Australia, in a sector that continues to grow in a competitive market against traditional newsstand magazine titles. Our flagship title, *Good Weekend*, held its position as the Number 1 magazine in Australia in terms of advertising revenue and a quality readership unequalled by any other title in the country.

Sunday Life!, now four years old, maintained its strong Number 2 position in Australia in terms of quality readership (after *Good Weekend*) and continues to attract a growing number of advertisers in non-traditional advertising categories for Fairfax.

Our weekly television magazines continue to lead in the 'direct response' advertising category, while a number of new in-paper titles (*Emag, Fashion, Drive, Ski, Uncorked*) added considerably to the magazine division's revenue and profit streams. Each title leverages off the readership strengths of *The Sydney Morning Herald* and *The Age* to attract new audiences in their respective target markets.

KnowBull.

Know what's happening at the big end of town.
Read Business every day.

THE AGE

financial *report*

CORPORATE GOVERNANCE

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

Composition of the Board

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

The Board presently comprises one executive director (the Chief Executive, Mr Frederick G. Hilmer) and seven non-executive directors including the Chairman.

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

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

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

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

The Nomination Committee uses the following principles to recommend candidates:

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

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

Independent Professional Advice

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

Directors' Dealings in Company Shares

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

Procedures for Establishing and Reviewing Remuneration Arrangements

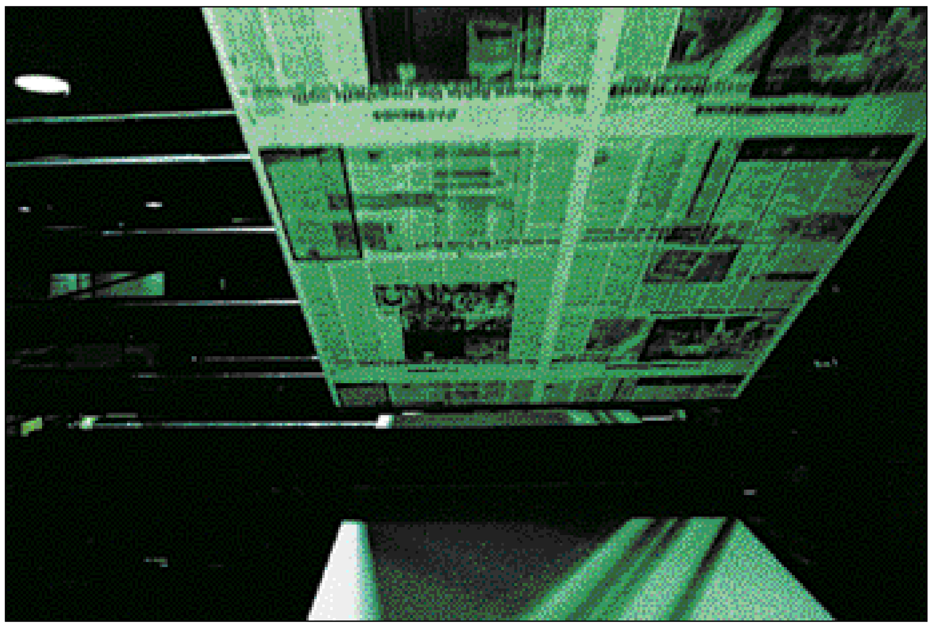
The Remuneration Committee of the Board meets annually and otherwise as required to review and make recommendations to the Board on remuneration packages and policies including those of the Chief Executive and directors. Remuneration levels are competitively set to attract qualified and experienced employees.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

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

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

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

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



Finance and Audit Committee

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

The primary functions of the Committee are to:

- ensure systems of control effectively safeguard the value of assets;
- ensure accounting records are maintained in accordance with statutory and accounting requirements;
- ensure financial statements and other information provided to shareholders is timely, reliable and accurate;
- review the performance and effectiveness of external auditors;
- formulate and oversee the key finance and treasury functions of the consolidated entity;
- formulate and oversee an effective business risk plan;
- ensure that appropriate policies and procedures are in place with the goal to ensure compliance with all regulatory requirements;
- monitor the entity's compliance with regulatory and ethical requirements.

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

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

Internal Control Framework

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

- Financial reporting – there is a comprehensive budget process with the annual budget approved by the directors. Weekly and monthly results are reported against budget. The consolidated entity reports to shareholders half-yearly. Procedures are also in place to ensure that price-sensitive information is reported to the ASX in accordance with continuous disclosure requirements.
- Operating unit controls – financial controls and procedures including information systems controls are set out in procedures manuals. Management reports on material business issues to the Board at regular Board meetings.
- Investment appraisal – the consolidated entity has defined guidelines for capital expenditure and contract negotiations. These include annual budgets, appraisal and review procedures, levels of authority and due diligence requirements where assets are being acquired or divested.
- Treasury policy – the policy sets out procedures for the management of foreign currency and interest rate exposure, liquidity and credit risks. This policy restricts transactions to those for hedging purposes only and segregates implementation of transactions from account monitoring and settlement.

