FairfaxReview

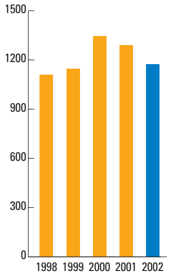
JOHN FAIRFAX HOLDINGS LIMITED ABN 15 008 663 161 **CONCISE REPORT 2002** www.fxj.com.au

Making sense of the world

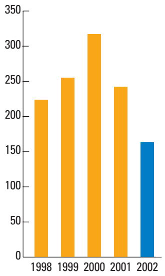
Chairman's Report
BRIAN M. POWERS

Financial Highlights

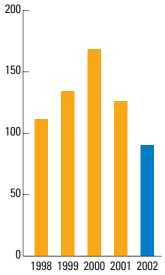
Trading Revenue/$M



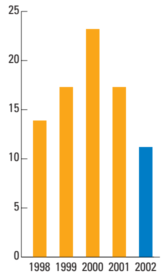
EBIT pre-significant items/$M

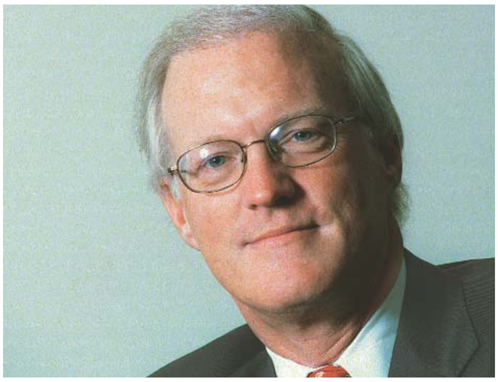


Profit before significant items/$M



Earnings per share before significant items/cents





Investment and Building for the Future

The advertising downturn which began in October 2000 continued unabated through the 2002 financial year, depressing our financial performance for a second consecutive year. Earnings per share pre-significant items were 11.15 cents, down 35.4%. We have maintained our dividend at 11.5 cents per share, fully franked.

Operations

While it was a difficult year financially, we are pleased to report progress on several key operational initiatives. We continued our efforts to reinforce our position as Australia's pre-eminent information provider, both in print and online, to run our business more efficiently and to sharpen the focus of our online strategy. As detailed in the Chief Executive's report, tangible progress was made in all these areas.

The quality of our journalism remains unmatched in Australia and was recognised with nine Walkleys, including the prestigious Gold Walkley. Our mastheads either held or strengthened their competitive positions in all key markets, both in terms of readership, (particularly among the key AB demographic prized by advertisers), and in advertising market share.

Online, *The Sydney Morning Herald, The Age* and *The Australian Financial Review* news sites continued to be pre-eminent in their respective markets. Similarly, our online classified sites, My Career.com.au, Drive.com.au and Domain.com.au, are firmly established among the leaders in their areas.

Following the sales of Sold.com.au and CitySearch and the recent closure of other early stage sites, our online business is now firmly focused on our key news sites and their related classified sites. Losses at f2 are projected to be under $10 million in EBIT this year. This is a substantial improvement from prior years and, in your Board's opinion, this expenditure is vital to maintaining the strength of our mastheads and brands and to position us to participate in any opportunities for profitable online businesses which may emerge in the future.

We have continued to invest heavily in our businesses, with the new printing plant at Tullamarine in Melbourne and the major upgrade at Chullora in Sydney coming on-stream this financial year. Upon completion, we will have two world-class plants which will ensure that the print quality of our papers is on par with our journalistic excellence. The extra colour capacity in both locations will allow us to better serve our readers as well as our advertisers.

We have devoted substantial effort to increasing our operating efficiency over the past four years, and the results of that effort are clearly reflected in this year's results.

Overall, costs were down 3.8% year-on-year. In our publishing business, costs were down 1% year-on-year, notwithstanding an 8% paper price increase and contracted wage increases under our collective bargaining agreements. It is our goal to keep costs flat this year.

Growth

The enduring strength of our mastheads, augmented by the success of our online news and classified sites, the completion of Tullamarine and the Chullora upgrade and our ability to manage costs while maintaining quality, leaves us extremely well-positioned for growth. With our substantial operating leverage, we will benefit significantly from any recovery in the advertising market. We are also well-positioned to expand by delivering our content across other platforms as well as by moving into new geographic markets. With our major capital expenditures coming to an end and a solid balance sheet, we also have the capacity to grow by acquisition should attractive opportunities arise. Accordingly, we would benefit substantially from an easing of the artificial constraints on our growth imposed by the media ownership laws. We very much welcome the Government's legislation to provide waivers on the restrictions on cross media holdings and foreign investment in media companies. It is critically important that the Parliament understands that the growth of quality media companies is essential to the ability of the media to fulfill its responsibilities in a democratic society. Governments in the United States and the United Kingdom are considering similar reforms. Their time has arrived, and we are hopeful that legislation will be passed in the near future.

Corporate Governance

The Board and management of the company are committed to maintaining the highest standards of corporate governance by conducting business in an open and ethical way for the benefit of our shareholders and the wider community.

With the exception of the CEO, all directors are non-executive. The company has an Audit Committee comprised entirely of non-executive directors which operates under a clear charter. There are independent committees for Remuneration and Nominations.

We are supportive of the changes in accounting policies with respect to options. Pending their promulgation, we have reported as a note in our financial reports for the 2002 financial year the cost of any stock options or shares issued to employees during the relevant financial year. The company issued no share options for the 2002 financial year.

Management

In September, the company announced that Fred Hilmer's employment contract as CEO has been extended. In his four years as CEO, Fred has seen both extremes of the market: two years of record profits followed by a severe two year advertising recession. He has provided strong leadership throughout this period and his experience in the role will serve us well going forward.

We have enjoyed four years of Board and senior management stability for the first time since the company was relisted in 1992. The benefits of this stability are evident in the operating successes described above and in the growth and skills gained by our managers. We are progressing well in developing our next generation of both executive and journalistic leaders.

On behalf of the Board, I want to express our sincere appreciation for the professionalism and dedication of the entire staff, who produce publications of quality in which we take such pride, and which play such an important role in our society.

All of us – shareholders, management and staff – look forward to securing, with hard work and a disciplined focus, a return to profit growth.

Chief Executive Officer's Report
FREDERICK G. HILMER, AO

Strengthening Our Competitive Positions

Management's efforts over the past year were concentrated on two areas. First, through a combination of continuing tight control of costs and further revenue initiatives, we sought to ameliorate some of the impact of the worst advertising markets faced by our industry in over ten years. This was achieved while holding market share, building the quality of our mastheads, and strengthening our competitive positions.

Second, we are putting in place a number of key developments including new printing capacity, restructuring the revenue side of the business, and refocusing f2. These will significantly improve our prospects as markets turn.

Financial Results

The Company's net profit after tax and pre-significant items for the financial year ended 30 June 2002 was $90.2 million, down 28.5% from last year. On an underlying trading basis, revenues declined 8.8% to $1.17 billion, while Group costs were cut by $37.1 million, or 3.8%, to $943.6 million.

Earnings per share pre-significant items were 11.15 cents, down 35.4% from last year.

Significant items totalled $36.5 million, primarily due to the restructure of the f2 businesses. Of this, $11.5 million was incurred as a result of the sale of the CitySearch online business to Pacific Access. As previously foreshadowed, $25 million was written off primarily with respect to the CitySearch print directory business.

Net profit after tax and significant items was $53.7 million, or 58.1% less than last year's $128.1 million.

On a trading basis, group EBITDA fell 25.1% to $230.4 million. Publishing EBITDA was $253.0 million, down 26.3%. f2's EBITDA loss improved by 35.5% to $22.7 million, consistent with the range previously indicated.

Performance

The key drivers of our performance were declining revenues offset by tight cost control, with concerted attention to the leadership position of our mastheads in their markets.

Costs. We contained our costs by improving our business operations, laying the basis for continuing cost discipline throughout the cycle.

Across the Group, costs were down $37.1 million, or 3.8% on the prior year. Even after allowing for wage and salary increases and the contracted newsprint price increase of 8% for the year, publishing costs decreased by $9.3 million, or 1.0%. Costs in f2 were reduced by $27.7 million, or 32.0%. Notwithstanding further contracted wage and salary increases, and a one-off cost for the transition to Tullamarine, we anticipate costs for the 2003 financial year will be at levels similar to those of the 2002 financial year.

Revenue focus. We completed a restructuring within the publishing operations to sharpen our focus on generating growth in advertising revenues across the metropolitan mastheads in the key advertising categories of real estate, employment and automotive, and in retail and national display advertising. This will enable the Company to capitalise on the significant investments in expanded printing and colour capacity at Tullamarine and Chullora. Our customers are also being afforded further joint print and online advertising opportunities.

Mastheads. Our newspaper franchises maintained their leadership position in their markets.

Metropolitan newspapers. Over the past year, our papers have held market share across advertising categories, even as they have faced discounting. Circulation and readership are at healthy levels, and our major newspapers are unmatched in their reach to the most attractive reader segments. The value to our business of the quality journalism that underpins our franchises was reflected in the intensive attention to news coverage this year, and the Walkley and Quill awards our publications received. We expanded our editorial policy of copysharing between our metropolitan mastheads, adding to the quality of the papers.

Regional and community newspapers. To build further on the strong competitive position of our papers in these important markets, we combined our regional and community newspapers in a new structure, with improvements in revenues and profits already apparent. Compared to 2001, the unit registered revenue growth of $9.9 million, or 5.7%, and EBITDA growth of $4.6 million, or 15.4% – outperforming the other rural and regional newspaper companies in revenue and profit growth during the year. At the same time, *The Newcastle Herald* registered the largest circulation gain of any regional paper.

Strengthening the Business

We have also taken significant steps to improve the fundamental strength of the Company in its core businesses.

Investment in printing. Tullamarine and the upgrade at Chullora, which will give the company world class printing facilities in both Melbourne and Sydney, are close to completion, with both projects under budget and with new Enterprise Bargaining Agreements in place.

We will begin to see the results of these major investments – $220 million for Tullamarine and $90 million for Chullora – in the 2003 financial year, with more substantial gains in 2004 and beyond.

Tullamarine will provide significant benefits for readers and advertisers of *The Age* and *The Australian Financial Review*. The upgrades at Chullora are ahead of schedule, with additional production flexibility and colour capacity coming online in this calendar year, which will particularly benefit Herald Publications. When completed, the printing capacity, efficiency and quality standards of the Tullamarine and Chullora plants will be the best available in the country.

f2. f2 was restructured with a concerted focus on the core News and Classifieds franchises. Costs have been reduced significantly and the News and Classifieds business is growing. Classified revenues have been bolstered by the successful introduction of charges for bundled print and online advertising listings. As previously stated, we anticipate that EBIT losses from f2 will be below $10 million in the 2003 financial year, with f2 moving towards break-even thereafter.

