

**RURAL PRESS LIMITED**

ACN 000 010 382

**AND ITS CONTROLLED ENTITIES**

**Half-Year Financial Report**

**December 31, 2003**

## **STATUTORY DIRECTORS' REPORT**

**for the half year ended December 31, 2003**

Your Directors have pleasure in presenting their report together with the consolidated financial report of Rural Press Limited (Parent Entity) for the half year ended December 31, 2003 and the auditor's review report thereon.

### **Directors**

The names of the Directors of the parent entity in office during or since the end of the half-year are:

JB Fairfax, AM	Director since 1988 and Chairman since 1990
B Gowrie Smith	Director since 1985
TV Fairfax	Director since 1988
SF Higgs	Director since 2000
CB Livingstone	Director since 2000, retired on October 17, 2003
PA Roach	Director since 2001
N Burton Taylor, AM	Director since 2003
BK McCarthy	Director and Managing Director since 1994

### **Review of Operations**

The record half year profit performance reflected the strong economic conditions across Australia and New Zealand. Advertising volumes in Australian publishing grew by 9.4%. Revenue growth in the company's major web printing plants also contributed to the increase.

#### **Australian Publishing and Printing**

Australian publishing and printing activities increased revenue by 9% to \$228.7 million and earnings before interest and tax by 25.6% to \$61.9 million demonstrating the benefits of diversity of operations.

This growth was achieved despite continuation of drought conditions over much of the company's publishing market, but with the improved outlook benefiting Australian agricultural publishing with a 10% gain in advertising revenues. Volumes were particularly strong in the classified and property categories. Circulation revenues were generally maintained.

Most regional publications and the metropolitan daily *The Canberra Times* increased advertising volumes with advertising revenue being up by approximately 9% over the range of titles. Advertising levels were particularly strong across all categories of advertising.

Trading from the recently-acquired 85.3 per cent interest in Harris & Co. in Tasmania was not included in the half year result; the earnings growth of Rural Press was therefore all generated from existing activities with no assistance from acquisitions.

Our web printing businesses once again grew revenues and earnings. The demand for four colour reproduction continued to grow, rewarding the investment in colour printing capacity throughout the group, particularly the advanced facilities at North Richmond, Canberra and the newly-established Ballarat facility.

#### Overseas Agricultural Publishing

In New Zealand, the operations again achieved higher revenue and profit levels based on the successful publishing strategy implemented two years ago.

The US agricultural publishing market continued its lacklustre performance. The company rationalised the Farm Progress operations to offset the lower revenues. The lower earnings from this area were largely due to the adverse currency movement of the US dollar.

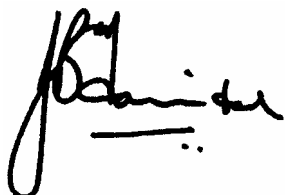
#### Broadcasting

The South Australian radio licences marginally increased profits, offset by the lower profits of the Ipswich station, operating in a competitive market.

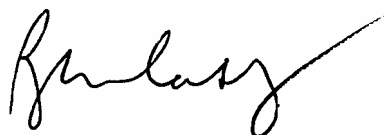
#### **Rounding off of Amounts**

The Company is of a kind referred to in ASIC Class Order 98/100 dated July 10, 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution  
of the Directors



JB Fairfax AM  
Director



BK McCarthy  
Director

Sydney NSW February 12, 2004

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE HALF-YEAR ENDED DECEMBER 31, 2003**