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

Ethical Standards

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

DIRECTORS' REPORT

The directors present their report for the financial year ended 30 June 2001.

Directors

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

Mr Brian Powers
Non-executive Chairman

Mr Jonathan Pinshaw
Non-executive Director

Mr Mark Burrows
Non-executive Director

Sir Roderick Carnegie
Non-executive Director

Mr David Gonski
Non-executive Director

Mr Fred Hilmer
Chief Executive Officer

Mrs Julia King
Non-executive Director

Mr Dean Wills
Non-executive Director

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

Mr David Shein resigned from the Board on 18 September 2001.

A profile of each director is included on page 6 of this report.

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. Internet businesses include News and Classifieds and CitySearch Directories.

During the financial year, the Group sold its internet auctions business SOLD.com.au. No other significant change in the nature of activities took place during the year.

Consolidated Result

The consolidated profit attributable to the consolidated entity for the financial year was $128,069,000 (2000: $185,751,000).

Dividends

A final fully franked dividend of 7.0 cents per ordinary share and debenture in respect of the year ended 30 June 2000 was paid on 17 October 2000. This dividend was shown as approved in the previous annual report.

An interim fully franked dividend of 4.5 cents per ordinary share and debenture in respect of the year ended 30 June 2001 was paid on 16 March 2001.

The Board has approved a final fully franked dividend of 7.0 cents per ordinary share and debenture in respect of the year ended 30 June 2001 to be paid on 17 October 2001.

The Age Print Facility, Tullamarine, under construction

Review of Operations

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

Significant Change in State of Affairs

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

Subsequent Events

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

Likely Developments and Expected Results

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

Environmental Regulation and Performance

In 1999 the Company appointed an independent expert to audit performance in relation to environmental regulation. This year the Company again appointed an independent expert to audit performance in relation to environmental regulation. This year's audit covered an increased number of the Company's facilities. The audit has been completed.

The audit:

- did not reveal any material non-compliance with environmental regulation;
- described a substantial improvement in the Company's environmental performance in relation to environmental regulation;
- described a high level of implementation of recommendations that were made in the 2000 audit report; and
- made further recommendations which are now being implemented.

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.

Directors' Interests

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

Director	Fully Paid Ordinary Shares	Fully Paid Debentures	Options Over Ordinary Shares
B M Powers	14,582	–	–
J S Pinshaw	20,656	–	–
M Burrows	6,730	–	–
Sir Roderick Carnegie	11,169	–	–
D M Gonski	16,730	–	–
F G Hilmer	64,868	–	3,500,000
J M King	16,069	–	–
D R Wills	31,169	–	–

Options

Details of options on issue at 30 June 2001 and movements in options during the financial year are included in Note 17 of the Full Financial Report.

At the date of this report, total unissued ordinary shares under options granted by the Company were 11,498,000. 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 2001 to the date of this report, no options over ordinary shares were granted, 25,000 shares were issued by virtue of the exercise of options (10,000 options were exercised at $2.77 and 15,000 at $2.76) and no options were forfeited.

Indemnification and Insurance of Officers and Auditors

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

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

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

Directors' Meetings

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

	DIRECTORS' MEETINGS		FINANCE & AUDIT COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS		NOMINATION COMMITTEE MEETINGS	
Director	No. Held*	No. Attended	No. Held*	No. Attended	No. Held*	No. Attended	No. Held*	No. Attended
B M Powers	6	6	4	4	0	0	–	–
J S Pinshaw	6	6	4	4	0	0	–	–
M Burrows	6	6	4	4	–	–	–	–
Sir Roderick Carnegie	6	6	–	–	–	–	1	1
D M Gonski	6	6	4	4	–	–	–	–
F G Hilmer**	6	6	4	4	–	–	1	1
J M King	6	6	–	–	0	0	1	1
D A Shein	6	5	–	–	–	–	–	–
D R Wills	6	6	–	–	0	0	1	1

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

** F G Hilmer attended Finance & Audit and Remuneration Committee Meetings as an invitee of the Committees.

Directors' and Other Officers' Emoluments

Procedures for establishing and reviewing remuneration arrangements are included on page 11.