Priorities

With advertising markets still subdued, we need to take initiatives and create opportunities to put the company back on a growth path in revenues and profits. Our first and highest priority is to focus on achieving generic growth from our existing businesses – newspapers, magazines and f2 – where we are strongly positioned and substantial improvements are under way. These businesses remain fundamentally attractive. The best evidence has been the robust performance of advertising categories such as real estate and automobiles, which were not affected in this cycle.

We also have to maintain an unswerving commitment to the quality of our franchises and mastheads in everything we do. This is the foundation of the strength of our publications and their ability to grow.

In this context, there are four priorities which we are managing simultaneously:

1 We need to bed down our new print capacity and take full advantage of what it can do in every aspect of our business – journalism, circulation, advertising, production and distribution. We will have significant increases in print quality and colour capacity. New mailroom technology will expand our zoning capabilities for targeted product across our distribution footprint. We will have the flexibility to quickly adapt the papers to market needs.

2 We need to build on the changes made in our sales areas to become even more of a "front foot" organisation, characterised by the opportunities we create and the initiatives we conceive and take. We will continue to develop special initiatives to win added incremental revenues, such as the *AFR*'s Special Reports, and the upscale real estate and shopping sections in our Sydney and Melbourne papers.

3 We need to keep improving our processes and operations – doing more with less. Any organisation can do less with less. Our challenge, and one we have indeed been meeting, is to continually improve the way we work. In this way, we will keep costs tightly controlled through the cycle.

4 We need to build on f2's solid platform in News and Classifieds. Throughout the year, f2 took the hard steps that have set the stage for strong future growth, with good initial results. EBITDA for the News and Classifieds sites improved 38% in the second half of the financial year, compared to the first.

Strategic Growth

Our priority is for expansion in Australian media, and is the basis for our consistent advocacy of reform of media ownership laws and regulation. We continually review all opportunities to gain scale and synergies in Australian media and related areas. In business publishing, there are offshore opportunities that could be of interest to us.

In assessing these prospects, our base case is that any investment we make must offer prospects superior to those achieved by returning funds to shareholders, such as through dividends or a share buyback.

Fairfax is a strong business at a difficult point in the economic cycle. It is, however, well positioned for the future. With the improvements in the business outlined in my report – printing capacity, cost management, leadership position in our publications, revenue restructure, and f2 – Fairfax is well placed to benefit from an upturn in the market. With costs expected to remain flat, continuing improvement in profitability at f2, and barring a further downturn in advertising markets, we expect to resume earnings growth in 2003.

Chief Financial Officer's Report
MARK BAYLISS

Management Discussion and Analysis

Overview

The operating results for the 2002 financial year reflect the impact of the worst advertising market in over 10 years partially offset by our ongoing drive to reduce costs in all areas of the company. The year also saw the sale of the CitySearch online business and the closure of the CitySearch Directories.

To increase focus on revenue and profit growth, our regional and community newspaper business has been consolidated into one business unit. Publishing operations have also been restructured to generate more growth from key advertising categories. Working capital also delivered significant improvements in cash flow during the year, particularly in the areas of receivables and payables.

Group Trading Performance

Trading revenue declined by 8.8% to $1.17 billion due to the impact of the significant decline in the advertising market. Cost reductions have partially offset this decline in revenue. However, EBITDA margins fell from 23.9% last year to 19.6% this year. The level of fixed costs in the business impair opportunities to reduce costs in line with revenue volatility. Earnings per share pre significant items fell to 11.15 cents or 35.4% down on last year.

Publishing – Review of Underlying Trading

Revenues

The Publishing Business revenues declined 8.0% from $1.24 billion last year to $1.14 billion this fiscal year.

Advertising revenues fell by 9.6% while circulation revenue fell by 1.0% compared to last year. The volume of classified advertising was down 2.8% while display advertising volume was down 14.7%. Over 85% of the revenue shortfall compared to last year was due to a decline in volumes as opposed to yield.

The Sydney Morning Herald reported a 13.4% fall in total advertising revenue. Classified volume declined by 5.0% while display volume declined by 14.3%. Overall yields also declined by 5.1%. Employment and national display advertising categories declined in volume terms while classified real estate showed significant growth during the year. Circulation revenue fell by 3.4% overall with the Saturday edition showing some growth over last year. The cover price of the weekday edition was increased by $0.10 to $1.20 in February 2002 and the Saturday edition was increased by $0.20 to $2.00 in September 2001.

The Age recorded a fall in total advertising revenue of 7.1%. Classified volumes fell by only 0.1% while display volumes declined by 11.6% consistent with the trend in *The Sydney Morning Herald*. The display categories of employment and national showed significant falls in volume. Real estate display helped to partially offset these declines with good volume growth. Overall yields declined by 3.2%. However, employment display advertising and real estate display advertising both showed yield gains compared to last year. Circulation revenue remained flat with last year. Cover prices were increased during the year. The weekday edition cover price was increased by $0.10 to $1.20 in April 2002 and the Saturday edition cover price was increased by $0.10 to $1.90 in September 2001.

The Australian Financial Review suffered a fall in advertising revenue of 20.4%. An improvement in yield of 3.8% helped to partially offset the volume decline of 24.2%. National and employment display advertising categories were again the principal cause of the overall decline in revenues. Circulation revenue fell by 4.5% compared to last year with circulation declines reflecting levels of subdued activities in the stock market as a whole.

The Sun-Herald posted a 11.3% fall in advertising revenues. Classified volumes were down 3.3% while display volumes fell 5.5%. Yields fell by 6.1% in total while classified yields grew due to strong growth in employment. Circulation revenue grew by 3.9% over last year. The cover price was increased by $0.10 to $1.50 in October 2001.

Magazine advertising revenues were 15.7% down on last year. *Good Weekend* declined on last year while *Sunday Life* grew. All other magazines suffered from the fall in display advertising evident across the market.

Fairfax Regional and Community Newspapers delivered an increase in revenues of 5.7% over last year which generated an increase in EBITDA of 15.4%. This result fully supports the decision to consolidate this business under one management team to successfully drive growth and profit.

Costs

Costs for the year fell by 1.0% or $9.3 million to $884.8 million. Costs in the second half of the year compared to the same period last year fell by $6.4 million or 1.5%.

Cost reductions were achieved in all areas other than newsprint, with newsprint costs up 6% due to a market price increase of 8%. Staff costs showed a saving of 1.0%, promotions reduced costs by 10.0% and production/distribution costs fell by 7.0%.

f2 – Review of Underlying Trading

f2 underwent significant change in fiscal year 2002 with the sale of its CitySearch online business and the recent closure of it's directories business. Going forward f2 will be a more focused provider of both news and classified advertising.

For the year, f2's total revenue pre-significant items fell from $51.3 million to $36.2 million, a fall of 29.4%. The News and Classifieds component, however, grew from $14.2 million to $14.9 million delivering growth of 4.9% in a very poor market for advertising.

f2 EBITDA improved from a loss of $35.3 million last year to a loss of $22.7 million this financial year. The News and Classifieds component of the EBITDA improved by 45.3%, delivering a loss of $9.4 million this year compared to a loss of $17.2 million last year.

EBIT for f2 of $29.1 million loss was a 30.5% improvement on last year's loss of $41.9 million. It is expected that this loss will be reduced to less than $10 million in the 2003 financial year .

f2 has maintained its leadership in news and retained a very strong position in each of the key classified markets. f2 has also gained share in its highly competitive market place and commenced charging for the upselling of print casual classified ads online.

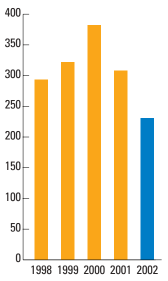
Key Statistics

	2002	2001
EBITDA margin (%) – pre-significant items	19.6	23.9
Net debt to equity (%)	43.6	67.1
Interest cover (times) – pre-significant items	7.8	7.0
Earnings per share – pre-significant items (cents)	11.2	17.3
Earnings per share – after significant items (cents)	6.2	17.5
Dividend per share (cents)	11.5	11.5

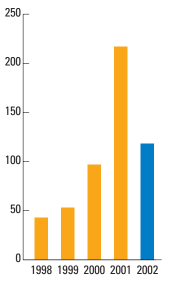
Financial Highlights

- Profit after tax pre-significant items of $90.2 million down 28.5%
- Earnings per share pre-significant items of 11.15 cents down 35.4%
- Profit after tax of $53.7 million down 58.1%
- Earnings before interest and tax (EBIT) pre-significant items of $163.5 million down 32.6%
- Trading revenues of $1.17 billion down 8.8%
- Interest cover based on EBITDA pre-significant items increased from 7.0 to 7.8 times

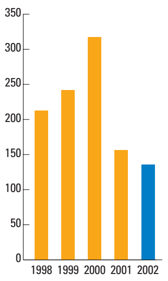
EBITDA pre-significant items/$M



Capital Expenditure/$M



Cash Flow from Operations/$M



Profit and Loss

	2002 $M	2001 $M	Variance %
GROUP: Underlying Trading			
Trading revenue	1,173.9	1,288.5	(8.8%)
Costs	943.6	980.7	3.8%
EBITDA	230.4	307.8	(25.1%)
Depreciation	66.9	65.2	(2.6%)
EBIT	163.5	242.6	(32.6%)
PUBLISHING: Underlying Trading			
Trading revenue	1,137.8	1,237.2	(8.0%)
Costs	884.8	894.1	1.0%
EBITDA	253.0	343.1	(26.3%)
Depreciation	60.4	58.6	(3.2%)
EBIT	192.5	284.5	(32.3%)
f2: Underlying Trading			
Trading revenue	36.2	51.3	(29.4%)
Costs	58.8	86.6	32.0%
EBITDA	(22.7)	(35.3)	35.5%
Depreciation	6.4	6.6	3.0%
EBIT	(29.1)	(41.9)	30.5%

Balance sheet data

	2002 $M	2001 $M
Total assets	2,314.7	2,291.8
Net debt	(586.1)	(765.8)
Shareholders' funds	1,344.5	1,141.0

Cash flow data

	2002 $M	2001 $M
Cash flow from operations	135.8	156.5
Capital expenditure	(118.2)	(216.9)
Interest paid (net)	(31.1)	(44.0)
Dividends paid	(92.8)	(84.1)
Net debt reduction/(increase)	179.7	(153.8)
Cash flow per share (cents)	18.4	21.3

Balance Sheet

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

The major changes in the balance sheet during the year reveal a number of key items. Firstly, the balance sheet reflects the ongoing investment in both Tullamarine and Chullora printing facilities. These projects will be completed on budget and will be fully operational in February 2003 and December 2002 respectively.

Secondly, significant improvements in working capital were achieved by active management of both receivables and payables.

Thirdly, debt was significantly reduced following the successful issue in December 2001 of $250 million of Preferred Reset Securities Exchangeable for Shares (PRESSES). Lastly, the adverse effect of taxation on the current assets. The taxation debtor is a direct result of the timing of quarterly payments and the reduction in profitability due to the advertising slump in the 2002 fiancial year.