	NOTES	CONSOLIDATED	
		2003 \$'000	2002 \$'000
Revenue from advertising, circulation and printing services		249,062	236,283
Other revenue from operating activities		2,656	3,070
		<u>251,718</u>	<u>239,353</u>
Employee salaries, wages and oncosts		(86,692)	(85,429)
Newspint, plates, ink and consumables used		(39,977)	(36,462)
Outside printing		(9,160)	(10,307)
Communications and postage		(6,469)	(6,722)
Freight and distribution		(6,485)	(5,989)
Occupancy and utilities		(4,428)	(4,266)
Promotion and sponsorship		(4,566)	(4,687)
Motor vehicle		(2,664)	(2,693)
News services and contributors		(2,766)	(2,562)
Repairs and maintenance		(2,175)	(2,795)
Travel and accommodation		(1,859)	(1,865)
Other expenses		(9,712)	(12,856)
		<u>(176,953)</u>	<u>(176,633)</u>
		74,765	62,720
Depreciation and amortisation		<u>(9,814)</u>	<u>(7,512)</u>
		64,951	55,208
Borrowing costs		(2,763)	(5,132)
Interest income		483	223
		<u>62,671</u>	<u>50,299</u>
Proceeds on sale of assets		1,349	1,730
Book value of assets sold		<u>(1,426)</u>	<u>(1,155)</u>
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE</b>			
<b>INCOME TAX EXPENSE</b>			
Income tax (expense)		62,594	50,874
		<u>(19,021)</u>	<u>(15,636)</u>
<b>PROFIT FROM ORDINARY ACTIVITIES AFTER</b>			
<b>INCOME TAX EXPENSE</b>			
Net profit attributable to outside equity interests		43,573	35,238
		<u>(1,545)</u>	<u>(1,173)</u>
<b>NET PROFIT ATTRIBUTABLE TO MEMBERS OF THE</b>			
<b>PARENT ENTITY</b>	3	42,028	34,065
<b>Non-Owner transaction changes in equity</b>			
Increase/(decrease) in asset revaluation reserve		3,748	-
Net exchange difference on translation of financial statements of self-sustaining foreign operations		3,819	233
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		<u>7,567</u>	<u>233</u>
Total changes in equity other than those resulting from transactions with owners as owners		49,595	34,298
<b>EARNINGS PER SHARE (Cents)</b>	5		
Basic			
Ordinary shares		20.6	17.1
Preferred shares		22.6	18.8
Diluted (reflecting potential exercise of share options)			
Ordinary shares		20.2	16.7
Preferred shares		22.2	18.4

To be read in conjunction with the annexed notes which form part of these financial statements.

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2003**

	NOTES	CONSOLIDATED		
		Dec 31 2003 \$'000	Jun 30 2003 \$'000	Dec 31 2002 \$'000
<b>CURRENT ASSETS</b>				
Cash		3,865	10,091	14,358
Receivables		81,211	75,075	75,141
Inventories		12,010	12,064	11,020
Other		2,779	1,891	3,403
<b>TOTAL CURRENT ASSETS</b>		<b>99,865</b>	<b>99,121</b>	<b>103,922</b>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method		-	-	7,753
Other financial assets		9,007	8,211	458
Property, plant and equipment		156,633	136,952	126,747
Mastheads		605,606	594,041	608,492
Radio licences		11,235	11,235	6,487
Deferred tax assets		9,548	9,242	8,128
Other		1,208	1,372	1,830
<b>TOTAL NON- CURRENT ASSETS</b>		<b>793,237</b>	<b>761,053</b>	<b>759,895</b>
<b>TOTAL ASSETS</b>		<b>893,102</b>	<b>860,174</b>	<b>863,817</b>
<b>CURRENT LIABILITIES</b>				
Payables		33,765	35,507	33,703
Interest bearing liabilities		1,613	2,502	5,661
Current tax liabilities		12,126	20,409	13,302
Provisions		20,941	18,845	13,407
<b>TOTAL CURRENT LIABILITIES</b>		<b>68,445</b>	<b>77,263</b>	<b>66,073</b>
<b>NON-CURRENT LIABILITIES</b>				
Payables		1,654	1,931	1,713
Interest bearing liabilities		182,819	132,330	160,470
Deferred tax liabilities		5,258	5,659	6,046
Provisions		4,133	4,556	6,051
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>193,864</b>	<b>144,476</b>	<b>174,280</b>
<b>TOTAL LIABILITIES</b>		<b>262,309</b>	<b>221,739</b>	<b>240,353</b>
<b>NET ASSETS</b>		<b>630,793</b>	<b>638,435</b>	<b>623,464</b>
<b>EQUITY</b>				
Contributed equity	2	317,735	304,611	303,557
Reserves		190,327	182,760	187,711
Retained profits	3	112,632	123,680	104,755
Total parent entity interest		620,694	611,051	596,023
Outside equity interests in controlled entities		10,099	27,384	27,441
<b>TOTAL EQUITY</b>		<b>630,793</b>	<b>638,435</b>	<b>623,464</b>

To be read in conjunction with the annexed notes which form part of these financial statements.