Emoluments of directors for the financial year are as follows:

Directors	Directors' Fees $	Finance and Audit Committee Fees $	Base Salary $	Bonus* $	Other (Including Superannuation) $	Total Emoluments $
B M Powers	125,000	5,000			11,277	141,277
J S Pinshaw	90,000	5,000			7,600	102,600
M Burrows	55,000	5,000			4,800	64,800
Sir Roderick Carnegie	55,000				4,400	59,400
D M Gonski	55,000	5,000			5,224	65,224
F G Hilmer			1,028,893	100,000	77,303	1,206,196
J M King	55,000				9,963	64,963
D A Shein	55,000				4,768	59,768
D R Wills	55,000				4,771	59,771

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

Executive	Base Salary $	Termination Benefit $	Bonus* $	Other (Including Superannuation) $	Total Emoluments $
S Harris, ex-publisher *The Age*	191,830	860,679	–	62,145	1,114,654
M Bayliss, Chief Financial Officer	403,561		37,500	98,564	539,625
G Hywood, Publisher *The Age*	360,205		27,500	146,483	534,188
N Dews, CEO f2	423,504		25,000	81,253	529,757
B Hooper, ex-Director Business Improvement	100,928	348,218	–	41,664	490,810

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

* These amounts relate to accrued bonuses payable in relation to performance for the financial year ended 30 June 2001. The Directors' Report for the financial year ended 30 June 2000 disclosed bonuses when paid rather than as accrued. For comparative purposes, the following bonuses were accrued in the accounts for the financial year ended 30 June 2000; $840,000 to F. Hilmer, $200,000 to M. Bayliss, $115,000 to S. Harris, $125,000 to G. Hywood, $75,000 to N. Dews and $25,000 to B. Hooper.

Signed at Sydney on 20 September 2001 in accordance with a resolution of the directors.

Jonathan S. Pinshaw
Chairman Finance and Audit Committee

Frederick G. Hilmer
Chief Executive Officer and Director

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2001

Fairfax achieved a profit after tax of $128.1 million (2000: $185.8 million). Profit after tax before significant items was $126.2 million, down 25.2% on the previous year. Earnings per share before significant items was down 25.4% to 17.3 cents.

Operating revenues (see Note 2) fell 4.2% to $1.29 billion principally due to the weak advertising market in a slowing economy. Within the publishing business, advertising revenues fell 4.3% and circulation revenue was down 3.0%. Classified and display advertising volumes were significantly affected, with classified down 9.9% and display down 12.5%. f2 continued its development as a leading online company, with revenue growth of 13.6% in news and classified revenues. This was offset by a decline in CitySearch Directories revenue due to the effects of restructuring during the year.

Operating costs for the group increased principally due to one-off effects including the Olympics, industrial strike action and new business expenditure. Offsetting these increases were significant cost reduction measures, such as the staff freeze, tight controls of pagination and discretionary spending and other restructuring initiatives.

For the year ended 30 June 2001, the profit included significant items of $1.9 million after tax, comprising:

- Gain on sale of SOLD.com.au Pty Ltd
- Profit from associate (AAPIS)

and offset by:

- The write-off of f2 development costs
- Restructure and redundancy costs
- Write-down of non-current assets

The Board has announced a fully franked final dividend of 7.0 cents per share, bringing the total dividend for the year to 11.5 cents, unchanged from last year.

	Note	CONSOLIDATED 2001 $000	2000 $000
Revenues from ordinary activities, excluding interest income	2	1,320,545	1,346,788
Share of net profits/(losses) of associates		5,277	59,382
Expenses from ordinary activities, excluding depreciation and borrowing costs		(1,025,997)	(1,015,883)
Profit from ordinary activities before depreciation, interest income, borrowing costs and income tax		299,825	390,287
Depreciation and amortisation		(65,172)	(64,681)
Profit from ordinary activities before interest income, borrowing costs and income tax		234,653	325,606
Interest income		1,882	2,419
Borrowing costs		(45,733)	(50,002)
Profit from ordinary activities before income tax		190,802	278,023
Income tax (expense)/revenue relating to ordinary activities		(62,733)	(92,552)
Net profit		128,069	185,471
Net profit attributable to outside equity interest		–	280
Net profit attributable to members of the Company*		128,069	185,751
Net increase/(decrease) in asset revaluation reserve		(125)	(1,352)
Net exchange difference on translation of financial report of foreign controlled entities		(214)	134
Total revenues, expenses and valuation adjustments attributable to members of the Company and recognised directly into equity		(339)	(1,218)
Total changes in equity other than those resulting from transactions with owners		127,730	184,533
*** Net profit attributable to members of the Company comprises:**			
Ongoing operations		126,199	168,708
Significant items referred to in Note 3, net		1,870	17,043
		128,069	185,751
Basic earnings per share (cents)	5	17.5	25.5

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2001

The Group's total assets increased by $119.5 million from $2,152.7 million last year to $2,272.2 million. Property, plant and equipment contributed $132.2 million to this increase primarily due to the investment in a new printing facility at Tullamarine and the expansion of our Chullora printing facilities. Working capital tightened during the year primarily due to an increase in current interest bearing liabilities, which include the maturity in April 2002 of a $150 million medium term note issue.

