# Contents



All amounts are expressed in Australian dollars unless otherwise stated.

## Notes to the Financial Statements

# Directors' Report

## Statutory Directors' Report

### For the year ended June 30, 2004

Your Directors have pleasure in presenting their report, together with the financial report of Rural Press Limited (the Company) and consolidated financial report of the consolidated entity (being the Company and its controlled entities) for the year ended June 30, 2004 and the Audit Report thereon.

**INFORMATION ON DIRECTORS**

The Directors of the Company in office during the financial year and at the date of this report are:

JB Fairfax AM, Chairman
B Gowrie Smith
TV Fairfax AM
SF Higgs
CB Livingstone (resigned 17 October 2003)
PA Roach
N Burton Taylor AM
BK McCarthy, Managing Director

Mr BK McCarthy is the only Executive Director on the Board.

Detailed information on Directors is outlined on pages 18 to 19 of the annual report.

**DIRECTORS' MEETINGS**

The number of meetings attended by the Company's Directors for the year ended June 30, 2004 were as follows:

| | Board of Directors | Audit Committee |
|---|---|---|
| JB Fairfax AM | 11 (11) | |
| B Gowrie Smith | 11 (11) | 3 (3) |
| TV Fairfax AM | 11 (11) | 1 (1) |
| SF Higgs | 11 (11) | 4 (4) |
| CB Livingstone (resigned October 17, 2003) | 3 (3) | 1 (1) |
| PA Roach | 11 (11) | 3 (3) |
| N Burton Taylor AM | 11 (11) | |
| BK McCarthy | 11 (11) | |

Figures in brackets represent the maximum number of meetings the Director could attend.

From time to time the Board appoints Directors to committees to attend to specific issues. Notable instances are the Committee attending to employee share plan matters and the Committee to review the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

**DIRECTORS' INTERESTS**

The relevant interest of each Director in the share capital of the Company as notified by the Directors to the Australian Stock Exchange in accordance with Section 205 G(1) of the Corporations Act 2001 at the date of this report is:

| | Ordinary Shares | Preferred Shares |
|---|---|---|
| JB Fairfax AM [1] | 64,021,480 | 23,676,991 |
| B Gowrie Smith | 10,563 | 6,405 |
| TV Fairfax AM [1] | 64,021,480 | 23,676,991 |
| SF Higgs | 7,347 | - |
| PA Roach | 710 | - |
| N Burton Taylor AM | - | 20,000 |
| BK McCarthy | 51,260 | 252,001 |

(1) The relevant interests disclosed for JB Fairfax and TV Fairfax refer to shareholdings that are common to both Directors.

# Directors' Report

## PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity in the course of the financial year were newspaper, magazine and electronic publishing, printing, radio broadcasting and events organising. There was no significant change in the nature of those activities during the financial year.

## REVIEW OF OPERATIONS

The review of the consolidated entity's operations is outlined on pages 5 to 12 of the annual report.

## CONSOLIDATED RESULT

The consolidated profit for the year ended June 30, 2004 attributable to the members of the Company was:

| | 2004 $'000 | 2003 $'000 |
|---|---|---|
| Profit from ordinary activities after income tax expense | 89,169 | 70,896 |
| Net profit attributable to outside equity interests | (2,061) | (2,491) |
| Net profit attributable to members of the parent entity | 87,108 | 68,405 |

## 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 year under review not otherwise disclosed in this report, in the consolidated financial report, or the report to shareholders.

## DIVIDENDS

Dividends paid or recommended by the Company since the end of the previous financial year.

| | $000's |
|---|---|
| In respect of the year ended June 30, 2003: | |
| – A final dividend of 16.00 cents per share, fully franked to 30% on 117,647,068 ordinary shares; | 18,824 |
| and a final dividend of 17.60 cents per share, fully franked to 30% on 78,627,326 Preferred shares, both paid on November 7, 2003; | 13,838 |
| – A special dividend of 10.00 cents per share, fully franked to 30% on 117,647,068 ordinary shares; | 11,765 |
| and a special dividend of 11.00 cents per share, fully franked to 30% on 78,627,326 Preferred shares, both paid on November 7, 2003; | 8,649 |
| In respect of the year ended June 30, 2004: | |
| – An interim dividend of 9.00 cents per share, fully franked to 30% on 118,647,877 ordinary shares; | 10,678 |
| and an interim dividend of 9.90 cents per share, fully franked to 30% on 79,608,100 Preferred shares, both paid on March 5, 2004; | 7,881 |
| | 71,635 |

– As proposed, based on the shares on issue at the date of this report:
a second interim dividend of 10 cents per share, fully franked to 30% on 118,647,877 ordinary shares;
and a second interim dividend of 11 cents per share, fully franked to 30% on 79,694,766 Preferred shares,
a final dividend of 20.00 cents per share, fully franked to 30% on 118,647,877 ordinary shares;
and a final dividend of 22.00 cents per share, fully franked to 30% on 79,694,766 Preferred shares,
all payable on November 12, 2004 on shares registered at 5.00pm on November 3, 2004

## SUBSEQUENT EVENTS

Other than as disclosed, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in financial years after the financial year except as mentioned in Note 39 of the financial statements.

# Directors' Report

## FUTURE DEVELOPMENTS AND RESULTS

The consolidated entity intends to continue to develop its operations in the future within the principal activities as disclosed in this report. 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 disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

## INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company's Constitution provides for an indemnity of Directors, Secretaries and Executive Officers (as defined in the Corporations Act 2001) where liability is incurred in the performance of their duties in those roles unless the liability is owed to the Company (or member of the Rural Press Group) or is owed to some other person and arises out of conduct involving a lack of good faith. The Constitution further provides for an indemnity in respect of any costs and expenses incurred in defending proceedings except where judgment is given against them or the Court denies them relief under the Corporations Act 2001.

## INSURANCE OF DIRECTORS AND OFFICERS

Since the end of the previous financial year the Company has paid insurance premiums in respect of Directors and Officers' liability and legal expenses' insurance contracts for current and former Directors and Officers, including executive officers of the Company and Directors, executive officers and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The Directors have not included details of the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

## OPTIONS

The Rural Press Executive Option Plan (EOP) was approved by shareholders on October 9, 1998 and again on October 19, 2001. During the financial year the Company, pursuant to the EOP rules, granted 1,290,000 options over unissued Preferred shares to executives. All options were granted during the financial year and none since the end of the financial year. During the year 50,000 options were granted to each of the five most highly remunerated officers: AG Browne, BC Cassell, RA Lockley, L Whish-Wilson and AE Williams, with an exercise price of $7.62. Of the Directors, 100,000 options with an exercise price of $7.62 were granted to BK McCarthy. The options under these grants are exercisable between June 11, 2007 and June 11, 2010.

The outstanding options represent 4.75% of the issued Preferred shares and 1.91% of the total issued shares.

Further information in relation to options is provided in Notes 19 and 33 to the financial statements.

## DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The Chairman, with Board consultation, is responsible for determining remuneration packages for Board members and the Managing Director. The Managing Director is responsible for making recommendations to the Board on remuneration packages applicable to senior executives of the Company. The broad remuneration policy is to ensure the remuneration packages properly reflect the person's duties and responsibilities and that remuneration levels are competitively set to attract, retain and motivate appropriately qualified and experienced Directors and senior executives. Remuneration packages are reviewed annually and executives may nominate to receive their remuneration in a variety of forms including cash and fringe benefits providing there is no undue cost to the Company.

The Managing Director and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including achievement of EBIT targets, return on funds employed and growth in net profit) and in the case of specified executives, various criteria specific to their individual areas of responsibility. Non Executive Directors each receive a fixed fee of $52,500pa plus allowances for committee responsibilities. The Chairman receives 2.5 times the board fee. Non Executive Directors do not receive any performance related remuneration nor are they issued options on shares.

# Directors' Report

## EMOLUMENTS

Details of the nature and amount of each element of the emolument of each Director of the Company and each of the five executive officers of the Company and the consolidated entity receiving the highest emolument for the financial year is as follows:

**Emoluments of Directors of Rural Press Limited**

| | Annual Emoluments | | | | Long Term Emoluments | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Options | | | |
| | Base Fee | Bonus | Other | Termination & Similar Payments | Number Granted | Amortised Cost | Superannuation | Other |
| | $ | $ | $ | $ | | $ | $ | $ |
| JB Fairfax AM | 131,250 | - | - | - | - | - | 11,813 | - |
| B Gowrie Smith | 53,894 | - | - | - | - | - | 4,850 | - |
| TV Fairfax AM | 53,606 | - | - | - | - | - | 4,825 | - |
| SF Higgs | 55,000 | - | - | - | - | - | - | - |
| CB Livingstone | 18,452 | - | - | - | - | - | - | - |
| PA Roach | 59,559 | - | - | - | - | - | - | - |
| N Burton Taylor AM | 52,500 | - | - | - | - | - | - | - |
| BK McCarthy | 576,567 | 162,000 | 90,692 | - | 100,000 | 28,190 | 13,433 | - |

*The elements of emoluments have been determined on the basis of the cost to the Company and the consolidated entity.

**Emoluments of the five most highly paid executive officers of the Company and the consolidated entity**

| | Annual Emoluments | | | | Long Term Emoluments | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Options | | | |
| | Base Fee | Bonus | Other | Termination & Similar Payments | Number Granted | Amortised Cost | Superannuation | Other |
| | $ | $ | $ | $ | | $ | $ | $ |
| AG Browne | 176,945 | 63,000 | 24,650 | - | 50,000 | 19,907 | 13,405 | - |
| BC Cassell | 281,004 | 65,450 | 12,000 | - | 50,000 | 18,946 | 38,296 | - |
| RA Lockley | 258,742 | 80,618 | 15,336 | - | 50,000 | 18,946 | 12,922 | - |
| L Whish-Wilson | 194,890 | 58,800 | 15,110 | - | 50,000 | 19,907 | 40,000 | - |
| AE Williams | 228,946 | 56,800 | 17,000 | - | 50,000 | 18,946 | 36,754 | - |

The Company uses the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" for all options granted to non executive directors and executives, which have not vested as at July 1, 2003. The fair value of such grants is being amortised and disclosed as part of Director and executive emoluments on a straight line basis over the vesting period.

Options granted have been valued using the Black-Scholes model which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for further details.