Cash Flow and Debt

Fairfax reduced debt levels by $179.7 million to $586.1 million. This was due to an inflow from the PRESSES issue of $242.0 million net of fees and an improvement in working capital of $61.0 million.

These inflows were reduced by $118.2 million of capital expenditure primarily related to Tullamarine and Chullora.

Gearing, as measured by net debt as a percentage of shareholders' funds, decreased from 67.1% in financial year 2001 to 43.6% in financial year 2002.

Interest cover also improved from 7.0 times EBITDA pre-significant items in the 2001 financial year to 7.8 times in 2002.

These improvements are directly related to the PRESSES issue and the capitalisation of interest in relation to the capital works at Tullamarine and Chullora. Interest capitalisation for these projects will cease for Chullora at the end of November 2002 and Tullamarine at the end January 2003.

Capital expenditure for fiscal year 2003 is expected to fall to circa $70.0 million as expenditure on the major projects winds down.

Depreciation in financial year 2003 is also expected to be $70.0 million.

We continue to actively manage our capital base effectively in the interests of shareholders.

Dividends

Dividends of $92.8 million were paid during the 2002 financial year. This comprised $8.3 million for PRESSES and an $84.5 million ordinary dividend.

The PRESSES dividend was $3.3159 per $100.00 share while the ordinary dividend was 11.5 cents per share (4.5 cents interim dividend and 7.0 cents final dividend).

All dividends are fully franked and the ordinary dividend represents a maintaining of the level paid last year.

Significant Items

Significant items totalled a $41.9 million loss pre-tax and $36.5 million post tax.

The three main components of the $36.5 million post tax loss are the loss on sale of the CitySearch Online business to Pacific Access of $11.5 million, the cost of closing CitySearch Directories of $21.0 million and a write down of the NewsAlert Online news service investment of $4.0 million.

Financial Systems and Procedures

Fairfax continued to develop both its business processes and controls during the year, building on the platform created in the 2001 financial year. We have continued to drive value from the process and system improvements and plan to deliver further benefits in the 2003 financial year.

Our staff are fully committed to continuous improvement and strive for excellence in all areas of the business.

The Board of Directors

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

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 53.

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

Mr Burrows is an investment banker and currently the Executive Deputy Chairman of ING Barings Holdings Limited, Deputy Chairman of Brambles Industries Limited, 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 58.

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 69.

Mr David Gonski AO
Non-executive Director
(Joined the Board 29 September 1993)

Mr Gonski is Chairman of Investec Australia Limited and Coca-Cola Amatil Limited. He is also director of the Australia & New Zealand Banking Group Limited and Westfield Holdings Limited. In addition, he is Chairman of the Australia Council and involved in a number of other not for profit organisations. 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 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 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 57.

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. Julia 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 Group Limited. He is currently Chairman of John Fairfax Holdings' Finance and Audit Committee. He was formerly Chief Executive – Australia of Brierley Investments Limited and Managing Director of Freedom Furniture Limited. Age 50.

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, a Director of Westfield Holdings Limited and Chairman of the Coca-Cola Australia Foundation Ltd. Age 69.

Herald Publications

Alan Revell – Publisher and Editor-in-Chief

Leveraging the strength of our publishing franchises

For Herald Publications, it was a challenging – and difficult – year. It was a dramatic year for news, with a real hunger among our readers for the uniquely valuable and authoritative coverage we provide to help them make sense of a chaotic world.

Commercially, our revenues were under pressure, even with good results in circulation and readership. Our continuing priority is to find new revenues by leveraging off the strength of our publishing franchises.

With the benefits of the upgrade at Chullora, we will have expanded opportunities to attract more advertising in the coming year.

Our journalism. In the difficult days of September 2001, special editions and round-the-clock reporting were the norm. Eyewitness accounts by our correspondents from the streets of New York brought home the scope and intensity of the tragedy. We tracked the war that ensued from Washington to Afghanistan, providing sustained, intensive coverage. Throughout our international coverage, the direct reporting from our correspondents was supplemented by the best journalism from *The New York Times* and other international news services.

Our political coverage centred on the historic third-term victory campaign for the Howard Government. In State and metropolitan news, we won acclaim for our investigative series on schools, transport, and environmental changes in our oceans.

We are intent on improving editorial quality while controlling costs. Together with *The Age*, our two papers are increasingly sharing the very best reporting our journalists produce, improving the quality of what is available to our readers. This adds to the depth of coverage available to readers in both Sydney and Melbourne. This extends to inserted sections, such as through our joint production of *Next*, our IT section.

Our journalists received many honours, with Paul Barry winning a coveted Walkley for his story on tax cheats. The SMH won the PANPA marketing award, and our lifestyle *Good Living* inserted section won a Society for Newspaper Design award.

Circulation and readership. *The Sydney Morning Herald* enjoyed significant circulation gains across all editions, up 3.2% Monday–Friday, to 229,000 copies, and increasing 1% to 400,000 copies on Saturdays.

The weekday editions of *The Sydney Morning Herald* are at their highest circulation levels since September 2000, and the Saturday edition is at its highest level since June 1999.

There has been a corresponding increase in readership growth, with the Monday–Friday editions up 9.8% year-on-year, and the Saturday *SMH* up 2.2% in the same period. Both papers also registered solid readership growth over the past quarter.

Success is also defined by the audience we attract. *The Sydney Morning Herald* continues to deliver a premium newspaper audience, with the strongest AB readership, to advertisers. Over the past year, the Herald's AB readership has increased by 4.7% on weekdays and 4.9% on weekends, with 45% of the readers of both the weekday and Saturday editions in the key AB socio-economic group – far outpacing the competition.

Similarly, at *The Sun-Herald*, circulation held relatively steady at 550,000. Its AB readership has increased by 2% since June 2001, and it has an AB readership edge in the Sunday newspaper market of more than 111,000 over the competition.

Our circulation has been buttressed by well-targeted suburb-by-suburb marketing campaigns and new channels to the market, such as supermarkets. Our Herald In The Classroom campaign forges closer relationships with future readers.

Advertising. With the construction of the printing plant at Chullora in 1996, *The Sydney Morning Herald* was able to open up new advertising revenue streams through a series of new and upgraded daily and special sections in the newspaper. Our inserted sections – *The Guide*, *Good Living* and *Domain* – are now "stitched and trimmed" products, with higher quality and production values that are successful with readers and advertisers.

This was a prime benefit to the business which we have steadily grown – and which we can further extend with the upgrade now nearing completion.

In time for the Christmas shopping season this year, we will be able to offer advertisers more colour throughout the paper and its inserted sections.

We will be utilising this new printing and colour capacity to secure further growth in display advertising. Pursuant to our restructure for revenue growth, we are also winning display business on a more national basis, with national account management and sales strategies in place.

To drive further growth of our publications as premium advertising platforms, we are the first publisher to present to the market attitudinal research on our sections, who reads them, and why.

The Age

Greg Hywood – Publisher and Editor-in-Chief

Growing market share in key revenue categories

Despite adverse trading conditions which affected revenues, *The Age* performed strongly in the Victorian market by maintaining and growing market share in key revenue categories. A comprehensive redesign and content changes both in print and online helped produce circulation and readership increases over successive audit periods.

With the completion of the new printing plant at Tullamarine, there are exceptional opportunities to significantly lift the quality of the paper, build key audiences, and increase attractiveness of *The Age* to our advertisers in Victoria and nationally.

Our journalism. Outstanding journalism is, and remains, the core of *The Age*'s overall commitment and its primary focus. This last year produced some of the most significant stories in the paper's modern history.

While coverage of September 11 and its aftermath dominated, *The Age*'s coverage of the asylum seekers and border protection issue has been rigorous and thorough.

We covered an explosive year of business news – Ansett, HIH, OneTel – with authority and a quality unrivalled in Victoria.

We continued to break new ground in covering major social issues such as health, drugs, child abuse, and the terrible impact of road accidents as the state's death and injury toll reached 10-year highs.

This year, *The Age* won 40 awards for excellence in journalism, including five Walkleys and ten Quill awards – more than any other newspaper or media organisation in Victoria. Andrew Rule won both the Gold Walkley and the Graham Perkin Australian Journalist of the Year Award (for the second time) for his investigation of "Geoff Clark: Power and Rape." He also won the Melbourne Press Club's Gold Quill award.

In February, we unveiled a redesign for *The Age* that provides the paper with a contemporary look without straying from its 147-year tradition. It was well received, and will serve as a cornerstone for quality improvements that will be made throughout the paper with the benefit of the new plant.

Circulation and readership. *The Age* posted circulation gains over four successive audit periods on weekdays, up 1% to 193,500. Saturday circulation is at 318,900 and, for *The Sunday Age*, 199,350. 7-day subscriptions, bolstered by a 13% increase, rose to their highest level ever.

The Age's readership increased strongly over the past year with the Monday-Friday editions up 4.2% and 2.3% for the June 2002 quarter. *The Age*'s performance on weekdays is the best of any newspaper in Victoria.

Saturday readership was also up year-on-year, to 1,070,000 readers, and *The Sunday Age*'s readership increased slightly in the June 2002 quarter.

The Age leads its opposition in relation to the AB market across all days of the week and attracting readers who value quality journalism remains a key priority.

Advertising. *The Age* continues to be Victoria's premier advertising vehicle across a wide range of goods and services carrying a host of national brands and retail advertising as well as Victoria's largest classifieds listing.

In a subdued trading environment, our focus was on increasing customer satisfaction and driving new advertising growth. An incentive program for real estate and motoring clients resulted in increased market share. Record support for *Domain MPG* saw the magazine become one of Melbourne's premier real estate mediums after only 18 months of publication. A new initiative in entertainment – Screen – saw revenues in this category increase significantly.

We promoted upselling across categories, and invested in call centre resources. A special project reduced errors and improved advertising copy quality, with a significant cost savings for *The Age*. The redesign improved the advertising environment for the paper.

The Age enters a new era next year with the new printing facility at Tullamarine. This is an exciting time for us, and the prospects for growth that are ahead for the paper.

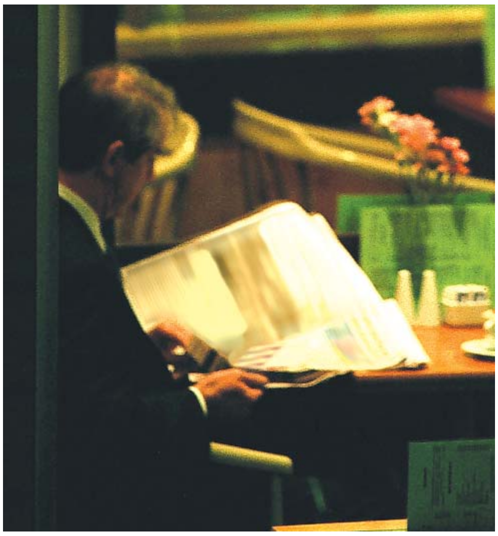
Tullamarine will contribute to future growth of *The Age* in five distinctive ways. The quality of printing will be enhanced. The timeliness of the paper – so that more late-breaking news and sport can be included for home delivery and early editions – will be significantly improved. Flexibility to meet advertiser and production requirements will be expanded with insert capacity increasing significantly. More inserted sections can be produced. Throughout the paper, there will be full colour capacity.