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED DECEMBER 31, 2003**

	NOTES	CONSOLIDATED	
		2003 \$'000	2002 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		273,133	255,894
Payments to suppliers and employees		(205,587)	(202,012)
Dividends received		57	93
Interest received		468	213
Interest and other costs of finance paid		(2,284)	(4,525)
Income tax paid		(28,030)	(18,984)
<b>Net cash flow from operating activities</b>		<b>37,757</b>	<b>30,679</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of businesses and controlled entities (net cash)		(39,118)	(20,840)
Refund of stamp duty paid on purchase of mastheads		216	-
Purchase of property, plant and equipment		(14,064)	(6,434)
Proceeds from sale of property, plant & equipment		1,349	1,730
<b>Net cash flow from investing activities</b>		<b>(51,617)</b>	<b>(25,544)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue		3,185	-
Proceeds from borrowings		71,000	57,000
Repayment of borrowings		(22,170)	(21,740)
Payment of dividends		(43,137)	(40,230)
Payment of dividends to outside equity interests		(1,001)	(1,080)
<b>Net cash flow from financing activities</b>		<b>7,877</b>	<b>(6,050)</b>
<b>NET INCREASE /(DECREASE) IN CASH HELD</b>		<b>(5,983)</b>	<b>(915)</b>
Cash at beginning of the half-year		9,924	9,753
Exchange variance on opening cash balance		(76)	20
<b>CASH AT THE END OF THE HALF-YEAR</b>	<b>6</b>	<b>3,865</b>	<b>8,858</b>

To be read in conjunction with the annexed notes which form part of these financial statements.

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2003**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The general purpose half-year consolidated financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029 Interim Financial Reporting and Urgent Issues Group Consensus Views. It is recommended that this half-year financial report be read in conjunction with the June 30, 2003 Annual Financial Statements and Reports and any public announcements by Rural Press Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by the entities in the consolidated entity and except where there is a change in accounting policy disclosed in these financial statements, are consistent with those applied in the June 30, 2003 Annual Financial Statements and Reports.

The carrying amounts of non-current assets have been reviewed to determine whether they are in excess of their recoverable amount at the end of the half-year. If the carrying amount of a non-current asset exceeds its' recoverable amount, the asset has been written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half year report does not include full note disclosures of the type normally included in an annual financial report.

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2003**

	CONSOLIDATED		
	Dec 31 2003 \$'000	Jun 30 2003 \$'000	Dec 31 2002 \$'000
<b>2. CONTRIBUTED EQUITY</b>			
Issued and paid-up capital:			
118,647,877 (June 2003: 117,273,870 and December 2002: 117,273,870) ordinary shares fully paid	182,694	175,686	175,686
79,102,990 (June 2003: 78,007,338 and December 2002: 77,784,007) Preferred shares fully paid	135,041	128,925	127,871
	<u>317,735</u>	<u>304,611</u>	<u>303,557</u>

**Dividend Reinvestment Plan ("DRP")**

On November 19, 2003 under the DRP, the company allotted, after roundings, 1,000,809 ordinary shares fully paid at \$6.996783 per share (\$7,007,956) and 418,999 Preferred shares fully paid at \$6.987503 per share (\$2,930,408) from the Special Dividend paid on November 7, 2003.

**Exempt Employee Share Plan ("EESP")**

On July 22, 2003 the EESP, allotted 373,198 ordinary shares fully paid.

**Share Options: Executive Option Plan (the "Plan")**

On December 22, 2003 the company granted 400,000 options to acquire Preferred shares on a one for one basis to executives. The option price was set at \$6.98 as determined under the rules of the Plan. Each option is exercisable once the performance hurdles are met and are exercisable between December 22, 2006 and December 21, 2009.

During the period, the Company allotted 636,655 Preferred shares fully paid at \$4.70 per share (\$2,992,279) and 39,998 Preferred shares fully paid at \$4.83 per share(\$193,190) following the exercise of options.

56,667 options lapsed during the period (53,334 between January and June 2003, nil between July and December 2002).

During June 2003, 219,998 Preferred shares fully paid at \$4.70 per share (\$1,033,991) and 3,333 Preferred shares fully paid at \$4.83 per share(\$16,098) were allotted.

At December 31, 2003 the total number of options outstanding under the Plan was 3,440,015 (2002: 3,810,000). The options are exercisable once the performance hurdles are met and before December 21, 2009.