### FAIR VALUES OF OPTIONS

The fair value of each option is estimated on the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions used for grants made during the year ended June 30, 2004, 2003, 2002 and 1999.

| | 2004 | 2003 | 2002 | 1999 |
|---|---|---|---|---|
| Dividend yield | 5.0% | 5.5%-5.9% | 3.1% | 2.6% |
| Expected volatility | 17.4% | 17.3%-17.7% | 15.9% | 15.0% |
| Risk free interest rate | 5.6% | 4.3%-4.8% | 6.0% | 4.5% |
| Expected life of option (years) | 4.6 - 5.5 | 4.6 - 5.5 | 4.6 - 5.5 | 4.6 - 5.5 |

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

The resulting weighted average fair values per option for those options vesting after July 1, 2003 are:

| Number of options | Grant date | Vesting date | Weighted average fair value |
|---|---|---|---|
| 193,337 | December 18, 1998 | December 18, 2003 | $0.733 |

# Directors' Report

## 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
August 26, 2004

# Financial Statements

## Statement of Financial Performance

For the year ended June 30, 2004

| | NOTES | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|---|
| REVENUES AND EXPENSES FROM ORDINARY ACTIVITIES | | | | | |
| Revenue from publishing, broadcasting and printing services | | 509,546 | 463,777 | - | - |
| Other revenue from operating activities | | 5,568 | 5,197 | 103,481 | 94,903 |
| | 2 | 515,114 | 468,974 | 103,481 | 94,903 |
| Employee salaries, wages and oncosts | | (176,338) | (170,497) | (6,444) | (7,159) |
| Newsprint, plates, ink and consumables | | (76,448) | (73,277) | - | - |
| Outside printing | | (18,081) | (19,381) | - | - |
| Communications and postage | | (12,718) | (13,211) | (398) | (499) |
| Freight and distribution | | (13,736) | (12,214) | - | - |
| Promotion and sponsorship | | (8,475) | (8,122) | (56) | (108) |
| Occupancy and utilities | | (9,361) | (8,585) | (146) | (111) |
| Motor vehicle | | (5,330) | (5,394) | (247) | (266) |
| News services and contributors | | (6,049) | (5,087) | - | - |
| Travel and accommodation | | (4,049) | (3,787) | (748) | (744) |
| Repairs and maintenance | | (5,651) | (5,880) | (794) | (539) |
| Other expenses | 3 | (22,643) | (20,150) | (1,929) | (5,616) |
| | | (358,879) | (345,585) | (10,762) | (15,042) |
| | | 156,235 | 123,389 | 92,719 | 79,861 |
| Depreciation and amortisation | 3 | (18,802) | (14,919) | (1,153) | (1,198) |
| | | 137,433 | 108,470 | 91,566 | 78,663 |
| Borrowing costs | 3 | (9,707) | (8,057) | (7,028) | (4,129) |
| Interest income | 2 | 1,000 | 700 | 712 | 638 |
| | | 128,726 | 101,113 | 85,250 | 75,172 |
| Revenue on sale of assets - outside operating activities | 2 | 3,087 | 1,584 | 147,089 | 259 |
| Book value of assets sold | | (2,970) | (1,041) | (19,276) | (246) |
| Profit From Ordinary Activities Before Income Tax Expense | 2, 3, 5 | 128,843 | 101,656 | 213,063 | 75,185 |
| Income tax (expense) | 6 | (39,674) | (30,760) | (4,592) | (4,432) |
| Profit From Ordinary Activities After Income Tax Expense | | 89,169 | 70,896 | 208,471 | 70,753 |
| Net profit attributable to outside equity interests | 22 | (2,061) | (2,491) | - | - |
| Net Profit Attributable To Members Of The Parent Entity | 21 | 87,108 | 68,405 | 208,471 | 70,753 |
| EARNINGS PER SHARE (Cents) | | | | | |
| Basic (reflecting shares on issue) | | | | | |
| Ordinary shares | 4 | 42.5 | 34.0 | | |
| Preferred shares | 4 | 46.7 | 37.4 | | |
| Diluted (reflecting potential exercise of share options) | | | | | |
| Ordinary shares | 4 | 41.7 | 33.3 | | |
| Preferred shares | 4 | 45.9 | 36.6 | | |
| NON-OWNER TRANSACTION CHANGES IN EQUITY | | | | | |
| (Decrease)/increase in asset revaluation reserve | 20 | 10,563 | (6,848) | (8,546) | - |
| Net exchange difference on translation of financial statements of self-sustaining foreign operations | 20 | 2,089 | 2,130 | - | - |
| Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity | | 12,652 | (4,718) | (8,546) | - |
| Net Profit Attributable To Members Of The Parent Entity | 21 | 87,108 | 68,405 | 208,471 | 70,753 |
| Total changes in equity from non-owner related transactions attributable to members of the parent entity | | 99,760 | 63,687 | 199,925 | 70,753 |

# Financial Statements

## Statement of Financial Position

As at June 30, 2004

| | NOTES | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | |
| Cash assets | 7 | 12,520 | 10,091 | 5,158 | - |
| Receivables | 8 | 79,896 | 75,075 | 35,596 | 69,567 |
| Inventories | 9 | 11,379 | 12,064 | 2,117 | 3,593 |
| Other | | 1,770 | 1,891 | 27 | - |
| Total Current Assets | | 105,565 | 99,121 | 42,898 | 73,160 |
| NON-CURRENT ASSETS | | | | | |
| Receivables | 8 | - | - | 526,291 | 298,548 |
| Other financial assets | 10 | 9,007 | 8,211 | 52,583 | 71,840 |
| Property, plant and equipment, and software | 11 | 171,673 | 136,952 | 33,791 | 29,218 |
| Mastheads | 12 | 609,289 | 594,041 | - | - |
| Radio licences | 13 | 15,328 | 11,235 | - | - |
| Deferred tax assets | 14 | 9,508 | 9,242 | 2,086 | 2,775 |
| Other | 15 | 1,435 | 1,372 | - | - |
| Total Non-Current Assets | | 816,240 | 761,053 | 614,751 | 402,381 |
| Total Assets | | 921,805 | 860,174 | 657,649 | 475,541 |
| CURRENT LIABILITIES | | | | | |
| Payables | 16 | 44,821 | 35,507 | 6,211 | 6,846 |
| Interest bearing liabilities | 17 | 136 | 2,502 | - | 314 |
| Current tax liabilities | | 20,911 | 20,409 | 2,779 | 4,169 |
| Provisions | 18 | 19,440 | 18,845 | 2,525 | 4,362 |
| Total Current Liabilities | | 85,308 | 77,263 | 11,515 | 15,691 |
| NON-CURRENT LIABILITIES | | | | | |
| Payables | 16 | 938 | 1,931 | - | - |
| Interest bearing liabilities | 17 | 160,166 | 132,330 | 97,000 | 66,000 |
| Deferred tax liabilities | | 5,179 | 5,659 | - | - |
| Provisions | 18 | 4,170 | 4,556 | 842 | 977 |
| Total Non-Current Liabilities | | 170,453 | 144,476 | 97,842 | 66,977 |
| Total Liabilities | | 255,761 | 221,739 | 109,357 | 82,668 |
| Net Assets | | 666,044 | 638,435 | 548,292 | 392,873 |
| EQUITY | | | | | |
| Contributed equity | 19 | 320,464 | 304,611 | 320,464 | 304,611 |
| Reserves | 20 | 195,412 | 182,760 | 5,984 | 14,530 |
| Retained profits | 21 | 139,153 | 123,680 | 221,844 | 73,732 |
| Total parent entity interest | | 655,029 | 611,051 | 548,292 | 392,873 |
| Outside equity interests | 22 | 11,015 | 27,384 | - | - |
| Total Equity | | 666,044 | 638,435 | 548,292 | 392,873 |

# Financial Statements

## Statement of Cash Flows

For the year ended June 30, 2004

| | NOTES | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | | 555,775 | 502,979 | 35,281 | 33,973 |
| Payments to suppliers and employees | | (393,247) | (380,511) | (14,368) | (11,912) |
| Dividends received | | 107 | 157 | 68,200 | 60,950 |
| Interest received | | 957 | 684 | 676 | 621 |
| Interest and other costs of finance paid | | (9,207) | (8,512) | (6,483) | (4,411) |
| Income tax paid | | (39,903) | (28,508) | (5,265) | (6,677) |
| Net cash flow from operating activities | 24(a) | 114,482 | 86,289 | 78,041 | 72,544 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of businesses and controlled entities (net cash) | 24(b) | (48,702) | (21,071) | - | - |
| Proceeds from sale of businesses and controlled entities (net cash) | | - | - | 147,075 | - |
| Purchase of radio licences | | (164) | - | - | - |
| Purchase of outside equity interests | | - | (7,450) | - | - |
| Purchase of property, plant and equipment, and software | | (30,989) | (24,146) | (3,016) | (4,748) |
| Proceeds from sale of property, plant and equipment, and software | | 3,087 | 1,584 | 14 | 259 |
| Proceeds from sale of mastheads | | - | 200 | - | - |
| Net cash flow from investing activities | | (76,768) | (50,883) | 144,073 | (4,489) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from share issue | | 6,415 | 1,050 | 5,915 | 1,050 |
| Proceeds from borrowings | | 92,000 | 63,000 | 92,000 | 63,000 |
| Repayment of borrowings | | (70,696) | (41,740) | (61,000) | (35,000) |
| Loans to controlled entities to finance the purchase of businesses and assets | | - | - | (191,860) | (44,008) |
| Payment of dividends | | (61,697) | (55,642) | (61,697) | (55,642) |
| Payment of dividends to outside equity interests | | (1,153) | (1,843) | - | - |
| Net cash flow from financing activities | | (35,131) | (35,175) | (216,642) | (70,600) |
| NET (DECREASE)/INCREASE IN CASH HELD | | 2,583 | 231 | 5,472 | (2,545) |
| Cash at beginning of the financial year | | 9,924 | 9,753 | (314) | 2,231 |
| Exchange variance on opening cash balance | | 13 | (60) | - | - |
| CASH AT THE END OF THE FINANCIAL YEAR | 24(c) | 12,520 | 9,924 | 5,158 | (314) |

# Financial Statements

# Notes to the Financial Statements

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act, 2001. It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets. The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

### Reclassification of Financial Information

Certain prior year expense line items on the Statement of Financial Performance have been reclassified from other expenses to specific expense line items.

### Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company, being the parent entity, and its controlled entities. Where a controlled entity has been acquired (or sold) during the year, its results are included in consolidated profit from the date of acquisition (up to the date of sale). All inter-entity balances and transactions have been eliminated. Outside equity interests in controlled entities are shown as a separate item in the consolidated financial statements.

A list of controlled entities is shown in Note 38.

### Cash

For the purpose of the statement of cash flows, cash includes cash on hand and at bank, short term deposits at call and bank bills receivable, net of outstanding bank overdrafts.

### Trade and Other Debtors

Trade and other debtors are carried at the amounts due. The collectibility of debts is assessed at balance date and provision is made for identified doubtful accounts and for unidentified losses. Collection terms vary between 7 and 60 days for trade debtors and less than one year for other debtors. Interest on other debtors may be charged at market rates where the terms of repayment exceed three months.

### Short Term Deposits

Short term deposits are stated at the amount due. Interest income is recognised as it accrues.

### Inventories

Inventories and work-in-progress are valued at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis.

### Recoverable Amount of Non-Current Assets Valued on Cost Basis

The carrying amounts are reviewed to determine whether they are in excess of their recoverable amount at balance date, any excess is written off as an expense in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

### Acquisition of Assets

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

### Other Financial Assets

Investments in controlled entities, partnerships and in other corporations are carried at the lower of cost or recoverable amount.

Dividends in controlled entities are brought to account in the statement of financial performance when they are received by the controlled entities. Dividends in unrelated corporations are brought to account as income when received.

Partnership income is accrued based on partnership financial statements.

# Financial Statements

### Land, Buildings and Leasehold Properties

Land, buildings and leasehold property are carried at fair value, based on independent valuation or cost for subsequent additions. This valuation is carried out every three years and any net difference is accounted for in accordance with AASB 1041 revaluation of non-current assets. Land, buildings and leasehold property are not revalued to an amount above their recoverable amount. In the intervening years an annual review is undertaken to ensure carrying values do not differ materially from fair value at reporting date.

### Depreciation and Amortisation

Buildings, leasehold property, plant and equipment, and software are depreciated and amortised so as to write off their net costs over their estimated useful life from the date the asset is ready for use. The straight line method is used.