Fairfax Regional and Community Newspapers

NEWCASTLE HERALD THE STANDARD
ILLAWARRA MERCURY Fairfax COMMUNITY NEWSPAPERS

Brian Evans – General Manager

Strong performance for regional and community papers



Newcastle Newspapers

Newcastle Newspapers performed strongly for the financial year, with *The Newcastle Herald* once again recording circulation growth each audit period. From June 1998 to June 2002, the *Herald*'s circulation has increased in excess of 20%.

As the leading paper in the Hunter Valley, the *Herald* is now well placed for future expansion.

The *Central Coast Sun Weekly*, which is distributed to 110,000 homes and businesses in the Gosford and Wyong shires, has doubled in size and increased profitability since its acquisition by Newcastle Newspapers in July 2001.

The Warrnambool Standard

The Warrnambool Standard finished the year with record revenue and its highest-yet profits. EBITDA was 44% up on the previous financial year and, for the first time in the newspaper's 130-year history, exceeded $2 million.

Extra revenue came from filling up the Warrnambool press schedule and reducing operating costs throughout the business.

Capitalising on the capacity of the Goss press to handle small quarterfold products, *The Standard* is now printing television guides for *The Geelong Advertiser, The Newcastle Herald* and *The Illawarra Mercury.*

Illawarra Newspapers

Illawarra Newspapers improved its financial performance significantly in the last financial year at the same time as a major restructure was taking place.

The Illawarra Mercury, and the free weekly newspaper, *The Advertiser*, are now in the position to take advantage of the restructure.

EBITDA was up 15.2% on the previous year, while circulation of *The Mercury* in its core market remained strong. Initiatives are in place to improve circulation figures in the new financial year.

Community Newspaper Division – New South Wales and Victoria

The NSW and Victorian operations both recorded record revenues, which reflected in strong EBITDA performance.

The new Victorian acquisitions of *Moreland Community News* and *Mooney Valley Community News* performed well and both represent excellent short and long term investments.

Fairfax Community Newspapers combined strong revenue gains with cost reduction programs in key areas of the operation.

The Company contributed strongly to Fairfax's f2 strategy with a number of successful joint marketing campaigns.

Homes Pictorial in NSW finished the year with strong gains in revenue and market share after a successful re-launch of the magazine early in the financial year.

Fairfax Business Media

Michael Gill – Publisher and Editor-in-Chief

Leadership in business publications

The Australian Financial Review

Australia's leading business publication, *The Australian Financial Review*, is the flagship for our integrated group of business publications and media.

It has been a challenging year. Softening business conditions were compounded by a sharp decline in investment activity. This has affected the *AFR*'s circulation and advertising volumes, which followed the cycle down. The contraction of investment market trading pushed activity to levels that have not been experienced for a decade.

Nevertheless, the *AFR*'s advertising market share increased substantially and paid circulation remained robust. While the immediate outlook shows no sign of sharp improvement, our performance is fully in line with or better than other leading financial publications worldwide.

There were significant developments in editorial content to meet the needs of readers, building on our success of specially themed inserted sections that have found increasing popularity with our audience.

The IT section on Tuesday was expanded and is now a sharply designed 12-page liftout. A new 16-page Wednesday liftout, *Smart Investor*, was launched to enhance the *AFR*'s reputation as the primary source of information for investors interested in investment markets, managed funds, superannuation and other financial products.

The Marketing and Media section was expanded and moved from Tuesday to Monday, and coverage of Arts on Thursday was also strengthened. The Special Reports liftout on Thursday has proved a strong editorial and commercial success.

All these additions have added new impetus to circulation during the week and provided good platforms for advertising options in a tough market.

The Weekend AFR was reviewed and its sections revised to give greater distinctiveness to the breadth of its content. Both circulation and advertising showed a healthy response.

In the year ahead, the new colour capacity at Tullamarine will give the *AFR* more colour to offer nationally to advertisers, and will give a clear boost to our business.

AFR Magazine is performing strongly. Our new magazine, *AFR BOSS*, has established itself quickly in the market, and is now firmly based with a promising future.

afr.com has proved an excellent subscription builder, providing clear value to our Subscriber Advantage program.

Our editorial, sales, marketing, circulation and administration staff have continued to demonstrate a firm professional focus on quality and value. Management and staff have further plans in place for continued improvement in all aspects of AFR development.

FBM Magazines

Fairfax Business Media magazines moved forward steadily during the year:

- *CFO Magazine* was relaunched with considerable additional editorial resources focusing it on being the leading professional magazine for senior corporate financial executives.
- *Leverage* came on to the market. It is published in association with the ASX and as part of Shares magazine as a dedicated publication for the rapidly growing market in retail derivative products such as warrants, options, and futures.
- Fairfax launched its first publication in Mandarin: a special version of *MIS* magazine profiling the top 50 IT users in Greater China distributed into the PRC.
- We continued progress in the development of our offshore magazine businesses in the UK and Asia.

BRW enjoyed strong growth in newsstand sales for flagship issues, particularly the 2002 "*Rich 200*", a unique product in Australian publishing. It is the most-quoted magazine feature of the year. *BRW* had a series of ground-breaking stories, including the first in-depth interview in November 2001 with Coles Myer chief executive John Fletcher, the first list of Australia's most valuable brands, the first detailed report on the problems at Arthur Andersen, the first explanation of the problems at Mayne Group that led to the departure of its chief executive, and exclusive reports on problems at QBE Insurance and AMP.

BRW's deputy art director won "best illustration" at the Melbourne Press Club awards, a first for a magazine illustration.

Group Operations

Peter Graham – Director of Group Operations

Growth supported through competitive advantages in Operations and Safety

Group Operations is responsible for everything that happens to our publications from the time the copy is electronically transmitted from our news rooms to our printing plants, through to the delivery of our publications to newsagents and retail outlets for sale. In addition to production and distribution, Group Operations manages the Company's properties, offices, facilities and IT systems.

During the past 2½ years, we have managed the construction of the new printing plant at Tullamarine, and the upgrade to our existing plant at Chullora.

About 1,200 of Fairfax's 4,500 employees are involved in the work of Group Operations.

Group Operations' focus is on supporting the growth of Fairfax through a competitive advantage in the key operational areas of Time, Cost, Quality and Safety.

At Chullora, the new mailroom extension has been completed and is in service. The new press capacity has also been completed and is in service. These have expanded our production capabilities. The colour upgrade to the existing presses is on schedule. Part of the new colour capacity will be online in October 2002, and the full colour capacity will be operational from March 2003. The $90 million project is being completed within budget.

The Age Print Centre at Tullamarine is progressing well. The plant is now fully constructed, with the equipment installed and commissioned. Production staff have commenced training at the plant. Print trials will commence in October with first commercial product from the new plant – some preprinted sections of *The Age* – off the presses in early November with a steady workup towards the full running capacity. Production of the Saturday *Age* – the biggest and most important publication run – will begin on a phased transition over the Christmas–New Year period, with full production of the Saturday *Age* in January 2003. This $220 million project will also be completed within budget. The building's construction cost was 10% lower on a like-for-like basis than any other printing plant built in Australia in the last 10 years. At the same time, Tullamarine has won several architectural awards.

Tullamarine is a source of great pride to all of us. The sweeping architectural design has been widely acclaimed, and the building is already a famous Melbourne landmark.

Operational performance is essential to our success, with four key elements:

Time. Ontime running – ensuring that the papers are delivered on time, every day – is an essential measure of our performance, as it is key to customer satisfaction and sales. Ontime running has continued to improve at Beresfield (where we print *The Newcastle Herald*, some editions of *The Sun-Herald*, and some regional publications) and Chullora (where we print *The Sydney Morning Herald*, *The Financial Review*, *The Illawarra Mercury*, and our Fairfax Community Newspapers). Our 90% ontime target was achieved or passed during the 2002 financial year. Our ultimate goal is 100% ontime running at all of our facilities.

Cost. When we make more effective use of our plants, our costs are reduced. We have moved the printing of all of our NSW Fairfax Community Newspapers to Chullora, along with the *Central Coast Sun*. We save money by bringing the printing in-house, and increase the plant's usage, yielding real cost savings to the Company. The upgrade at Chullora was also accompanied by a voluntary redundancy program, resulting in a 10% reduction in staffing levels at the plant. We are making better use of our labour and our plant. At Tullamarine, a new Enterprise Bargaining Agreement has resulted in a reduction of staffing levels from the 270 currently printing *The Age* at Spencer Street to 150 staff at the new plant. At the same time, we will be bringing the Fairfax Community Newspapers in Victoria into the Spencer Street facility. These developments, together with the increased commercial printing capacity, represent substantial long term cost savings.

The Age Print Centre at Tullamarine

Quality. While our new and expanded plants will target improved production volumes and colour capacity, extensive work has been done to improve the quality of our print publications. We want them as attractive as possible. Our technology and expertise therefore focuses heavily on the production values, the quality of the newsprint, images and colour, and the look and feel of the newspapers and magazines. The Chullora plant, which prints *The Sydney Morning Herald*, has been admitted to the exclusive IFRA International Quality Club, reserved for the top 50 quality newspapers in the world – the first printing plant in Australasia to achiever this honour. This is well-deserved recognition for our staff in Publishing Services and at Chullora.

Safety. We have registered outstanding improvements in safety performance this year. Both Chullora and Spencer Street reduced their lost-time injury frequency rates by 33%. During the year, Chullora and Spencer Street both surpassed their previous records of number of days without a lost-time injury. Beresfield passed the 800-day mark without a lost-time injury.

None of what we have achieved is possible without the dedication, commitment and professionalism of our staff. The Company is well-served by their efforts.

Our objective for the 2003 financial year is to maximise the benefits to the Company from its investment in the new printing facilities.