The weaker operating performance during the period along with an increase in capital expenditure associated with Tullamarine and Chullora resulted in an increase in net debt of $153.8 million. Gearing, as measured by net debt as a percentage of shareholders' funds, increased from 56.2% to 67.1% during the year. Interest cover based on EBITDA decreased from 8.0 times to 7.0 times.

The increase in current interest bearing liabilities at 30 June 2001 reflects the upcoming maturity in April 2002 of the $150 million medium term note issued in 1999.

	CONSOLIDATED	
	2001 $000	2000 $000
Current assets		
Cash	8,542	10,557
Receivables	226,737	208,962
Inventories	24,973	19,291
Total current assets	260,252	238,810
Non-current assets		
Receivables	5,314	13,944
Investments accounted for using the equity method	4,184	35,349
Other financial assets	14,491	9,412
Property, plant and equipment	651,777	519,559
Intangibles	1,278,431	1,276,865
Tax assets	57,719	58,804
Total non-current assets	2,011,916	1,913,933
Total assets	2,272,168	2,152,743
Current liabilities		
Payables	158,657	205,363
Interest bearing liabilities	308,000	5,000
Tax liabilities	5,198	60,169
Provisions	93,544	86,987
Total current liabilities	565,399	357,519
Non-current liabilities		
Interest bearing liabilities	466,334	617,507
Tax liabilities	59,142	47,489
Provisions	40,309	41,675
Total non-current liabilities	565,785	706,671
Total liabilities	1,131,184	1,064,190
Net assets	1,140,984	1,088,553
Equity		
Contributed equity	628,196	619,163
Reserves	4,915	5,254
Retained profits	507,873	464,136
Total parent entity interest in equity	1,140,984	1,088,553
Total outside equity interest	–	–
Total equity	1,140,984	1,088,553

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2001

Operating cash generated during the year was $156.5 million compared to $317.5 million last year. The decrease was primarily due to lower dividends received from associate entity AAPIS and the decline in underlying EBITDA. Income tax payments increased due to the transition to the new PAYG system.

Net cash used in investing activities during the year was $200.2 million financed predominantly by operating profits and new borrowings, compared to $129.2 million in the previous year. The major increase in capital expenditure was applied to the Tullamarine printing facility ($105 million) located in Melbourne and the expansion of Chullora printing facilities ($52 million) located in Sydney. Funds were also used to increase investments including NewsAlert Asia Pacific, People Telecom and TradingRoom.

Proceeds from divestments during the year of $24 million were received for the sale of SOLD.com.au Pty Ltd.

The consolidated entity paid dividends to its shareholders totalling $84.1 million during the year, up from last year of $80.2 million.

Net financing cash inflow of $41.7 million consisted predominantly of new borrowings of $154.6 million. In the previous year, net cash outflow was mainly due to net repayment of borrowings $133.4 million.

	CONSOLIDATED	
	2001 $000	2000 $000
Cash flows from operating activities		
Receipts from customers	1,410,676	1,302,158
Payments to suppliers and employees	(1,141,192)	(959,942)
Redundancy and severance payments	(1,280)	(4,239)
Dividends and unit trust income received	41,013	109,148
Interest received	1,882	2,419
Borrowing costs paid	(45,902)	(45,358)
Income taxes paid	(108,696)	(86,696)
Net cash provided by/(used in) operating activities	156,501	317,490
Cash flows from investing activities		
Payment for property, plant & equipment	(216,925)	(97,046)
Proceeds from sale of property, plant & equipment	7,679	1,907
Payment for investments	(5,477)	(10,972)
Proceeds from sale of investments	398	1
Payment for controlled entities	(2,400)	(15,532)
Proceeds from sale of controlled entities/businesses	24,000	–
Payment for mastheads and tradenames	(2,914)	(5,788)
Loans and deposits issued	(4,595)	(1,777)
Advances from controlled entities	–	–
Net cash (used in)/provided by investing activities	(200,234)	(129,207)
Cash flows from financing activities		
Proceeds from issues of shares and debentures	9,033	4,389
Dividends paid	(84,090)	(80,165)
Proceeds from borrowings	154,558	159,235
Repayment of borrowings	(2,731)	(292,646)
Loan from associated entity	(35,052)	11,585
Net cash provided by/(used in) financing activities	41,718	(197,602)
Net (decrease)/increase in cash held	(2,015)	(9,319)
Cash at the beginning of the financial year	10,557	19,876
Cash at the end of the financial year	8,542	10,557

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

1. Accounting Policies

Basis of Preparation

The concise financial report has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 1039: Concise Financial Reports.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year with the exception of Revaluation of Non-current Assets, Recoverable Amount of Non-current Assets and Segment Reporting. A full description of the accounting policies adopted by the consolidated entity is provided in the Annual Report to Shareholders – 2001 Full Financial Report.