The major depreciation/amortisation periods are:

| | 2004 | 2003 |
|---|---|---|
| Freehold buildings | 50 years | 50 years |
| Leasehold property | 50 years | 50 years |
| Plant and equipment | 3 to 15 years | 3 to 15 years |
| Software | 0 to 4 years | 0 to 4 years |

Goodwill is amortised by the straight line method over a period between ten and fifteen years during which benefits are expected to be received.

Insurance licence agreements are being amortised over their assessed life not exceeding twenty years using the straight line method.

### Leased Assets

Finance leases which effectively transfer to the consolidated entity substantially all of the risks and benefits incidental to ownership of the leased assets have been capitalised and are being amortised over their expected useful life. Lease payments are allocated between interest expense and lease liability. The interest component is charged against profit when incurred.

Operating lease payments where the lessors effectively retain substantially all the risks and benefits of ownership of these lease items, are charged to expense in the period in which they are incurred.

### Mastheads and Radio Licences

Mastheads, being the titles of newspapers and magazines produced by the consolidated entity, are accounted for as identifiable assets and are carried at fair value based on independent valuation or cost for subsequent additions. Mastheads include the composite mixture of the publication's title, content, market targeting capabilities and reputation. The independent valuation is carried out periodically and any net difference is accounted for in accordance with AASB 1041 revaluation of non-current assets. Mastheads are not revalued to an amount above their recoverable amount. In the intervening years an annual review is undertaken to ensure carrying values do not differ materially from fair value at reporting date. Cost represents that part of the purchase price for acquired publishing businesses assessed by Directors as the fair value of the masthead acquired.

Radio licences, being commercial radio licences held by the consolidated entity under the provisions of the Broadcasting Services Act 1992 are recorded at cost. Cost represents that part of the purchase price for acquired commercial broadcasting businesses assessed by Directors as the fair value of the licences acquired.

No amortisation is provided against the carrying value of mastheads and radio licences as the Directors consider the lives of these assets are not limited by any known or anticipated legal, physical, commercial, technological or other factor. Commercial radio licences are renewable every five years under the provisions of the Broadcasting Services Act 1992 and the Directors have no reason to believe that the licences will not be renewed.

### Radio Licence Fees

Licence fees, which will be paid to the Australian Broadcasting Authority, based upon current year revenues, have been accrued in the financial statements in accordance with the formulae set by the Australian Broadcasting Authority.

### Goodwill

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

The unamortised balance of goodwill is reviewed at least annually. Where the balance exceeds the value of expected future benefits, the difference is charged to the statement of financial performance.

### Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company or consolidated entity. Amounts payable are normally settled within 30 days.

# Financial Statements

## Provisions

A provision is recognised when a legal, equitable or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing of which is uncertain.

A provision for dividend is recognised when dividends are declared on or before the reporting date.

A provision for legal and defamation matters is recognised for the expected costs that are associated with legal proceedings and defamation actions in progress as at reporting date or anticipated proceedings where an event giving rise to such proceedings has occurred prior to the reporting date. The provision is based on best estimate of direct expenditures to be incurred.

A provision for restructuring is recognised for the expected costs associated with the restructure and is based on the best estimate of the direct expenditures to be incurred which are both directly and necessarily caused by the restructuring and not associated with the on-going activities of the economic entity.

## Bank Overdraft and Bank Bills

These are carried at the principal amount subject to set-off arrangements. Interest is recognised as an expense as it accrues.

## Borrowing Costs

Borrowing costs, which include interest and line fees on borrowings, interest on bank overdrafts and interest on finance leases, are expensed in the period incurred.

## Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

## Employee Entitlements

The long service leave provision represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to balance date. The provision for long service leave which is not expected to be settled within twelve months is discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities. In determining the provision, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related oncosts have also been included in the liability. The provision for long service leave is allocated in the statement of financial position to reflect the current and non-current portion of this liability.

Annual leave accruals, including oncosts, are calculated on the estimated entitlement due to the employees at balance date based on the rates that the consolidated entity expects to pay when liabilities are settled.

Contributions made to superannuation plans are charged against profits as liabilities are incurred.

## Employee Share and Option Plans

Shares and options issued to employees are recorded in contributed equity at the fair value of consideration received.

Options granted to employees under the Executive Option Plan are issued at a price equivalent to the market price of the underlying shares at the date of grant. Options can only be exercised if either of the share price accumulation index or EPS growth performance hurdles are met.

No expense is recognised on the grant of options.

## Foreign Currency

Transactions in foreign currencies are converted to Australian dollars at the rates of exchange ruling on the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated to Australian dollars at the rates of exchange ruling at balance date. Realised and unrealised gains and losses arising from exchange rate fluctuations in foreign currencies are included in the statement of financial performance.

Assets and liabilities of overseas controlled entities are translated to Australian dollars at the rate of exchange ruling at balance date. Income and expenses have been translated at the average of exchange rates ruling during the year.

As overseas controlled entities are self-sustaining, exchange differences have been taken directly to the foreign currency translation reserve.

# Financial Statements

### Derivative Financial Instruments

The Company is exposed to fluctuations in exchange rates from its inventory purchase commitments denominated in foreign currencies. It is Company policy to only use forward foreign exchange contracts to hedge a proportion of this exposure.

Gains and losses relating to the hedge of the purchase commitments are recognised and are included as adjustments to the carrying amount of inventories at balance date. The terms of the foreign currency and purchase commitment contracts are not more than twelve months.

The net amounts receivable or payable under forward exchange contracts and the associated deferred gains or losses are recorded on the statement of financial position from the date of inception of the hedge transaction.

The Company has entered into interest rate swaps to hedge its exposure to adverse movements in interest rates on borrowings. Maturities of swap contracts are between 4 months and 40 months. All contracts are with major Australian banks.

Company policy is to not enter, hold or issue derivative financial instruments for trading purposes.

### Revenue Recognition

Sales revenue comprises revenue earned from the provision of publishing, broadcasting and printing services to entities outside the consolidated entity. Exchanges of goods or services of the same nature and value without any cash consideration are recognised as revenues.

Sales revenue from publishing is recognised when an issue is published and from broadcasting when advertising is broadcast.

Printing revenues are recognised when printing services are provided.

The gross proceeds of asset sales are included as revenue of the consolidated entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract is signed or conditional contract is settled.

Sundry revenue comprises other items not included in the above including distribution income and property rentals and is recognised when earned.

### Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| **2. REVENUE FROM ORDINARY ACTIVITIES** | | | | |
| Revenue from publishing, broadcasting and printing services | 509,546 | 463,777 | - | - |
| Other revenue from operating activities: | | | | |
| Dividends from: | | | | |
| controlled entities | - | - | 68,200 | 60,950 |
| other persons | 107 | 157 | - | - |
| Revenue from partnership | 1,468 | 1,208 | - | - |
| Inter-entity charges | - | - | 35,218 | 33,751 |
| Sundry | 3,993 | 3,832 | 63 | 202 |
| | 5,568 | 5,197 | 103,481 | 94,903 |
| | 515,114 | 468,974 | 103,481 | 94,903 |
| Other: | | | | |
| Interest income from: | | | | |
| controlled entities | - | - | 127 | 120 |
| other persons | 1,000 | 700 | 585 | 518 |
| Revenue from outside operating activities: | | | | |
| Gross revenuess on sale of property, plant and equipment, and software | 3,087 | 1,584 | 14 | 259 |
| Gross revenues on sale of controlled entities | - | - | 147,075 | - |
| | 519,201 | 471,258 | 251,282 | 95,800 |

Gross revenues on sale of controlled entities have been generated by an internal group restructure whereby certain wholly owned subsidiaries directly owned by the Company were transferred to another wholly owned subsidiary at fair value. The gain on transfer of $127,819,000 is eliminated on consolidation (Refer Note 3 and 30(c)).

# Financial Statements

## 3. PROFIT FROM ORDINARY ACTIVITIES

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Included in profit from ordinary activities are the following items of expense/(income) | | | | |
| Interest and borrowing costs: | | | | |
| other persons | 9,695 | 8,027 | 7,028 | 4,129 |
| finance lease charges | 12 | 30 | - | - |
| Net loss/(profit) from sale of property, plant & equipment | (117) | (543) | 6 | (13) |
| Net loss/(profit) on sale of controlled entities | - | 1 | (127,819) | - |
| Amortisation of: | | | | |
| leased assets capitalised | 105 | 111 | - | - |
| leasehold property | 280 | 272 | - | - |
| software | 1,288 | 1,162 | 246 | 335 |
| goodwill | 142 | 120 | - | - |
| licence agreements | 73 | 164 | - | - |
| Depreciation of: | | | | |
| buildings | 927 | 713 | 482 | 387 |
| plant & equipment | 15,987 | 12,377 | 425 | 476 |
| Amounts set aside to provision for: | | | | |
| doubtful debts | 1,623 | 1,993 | - | - |
| employee entitlements | 13,360 | 13,243 | 194 | 446 |
| legal and defamation | (962) | 408 | (1,300) | 149 |
| restructure and redundancies | (838) | 1,619 | (838) | 988 |
| Net foreign exchange loss/(gain) | 192 | 455 | 192 | 455 |
| Rental expense under operating leases | 7,034 | 6,554 | 252 | 206 |

Other expenses for the Company for 2004 include professional fees of $855,000 and insurance premiums of $330,000.

## 4. EARNINGS PER SHARE

| | 2004 | 2003 |
|---|---|---|
| Net profit used for Basic and Diluted earnings | | |
| ordinary | 50,212 | 39,483 |
| Preferred | 36,896 | 28,922 |
| Net profit for the period attributable to the members | 87,108 | 68,405 |
| Weighted average number of shares on issue used in the calculation of basic earnings per share | | |
| ordinary | 118,241,511 | 116,187,668 |
| Preferred | 78,989,379 | 77,370,582 |
| Weighted average number of shares on issue used in the calculation of diluted earnings per share | | |
| ordinary | 118,241,511 | 116,187,668 |
| Preferred | 82,255,992 | 80,955,687 |

Preferred shares are included in the calculation of Earnings Per Share as they fully participate in profits and any surplus on winding up.

Options to purchase Preferred shares not exercised at balance date have only been included in the determination of diluted earnings per share.

Refer to Note 19(e) for the description of ordinary and Preferred shares.

# Financial Statements

## 5. SEGMENT INFORMATION

**Primary reporting Business segments**

| | External segment revenue | | Inter-segment revenue | | Total revenue | | Total result | |
|---|---|---|---|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Newspaper publishing - Australasia | 377,457 | 336,669 | 2,180 | 1,734 | 379,637 | 338,403 | 103,783 | 82,986 |
| Printing - Australasia | 90,797 | 79,972 | 75,868 | 70,912 | 166,665 | 150,884 | 26,940 | 23,731 |
| Eliminations | - | - | (78,048) | (72,646) | (78,048) | (72,646) | - | - |
| Total Publishing and Printing - Australasia | 468,254 | 416,641 | - | - | 468,254 | 416,641 | 130,723 | 106,717 |
| Magazine publishing - United States | 39,028 | 45,558 | - | - | 39,028 | 45,558 | 3,904 | 3,853 |
| Broadcasting | 7,749 | 6,168 | - | - | 7,749 | 6,168 | (593) | (981) |
| | 515,031 | 468,367 | - | - | 515,031 | 468,367 | 134,034 | 109,589 |
| Other/unallocated | 83 | 607 | - | - | 83 | 607 | 3,399 | (1,119) |
| | 515,114 | 468,974 | - | - | 515,114 | 468,974 | 137,433 | 108,470 |
| Net interest expense | | | | | | | (8,707) | (7,357) |
| Net profit on sale of property, plant and equipment, and software | | | | | | | 117 | 543 |
| Profit from ordinary activities before income tax expense | | | | | | | 128,843 | 101,656 |
| Income tax (expense) | | | | | | | (39,674) | (30,760) |
| Profit from ordinary activities after income tax expense | | | | | | | 89,169 | 70,896 |

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. Inter-segment pricing is determined on an arm's length basis except for internal printing which is at cost plus a margin. The individually reported financial results do not therefore represent the financial performance of these activities as separate stand alone business segments.