Tullamarine Awards

The Age Print Facility at Tullamarine has secured a record of achievement even before it is open for business. Over the past year, the plant has won numerous awards for design and its high environmental standards:

Savewater awards:

Winner Trade Waste Management – Large Manufacturer

Finalist Water Conservation – Large Manufacturer

Victorian Building Industry Association Excellence in Construction awards:

Winner Industrial Building over $5 million

Royal Australian Institute of Architects:

Winner Sir Osborne McCutcheon award for Commercial Architecture

Australian Institute of Steel Construction Awards:

Winner Premier Steel Construction Award

Winner Steel Detailing Large Project category – for the main

Winner Steel Detailing Small Project category – for the landmark sign

High Commendation Metal Building Large Project category

National Electrical Contractors Association Excellence Awards:

Winner Industrial Category

Australian Property Institute Excellence in Property Awards

Winner Environmental Development

Short listed Property Development

Fairfax and the environment

Fairfax takes its responsibilities to protect and enhance the environment with utmost seriousness. Our new plant at Tullamarine is a "zero-impact" facility that utilised environmentally sustainable design principles. This has been achieved in several respects:

- Tullamarine is a "zero emission" plant, with no effluent or waste water discharged from the plant, due to three onsite plants. A *Sewage Treatment Plant* will process 12,000 litres per day of domestic sewage generated by building occupants to EPA standards. A *Trade Waste Plant* will collect and process 600 litres per day of trade waste, eliminating any discharge to sewer. A *Dampening Water Treatment Plant* enables Tullamarine to recycle approximately 63% of the anticipated 20,000 litres per day process water requirement of the plant.
- The structure and landscape were designed to minimise noise impact.
- The building maximises utilisation of natural light – reducing the need for artificial light and reducing energy usage – and has its climate controlled by "displacement" air conditioning methods that use natural air flow to aid heat reduction.

Fairfax is fully committed to the use of recycled newsprint made from plantation and regrowth forest-sourced timber. 30% of our newsprint comes from recycled newspapers and magazines. 60% is from residues from pine plantations and sawmills, and the remaining 10% from commercial regrowth eucalypt forests. Fairfax does not source newsprint derived from old-growth forests.

Commercial Division: f2 Network, Key Categories and Classifieds

Nigel Dews – Chief Executive

Commercial division launched

In June 2002, the Commercial Division was formed. This was done to strengthen our focus on real estate, motoring, employment and other classifieds across all media. In particular, it was intended to help drive revenue growth in these key areas via the roll out of new initiatives to capture synergies across both classified and display in *The Sydney Morning Herald*, *The Age* and the f2 Network online.

Key Categories and Classifieds

A strategic review of the Key Categories and Classifieds in Sydney and Melbourne has been completed by the new management team. Priorities in four main areas are being pursued:

Increasing business from existing customers, with better utilisation of our Sydney and Melbourne call centres including increased outbound calling, the introduction of advanced performance measurement systems and improvements to our trade and consumer marketing.

Leveraging the new colour capacity at Chullora and Tullamarine. We have a number of initiatives underway to ensure we get the most out of the classified sections (Domain, MyCareer and Drive) in both Sydney and Melbourne as the ability to place colour on every page becomes available.

Focussing people and resources as much as possible on frontline selling. There is more effort on frontline selling – at all levels of the company. The new structure and production capability enables us to efficiently develop new advertising ideas and formats and take the best ideas across our metropolitan mastheads and websites. Accountabilities and incentives have also been reviewed in order to enhance this focus. Our most senior executives are also stepping up their relationships with our customers.

Error reduction and increased quality. We are improving the consistency of policies for ad-taking and improving the quality of our offers in the market – making it easier for us to cover the key national markets and provide higher levels of customer satisfaction.

f2 Network

During 2002, we undertook a substantial restructure of f2, following the sale of the CitySearch online business and closure of the CitySearch print business. This enabled us to tighten our focus on successfully growing our core news and classifieds business (in real estate, motoring and employment) and make substantial moves towards profitability, through both cost reduction and revenue growth. These efforts have been enhanced by the inclusion of f2 in the new Commercial Division and will be further capitalised on as we move forward.

In May 2002, f2 sold the CitySearch online business to Pacific Access. As part of the transaction, Pacific Access licensed Fairfax's lifestyle and entertainment content for a period of three years in a combined deal worth $20 million to Fairfax (in excess of 100 staff transferred to Pacific Access with the business). A loss of $11.5 million after tax was recorded on the sale. The CitySearch print business was closed during the second half of the 2002 financial year and the final directories will be delivered in the first half of 2003.

During the year, the f2 network strengthened its position in the online advertising market. As a result of the growing popularity of our online news websites (smh.com.au, theage.com.au and afr.com), we gained market share in a relatively

flat advertising market as the industry continued to consolidate.

After a difficult start to the year and a refocusing of our sales capability, banner advertising revenues improved considerably. The strength and quality of our advertiser base also improved.

In addition, in November 2001 we began a call centre initiative initially involving drive.com.au, *The Sydney Morning Herald* and *The Age*, which took advantage of the synergies between our print and online classified businesses via a bundled print and online classified advertising offer through our Sydney and Melbourne call centres. The offer was extended to both mycareer.com.au and domain.com.au in May 2002 with consistently strong results, and we have begun to roll this out to our regional and suburban titles.

This initiative has allowed f2 to grow new revenue streams and strengthen our listings position, particularly in the core New South Wales and Victoria markets.

Our position in employment, real estate, and motoring classifieds online is strong. We remain well positioned in the leadership group for eventual rationalisation of these markets.

f2 Network internet sites continue to have the strongest audiences in online news, with 1.9 million domestic users per month – 65% ahead of our closest competitor in July 2002 (source: Red Sheriff Ratings July 2002).

The focus on tight cost management in f2 continues, with costs down 32% on the previous year. We expect to narrow the loss to less than $10 million in the year 2003, as we move strongly towards profitable growth.

In summary, we are well positioned across all areas of the Commercial Division to generate new growth opportunities and operational improvements in the year ahead.

Fairfax journalists participate in Fred Hollows Program

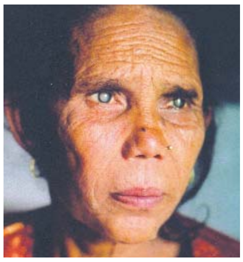


Photo by Anne Crawford

During the first half of 2002, with the encouragement and support of the publishers of The Sydney Morning Herald *and* The Age, *19 journalists from the two papers used their annual leave to serve on the ground with the Foundation's programs in Africa, Asia and in the Northern Territory, helping communicate the work of the Fred Hollows Foundation's eye programs.*

Age *journalist Anne Crawford tells the story of the road back to vision for a cataract blind woman at a microsurgical "eye camp" in Nepal.*

She wore her bridal costume. Lying on the operating table, small and shimmering.

She heard about the eye camp from a relative in Hetauda, in the Terai region of Nepal. She heard about doctors who are like gods, who give you back your sight. She came with a sister-in-law and her third child, a 10-year-old girl she'd stopped seeing slowly, achingly over the past year. Ask Nir Maya Mijar what that was like, and the otherwise excited 50-year-old chokes up – becoming blind in her second eye is still all too raw.

Like hundreds of others at the Hetauda Eye Camp, she arrived the day before her surgery, part of a long harlequin stream of people moving through the gates of the Siddarth Middle Level School. She'd joined a queue for a vision test that stretched the length of the schoolgrounds, shepherded, guided and cared for, by local people from Rotary and by the school children. She was classified bilaterally blind in the "outpatients department" (a classroom) and marked down for cataract surgery. In her village, bilaterally blind means surrendering your independence, your usefulness, your dignity. It means not being able to go to the toilet without help.

She has been fed a huge dollop of rice porridge and bedded down for the night on straw and blankets in another classroom. She has come without so much as a bus fare home. Only hope.

This is how the Tilganga Eye Centre holds its eye camps, moving in with its tight team of surgeons, paramedics, nurses and chefs, bringing fold-up operating tables, microscopes, tents, litres of disinfectant and small mountains of medical supplies. The team strings up light-bulbs, scours the rooms and runs equipment off generators if necessary. It's immediate, it's practical, it's collaborative – and it is highly effective.

Tilganga's staff hold 10 to 15 camps like this a year, in places from Mustang, remote Nepal, accessible by horse on frighteningly high mountain passes, to neighbouring Tibet, Sikkim and Bhutan. They train as they go, checking up on the doctors and paramedics later. As Fred Hollows predicted shortly before he died in 1993, spreading skills like "a tidal wave". They charge nothing for treatment – that bill is picked up by service clubs, religious groups, Australian schools, and international eye NGOs including the Fred Hollows Foundation.

The Hetauda camp is a large one. Some 3700 people will be seen, of whom 474 will have cataract surgery. Of these, 360 will arrive technically blind and 308 will go home able to see, another 40 will see with the help of glasses. Most patients have heard about the camp on the radio (the vast majority are illiterate) through word of mouth or perhaps pamphlets. They have come by bus, rickshaw, tractor, car, motorbike, bicycle, some carried on the backs of relatives. As the five-day camp progresses, people start arriving from northern India – news of the camp has filtered back. At least one man has travelled from Bhutan.

It's like a country fairground outside the operating room; the queues, the hum of voices, vendors selling food, a buoyant air. Uniformed school children and name-tagged Rotarians move around like marshalls. School buildings are festooned with banners proclaiming the event and its sponsors. The patients move through the operating process placidly, shifting to the anaesthetic room where paramedics plunge needles centimetres into the cavity beneath their eye, to the operating theatre next door. The surgeons, including a visiting Tibetan and Dutch doctor, work in shifts, removing the jelly-like cataracts and installing intra-ocular lenses (IOLs) as school children bundle the patients in and out.

Dr Sanduk Ruit, the famed Sherpa surgeon and Tilganga's driving force, works all day, operating calmly, surely and with speed, to Nepalese folksongs. Ruit's pioneering surgical techniques, honed to local conditions, allow high volumes of patients to be pumped through these camps. It's a production line, but a production line driven by compassion.

Nir Maya Mijar lies on the table below him. She is lower caste Hindu but that doesn't matter here – the most destitute person treated by Ruit and the team he calls his "commandos", receives the same quality eye care as members of the Nepali royal family. Ruit talks quietly to her, although at a rate of up to 10 operations an hour he usually keeps his thoughts to himself, exchanging only a few words with the nurses and paramedics who stand at his side all day.

Most of the patients have little concept of cataract surgery, few seem worried about it.

Not all will leave the dramatic success stories so often associated with these camps, emerging joyous as their bandages and metal eye caps – and their restored vision – is unveiled the next day. Take Padam Kumani Rawal, an 88-year-old grandmother from 12 kilometres away. A bamboo injury to her left eye was unsuccessfully treated by a traditional healer, leaving her blind in that eye. A cataract in her right eye was let go too long meaning an IOL couldn't be attached to her own lens. She is given a pair of thick glasses instead - and seems pleased.

Nor does Nir Maya Mijar experience the drama of the public unveiling. She is missing as the paramedics move along the line of bandaged post-operative patients waiting on wooden benches in the quadrangle. I find her sitting in the subdued light of an upstairs classroom, metal cap dangling over her eye, daughter Rita at her side. She looks up – and a smile spreads across her face. Nir Maya Mijar has cheated, she has already taken off her cotton wool and is peeking through a hole in the metal cap. She raises her hands in the sign of thanks and prayer. She has mistaken me for one of the gods.

WE DELIVER EVERYDAY

The Sydney Morning Herald now delivers to more readers everyday.