	CONSOLIDATED 2001 $000	CONSOLIDATED 2000 $000
2. Revenue from Ordinary Activities		
Revenue from operating activities		
Revenue generated from sale of:		
Newspapers	1,077,240	1,135,986
Magazines	139,306	129,887
Other	65,614	66,301
Total revenue from operating activities	1,282,160	1,332,174
Revenue from rendering of services	5,738	11,806
Dividend income		
Wholly owned controlled entities	–	–
Other corporations	150	500
Distributions from unit trusts	420	400
Underlying trading revenue	1,288,468	1,344,880
Revenue from non-operating activities		
Proceeds from sale of property, plant and equipment	7,679	1,907
Proceeds from sale of investments	398	1
Proceeds from sale of controlled entities/businesses	24,000	–
	1,320,545	1,346,788
Interest income:		
Wholly owned controlled entities	–	–
Other persons/corporations	1,882	2,419
Share of associate's net profit	5,277	59,382
Total revenue from ordinary activities	1,327,704	1,408,589
3. Significant Items		
Profit from ordinary activities before income tax includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Company:		
Proceeds from sale of SOLD.com.au Pty Ltd	24,000	–
Cost base of investment	(5,658)	–
Gain on disposal of SOLD.com.au Pty Ltd	18,342	–
Income tax expense applicable	–	–
Restructure and redundancy costs	(24,184)	(4,994)
Income tax benefit applicable	7,323	1,798
f2 development costs	(4,131)	–
Income tax benefit applicable	1,405	–
Write-down of non-current assets	(3,249)	(24,874)
Income tax benefit applicable	1,087	–
f2 float investigation and launch costs	–	(3,541)
Income tax benefit applicable	–	533
GST and system costs	–	(17,595)
Income tax benefit applicable	–	6,334
Share of Associates Net Profit	5,277	59,382
Income tax benefit applicable	–	–
Net significant items after tax	1,870	17,043
Significant items before income tax	(7,945)	8,378
Income tax benefit	9,815	8,665
	1,870	17,043

	CONSOLIDATED 2001 $000	CONSOLIDATED 2000 $000
4. Dividends Paid and Proposed		
Fully franked interim dividend of 4.5 cents per share/debenture paid 16 March 2001 (2000: 4.5 cents fully franked, paid 10 March 2000)	32,930	32,845
Fully franked final dividend of 7.0 cents per share/debenture (2000: 7.0 cents fully franked paid 17 October 2000)	51,442	51,200
Under/(over) provision of prior year final dividend	(40)	–
Total dividends provided for or paid	84,332	84,045

The tax rate at which dividends have or will be franked is 34% (2000: 36%). Franking credits available at 30 June 2001 total $385.1 million (2000: $198.4 million). From these amounts $51.4 million will be used to pay a fully franked dividend at 30 June 2001 to be paid on 17 October 2001. Due to changes in tax legislation, dividends paid from 1 July 2001 to 30 June 2002 attract a maximum franking credit of 30%. Approximately $15 million franking credits will arise from the payment of income tax payable as at the end of the financial year. It is anticipated that dividends payable in the following year will be fully franked.

	2001	2000
5. Earnings Per Share		
Basic earnings per share (cents) based on Net Profit attributable to members of the Company:		
After significant items and associate profits	17.51	25.49
Before significant items and associate profits	17.26	23.15
Diluted earnings per share has not been disclosed as it is not materially different from basic earnings per share		
Weighted average number of ordinary shares and debentures used in the calculation of basic earnings per share (000s)	731,293	728,795

6. Contingent Liabilities

Related bodies corporate

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

Other persons

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2001

7. Segment Reporting

The economic entity operates predominantly in Australia in two business segments, publishing and f2 interactive network, within the media industry. The publishing business comprises news, information and entertainment publishing and advertising sales in newspaper, magazine and electronic formats. The f2 interactive network business comprises News and Classifieds and CitySearch Directories.