**Other Disclosures**

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Newspaper publishing - Australasia | 732,923 | 699,723 | 534,551 | 371,516 |
| Printing - Australasia | 90,496 | 71,550 | 75,912 | 37,958 |
| Magazine publishing - United States | 30,682 | 33,482 | 6,126 | 6,791 |
| Broadcasting | 23,074 | 16,021 | 13,627 | 6,798 |
| Other/unallocated | 108,246 | 121,451 | 178,930 | 155,563 |
| Intercompany loans | 570,615 | 368,202 | 18,639 | 11,906 |
| Eliminations/internal balances | (634,231) | (450,255) | (572,024) | (368,793) |
| | 921,805 | 860,174 | 255,761 | 221,739 |

| | Acquisition of non-current assets | | Depreciation and amortisation | | Non-cash expenses other than depreciation and amortisation | |
|---|---|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Newspaper publishing - Australasia | 32,706 | 25,434 | 7,312 | 6,509 | 12,229 | 11,818 |
| Printing - Australasia | 16,320 | 17,524 | 9,145 | 5,901 | 2,293 | 2,430 |
| Magazine publishing - United States | 240 | 137 | 487 | 719 | 176 | 245 |
| Broadcasting | 6,735 | 68 | 660 | 541 | 283 | 420 |
| Other/unallocated | 7,340 | 387 | 1,198 | 1,249 | 205 | 323 |
| | 63,341 | 43,550 | 18,802 | 14,919 | 15,186 | 15,236 |

**Secondary reporting Geographical segments**

| | Australasia | | United States | | Consolidated | |
|---|---|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| External segment revenue by location of customers | 476,086 | 423,416 | 39,028 | 45,558 | 515,114 | 468,974 |
| Segment assets by location of assets | 891,123 | 826,692 | 30,682 | 33,482 | 921,805 | 860,174 |
| Acquisition of non-current assets | 63,101 | 43,413 | 240 | 137 | 63,341 | 43,550 |

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Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise investment assets and revenue and corporate assets and expenses.

Segment acquisition of non-current assets is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

**Business segments**

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

| | |
|---|---|
| Newspaper publishing - Australasia | Agricultural, metropolitan, regional and community based publishing |
| Printing - Australasia | Commercial web printing |
| Magazine publishing - United States | Agricultural magazine publishing |
| Broadcasting | AM and FM radio broadcasting |

**Geographical segments**

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The consolidated entity's business segments operate geographically as follows:

| | |
|---|---|
| Australasia | Publishing and printing in all states, ACT and New Zealand and broadcasting facilities in Queensland and South Australia |
| United States | Magazine publishing in most states of the United States. |

## 6. TAXATION

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Reconciliation of prima facie tax: | | | | |
| Prima facie tax expense on the profit from ordinary activities at 30% (2003 30%) | 38,653 | 30,496 | 63,919 | 22,556 |
| Effect of different rates on overseas entities | 136 | (35) | - | - |
| Increase/(decrease)in tax expense due to: | | | | |
| non tax deductible: | | | | |
| depreciation | 184 | 276 | 145 | 115 |
| entertainment and other expenses | 457 | 204 | 119 | 91 |
| in-kind internet revenue written-off | 954 | - | - | - |
| rebates on dividends received | (42) | (45) | (20,460) | (18,285) |
| tax losses of controlled entities utilised | (322) | (321) | - | - |
| tax losses of controlled entities not carried forward as future income tax benefits | - | 319 | - | - |
| non assessable profit on disposal of controlled entities | - | - | (38,346) | - |
| deduction for exempt employee share grant | (695) | - | (695) | - |
| other items | (174) | (161) | (129) | (129) |
| Income tax expense on profit from ordinary activities | 39,151 | 30,733 | 4,553 | 4,348 |
| Income tax under/(over) provided in prior years | 523 | 27 | 39 | 84 |
| Income tax expense on ordinary profit | 39,674 | 30,760 | 4,592 | 4,432 |
| Total income tax expense comprises: | | | | |
| Reductions/(additions) to future income tax benefits | (272) | (2,091) | 717 | (890) |
| Additions/(reductions) to deferred income tax liability | (431) | (289) | - | - |
| Additions to provision for income tax | 40,377 | 33,140 | 3,875 | 5,322 |
| | 39,674 | 30,760 | 4,592 | 4,432 |

Income tax liabilities have been determined on the basis that the consolidated entity does not elect to lodge consolidated income tax returns as the Company has not yet resolved to adopt the tax consolidated regime. When the Company resolves to lodge consolidated returns, certain assets will be subject to an uplift in tax depreciable values. The Company has not completed an assessment of the likely benefit of any such uplift.

# Financial Statements

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | $'000 | $'000 | $'000 | $'000 |
| **7. CASH ASSETS** | | | | |
| Cash | 10,760 | 9,222 | 5,158 | - |
| Short term deposits | 1,760 | 869 | - | - |
| | 12,520 | 10,091 | 5,158 | - |

Short term deposits mature within 60 days and earn interest rates of between 3.00% and 5.40%(2003 3.93%) for Australia and New Zealand.

| | | | | |
|---|---|---|---|---|
| **8. RECEIVABLES** | | | | |
| Current | | | | |
| Trade debtors | 80,285 | 68,732 | - | - |
| Provision for doubtful debts | (3,861) | (3,502) | - | - |
| | 76,424 | 65,230 | - | - |
| Other debtors | 3,472 | 9,845 | 894 | 7,106 |
| Amounts owing from related entities | - | - | 34,702 | 62,461 |
| | 79,896 | 75,075 | 35,596 | 69,567 |
| Non-Current | | | | |
| Amounts owing from related entities | - | - | 526,291 | 298,548 |

The carrying amounts of trade and other debtors approximates their net fair values.

| | | | | |
|---|---|---|---|---|
| **9. CURRENT INVENTORIES** | | | | |
| Raw material at cost | 10,604 | 9,668 | 1,754 | 2,221 |
| Finished goods at cost | 180 | 307 | 9 | 10 |
| Stock in transit at cost | 354 | 1,813 | 354 | 1,362 |
| Consumable stores at cost | 241 | 276 | - | - |
| | 11,379 | 12,064 | 2,117 | 3,593 |
| **10. OTHER FINANCIAL ASSETS** | | | | |
| Shares in controlled entities - not listed on stock exchanges at cost | - | - | 52,579 | 71,835 |
| Interests in partnerships at cost | 6,193 | 6,193 | - | - |
| Shares in other corporations - listed on stock exchanges at cost | 446 | 446 | 4 | 5 |
| Shares in other corporations - not listed on stock exchanges at cost | 2,368 | 1,572 | - | - |
| | 9,007 | 8,211 | 52,583 | 71,840 |
| Market value of listed shares | 651 | 630 | 4 | 5 |

# Financial Statements

## 11. PROPERTY, PLANT AND EQUIPMENT, AND SOFTWARE

| | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|
| **Freehold land** | | | | |
| At cost | - | 1,940 | - | 425 |
| At independent valuation - June 30, 2001 | - | 12,061 | - | 5,617 |
| At independent valuation - June 30, 2004 | 24,026 | - | 11,285 | - |
| | 24,026 | 14,001 | 11,285 | 6,042 |
| **Buildings on freehold land** | | | | |
| At cost | - | 6,427 | - | 4,101 |
| Accumulated depreciation | - | (67) | - | (10) |
| | - | 6,360 | - | 4,091 |
| At independent valuation - June 30, 2001 | - | 32,279 | - | 18,782 |
| At independent valuation - June 30, 2004 | 41,787 | - | 21,270 | - |
| Accumulated depreciation | - | (1,290) | - | (751) |
| | 41,787 | 30,989 | 21,270 | 18,031 |
| | 41,787 | 37,349 | 21,270 | 22,122 |
| **Leasehold property** | | | | |
| At cost | - | 200 | - | - |
| Accumulated depreciation | - | (2) | - | - |
| | - | 198 | - | - |
| At independent valuation - June 30, 2001 | | 13,550 | - | - |
| At independent valuation - June 30, 2004 | 14,600 | - | - | - |
| Accumulated amortisation | - | (540) | - | - |
| | 14,600 | 13,010 | - | - |
| | 14,600 | 13,208 | - | - |
| Total land and buildings | 80,413 | 64,558 | 32,555 | 28,164 |
| **Plant and equipment** | | | | |
| At cost | 170,366 | 124,570 | 3,019 | 3,146 |
| Accumulated depreciation | (82,832) | (54,380) | (2,145) | (2,367) |
| | 87,534 | 70,190 | 874 | 779 |
| **Software** | | | | |
| At cost | 12,000 | 10,857 | 3,669 | 3,336 |
| Accumulated amortisation | (8,737) | (9,088) | (3,307) | (3,061) |
| | 3,263 | 1,769 | 362 | 275 |
| **Capitalised finance leases** | | | | |
| Plant and equipment - at cost | 652 | 629 | - | - |
| Accumulated amortisation | (189) | (194) | - | - |
| | 463 | 435 | - | - |
| Total plant, equipment and software | 91,260 | 72,394 | 1,236 | 1,054 |
| | 171,673 | 136,952 | 33,791 | 29,218 |

The independent valuations carried out as at June 30, 2001 and June 30, 2004 were on the basis of 'open market value for existing use' of the properties, except where a small number of properties and of immaterial value are for sale, in which case the open market value has been used. The Directors are of the opinion that this basis provides a reasonable estimate of recoverable amount.

This valuation is in accordance with the Company's policy of obtaining an independent valuation of freehold land, buildings and leasehold property every three years.

In revaluing freehold land, buildings and leasehold property, the Directors have not taken into account the potential impact of capital gains tax on the grounds that properties are an integral part of the consolidated entity's operations and there is no intention to sell these assets. For the small number of properties that are for sale, any capital gains tax on disposal would be insignificant.