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2003**

	<b>CONSOLIDATED</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>3. RETAINED PROFITS</b>		
Retained profits at the beginning of the half-year	123,680	130,144
Net profit attributable to members of the parent entity	42,028	34,065
Dividend provided for or paid	(53,076)	(59,454)
	112,632	104,755
<b>4. DIVIDENDS PAID</b>		
Final dividend paid of 16.00 cents (2002: 9.90 cents) fully franked per ordinary share	18,824	11,338
Final dividend paid of 17.60 cents (2002: 10.89 cents) fully franked per Preferred share	13,838	8,348
Special dividend declared of 10.00 cents (2002: 20.00 cents) fully franked per ordinary share	11,765	22,904
Special dividend declared of 11.00 cents (2002: 22.00 cents) fully franked per Preferred share	8,649	16,864
	53,076	59,454
Dividend imputation		
All dividends paid were fully franked out of existing franking credits or out of franking credits arising from the payment of income tax in the forthcoming period.		
Amount of franking credits available for the payment of dividends out of existing franking credits and franking credits arising from the payment of December 31, 2003 income tax liability:	55,345	47,577
The above franking credits would allow the payment of a fully franked dividend to the value of:	129,138	111,013
Consolidated amounts assumes all controlled entities' retained profits and reserves are distributed to the Company		
<b>5. EARNINGS PER SHARE</b>		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share		
-ordinary	117,832,912	115,107,401
- Preferred	78,462,044	76,894,754
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share		
-ordinary	117,832,912	115,107,401
- Preferred	81,874,490	80,312,405
<b>6. RECONCILIATION OF CASH</b>		
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, short term deposits at call, bank bills receivable, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:		
Cash	3,865	14,358
Bank overdraft	-	(5,500)
	3,865	8,858

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2003**

**7. CONTINGENT LIABILITIES AND GUARANTEES**

The parent entity and its controlled entities are defendants in a number of legal actions arising from their operations. The directors believe that these actions can be successfully defended. Estimated costs arising from these actions have been provided for in the financial statements such that any losses incurred would not have a material effect on the Company's future results.

**8. SEGMENT REPORTING**

Business segments

	External segment revenue		Inter-segment revenue		Total revenue	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Newspaper publishing – Australasia	184,270	172,113	1,062	842	185,332	172,955
Printing - Australasia	44,405	37,671	36,790	33,373	81,195	71,044
Eliminations	-	-	(37,852)	(34,215)	(37,852)	(34,215)
	228,675	209,784	-	-	228,675	209,784
Magazine publishing – United States	19,575	25,995	-	-	19,575	25,995
Broadcasting	3,425	3,395	-	-	3,425	3,395
	251,675	239,174	-	-	251,675	239,174
Agricultural Internet Investments	-	-	-	-	-	-
Other/unallocated	43	179	-	-	43	179
	251,718	239,353	-	-	251,718	239,353

	Total Result	
	2003	2002
	\$'000	\$'000
Newspaper publishing – Australasia	50,714	40,264
Printing - Australasia	11,191	9,139
	61,905	49,403
Magazine publishing – United States	1,613	2,084
Broadcasting	(227)	(170)
	63,291	51,317
Agricultural Internet Investments	-	(72)
Other/unallocated	1,660	3,963
	64,951	55,208
Net interest	(2,280)	(4,909)
Net profit/(loss) on sale of property, plant and equipment, and software	(77)	575
	62,594	50,874

Profit before tax is disclosed separately for the Newspaper publishing - Australasia and Printing - Australasia activities as required by Accounting Standard AASB 1005 Segment Reporting. The individually reported financial results for these two activities are determined after various internal charges, internal allocation of indirect costs and with internal revenues being based on historical pricing formulae for production activities. The individually reported financial results do not therefore represent the financial performance of these activities as separate stand alone business segments.

**9. CONTROL GAINED OVER ENTITIES HAVING A MATERIAL EFFECT**

On December 29, 2003 the consolidated entity gained a 85.27% interest in Harris and Co Limited for \$42,650,000.

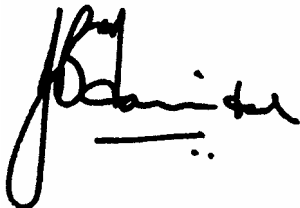
There was no profit impact.

**RURAL PRESS LIMITED  
DIRECTORS' DECLARATION  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2003**

In the opinion of the Directors of Rural Press Limited:

1. the financial statements and notes set out on pages 3 to 9 are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at December 31, 2003 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - (b) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



JB Fairfax, AM  
Director



BK McCarthy  
Director

Sydney NSW February 12, 2004

## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF RURAL PRESS LIMITED

### Scope

We have reviewed the financial report of Rural Press Limited for the half-year ended December 31, 2003, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 9 and the directors' declaration set out on pages 3 to 10. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Rural Press Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - i) giving a true and fair view of the consolidated entity's financial position as at December 31, 2003 and of its performance for the half-year ended on that date; and
  - ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



KPMG



BK Phillips  
Partner

Sydney  
Date: February 12, 2004