	PUBLISHING		f2		CONSOLIDATED	
	2001 $000	2000 $000	2001 $000	2000 $000	2001 $000	2000 $000
Revenue						
Sales to customers outside the economic entity	1,230,913	1,276,745	51,247	55,429	1,282,160	1,332,174
Other revenue from customers outside the economic entity	14,344	14,614	24,041	–	38,385	14,614
Inter-segment revenue	–	–	–	–	–	–
Share of equity accounted profits	5,277	59,382	–	–	5,277	59,382
Total segment revenue	1,250,534	1,350,741	75,288	55,429	1,325,822	1,406,170
Result						
Segment result	223,157	347,068	(32,355)	(69,045)	190,802	278,023
Unallocated expenses					–	–
Consolidated profit from ordinary activities before income tax expense					190,802	278,023
Income tax expense					(62,733)	(92,552)
Consolidated profit from ordinary activities after income tax expense					128,069	185,471
Assets						
Segment assets	2,172,554	2,079,795	99,614	72,948	2,272,168	2,152,743
Unallocated assets					–	–
Total assets					2,272,168	2,512,743
Liabilities						
Segment liabilities	1,112,706	1,044,772	18,478	19,418	1,131,184	1,064,190
Unallocated liabilities					-	-
Total liabilities					1,131,184	1,064,190
Other segment information:						
Equity method investments included in segment assets	4,184	35,349	–	–	4,184	35,349
Acquisition of property, plant and equipment, intangible assets and other non-current assets	198,390	101,181	26,926	12,625	225,316	113,806
Depreciation	57,308	60,588	5,261	1,737	62,569	62,325
Amortisation	1,262	1,240	1,341	1,116	2,603	2,356
Non-cash expenses other than depreciation and amortisation	18,915	14,503	3,434	25,735	22,349	40,238

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF JOHN FAIRFAX HOLDINGS LIMITED

Scope

We have audited the concise financial report of John Fairfax Holdings Limited for the financial year ended 30 June 2001, as set out on pages 14 to 17, in order to express an opinion on it to the members of the Company. The Company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of John Fairfax Holdings Limited for the year ended 30 June 2001. Our audit report on the full financial report was signed on 20 September 2001, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports".

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

Audit Opinion

In our opinion, the concise financial report of John Fairfax Holdings Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Ernst & Young

Brian Long
Partner

Sydney
Date: 20 September 2001

SHAREHOLDER INFORMATION

Twenty largest holders of securities at 31 August 2001

	No. of securities	%
(i) Ordinary shares		
Chase Manhattan Nominees Limited	111,635,347	15.19
National Nominees Limited	95,001,137	12.93
Westpac Custodian Nominees Limited	48,968,179	6.66
Citicorp Nominees Pty Limited (CFS WSLE Imputation Fund A/C)	25,149,577	3.42
RBC Global Services Australia Nominees Pty Limited	20,621,659	2.81
Queensland Investment Corporation	18,484,660	2.52
Citicorp Nominees Pty Limited (CFS WSLE Aust Share Fund A/C)	17,246,566	2.35
Citicorp Nominees Pty Limited (CFS Imputation Fund A/C)	15,630,644	2.13
Citicorp Nominees Pty Limited	13,729,319	1.87
AMP Life Limited	11,610,400	1.58
MLC Limited	10,931,247	1.49
Citicorp Nominees Pty Limited (CFS WSLE Industrial Share A/C)	10,928,454	1.49
ANZ Nominees Limited	9,112,840	1.24
Commonwealth Custodial Services Limited	9,098,197	1.24
Westpac Financial Services Limited	7,205,723	0.98
Chase Manhattan Nominees	5,936,319	0.81
Commonwealth Custodial Services Limited (A/C LGSS)	5,235,018	0.71
Government Superannuation Office	4,911,286	0.67
JP Morgan Custodial Services Pty Ltd	4,812,436	0.65
ING Life Limited	4,764,497	0.65
	451,013,505	61.39
(ii) Debentures		
National Financial Services	281	100.00
	281	100.00

(iii) Options

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

Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by the Company at 31 August 2001 are:

	Ordinary Shares
Commonwealth Bank of Australia	101,825,610
Colonial Limited	89,867,661
Permanent Trustee Company Limited	82,469,593
Deutsche Australia Limited	65,992,846
UBS Nominees Pty Limited	64,823,739
Perpetual Trustees Australia Limited	51,700,762

Distribution schedule of holdings at 31 August 2001

No. of securities	No. of ordinary Shareholders	No. of debenture holders	No. of option Holders
1 – 1,000	12,294	1	–
1,001 – 5,000	26,240	–	4
5,001 – 10,000	4,206	–	46
10,001 – 100,000	2,075	–	194
100,001 and over	192	–	20
Total number of holders	45,007	1	264
Number of holders holding less than a marketable parcel	–	–	–