# Financial Statements

| | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|
| **Reconciliations** | | | | |
| Reconciliation of the carrying amounts for each class of property, plant and equipment, and software are set out below: | | | | |
| Freehold land | | | | |
| Carrying amount at beginning of year | 14,001 | 13,004 | 6,042 | 5,657 |
| Additions | 884 | 425 | 886 | 425 |
| Acquisition through entity acquired | 2,695 | 790 | - | - |
| Disposals | (585) | (85) | - | (40) |
| Net amount of revaluation increments and decrements | 7,066 | - | 4,357 | - |
| Net foreign currency differences on translation of self-sustaining operation | (35) | (133) | - | - |
| | 24,026 | 14,001 | 11,285 | 6,042 |
| Buildings | | | | |
| Carrying amount at beginning of year | 37,349 | 32,003 | 22,122 | 18,713 |
| Additions | 1,740 | 4,132 | 1,257 | 3,995 |
| Acquisition through entity acquired | 7,145 | 2,160 | - | - |
| Disposals | (1,288) | (233) | - | (199) |
| Depreciation | (927) | (713) | (482) | (387) |
| Net amount of revaluation increments and decrements | (2,232) | - | (1,627) | - |
| | 41,787 | 37,349 | 21,270 | 22,122 |
| Leasehold property | | | | |
| Carrying amount at beginning of year | 13,208 | 13,280 | - | - |
| Additions | 273 | 200 | - | - |
| Amortisation | (280) | (272) | - | - |
| Net amount of revaluation increments and decrements | 1,399 | - | - | - |
| | 14,600 | 13,208 | - | - |
| Plant and equipment | | | | |
| Carrying amount at beginning of year | 70,190 | 63,118 | 779 | 981 |
| Additions | 25,218 | 18,491 | 540 | 281 |
| Acquisition through entity acquired | 9,203 | 1,776 | - | - |
| Disposals | (1,062) | (652) | (20) | (7) |
| Depreciation | (15,987) | (12,377) | (425) | (476) |
| Net foreign currency differences on translation of self-sustaining operation | (28) | (166) | - | - |
| | 87,534 | 70,190 | 874 | 779 |
| Software | | | | |
| Carrying amount at beginning of year | 1,769 | 1,975 | 275 | 563 |
| Additions | 2,741 | 728 | 333 | 47 |
| Acquisition through entity acquired | 79 | 246 | - | - |
| Disposals | (34) | (3) | - | - |
| Amortisation | (1,289) | (1,162) | (246) | (335) |
| Net foreign currency differences on translation of self-sustaining operation | (3) | (15) | - | - |
| | 3,263 | 1,769 | 362 | 275 |
| Capitalised finance leases | | | | |
| Carrying amount at beginning of year | 435 | 444 | - | - |
| Additions | 133 | 170 | - | - |
| Disposals | - | (68) | - | - |
| Amortisation | (105) | (111) | - | - |
| | 463 | 435 | - | - |

# Financial Statements

| | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|
| **12. MASTHEADS** | | | | |
| At cost | 16,521 | - | - | - |
| At independent valuation June 30, 2003 | 592,768 | 594,041 | - | - |
| | 609,289 | 594,041 | - | - |

The independent valuation was carried out at June 30, 2003 by Deloitte Corporate Finance Pty Limited. The methodology adopted values each business and then deducts the net tangible assets and assessed goodwill to derive a value for mastheads. The business value is determined based on capitalisation of future maintainable EBITDA taking into account the strengths, risks, growth opportunities, revenue and circulation trends for each masthead. The Directors are of the opinion that this basis provides a reasonable estimate of recoverable amount.

| | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|
| **13. RADIO LICENCES** | | | | |
| At cost | 15,328 | 11,235 | - | - |
| **14. DEFERRED TAX ASSETS** | | | | |
| Future income tax benefits | 9,508 | 9,242 | 2,086 | 2,775 |
| Future income tax benefits include amounts attributable to tax losses carried forward | - | - | - | - |

Potential future income tax benefits in controlled entities arising from carried forward tax losses which have not been recognised as an asset because recovery is not virtually certain amount to approximately $2,687,000 (2003 $2,046,000). In recently acquired subsidiaries there are tax losses of $19,972,000 potentially available to be offset against taxable income derived in those subsidiaries.
The potential future income tax benefit will only be obtained if the relevant companies:

(i) derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) continue to comply with the conditions for deductibility imposed by the law; and if

no changes in tax legislation adversely affect the relevant companies in realising the benefit.

| | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|
| **15. OTHER NON-CURRENT ASSETS** | | | | |
| Goodwill | | | | |
| At cost | 1,952 | 1,647 | - | - |
| Accumulated amortisation | (974) | (832) | - | - |
| | 978 | 815 | - | - |
| Insurance licence agreements | | | | |
| At cost | 1,285 | 1,476 | - | - |
| Accumulated amortisation | (828) | (919) | - | - |
| | 457 | 557 | - | - |
| | 1,435 | 1,372 | - | - |
| **16. PAYABLES** | | | | |
| Current | | | | |
| Trade creditors and accruals | 44,821 | 35,507 | 6,211 | 6,846 |
| Non-Current | | | | |
| Trade creditors and accruals | 938 | 1,931 | - | - |

The carrying amounts of trade creditors and accruals approximate their net fair values.

# Financial Statements

| | NOTES | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|---|
| **17. INTEREST-BEARING LIABILITIES** | | | | | |
| Current | | | | | |
| Bank overdraft - unsecured | | - | 167 | - | 314 |
| Bank bills and borrowings - secured* | | - | 2,170 | - | - |
| Liabilities under finance leases | 28 | 136 | 165 | - | - |
| | | 136 | 2,502 | - | 314 |
| Non-Current | | | | | |
| Bank bills and borrowings - unsecured | | 159,830 | 132,056 | 97,000 | 66,000 |
| Liabilities under finance leases | 28 | 336 | 274 | - | - |
| | | 160,166 | 132,330 | 97,000 | 66,000 |

* Secured by a floating charge over the assets and undertakings of the relevant controlled entities.
The carrying amounts of bank overdrafts, finance leases and bank bills approximate their net fair values.

| | NOTES | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|---|
| **18. PROVISIONS** | | | | | |
| Current | | | | | |
| Legal and defamation | | 1,443 | 2,707 | 995 | 2,300 |
| Restructure and redundancies | | 150 | 1,619 | 150 | 988 |
| Employee entitlements | | 17,847 | 14,519 | 1,380 | 1,074 |
| | | 19,440 | 18,845 | 2,525 | 4,362 |
| Non-Current | | | | | |
| Employee entitlements | | 4,170 | 4,556 | 842 | 977 |

The carrying amount of the provisions approximate net fair value.

| | | | | | |
|---|---|---|---|---|---|
| Total employee entitlements | | 22,017 | 19,075 | 2,222 | 2,051 |

**Reconciliations**

Reconciliation of the carrying amounts for each class of provision except for employee entitlements are set out below:

| | NOTES | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|---|
| Legal and defamation | | | | | |
| Carrying amount at beginning of year | | 2,707 | 2,717 | 2,300 | 2,392 |
| Provisions made/(utilised) during the year | | (962) | 408 | (1,300) | 149 |
| Payments made during the year | | (302) | (418) | (5) | (241) |
| | | 1,443 | 2,707 | 995 | 2,300 |
| Restructure and redundancies | | | | | |
| Carrying amount at beginning of year | | 1,619 | - | 988 | - |
| Provisions made/(utilised) during the year | | (838) | 1,619 | (838) | 988 |
| Payments made during the year | | (631) | - | - | - |
| | | 150 | 1,619 | 150 | 988 |

# Financial Statements

| | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|
| **19. CONTRIBUTED EQUITY** | | | | |
| Issued and paid up capital | | | | |
| 118,647,877 (2003 117,273,870) ordinary shares fully paid | 182,694 | 175,686 | 182,694 | 175,686 |
| 79,681,433 (2003 78,007,338) Preferred shares fully paid | 137,770 | 128,925 | 137,770 | 128,925 |
| | 320,464 | 304,611 | 320,464 | 304,611 |

**(a) Shares allotted under the Dividend Reinvestment Plan ("DRP") from the Special Dividend**

On November 19, 2003 allotted under the DRP, 1,000,809 ordinary shares fully paid at $7.00 per share ($7,007,956) and 418,999 Preferred shares fully paid at $6.99 per share ($2,930,408).

**(b) Shares allotted under the Executive Option Plan ("EOP")**

During the year ended June 30, 2004 allotted under the EOP 1,153,332 Preferred shares fully paid at $4.70 per share ($5,420,660), 88,431 Preferred shares fully paid at $4.83 per share ($427,122) and 13,333 Preferred shares fully paid at $5.00 per share ($66,665).

**(c) Shares allotted under the Exempt Employee Share Plan ("EESP")**

On July 22, 2003 allotted under the EESP, 161 ordinary shares fully paid to each of 2,317 employees totalling 373,198 ordinary shares.

**(d) Share Options : Rural Press Executive Option Plan ("EOP")**

Details of all options issued pursuant to the Rules of the EOP, including options issued to Directors to June 30, 2004, are as follows:

| Date of Grant | No of Options Outstanding at Year End | Option Price | First Exercise Date | Last Exercise Date | Options Exercised During the Year |
|---|---|---|---|---|---|
| Total issued: | | | | | |
| December 18, 1998 | 111,669 | 4.70 | December 18, 2001 | December 19, 2004 | 1,153,332 |
| December 17, 1999 | 138,236 | 4.83 | December 17, 2002 | December 17, 2005 | 88,431 |
| December 22, 2000 | 46,667 | 5.00 | December 22, 2003 | December 22, 2006 | 13,333 |
| December 21, 2001 | 170,000 | 4.60 | December 21, 2004 | December 21, 2007 | - |
| May 10, 2002 | 1,335,000 | 4.70 | May 10, 2005 | May 10, 2008 | - |
| December 20, 2002 | 460,000 | 4.73 | December 21, 2005 | December 21, 2008 | - |
| June 13, 2003 | 200,000 | 5.56 | June 13, 2006 | June 13, 2009 | - |
| December 19, 2003 | 400,000 | 6.98 | December 19, 2006 | December 19, 2009 | - |
| June 11, 2004 | 890,000 | 7.62 | June 11, 2007 | June 11, 2010 | - |
| Issued to Mr Brian McCarthy, Managing Director (included in above): | | | | | |
| December 18, 1998 | - | 4.70 | December 18, 2001 | December 18, 2004 | 66,667 |
| December 20, 2002 | 200,000 | 4.73 | December 21, 2005 | December 21, 2008 | - |
| June 11, 2004 | 100,000 | 7.62 | June 11, 2007 | June 11, 2010 | - |

At June 30, 2004 the total number of options outstanding were 3,751,572 (2003: 3,773,335). The options are exercisable once the performance hurdles are met and if exercised will be between July 1, 2004 and June 11, 2010. 1,255,096 (2003: 223,331) options were exercised and 56,667 (2003: 53,334) options lapsed during the period. Consideration of $5,914,447 (2003: $1,050,089) payable on the exercise of the options has been included in contributed equity. The fair value of shares issued on the exercise of the options during the year was $8,848,897 (2003: $1,214,120) using the respective closing market prices of the shares on the Australian Stock Exchange.

Further information on share and options plans is provided in Note 33 to the financial statements.

**(e) Terms and Conditions of Contributed Equity**

*Ordinary shares*

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

*Preferred shares*

Preferred shares have the right to receive a non-cumulative preference dividend of 1.5 cents pa. If current year profits are not sufficient to pay this dividend then the Preferred dividend shall be the current year profits. A further non-cumulative dividend is payable such that the total dividend payable is the greater of 1.5 cents per Preferred share or 110% of the dividend payable on each ordinary share.

In the event of winding up of the Company, the Preferred share shall have priority over an ordinary share in the repayment of paid up capital, any surplus shall be divided amongst the holders of the Preferred shares and ordinary shares based on fully paid shares held.

At any general meeting Preferred shares entitle their holder to one vote, in limited circumstances, either in person or by proxy. The circumstances are on a proposal: to reduce the capital; that affects the rights attached to the share; to wind up the Company; to dispose of all of the Company's property, businesses and undertakings; in respect of a dividend in arrears; to determine the terms of a buy-back agreement and during the wind up of the Company.