Our average weekday circulation has increased by 3% to 229,000 and Saturday's circulation has broken through the 400,000 barrier.

Financial report

Corporate Governance

Role of the Board

The Board of Directors is responsible for the long-term growth and profitability of the corporate entity. It sets strategic direction, approves performance targets, monitors management achievements, provides overall policy guidance and ensures that policies and procedures for corporate governance and risk management are in place to ensure shareholder funds are prudently managed and the Company meets its regulatory obligations. The Board has the following three committees which assist it to carry out its duties:

- Audit and Risk.
- Nominations.
- Remuneration.

Composition of the Board

Membership of the Board and its Committees is set out in the table on the following page.

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

At the date of this report the Board comprises eight directors. Except for the Chief Executive all directors (including the Chairman) are independent non-executive directors.

The Constitution requires that the Board have a minimum of three directors and maximum of twelve 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 eight.

The Company's Constitution authorises the Board to appoint directors to vacancies on the Board and to elect the Chairman. One-third of directors (rounded down to the nearest whole number) must retire at every annual general meeting. Other than the Chief Executive, 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.

If the Board considers that it would benefit from the services and skills of a new director, the Nominations Committee reviews candidates whose names may be put forward by any director. The Committee may also seek expert external advice on suitable candidates.

The Nominations Committee uses the following principles to recommend candidates and provide advice and recommendations to the Board for final decision:

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

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

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

By resolution of the Board each non-executive director must sacrifice at least 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 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.

Company policy and the law prohibit dealing in Company shares by directors or employees in possession of price sensitive information.

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

Audit and Risk Committee

The Board has had an Audit Committee since 1992. The Committee operates in accordance with a written Charter which sets out its role and functions 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 for Board approval and oversees the key finance and treasury functions.
- Formulates and oversees an effective business risk plan.
- Ensures that appropriate policies and procedures are in place with the goal to ensure compliance with all regulatory requirements.
- Monitors the entity's compliance with regulatory and ethical requirements.
- Ensures there is an appropriate framework for compliance with all legal and Australian Stock Exchange requirements.
- Reviews the audit process with the auditor (including in the absence of management) to ensure full and frank discussion of audit issues.

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

The Chair of the Committee is authorised to engage 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.

The purpose of this Charter is to provide a framework for the Board and management to ensure that the statutory auditor is both independent and seen to be independent. An independent statutory auditor is fundamental to sound corporate governance within the Company. It should provide shareholders with reliable, open financial reports on which to base their investment decisions. The Charter sets out key commitments by the Board and procedures to be followed by the Audit and Risk Committee and management to provide a proper framework of audit independence.

To promote audit quality, and to allow for an 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 auditors and non-audit fees above a fixed minimum level require the approval of the Chairman of the Audit and Risk Committee.

The Company requires the auditor to commit to 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 and 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.

Disclosure Policy

The Company has a regime in place to ensure that shareholders have proper access to material information, including the following principles:

- the Company fully complies with all ASX continuous disclosure obligations;
- only authorised spokespersons may communicate on behalf of the Company with analysts, investors or the media;
- all material information issued to ASX is published on the Company's website including Financial Reports, analyst presentations and media releases;
- the Company Secretary is responsible for communication with ASX. In her absence, the Manager, Corporate Affairs is the contact.

Internal Control Framework

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

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 policies including remuneration of the Chief Executive and directors. Remunerations are competitively set to attract qualified and experienced candidates. The Committee obtains 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 commissioned 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.

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 2002.

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 consolidated entity sold its online city guide business, CitySearch Australia and CitySearch Canberra. Also during the year, the consolidated entity decided to close down its CitySearch print directories. 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 $53,660,000 (2001: $128,069,000).

Dividends

A final fully franked dividend of 7.0 cents per ordinary share and debenture in respect of the year ended 30 June 2001 was paid on 17 October 2001. 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 2002 was paid on 16 March 2002.

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 2002 to be paid on 17 October 2002.

The first fully franked PRESSES dividend of $3.3159 was paid on 12 June 2002.

Review of operations

A review of the operations of the consolidated entity for the financial year is set out on pages 7 to 10 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

Several years ago, the Company initiated investigations by an independent expert in order to audit and report annually with recommendations concerning performance in relation to environmental regulation. Recommendations resulting from these annual audits and reports have been, or are being, implemented and performance against them is reviewed. No material non-compliances with environmental regulation have been identified in any annual report, including the report relating to the current year. The Company is committed to best practice in this area and where non-material aspects of the Company's operations have been identified for further attention, and particular recommendations about these areas have been made these recommendations are being implemented. See also page 9 of this report.

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 2002 and movements in options during the financial year are included in Note 18 of the Full Financial Report.

At the date of this report, total unissued ordinary shares under options granted by the Company were 11,223,000. 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 2002 to the date of this report, no options over ordinary shares were granted, no shares were issued by virtue of the exercise of options and 80,000 options were cancelled due to expiration of their term.

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.

Composition of the Board

Membership of the Board and its Committees is set out in the table below:

Director	Membership Type	Audit	Committee Membership Nomination	Remuneration
BM Powers	Chairman – Non-Executive	Member	Chair	–
JS Pinshaw	Deputy Chairman – Non-Executive	Chair	Member	–
FG Hilmer	CEO	*	–	*
M Burrows	Non-Executive	Member	–	–
Sir Roderick Carnegie	Non-Executive	–	–	Member
DM Gonski	Non-Executive	Member	–	–
JM King	Non-Executive	–	Member	Chair
DR Wills	Non-Executive	–	Member	Member

* The Chief Executive Officer attends on invitation of the committee.

Directors' interests

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

Director	Fully paid Ordinary Shares	PRESSES	Fully Paid Debentures	Options Over Ordinary Shares
BM Powers	273,689	–	–	–
JS Pinshaw	27,311	–	–	–
M Burrows	10,934	–	–	–
Sir R Carnegie	15,022	–	–	–
DM Gonski	20,934	–	–	–
FG Hilmer	92,890	180	–	3,500,000
JM King	19,922	180	–	–
DR Wills	35,022	–	–	–

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		Audit & Risk Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
Director	No. Held*	No. Attended	No. Held*	No. Attended	No. Held*	No. Attended	No. Held*	No. Attended
BM Powers	9	9	3	3	–	–	–	–
JS Pinshaw	9	9	3	3	–	–	–	–
M Burrows	9	9	3	2	–	–	–	–
Sir R Carnegie	9	9	–	–	–	–	1	1
DM Gonski	9	9	3	3	–	–	–	–
FG Hilmer**	9	9	3	3	–	–	1	1
JM King	9	9	–	–	–	–	1	1
DA Shein***	2	2	–	–	–	–	–	–
DR Wills	9	9	–	–	–	–	1	1

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

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

*** Resigned 18 September 2001.

Directors' and other officers' emoluments

Procedures for establishing and reviewing remuneration arrangements are included in the Corporate Governance Statement. Emoluments of directors for the financial year are as follows:

Directors	Directors' Fees $	Audit & Risk Committee Fees $	Base Salary $	Bonus* $	Other (Including Superannuation) $	Total Emoluments $
BM Powers	120,000	5,000	–	–	15,400	140,400
JS Pinshaw	90,000	5,000	–	–	7,600	102,600
M Burrows	55,000	5,000	–	–	4,800	64,800
Sir R Carnegie	55,000	–	–	–	4,400	59,400
DM Gonski	55,000	5,000	–	–	4,800	64,800
FG Hilmer	–	–	1,021,503	100,000	87,808	1,209,311
JM King	55,000	–	–	–	34,037**	89,037
DA Shein*	18,334	–	–	–	1,467	19,801
DR Wills	55,000	–	–	–	4,400	59,400

* Resigned 18 September 2001.

** Includes prior year superannuation adjustments.

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 $	Shares* $	Bonus $	Other (Including Superannuation) $	Total Emoluments $
G Hywood, Publisher *The Age*	411,919	50,000	27,500	93,366	582,785
N Dews, CEO f2	427,464	–	35,000	84,220	546,684
M Bayliss, Chief Financial Officer	404,494	–	37,500	100,588	542,582
A Revell, Publisher *Herald Publications*	365,719	–	27,500	49,433	442,652
P Graham, Group Operations	270,606	74,997	70,000	21,603	437,206

* Remuneration includes the fair value of shares allocated to Executives during the year. Remuneration excludes shares allocated during the year in lieu of bonuses accrued in the prior year. The fair value of shares issued is calculated based on the share price on the day the shares were allocated to the employee. There were no shares granted to Directors as part of their remuneration during the year. There were no options granted to Executives or Directors as part of their remuneration during the year.

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

Jonathan S. Pinshaw
Chairman Finance and Audit Committee
Sydney, 19 September 2002

Frederick G. Hilmer
Chief Executive Officer and Director

Statement of Financial Performance

for the year ended 30 June 2002

Fairfax achieved a profit after tax of $53.7 million (2001: $128.1 million). Profit after tax before significant items was $90.2 million, down 28.5% on the previous year. Earnings per share before significant items was down 35% to 11.2 cents.

Operating revenues before significant items (see Note 2) fell 8.8% to $1.17 billion principally due to the weak advertising market. Within the publishing business, advertising revenues fell 9.6% and circulation revenue was down 1.0%. Classified and display advertising volumes were significantly affected, with classified down 2.8% and display down 14.7%. f2 continued its development as a leading online company, with revenue growth of 4.9% in news and classified revenues. This was offset by a fall in CitySearch Directories revenue.

Underlying operating costs for the group decreased by 3.8%. Cost reductions were achieved in all areas other than newsprint which rose due to a market price increase of circa 8%.

For the year ended 30 June 2002, the profit included significant items of $36.5 million after tax, comprising:

- Loss on sale of the CitySearch online business to Pacific Access of $11.5 million;
- The write down of the NewsAlert Online news service of $4.0 million; and
- Costs associated with the closure of CitySearch Directories of $21.0 million.

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.