Voting rights

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

PERFORMANCE SUMMARY

		2001	2000	1999	1998	1997	1996	1995
Total Revenue	$M	**1,327.7**	1,408.6	1,315.3	1,153.6	1,027.9	1,006.1	948.4
Operating revenue	$M	**1,288.5**	1,344.9	1,144.8	1,109.3	1,023.2	995.9	945.3
Earnings before depreciation, interest and tax (EBITDA)	$M	**299.8**	390.3	322.0	293.1	253.0	237.1	279.3
Depreciation	$M	**65.2**	64.7	67.1	69.3	68.2	41.5	26.2
Earnings before interest and tax (EBIT)	$M	**234.6**	325.6	254.9	223.8	184.8	195.6	253.1
Net interest expense	$M	**43.8**	47.6	46.7	55.9	67.0	44.0	36.6
Profit before tax and abnormals	$M	**N/A**	N/A	208.2	167.9	117.8	151.6	216.5
Abnormal items	$M	**N/A**	N/A	26.5	(8.5)	(16.4)	(21.9)	(10.9)
Profit before tax	$M	**190.8**	278.0	234.7	159.4	101.4	129.7	205.6
Income tax	$M	**62.7**	92.6	56.2	47.6	27.4	42.2	58.3
Net profit	$M	**128.1**	185.8	180.3	111.8	74.0	87.5	147.3
Net profit from continuing operations	$M	**126.2**	168.4	134.5	111.6	85.0	102.2	148.5
Shareholders equity	$M	**1,141.0**	1,088.6	984.5	1,142.4	1,090.6	1,086.0	1,073.7
Total assets	$M	**2,272.2**	2,152.7	2,105.2	2,098.2	2,165.4	2,223.1	2,084.2
Total borrowings	$M	**774.3**	622.5	755.9	669.5	812.6	867.0	763.0
Number of shares and debentures	M	**734.9**	730.6	728.0	806.9	798.0	796.0	795.0
Number of shareholders		**45,007**	32,325	21,353	19,211	21,073	22,481	21,248
EBITDA to Operating Revenue	%	**23.3**	29.0	28.1	26.4	24.7	23.8	29.5
Earnings per share	Cents	**17.5**	25.5	23.2	14.0	9.3	11.0	18.6
Earnings per share from continuing operations	Cents	**17.3**	23.2	17.3	13.9	10.7	12.8	18.8
Cash flow per share	Cents	**21.3**	43.5	33.2	26.3	23.7	14.6	30.0
Dividend per share	Cents	**11.5**	11.5	10.5	9.5	9.5	9.5	9.5
Interest cover based on EBITDA	Times	**6.8**	8.2	6.9	5.2	3.8	3.6	5.4
Gearing	%	**67.9**	57.2	76.8	58.6	74.5	79.8	71.0
Return on shareholders' equity	%	**11.2**	17.1	18.3	9.8	6.8	8.1	13.7

DIRECTORY

Annual General Meeting

The Annual General Meeting will be held at 10.30 am on Wednesday, 7 November 2001 in the Ballroom, Sheraton on the Park, 161 Elizabeth Street, Sydney 2000.

Financial Calendar

For Financial Year 2000-2001	
Books close for final dividend	20 September 2001
Annual General Meeting	7 November 2001
Final dividend mailed	17 October 2001

Estimated for Financial Year 2001-2002	
Interim result and dividend announcement	March 2002
Books close for interim dividend	April 2002
Interim dividend mailed	April 2002
Preliminary final result and dividend announcement	September 2002
Final dividend mailed	October 2002
Annual General Meeting	November 2002

Company secretary

Gail Hambly

Registered office

Level 19
Darling Park
201 Sussex Street
Sydney NSW 2000
Ph: (02) 9282 3046
Fax: (02) 9282 3065

Share registry

Computershare Registry
Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 1115
Ph: 1300 855 080
Fax: (02) 8234 5050

Computershare Registry
Services Pty Limited
c/- Ernst & Young
54 Marcus Clarke Street
Canberra City ACT 2601
Ph: 1300 855 080
Fax: (02) 6246 1500

Stock exchange listing

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

Important information about this concise report

The Concise Financial Report contained within this document has been derived from the Full Financial Report of John Fairfax Holdings Limited and Controlled Entities for the year ended 30 June 2001 and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Full Financial Report.

To obtain a free copy of the Full Financial Report, contact Computershare Registry Services – see contact details above.

Website

This Concise Report and the Company's detailed Financial Statements can be found via the Fairfax Corporate Website at www.fxj.com.au

The Company's family of websites can be accessed through www.f2.com.au

Removal from annual report mailing list

Shareholders who do not wish to receive either the Full Financial Report or the Concise Report should advise the Share Registry in writing.