# Financial Statements

| | NOTES | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|---|
| **20. RESERVES** | | | | | |
| Asset revaluation | | 182,583 | 172,020 | 5,984 | 14,530 |
| Foreign currency translation | | 12,829 | 10,740 | - | - |
| | | 195,412 | 182,760 | 5,984 | 14,530 |
| Movements in asset revaluation reserve | | | | | |
| Balance at beginning of year | | 172,020 | 178,868 | 14,530 | 14,530 |
| Revaluation of mastheads | | - | (6,848) | - | - |
| Restatement of mastheads following increase in ownership interests | | 4,386 | - | - | - |
| Revaluation of land and buildings | | 6,177 | - | 2,730 | - |
| Transfer to retained earnings on realisation | | - | - | (11,276) | - |
| | | 182,583 | 172,020 | 5,984 | 14,530 |
| Movements in foreign currency translation | | | | | |
| Balance at beginning of year | | 10,740 | 8,610 | - | - |
| Translation adjustment on financial statements of overseas controlled entities | | 2,089 | 2,130 | - | - |
| | | 12,829 | 10,740 | - | - |

**Nature and purpose of reserves**

**Asset Revaluation**
The asset revaluation reserve is used to record increments and decrements in the relevant class of non-current assets. The reserve can only be used to pay dividends in limited circumstances.
**Foreign Currency Reserve**
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

| | NOTES | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|---|
| **21. RETAINED PROFITS** | | | | | |
| Retained profits at beginning of year | | 123,680 | 130,144 | 73,732 | 77,848 |
| Net profit attributable to members of the parent entity | | 87,108 | 68,405 | 208,471 | 70,753 |
| Transfer from asset revaluation reserve | | - | - | 11,276 | - |
| Dividend paid | 23 | (71,635) | (74,869) | (71,635) | (74,869) |
| | | 139,153 | 123,680 | 221,844 | 73,732 |

| | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 |
|---|---|---|
| **22. OUTSIDE EQUITY INTERESTS** | | |
| Analysis of outside equity interests in Controlled entities: | | |
| Share capital | 1,617 | 3,005 |
| Reserves | 6,041 | 18,538 |
| Retained profits | 3,357 | 5,841 |
| | 11,015 | 27,384 |
| Reconciliation of outside equity interests in controlled entities: | | |
| Opening balance | 27,384 | 27,348 |
| Share of operating profit | 2,061 | 2,491 |
| Dividends paid | (1,153) | (1,843) |
| Revaluation of mastheads as at December 31, 2003 (2003: June 30, 2003) | 2,924 | 2,092 |
| Revaluation of land and buildings | 56 | - |
| Outside equity interest at date of acquisition of subsidiaries | (28,120) | - |
| Acquisition of outside equity interest | 7,363 | (2,704) |
| Shares allotted | 500 | - |
| | 11,015 | 27,384 |

# Financial Statements

| | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|
| **23. DIVIDENDS** | | | | |
| Final dividend for 2003 paid of 16.00 cents fully franked to 30% (2002 9.90 cents fully franked to 30%) per ordinary share | 18,824 | 11,338 | 18,824 | 11,338 |
| Final dividend for 2003 paid of 17.60 cents fully franked to 30% (2002 10.89 cents fully franked to 30%) per Preferred share | 13,838 | 8,348 | 13,838 | 8,348 |
| Special dividend paid of 10.00 cents fully franked to 30% (2002 20.00 cents fully franked to 30%) per ordinary share | 11,765 | 22,904 | 11,765 | 22,904 |
| Special dividend paid of 11.00 cents fully franked to 30% (2002 22.00 cents fully franked to 30%) per Preferred share | 8,649 | 16,864 | 8,649 | 16,864 |
| Interim dividend for 2004 paid of 9.00 cents fully franked to 30% (2003 7.60 cents fully franked to 30%) per ordinary share | 10,678 | 8,913 | 10,678 | 8,913 |
| Interim dividend for 2004 paid of 9.90 cents fully franked to 30% (2003 8.36 cents fully franked to 30%) per Preferred share | 7,881 | 6,502 | 7,881 | 6,502 |
| | 71,635 | 74,869 | 71,635 | 74,869 |
| Dividend imputation | | | | |
| All dividends paid were fully franked out of existing franking credits. | | | | |
| Franking credits available to shareholders for subsequent financial years after allowing for tax in respect of current years profits | | | | |
| - at 30% (2003 30%) | 66,979 | 55,617 | 31,970 | 27,795 |
| As of July 1, 2002 the New Business Tax System (Imputation) Act 2002 requires a company's franking credits to be expressed on a tax paid basis. | | | | |
| The above franking credits would allow the payment of a fully franked dividend to the value of: | 156,284 | 129,778 | 74,597 | 64,855 |
| Consolidated amounts assumes all controlled entities' retained profits and reserves are distributed to the Company. | | | | |
| Franking credits of $14,358,000 in a recently acquired subsidiary will not be available until profits are made in the future. | | | | |
| **24. NOTES TO THE STATEMENT OF CASH FLOWS** | | | | |
| (a) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities | | | | |
| Profit from ordinary activities after income tax | 89,169 | 70,896 | 208,471 | 70,753 |
| Add/(less) non-cash items: | | | | |
| Depreciation | 16,914 | 13,090 | 907 | 863 |
| Amortisation | 1,888 | 1,829 | 246 | 335 |
| Provision for doubtful debts | 1,623 | 1,993 | - | - |
| Profit on sale of property, plant and equipment, and software | (515) | (648) | - | (13) |
| Loss on sale of property, plant and equipment, and software | 398 | 105 | 6 | - |
| Profit on sale of controlled entities | - | (1) | (127,819) | - |
| Increase/(decrease) in income taxes payable | 474 | 4,633 | (1,390) | (1,355) |
| (Increase)/decrease in future income tax benefits | (228) | (1,983) | 689 | (904) |
| (Decrease)/increase in deferred taxes payable | (480) | (379) | - | - |

# Financial Statements

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| Changes in assets and liabilities: | | | | |
| (Increase)/decrease in debtors | (8,157) | (7,740) | - | - |
| (Increase)/decrease in other debtors | 7,999 | (4,663) | (267) | (6,237) |
| Decrease/(increase) in amounts owing from related entities | - | - | (1,644) | 7,635 |
| (Increase)/decrease in inventories | 1,675 | (1,377) | 1,476 | (2,172) |
| Decrease/(increase) in other current assets | 379 | 2,959 | (27) | - |
| Increase/(decrease) in trade creditors and accruals | 4,658 | 4,346 | (635) | 2,496 |
| Increase/(decrease) in lease liabilities | 20 | (13) | - | - |
| Increase/(decrease) in other provisions | (2,733) | 1,609 | (2,143) | 896 |
| Increase/(decrease) in employee leave provisions | 1,398 | 1,633 | 171 | 247 |
| Net cash provided by operating activities | 114,482 | 86,289 | 78,041 | 72,544 |

| | CONSOLIDATED ACQUISITIONS | | CONSOLIDATED DISPOSALS | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| (b) Businesses acquired/disposed of | | | | |
| Consideration | | | | |
| Cash | 52,525 | 21,071 | - | - |
| Outside equity interest at date of acquisition/disposal | 7,363 | - | - | - |
| | 59,888 | 21,071 | - | - |
| Fair value of net assets of businesses acquired/disposed | | | | |
| Cash | 3,823 | - | - | - |
| Trade debtors | 4,660 | 1,953 | - | - |
| Other debtors | 1,625 | 63 | - | - |
| Inventories | 989 | 352 | - | - |
| Prepayments | 258 | - | - | - |
| Other financial assets | 28,916 | - | - | - |
| Property, plant, equipment and software | 19,120 | 4,972 | - | - |
| Mastheads | 8,996 | 14,433 | - | - |
| Radio licences | 3,930 | - | - | - |
| Goodwill | 303 | 200 | - | - |
| Future income tax benefits | 38 | 407 | - | - |
| Trade creditors and accruals | (3,701) | - | - | - |
| Bank bills | (7,484) | - | - | - |
| Lease liabilities | (13) | - | - | - |
| Income tax payable | (27) | - | - | - |
| Employee leave provisions | (1,545) | (1,309) | - | - |
| | 59,888 | 21,071 | - | - |
| (Loss)/Profit on sale | - | - | - | - |
| | 59,888 | 21,071 | - | - |
| Outflow/inflow of cash, net of cash acquired/disposed | | | | |
| Cash consideration | 52,525 | 21,071 | - | - |
| Less Cash at bank | (3,823) | - | - | - |
| | 48,702 | 21,071 | - | - |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
| (c) Reconciliation of cash | | | | |
| Cash | 12,520 | 10,091 | 5,158 | - |
| Bank overdraft | - | (167) | - | (314) |
| Cash at the end of the financial year | 12,520 | 9,924 | 5,158 | (314) |

# Financial Statements

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | $'000 | $'000 | $'000 | $'000 |

## 25. FINANCING ARRANGEMENTS

The consolidated entity has access to the following financing arrangements:

| | 2004 $'000 | 2003 $'000 | 2004 $'000 | 2003 $'000 |
|---|---|---|---|---|
| Bill acceptance and cash advance facilities: | | | | |
| maturing within 12 months | 1,250 | 302,170 | - | 300,000 |
| maturing after 12 months | 350,000 | 1,250 | 350,000 | - |
| | 351,250 | 303,420 | 350,000 | 300,000 |
| Amount unused | 191,420 | 169,194 | 253,000 | 234,000 |
| Bank overdraft facilities: | | | | |
| maturing within 12 months | 2,000 | 2,000 | 2,000 | 2,000 |
| maturing after 12 months | - | - | - | - |
| | 2,000 | 2,000 | 2,000 | 2,000 |
| amount unused | 2,000 | 2,000 | 2,000 | 2,000 |

These arrangements do not include leasing arrangements as disclosed in Note 28.

The Company has an unsecured bank overdraft. Interest on the bank overdraft is charged at prevailing market rates. The effective interest rate is 8.5% (2003 8.0%).

The Company and an overseas subsidiary have an unsecured bank facility denominated in Australian dollars. Drawings under the facility bear interest at the Bank Bill Rate or LIBOR rates plus the consolidated entity's credit margin. The effective annual interest rate on amounts drawn is 3.97% at June 30, 2004 (2003 3.18%).