John Fairfax Holdings Limited and controlled entities	Note	Consolidated **2002** **$000**	Consolidated 2001 $000
Revenues from ordinary activities, excluding interest income	2	1,191,273	1,320,545
Share of net profits/(losses) of associates		(881)	5,277
Expenses from ordinary activities, excluding depreciation and borrowing costs		(1,001,756)	(1,025,997)
Profit from ordinary activities before depreciation, interest income, borrowing costs and income tax		188,636	299,825
Depreciation and amortisation		(67,070)	(65,172)
Profit from ordinary activities before interest income, borrowing costs and income tax		121,566	234,653
Interest income		6,492	1,882
Borrowing costs		(36,212)	(45,733)
Profit from ordinary activities before income tax expense		**91,846**	190,802
Income tax (expense) relating to ordinary activities		(38,186)	(62,733)
Net profit attributable to members of the Company*		**53,660**	128,069
Net decrease in asset revaluation reserve		–	(125)
Net exchange difference on translation of financial report of foreign controlled entities		24	(214)
Total revenues, expenses and valuation adjustments attributable to members of the Company and recognised directly into equity		**24**	(339)
Total changes in equity other than those resulting from transactions with owners		**53,684**	127,730
Basic earnings per share (cents)	5	6.17	17.51
Diluted earnings per share (cents)	5	6.16	17.46
* **Net profit attributable to members of the Company comprises:**			
Ongoing operations		90,203	126,199
Significant items referred to in Note 3, net		(36,543)	1,870
		53,660	128,069

Statement of Financial Position

as at 30 June 2002

The Group's total assets increased by $22.9 million from $2,291.8 million last year to $2,314.7 million. Property, plant and equipment contributed $52.7 million to this increase primarily due to the investment in a new printing facility at Tullamarine in Melbourne, and the expansion of our Chullora printing facilities in Sydney. Working capital improved during the year due to active management of both receivables and payables. Debt was significantly reduced following the successful issue in December 2001 of $250 million of Preferred Reset Securities Exchangeable for Shares (PRESSES).

Gearing, as measured by net debt as a percentage of shareholders' funds, decreased from 67.1% to 43.6% during the year. Interest cover based on EBITDA before significant items increased from 7.0 times to 7.8 times.

John Fairfax Holdings Limited and controlled entities	Consolidated **2002** **$000**	Consolidated 2001 $000
Current assets		
Cash assets	7,299	8,542
Receivables	196,048	226,737
Inventories	26,617	24,973
Tax asset	50,789	19,630
Total current assets	**280,753**	279,882
Non-current assets		
Receivables	2,994	5,314
Investments accounted for using the equity method	3,303	4,184
Other financial assets	8,978	14,491
Property, plant and equipment	704,502	651,777
Intangible assets	1,259,399	1,278,431
Tax assets	54,743	57,719
Total non-current assets	**2,033,919**	2,011,916
Total assets	**2,314,672**	2,291,798
Current liabilities		
Payables	178,749	158,657
Interest-bearing liabilities	5,405	308,000
Current tax liabilities	–	24,828
Provisions	86,759	93,544
Total current liabilities	**270,913**	585,029
Non-current liabilities		
Non interest-bearing liabilities	19,066	–
Interest-bearing liabilities	587,965	466,334
Deferred tax liabilities	56,611	59,142
Provisions	35,667	40,309
Total non-current liabilities	**699,309**	565,785
Total liabilities	**970,222**	1,150,814
Net assets	**1,344,450**	1,140,984
Equity		
Contributed equity	870,804	628,196
Reserves	4,939	4,915
Retained profits	468,707	507,873
Total equity	**1,344,450**	1,140,984

Statement of Cash Flows

for the year ended 30 June 2002

Operating cash generated during the year was $135.8 million compared to $156.5 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 were down $13.5 million from the prior year.

Net cash used in investing activities during the year was $105.9 million financed predominantly by operating profits, compared to $200.2 million in the previous year. The major increase in capital expenditure was applied to the new Tullamarine printing facility and the expansion of Chullora printing facilities.

Proceeds from divestments during the year of $15.9 million were received for the sale of CitySearch online business to Pacific Access.

The consolidated entity paid dividends fully franked to its shareholders totalling $92.8 million during the year, up from last year of $84.1 million.

The net financing cash outflow of $31.2 million was the result of a net repayment of borrowings funded by the issue of PRESSES that raised $250 million. In the previous year, the net cash inflow was mainly due to new borrowings $154.6 million.

John Fairfax Holdings Limited and controlled entities	Consolidated **2002** **$000**	Consolidated 2001 $000
Cash flows from operating activities		
Receipts from customers	1,317,592	1,410,676
Payments to suppliers and employees	(1,044,588)	(1,141,192)
Redundancy and severance payments	(11,171)	(1,280)
Dividends and unit trust income received	360	41,013
Interest received	6,492	1,882
Borrowing costs paid	(37,623)	(45,902)
Income taxes paid	(95,242)	(108,696)
Net cash provided by/(used in)operating activities	**135,820**	156,501
Cash flows from investing activities		
Payment for property, plant & equipment	(118,183)	(216,925)
Proceeds from sale of property, plant & equipment	582	7,679
Payment for investments	(199)	(5,477)
Proceeds from sale of investments	966	398
Payment for controlled entities	–	(2,400)
Proceeds from sale of controlled entities	15,905	24,000
Costs associated with the sale of controlled entities	(3,551)	–
Payment for mastheads and tradenames	(6,423)	(2,914)
Loans and deposits repaid/(issued)	5,007	(4,595)
Net cash (used in)/provided by investing activities	**(105,896)**	(200,234)
Cash flows from financing activities		
Proceeds from issues of shares and debentures	657	9,033
Proceeds from the issue of PRESSES	250,000	–
Transaction costs from issue of PRESSES	(8,049)	–
Dividends paid	(92,811)	(84,090)
Proceeds from borrowings	130,000	154,558
Repayment of borrowings	(310,964)	(2,731)
Loan to associated entity	–	(35,052)
Net cash (used in)/provided by financing activities	**(31,167)**	41,718
Net increase/(decrease) in cash held	**(1,243)**	(2,015)
Cash at the beginning of the financial year	8,542	10,557
Cash at the end of the financial year	**7,299**	8,542

Notes to the Financial Statements

for the year ended 30 June 2002

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 and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report. The concise financial report does not, 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.

Changes in accounting policies

The consolidated entity applied AASB 1027 Earnings per Share for the first time from 1 July 2001.

Basic and diluted earnings per share ("EPS") for the comparative period ended 30 June 2001 have been adjusted so that the basis of calculation used is consistent with that of the current period. This change did not result in a material adjustment to the prior year comparative.

2. Revenue from ordinary activities

John Fairfax Holdings Limited and controlled entities	Consolidated **2002** **$000**	Consolidated 2001 $000
Revenue from operating activities		
Revenue generated from sale of:		
Newspapers	1,007,978	1,077,240
Magazines	113,544	139,306
Other	45,602	65,614
	1,167,124	1,282,160
Revenue from rendering of services	7,346	5,738
Dividend income:		
Other corporations	–	150
Distributions from unit trusts	360	420
Underlying revenue from ordinary activities	**1,174,830**	1,288,468
Revenue from non-operating activities		
Proceeds from sale of property, plant and equipment	538	7,679
Proceeds from sale of investments	–	398
Proceeds from sale of controlled entities	15,905	24,000
	1,191,273	1,320,545
Interest income:		
Other persons/corporations	6,492	1,882
Share of associate's net profit/(losses)	(881)	5,277
Total revenue from ordinary activities	**1,196,884**	1,327,704

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 Consolidated entity:

John Fairfax Holdings Limited and controlled entities	Consolidated **2002** **$000**	Consolidated 2001 $000
Proceeds from sale of CitySearch Australia Pty Ltd and CitySearch Canberra Pty Ltd	15,905	–
Cost base of investment	(25,854)	–
Costs associated with the sale of CitySearch Australia Pty Ltd and CitySearch Canberra Pty Ltd	(3,551)	–
Loss on disposal	(13,500)	–
Income tax benefit applicable	1,967	–
Staff redundancy and asset write-downs and other costs associated with the closure of CitySearch Directories Pty Ltd	(24,403)	–
Income tax benefit applicable	3,393	–
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)
Income tax benefit applicable	–	7,323
f2 development costs	–	(4,131)
Income tax benefit applicable	–	1,405
Write-down of non-current assets	(4,000)	(3,249)
Income tax benefit applicable	–	1,087
Share of associates net profit	–	5,277
Income tax benefit applicable	–	–
Net significant items after tax	**(36,543)**	1,870
Significant items before income tax	(41,903)	(7,945)
Income tax expense	5,360	9,815
	(36,543)	1,870

Notes to the Financial Statements cont.

for the year ended 30 June 2002

John Fairfax Holdings Limited and controlled entities	Consolidated 2002 $000	Consolidated 2001 $000

4. Dividends paid and approved

Fully franked interim dividend of 4.5 cents per share/debenture paid 16 March 2002 (2001: 4.5 cents fully franked, paid 16 March 2001)	33,078	32,930
Fully franked final dividend approved of 7.0 cents per share/debenture (2001: 7.0 cents fully franked, paid 17 October 2001)	51,457	51,442
Fully franked PRESSES dividend ($3.3159 per share franked, paid 12 June 2002)	8,290	–
Under/(over) provision of prior year final dividend	1	(40)
Total franked dividends provided for or paid	**92,826**	84,332

The tax rate at which dividends have or will be franked is 30% (2001: 34%). Franking credits available at 30 June 2002 total $599.4 million (2001: $385.1 million). Under the new Simplified Imputation System regime, these credits will be converted on 1 July 2002 to a tax paid basis which results in a franking account balance of $256.9 million. From these amounts $15.5 million franking credits will be used to pay a fully franked dividend of $51.5 million declared as at 30 June 2002 to be paid on 17 October 2002.

John Fairfax Holdings Limited and controlled entities	Consolidated 2002	Consolidated 2001

5. Earnings per share

Basic earnings per share (cents) based on net profit attributable to members of the Company:		
After significant items	6.17	17.51
Before significant items	11.15	17.26
Diluted earnings per share (cents) based on net profit attributable to members of the Company:		
After significant items	6.16	17.46
Before significant items	11.13	17.21
Weighted average number of ordinary shares and debentures used in the calculation of basic earnings per share (000's)	734,967	731,293
Diluted Weighted average number of ordinary shares and debentures used in the calculation of diluted earnings per share (000's)	736,070	733,343

As at 30 June 2002, the Company has 38,013,737 potential ordinary shares (PRESSES) which are not dilutive and are not included in the diluted EPS calculation.

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.

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 2002 A$000	Publishing 2001 A$000	**f2 2002 A$000**	f2 2001 A$000	**Consolidated 2002 A$000**	Consolidated 2001 A$000
Revenue						
Sales to customers outside the economic entity	1,135,605	1,230,913	31,519	51,247	1,167,124	1,282,160
Other revenue from customers outside the economic entity	6,893	14,344	17,256	24,041	24,149	38,385
Inter-segment revenue	–	–	–	–	–	–
Share of equity accounted profits/(losses)	(881)	5,277	–	–	(881)	5,277
Total segment revenue	1,141,617	1,250,534	48,775	75,288	1,190,392	1,325,822
Interest revenue					6,492	1,882
Total revenue from ordinary activities					1,196,884	1,327,704
Result						
Segment result*	158,409	223,157	(66,563)	(32,355)	91,846	190,802
Unallocated expenses					–	–
Consolidated profit from ordinary activities before income tax expense					91,846	190,802
Income tax expense					(38,186)	(62,733)
Consolidated profit from ordinary activities after income tax expense					53,660	128,069
Assets						
Segment assets	2,267,494	2,192,184	47,178	99,614	2,314,672	2,291,798
Unallocated assets					–	–
Total assets					2,314,672	2,291,798
Liabilities						
Segment liabilities	952,588	1,132,336	17,634	18,478	970,222	1,150,814
Unallocated liabilities					–	–
Total liabilities					970,222	1,150,814
Other segment information:						
Equity method investments included in segment assets	3,303	4,184	–	–	3,303	4,184
Acquisition of property, plant and equipment, intangible assets and other non-current assets	120,175	198,390	4,630	26,926	124,805	225,316
Depreciation	59,189	57,308	5,225	5,261	64,414	62,569
Amortisation	1,264	1,262	1,392	1,341	2,656	2,603
Non-cash expenses other than depreciation and amortisation	39,313	36,915	5,382	3,434	44,695	40,349

* The segment result includes net interest expense of $29,720 (2001: $43,851).