Consolidation of shareholdings

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

Direct payment to shareholder's accounts

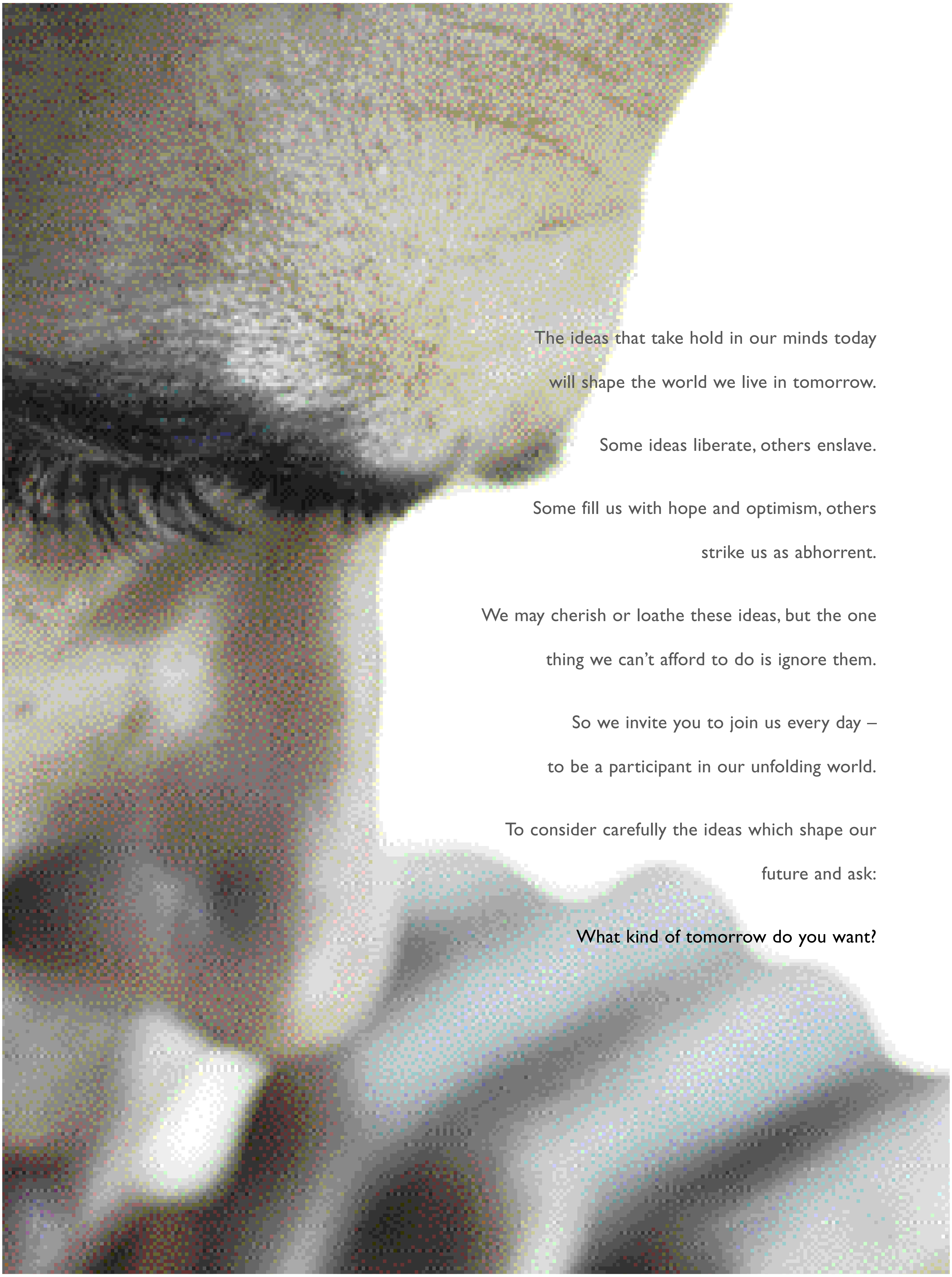
Dividends may be paid directly to bank accounts in Australia. These payments are electronically credited on the dividend date and confirmed by a mailed payment advice. Shareholders are required to advise the Share Registry of their tax file number so that dividends can be paid without tax being withheld.

The Sydney Morning Herald
GOODWEEKEND
THE AGE
f2.com.au
BRW.
FINANCIAL REVIEW
The Newcastle HERALD
The Sun-Herald
ILLAWARRA MERCURY
Fairfax COMMUNITY NEWSPAPERS

Fairfax is a competitive media company, with a strong performance ethic, serving its communities through high quality, independent journalism and dynamic venues for commerce and information.

The Sydney Morning Herald

TOMORROW'S PAPER



The ideas that take hold in our minds today will shape the world we live in tomorrow.

Some ideas liberate, others enslave.

Some fill us with hope and optimism, others strike us as abhorrent.

We may cherish or loathe these ideas, but the one thing we can't afford to do is ignore them.

So we invite you to join us every day – to be a participant in our unfolding world.

To consider carefully the ideas which shape our future and ask:

What kind of tomorrow do you want?