## 26. REMUNERATION OF AUDITORS

| | Consolidated 2004 $ | Consolidated 2003 $ | Company 2004 $ | Company 2003 $ |
|---|---|---|---|---|
| Amounts received or due and receivable for audit services by: | | | | |
| Auditors of the Company - KPMG | 871,097 | 821,290 | 269,069 | 222,323 |
| Other auditors | 50,750 | 45,172 | 4,700 | 4,400 |
| | 921,847 | 866,462 | 273,769 | 226,723 |
| Amounts received or due and receivable for other services by: | | | | |
| Auditors of the Company - KPMG | | | | |
| Other assurance services | 59,774 | 61,642 | 4,420 | 25,310 |
| Taxation services | 160,235 | 176,270 | 57,176 | 50,514 |
| KPMG related practices | | | | |
| Legal services | - | 2,408 | - | 2,408 |
| Other auditors | | | | |
| Tax services | 156,265 | 131,832 | 124,013 | 105,933 |
| Valuation services | - | 249,950 | - | 249,950 |
| Other services | 37,100 | - | 37,100 | - |
| | 413,374 | 622,102 | 222,709 | 434,115 |

# Financial Statements

## 27. DETAILS OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES

### Details of Specified Directors and Specified Executives

Specified Directors

| | |
|---|---|
| JB Fairfax AM | Chairman (Non Executive) |
| BK McCarthy | Managing Director |
| B Gowrie Smith | Non Executive Director |
| TV Fairfax AM | Non Executive Director |
| SF Higgs | Non Executive Director |
| CB Livingstone (1) | Non Executive Director |
| PA Roach | Non Executive Director |
| N Burton Taylor AM | Non Executive Director |

Specified Executives

| | |
|---|---|
| AG Browne | General Manager Regional Publishing - Northern |
| BC Cassell | General Manager Finance |
| RA Lockley | General Manager Printing |
| L Whish-Wilson | General Manager Metro and Regional Publishing - Southern |
| AE Williams | General Manager Development |

### Remuneration of Specified Directors and Specified Executives

The Chairman, with Board consultation, is responsible for determining remuneration packages for Board members and the Managing Director. The Managing Director is responsible for making recommendations to the Board on remuneration packages applicable to senior executives of the Company. The broad remuneration policy is to ensure the remuneration packages properly reflect the person's duties and responsibilities and that remuneration levels are competitively set to attract, retain and motivate appropriately qualified and experienced directors and senior executives. Remuneration packages are reviewed annually and executives may nominate to receive their remuneration in a variety of forms including cash and fringe benefits providing there is no undue cost to the Company.

The Managing Director and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including achievement of EBIT targets, return on funds employed and growth in net profit) and in the case of specified executives, various criteria specific to their individual areas of responsibility. Non Executive Directors each receive a fixed fee of $52,500pa plus allowances for committee responsibilities. The Chairman receives 2.5 times the board fee. Non Executive Directors do not receive any performance related remuneration nor are they issued options on shares.

There are no contracts for services with Directors or specified executives. Termination payments in excess of accrued entitlements would be determined in accordance with the relevant law and the circumstances of termination.

Directors appointed prior to June 2003 are entitled to a retirement lump sum determined in accordance with a resolution originally approved by shareholders in November 1981. After 5 years service, retiring non-executive Directors are entitled to a retiring allowance equivalent to 20% of the Directors annual Directors fee for each completed year of service, subject to Section 200E of the Corporations Act.

Periodically, options have been issued under the Executive Option Plan, details of which are set out in Note 33.

The fair value of options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed below is the portion of the fair value of the options allocated to this reporting period.

Directors and Officers insurance premiums for the Specified Directors and Specified Executives have been paid by the Company. The amount involved has not been included in remuneration as it is unable to be allocated to individual Directors or Executives and disclosure of the premiums is prohibited under the terms of the contract.

| | Primary | | | | Post Employment | | Equity | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & Fees | Cash Bonus | Non Monetary Benefits | Leave Entitle-ments | Super-annuation | Retirement Benefits | Options | | |
| Specified Directors | | | | | | | | | |
| JB Fairfax AM | 131,250 | - | - | - | 11,813 | 26,997 | - | - | 170,060 |
| BK McCarthy | 576,567 | 162,000 | 90,692 | 24,135 | 13,433 | - | 28,190 | - | 895,017 |
| B Gowrie Smith | 53,894 | - | - | - | 4,850 | 10,360 | - | - | 69,104 |
| TV Fairfax AM | 53,606 | - | - | - | 4,825 | 10,856 | - | - | 69,287 |
| SF Higgs | 55,000 | - | - | - | - | - | - | - | 55,000 |
| CB Livingstone (1) | 18,452 | - | - | - | - | - | - | - | 18,452 |
| PA Roach | 59,559 | - | - | - | - | - | - | - | 59,559 |
| N Burton Taylor AM | 52,500 | - | - | - | - | - | - | - | 52,500 |
| Total Remuneration of Specified Directors | 1,000,828 | 162,000 | 90,692 | 24,135 | 34,921 | 48,213 | 28,190 | - | 1,388,979 |

(1) Resigned October 17, 2003

# Financial Statements

| | Primary | | | | Post Employment | | Equity | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & Fees | Cash Bonus | Non Monetary Benefits | Leave Entitle-ments | Super-annuation | Retirement Benefits | Options | | |
| **Specified Executives** | | | | | | | | | |
| AG Browne | 176,945 | 63,000 | 24,650 | 22,081 | 13,405 | - | 19,907 | - | 319,988 |
| BC Cassell | 281,004 | 65,450 | 12,000 | 2,232 | 38,296 | - | 18,946 | - | 417,928 |
| RA Lockley | 258,742 | 80,618 | 15,336 | 7,916 | 12,922 | - | 18,946 | - | 394,480 |
| L Whish-Wilson | 194,890 | 58,800 | 15,110 | 9,743 | 40,000 | - | 19,907 | - | 338,450 |
| AE Williams | 228,946 | 56,800 | 17,000 | 1,591 | 36,754 | - | 18,946 | - | 360,037 |
| Total Remuneration of Specified Executives | 1,140,527 | 324,668 | 84,096 | 43,563 | 141,377 | - | 96,652 | - | 1,830,883 |

**Remuneration Options: Granted and Vested During the Year**

On June 11, 2004, options were granted as equity compensation benefits to certain Specified Directors and Specified Executives as disclosed below. Refer to Note 33 for the terms and conditions of the options grants. The options are first exercisable on June 11, 2007 and must be exercised by June 11, 2010. The estimated value of each option at grant date was $1.023. An amount of $7.62 will be paid on exercise for each option granted during the year. No further amount is payable upon exercise of the options.

| | Vested During year | Granted During year | Shares Issued on Exercise of Options During year | Amount Paid Per Option |
|---|---|---|---|---|
| **Specified Directors** | | | | |
| BK McCarthy | 66,667 | 100,000 | 66,667 | $4.70 |
| **Specified Executives** | | | | |
| AG Browne | 13,334 | 50,000 | 26,666 | $4.70 |
| BC Cassell | 33,334 | 50,000 | 100,000 | $4.70 |
| RA Lockley | 33,334 | 50,000 | 100,000 | $4.70 |
| L Whish-Wilson | 13,334 | 50,000 | 40,000 | $4.70 |
| AE Williams | 33,334 | 50,000 | 100,000 | $4.70 |
| | 126,670 | 250,000 | 366,666 | |

In respect of shares issued, no amounts remain unpaid.

**Option Holdings of Specified Directors and Specified Executives**

| | Balance July 1, 2003 | | Granted as Remuneration | | Options Exercised | | Balance June 30, 2004 | | Vested at June 30, 2004 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ordinary | Preferred | Ordinary | Preferred | Ordinary | Preferred | Ordinary | Preferred | Total | Not Exercisable | Exercisable |
| **Specified Directors** | | | | | | | | | | | |
| JB Fairfax AM | - | - | - | - | - | - | - | - | - | - | - |
| B Gowrie Smith | - | - | - | - | - | | - | - | - | - | - |
| TV Fairfax AM | - | - | - | - | - | - | - | - | - | - | - |
| SF Higgs | - | - | - | - | - | - | - | - | - | - | - |
| CB Livingstone (1) | - | - | - | - | - | - | - | - | - | - | - |
| PA Roach | - | - | - | - | - | - | - | - | - | - | - |
| N Burton Taylor AM | - | - | - | - | - | - | - | - | - | - | - |
| BK McCarthy | - | 266,667 | - | 100,000 | - | 66,667 | - | 300,000 | - | - | - |
| | - | 266,667 | - | 100,000 | - | 66,667 | - | 300,000 | - | - | - |
| **Specified Executives** | | | | | | | | | | | |
| AG Browne | - | 200,000 | - | 50,000 | - | 26,666 | - | 223,334 | 13,334 | - | 13,334 |
| BC Cassell | - | 200,000 | - | 50,000 | - | 100,000 | - | 150,000 | - | - | - |
| RA Lockley | - | 200,000 | - | 50,000 | - | 100,000 | - | 150,000 | - | - | - |
| L Whish-Wilson | - | 200,000 | - | 50,000 | - | 40,000 | - | 210,000 | - | - | - |
| AE Williams | - | 200,000 | - | 50,000 | - | 100,000 | - | 150,000 | - | - | - |
| | - | 1,000,000 | - | 250,000 | - | 366,666 | - | 883,334 | 13,334 | - | 13,334 |
| | - | 1,266,667 | - | 350,000 | - | 433,333 | - | 1,183,334 | 13,334 | - | 13,334 |

(1) Resigned October 17, 2003

# Financial Statements

### Shareholdings of Specified Directors and Specified Executives

| | Balance July 1, 2003 | Granted as Remuneration | On Exercise of Options | Purchases | Dividend Reinvestment | Sold | Balance June 30, 2004 |
|---|---|---|---|---|---|---|---|
| Ordinary Shares | | | | | | | |
| Specified Directors | | | | | | | |
| JB Fairfax AM/ TV Fairfax AM (1) | 63,158,946 | - | - | - | 867,684 | - | 64,026,630 |
| B Gowrie Smith | 9,415 | - | - | 1,000 | 148 | - | 10,563 |
| SF Higgs | 7,347 | - | - | - | - | - | 7,347 |
| CB Livingstone (2) | 5,000 | | | | | | |
| PA Roach | 700 | - | - | - | 10 | - | 710 |
| N Burton Taylor AM | - | - | - | - | - | - | - |
| BK McCarthy | 43,563 | - | - | 7,697 | - | - | 51,260 |
| | 63,224,971 | - | - | 8,697 | 867,842 | - | 64,096,510 |
| Specified Executives | | | | | | | |
| AG Browne | 34,932 | - | - | 1,816 | 49 | - | 36,797 |
| BC Cassell | 88,545 | - | - | - | - | - | 88,545 |
| RA Lockley | 38,998 | - | - | - | - | - | 38,998 |
| AE Williams | 27,670 | - | - | - | - | - | 27,670 |
| L Whish-Wilson | 195 | - | - | - | - | - | 195 |
| | 190,340 | - | - | 1,816 | 49 | - | 192,205 |
| Preferred Shares | | | | | | | |
| Specified Directors | | | | | | | |
| JB Fairfax AM/ TV Fairfax AM (1) | 23,313,482 | - | - | - | 363,509 | - | 23,676,991 |
| B Gowrie Smith | 4,725 | - | - | 1,581 | 99 | - | 6,405 |
| SF Higgs | - | - | - | - | - | - | - |
| CB Livingstone (2) | | | | | | | |
| PA Roach | - | - | - | - | - | - | - |
| N Burton Taylor AM | 20,000 | - | - | - | - | - | 20,000 |
| BK McCarthy | 185,334 | - | 66,667 | - | - | - | 252,001 |
| | 23,523,541 | - | 66,667 | 1,581 | 363,608 | - | 23,955,397 |
| Specified Executives | | | | | | | |
| AG Browne | 17,350 | - | 26,666 | - | - | 26,666 | 17,350 |
| BC Cassell | 41,937 | - | 100,000 | - | - | 37,048 | 104,889 |
| RA Lockley | 44,399 | - | 100,000 | - | - | - | 144,399 |
| AE Williams | 5,622 | - | 100,000 | - | - | - | 105,622 |
| L Whish-Wilson | - | - | 40,000 | - | - | 26,666 | 13,334 |
| | 109,308 | - | 366,666 | - | - | 90,380 | 385,594 |

(1) Each Specified Director has a beneficial interest in these shareholdings
(2) Resigned October 17, 2003

### Loans to Specified Directors and Specified Executives

Details of aggregates of loan to specified Directors and specified executives are as follows:

| | Balance at beginning of period $ | Interest charged $ | Interest not charged $ | Write-off $ | Balance at end of period $ | Number in in group June 30, 2004 |
|---|---|---|---|---|---|---|
| Specified Directors | - | - | - | - | - | - |
| Specified Executives | 92,830 | - | 2,260 | - | 16,791 | 3 |
| Total | 92,830 | - | 2,260 | - | 16,791 | |

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

There were no individual loans in excess of $100,000 to specified Directors or specified executives.