Independent audit report

to the members of John Fairfax Holdings Limited

Scope

We have audited the concise financial report of John Fairfax Holdings Limited ('the Company') for the financial year ended 30 June 2002 as set out on pages 14 to 16 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 2002. Our audit report on the full financial report was signed on 19 September 2002 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" applicable in Australia.

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" applicable in Australia.

Ernst & Young

David J Simmonds
Partner

Sydney
19 September 2002

Performance summary

		2002	2001	2000	1999	1998	1997	1996
Total revenue	$M	1,196.9	1,327.7	1,408.6	1,315.3	1,153.6	1,027.9	1,006.1
Operating revenue	$M	1,174.8	1,288.5	1,344.9	1,144.8	1,109.3	1,023.2	995.9
Earnings before interest, tax, depreciation and amortisation (EBITDA)	$M	188.6	299.8	390.3	322.0	293.1	253.0	237.1
Depreciation	$M	67.1	65.2	64.7	67.1	69.3	68.2	41.5
Earnings before interest and tax	$M	121.6	234.6	325.6	254.9	223.8	184.8	195.6
Net interest expense	$M	29.7	43.8	47.6	46.7	55.9	67.0	44.0
Profit before tax and abnormals	$M	N/A	N/A	N/A	208.2	167.9	117.8	151.6
Abnormal items	$M	N/A	N/A	N/A	26.5	(8.5)	(16.4)	(21.9)
Profit before tax	$M	91.8	190.8	278.0	234.7	159.4	101.4	129.7
Income tax	$M	38.2	62.7	92.6	56.2	47.6	27.4	42.2
Net profit	$M	53.7	128.1	185.8	180.3	111.8	74.0	87.5
Net profit before significant items	$M	90.2	126.2	168.4	134.5	111.6	85.0	102.2
Total equity	$M	1,344.5	1,141.0	1,088.6	984.5	1,142.4	1,090.6	1,086.0
Total assets	$M	2,314.7	2,291.8	2,152.7	2,105.2	2,098.2	2,165.4	2,223.1
Total borrowings	$M	593.4	774.3	622.5	755.9	669.5	812.6	867.0
Number of shares and debentures	M	735.1	734.9	730.6	728.0	806.9	798.0	796.0
Number of shareholders		44,731	45,007	32,325	21,353	19,211	21,073	22,481
Number of PRESSES holders		6,201	–	–	–	–	–	–
EBITDA to operating revenue	%	16.1	23.3	29.0	28.1	26.4	24.7	23.8
Earnings per share	Cents	6.2	17.5	25.5	23.2	14.0	9.3	11.0
Earnings per share before significant items	Cents	11.2	17.3	23.2	17.3	13.9	10.7	12.8
Operating cash flow per share	Cents	18.5	21.3	43.5	33.2	26.3	23.7	14.6
Dividend per share	Cents	11.5	11.5	11.5	10.5	9.5	9.5	9.5
Interest cover based on EBITDA before significant items	Times	7.8	7.0	8.2	6.9	5.2	3.8	3.6
Gearing	%	43.6	67.1	56.2	74.8	58.4	74.0	79.3
Return on equity	%	4.0	11.2	17.1	18.3	9.8	6.8	8.1

Shareholder information

John Fairfax Holdings Limited and controlled entities

Twenty largest holders of securities at 31 August 2002

	No. of securities	%
(i) Ordinary shares		
National Nominees Limited	130,955,799	17.81
J P Morgan Nominees Australia	113,712,951	15.47
Citicorp Nominees Pty Limited	60,494,080	8.23
Westpac Custodian Nominees Limited	52,996,403	7.21
RBC Global Services Australia Nominees Pty Limited	43,743,601	5.95
Queensland Investment Corporation	18,936,901	2.58
Commonwealth Custodial Services Limited	17,275,944	2.35
MLC Limited	14,316,335	1.95
HSBC Custody Nominees Australia Limited	12,581,013	1.71
ANZ Nominees Limited	11,483,574	1.56
Westpac Financial Services Limited	9,221,982	1.25
AMP Life Limited	7,907,728	1.08
Cogent Nominees Pty Limited	7,356,586	1.00
Westpac Life Insurance Services Limited	4,595,344	0.63
Australian Foundation Investment Company Limited	3,457,253	0.47
Cambooya Pty Limited	3,386,302	0.46
Mrs Caroline Elizabeth Oswald Simpson	2,688,340	0.37
CSS Board	2,518,067	0.34
Government Superannuation Office	2,207,499	0.30
PSS Board	1,993,605	0.27
	521,829,307	70.99
(ii) Preferred Reset Securities Exchangeable for Shares (PRESSES)		
Commonwealth Custodial Services Limited	179,728	7.19
RBC Global Services Australia Nominees Pty Limited	174,079	6.96
Share Direct Nominees Pty Limited	173,365	6.93
UBS Warburg Private Clients Nominees Pty Limited	116,065	4.64
Questor Financial Services Limited	83,474	3.34
J P Morgan Nominees Australia Limited	73,595	2.94
The National Mutual Life Association of Australasia Limited	70,000	2.80
Equipart Nominees Pty Limited	50,000	2.00
National Nominees Limited	32,290	1.29
Australian Foundation Investment Company Limited	28,250	1.13
Westpac Financial Services Limited	25,000	1.00
Elise Nominees Pty Limited	24,134	0.97
Westpac Custodian Nominees Limited	23,600	0.94
Taykids Investments Pty Limited	20,000	0.80
Tower Trust Limited	13,254	0.53
Warbont Nominees Pty Limited	12,903	0.52
UBSW Nominees Pty Limited	12,100	0.48
Hardings Hardware Pty Limited	11,059	0.44
Equity Trustees Limited	10,260	0.41
Argo Investments Limited	10,000	0.40
Permanent Trustee Company Limited	10,000	0.40
Sandhurst Trustees Limited	10,000	0.40
Sydney Legacy Appeals Fund	10,000	0.40
	1,173,156	46.91
(iii) Debentures		
National Financial Services	281	100.00
	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 at 31 August 2001 are:

	Ordinary shares
Colonial Limited	89,867,661
Permanent Trustee Company Limited	82,469,593
UBS Nominees Pty Limited	64,823,739
Commonwealth Bank of Australia	62,173,407
Perpetual Trustees Australia Limited	45,384,220
Deutsche Bank Group	43,976,019

Distribution schedule of holdings at 31 August 2002

No. of securities	No. of ordinary shareholders	No. of PRESSES holders	No. of debenture holders	No. of option holders
1 – 1,000	11,571	6,052	1	–
1,001 – 5,000	26,030	112	–	–
5,001 – 10,000	4,697	14	–	30
10,001 – 100,000	2,277	20	–	139
100,001 and over	156	3	–	16
Total number of holders	44,731	6,201	1	185
Number of holders holding less than a marketable parcel	795	–	–	–

Voting rights

Voting rights of shareholders are governed by Rules 5.8 and 5.9 of the Company's Constition 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, options and PRESSES do not carry any voting rights.

Directory

Annual General Meeting

The annual general meeting will be held at 10.30am on Wednesday, 6 November 2002 at the Plaza Ballroom, The Regent Theatre, 191 Collins Street, Melbourne.

Financial Calendar

For Financial Year 2001–2002

Books close for final dividend	4 October 2002
Annual general meeting	6 November 2002
Final dividend mailed	17 October 2002
PRESSES dividend	December 2002

Estimated for Financial Year 2002–2003

Interim result and dividend announcement	February 2003
Interim dividend mailed	April 2003
PRESSES dividend	June 2003
Preliminary final result and dividend announcement	September 2003
Final dividend mailed	October 2003
Annual general meeting	November 2003
PRESSES dividend	December 2003

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

ASX Perpetual Registrars
Level 8
580 George Street
Sydney NSW 2000
Ph: 1300 888 062
Fax: (02) 9261 8489

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".

Important information about this concise report

This 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 2002 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 ASX Perpetual Registrars – see contact details above.

Website

This Full Financial Report and the Company's Concise Report 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.

Fairfax

We congratulate our Walkley Award 2001 winners and their contributions to quality and excellence in journalism.

Fred Hilmer

Fred Hilmer AO Chief Executive Officer

GOLD WALKLEY AWARD WINNER

ANDREW RULE *The Age*

for his investigation of the ATSIC chairman, "Geoff Clark: Power and Rape"

JULIE-ANNE DAVIES *The Age*
Social Equity Journalism
"Broken Lives"

GREG BEARUP *Good Weekend*
Magazine Feature Writing
"Death Surrounds Her"

The *smh.com.au* online team for the Sydney Olympic Games website
Online Journalism

GERARD RYLE *The Sydney Morning Herald*
News Reporting (*commended)*
"The Body Snatchers"

ANDREW RULE *The Age*
Investigative Journalism
"Geoff Clark: Power and Rape"

***The Sydney Morning Herald* & *The Age* Olympic coverage**
Information Graphics

PAUL BARRY *The Sydney Morning Herald*
Print News Report
"Tax Cheats"

LAURA TINGLE *The Sydney Morning Herald*
Investigative Reporting (*commended)*
"Government Outsourcing"

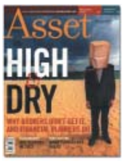
JOHN SPOONER *The Age*
Artwork
"Moolah Ruse"

JILL MARGO *The Australian Financial Review*
Newspaper Feature Writing
"Rob Ferguson's Very Personal Odyssey"

MARGO KINGSTON *smh.com.au*
Online Journalism *(highly commended)*
"Webdiary"

GARRY LINNELL *Good Weekend*
Magazine Feature Writing (*commended)*
"Too Little Too Soon"

The Sydney Morning Herald THE AGE FINANCIAL REVIEW
The Sun-Herald f2) network everything essential GOODWEEKEND Sunday Life
BRW. NEWCASTLE HERALD ILLAWARRA MERCURY THE STANDARD Fairfax COMMUNITY NEWSPAPERS



Reach the top of the corporate ladder.

From Australia's leading daily business publication, *The Australian Financial Review*, right through to specialist magazines like CFO, we offer unparalleled breadth of coverage and quality of readership in the business market.

Fairfax Business Media