Terms and Conditions of Loans

Loans to specified executives were made under the terms of the Rural Press Employee Share Scheme (RPESS) approved by shareholders on June 21, 1990. The loans are interest free and are repayable by fixed monthly instalments and by dividends on shares acquired under the RPESS.

# Financial Statements

## 28. LEASE COMMITMENTS

| | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 | COMPANY 2004 $'000 | COMPANY 2003 $'000 |
|---|---|---|---|---|
| Operating leases | | | | |
| Amounts due: | | | | |
| Not later than 1 year | 5,617 | 4,613 | 2,430 | 2,484 |
| Later than 1 year and not later than 5 years | 8,004 | 6,468 | 2,673 | 2,363 |
| Later than 5 years | 703 | 196 | - | - |
| | 14,324 | 11,277 | 5,103 | 4,847 |
| Finance leases | | | | |
| Amounts due: | | | | |
| Not later than 1 year | 159 | 192 | - | - |
| Later than 1 year and not later than 5 years | 367 | 292 | - | - |
| Total minimum lease payments | 526 | 484 | - | - |
| Future finance charges | (54) | (45) | - | - |
| Lease liability | 472 | 439 | - | - |
| Current | 136 | 165 | - | - |
| Non-current | 336 | 274 | - | - |
| | 472 | 439 | - | - |

## 29. CAPITAL COMMITMENTS

The Company and its controlled entities are committed to purchase buildings, plant and equipment totalling $36,153,000 (2003 $12,194,000). These amounts will be expended during the year ending June 30, 2005.

## 30. CONTINGENT LIABILITIES AND GUARANTEES

(a) The Company and its controlled entities are defendants in a number of legal actions arising from operations. The Directors believe no material losses will be incurred. The costs expected in defending these actions have been provided for in the financial statements.

(b) Until January 30, 2003 a wholly-owned entity guaranteed on a several basis with another entity bank loans to a partially-owned entity to the value of $2,755,500.

(c) During the year the Company sold two controlled entities to another subsidiary as part of an internal corporate restructure. The Company has not booked any capital gains tax ($38,346,000) on the transaction even though it has not yet elected to enter into the tax consolidation system. The Company has not made a formal decision on when to implement the tax consolidation system. It is envisaged however that a decision will be made when to consolidate prior to lodgement of the 2004 tax returns. Should the nominated date of entering into consolidation be before the date of the restructure, no tax liability will arise.

## 31. ULTIMATE PARENT ENTITY

The ultimate parent entity of Rural Press Limited is Marinya Holdings Pty Limited, incorporated in Australia.

## 32. SUPERANNUATION COMMITMENTS

The consolidated entity participates in a number of superannuation plans, all of which provide accumulation benefits. Employer contributions are made to these plans at levels equal to or in excess of the minimum required by the Superannuation Guarantee Legislation.

# Financial Statements

## 33. SHARE AND OPTION PLANS

The Company has three share and option plans in operation. All three plans were approved by shareholders on October 9, 1998 and again on October 19, 2001.

**Rural Press Exempt Employee Share Plan (EESP)**

The EESP was established to create an ownership ethic and identification with the Company's performance for all eligible employees.

The Company may provide shares to the Plan Company, or may pay contributions to the Plan Company being an amount not exceeding $1,000 per participant per year to fund the acquisition of shares for the purposes of the Plan. The Plan Company must use these contributions to subscribe shares for participants. The Plan Company is not permitted to repay to the Company any amount received as contributions for the acquisitions of shares.

The Company has made two offers to eligible employees under the EESP. The first being an offer on May 26, 1999 which resulted in 360,555 ordinary shares being issued to 1,849 employees; 195 shares, equivalent to $1,000 worth, were granted to each employee. A further offer on June 13, 2003 resulted in 373,037 ordinary shares being issued to 2,317 employees on July 22, 2003; 161 shares, equivalent to $1,000 worth, were granted to each employee. Both of these offers were made without any payment being required by the employees.

**Rural Press Deferred Employee Share Plan (DESP)**

The DESP was primarily introduced to enable staff and Directors to obtain ownership of the Company's shares as part of their remuneration. The DESP was approved by shareholders at the annual general meeting on October 9, 1998 and was varied pursuant to the Plan Rules by a Directors' resolution on May 10, 2001.

The Company may provide shares to the Plan Company, or may pay contributions to the Plan Company to fund the acquisition of shares for the purposes of the Plan. The Plan Company must use these contributions (if any) to purchase shares for participants.

To June 30, 2004, the following acquisitions of shares in the Company have been made pursuant to the DESP:

1. To a non-executive Director during 2002, in lieu of fees (in accordance with shareholder approval obtained at the 2000 AGM).
2. In accordance with the offer programmes known as DESP Offer 2001, DESP Offer 2002, DESP Offer 2003 and DESP Offer 2004, the programme permits eligible employees to apply to acquire ordinary shares as part of their normal remuneration by way of 'salary sacrifice'; and if entitled to a bonus during the year, to receive this bonus in the form of ordinary shares in the Company, in each case such ordinary shares being bought on-market.

The Managing Director participates in the DESP in accordance with an ASX waiver from Listing Rule 10.14 obtained in 2001.

Full details of such purchases have been notified to the ASX from time to time, and his shareholdings appear in Note 27.

**Rural Press Executive Option Plan (EOP)**

The EOP was introduced as a performance incentive to executives and includes a market competitive performance hurdle which the Company is required to achieve before executives receive any benefit from participating in the EOP.

The performance hurdle is based on achieving either of the following requirements:

- earnings per share of the Company, compounded over the life of the relevant option period, is equal to or greater than the change in the consumer price index over the same period plus 3% per annum compound (4% for options issued before December 31, 2001); or
- an average of an accumulation index calculated by ASX in respect of the Company over the 90 days of trading up to and including the day preceding the date of exercise of the options is equal to or greater than an average of an accumulation index calculated by ASX in respect of listed shares in the companies comprising the Mid Cap Industrials Index in the same period.

The price at which the options are granted is the weighted average market price of the Company's Preferred shares sold on ASX during the one week period up to and including the day the options are granted (or such other date or period as ensures compliance with tax laws), and is paid upon exercise of the options. No further sum is payable on exercise of the options.

Employees must be and remain Eligible Employees to continue participation in the EOP. The options lapse on the earlier of their last exercise date; any act of dishonesty or like conduct against the Company which results in the participant foregoing any entitlements under the EOP rules; and the performance hurdle having not been achieved on or before the last exercise date.

The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Further information in relation to options issued and exercised to June 30, 2004 is provided in Note 19 to these financial statements.

**Maximum Participation by Share Plans**

The number of shares acquired during the previous 5 years from new issues under all employee share schemes established by the Company plus the shares which would be acquired from new issues by the Company under all employee share schemes were all outstanding options to acquire unissued shares (issued pursuant to such employee share schemes) to be exercised, shall not exceed 5% of the total number of issued shares in the Company.

# Financial Statements

## 34. RELATED PARTY TRANSACTIONS

During the year there have been transactions between Rural Press Limited and its controlled entities which have been eliminated on consolidation. Rural Press Limited supplies newsprint and accounting and administrative services to members of the consolidated entity on commercial terms and conditions. The value of accounting and administrative services provided to non wholly owned entities is not material. Certain wholly owned controlled entities provide production services to non wholly owned controlled entities, the value of which is not material.

The loans outstanding between the Company and its controlled entities have no fixed date of repayment and are non interest bearing.

In addition to these transactions, the Company maintains a centralised treasury function for wholly owned controlled entities. The amounts outstanding at balance date are set out in Note 8.

### Transactions with Director Related Entities

In the prior year, companies of the consolidated entity have acquired printing, inventories and distribution services from Independent Print Media Group("IPMG") and Newsagents Direct Distribution, and supplied inventories to IPMG, entities over which JB Fairfax AM and TV Fairfax AM had a significant influence to June 30, 2003. These services, acquired on normal terms and conditions, amounted to $164,655.

Companies of the consolidated entity have paid interest on borrowings and have acquired services from, and have received interest on deposits from and provided printing services to Westpac Banking Corporation, of which JB Fairfax AM was a Director until September 1, 2003. Companies of the consolidated entity have provided advertising to Goodman Fielder Limited, of which CB Livingstone was a Director until March 19, 2003. Companies of the consolidated entity have acquired goods and services from, and provided advertising to, Telstra Corporation Limited, of which CB Livingstone, (resigned on October 17, 2003) was a Director. Companies of the consolidated entity have provided advertising to Graincorp Limited and The Australian Agricultural Company Limited and the family pastoral enterprises, of which N Burton Taylor AM is a Director or principal. All transactions were on normal terms and conditions.

An amount of $70,976 (2003: $161,120) is owing to a partly owned subsidiary by a Director of that subsidiary, P Poulus, in connection with the acquisition of that subsidiary by the consolidated entity. Interest is charged on the loan at normal commercial rates.

Details of interests in controlled entities are set out in Note 38.

Details of the consolidated entity's employee superannuation plans are set out in Note 32.

## 35. FOREIGN CURRENCY

The domestic currency equivalent of unhedged foreign currency assets and liabilities of overseas controlled entities are in the financial statements as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2004 $'000 | 2003 $'000 |
| NEW ZEALAND DOLLARS | | |
| Assets | | |
| Current | 3,105 | 1,679 |
| Non-current | 3,816 | 3,658 |
| Total | 6,921 | 5,337 |
| Liabilities | | |
| Current | 1,435 | 842 |
| Non-current | - | - |
| Total | 1,435 | 842 |
| UNITED STATES DOLLARS | | |
| Assets | | |
| Current | 5,187 | 6,201 |
| Non-current | 25,495 | 27,281 |
| Total | 30,682 | 33,482 |
| Liabilities | | |
| Current | 5,089 | 5,284 |
| Non-current | 63,868 | 67,563 |
| Total | 68,957 | 72,847 |

The Company has forward exchange contracts to buy foreign currency for:-

newsprint purchases:

$US1,254,000 due and payable within three months with a weighted average rate of 0.7113 (2003: $US2,407,000 due and payable within three months with a weighted average rate of 0.6661); and

equipment purchases:

$US1,652,000 due and payable within three months with a weighted average rate of 0.7515;

EUR10,201,000 due and payable within three months with a weighted average rate of 0.6104; and

CHF2,500,000 due and payable within three months with a weighted average rate of 0.9486.

# Financial Statements

## 36. DEED OF CROSS GUARANTEE

Pursuant to an ASIC Class Order 98/1418 (as amended) dated August 13, 1998, relief has been granted to the wholly owned subsidiaries listed in Note 38 from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

A consolidated statement of financial performance and statement of financial position comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, is set out below.

| | CONSOLIDATED | |
|---|---|---|
| | 2004 $'000 | 2003 $'000 |
| **STATEMENT OF FINANCIAL POSITION** | | |
| Cash assets | 6,728 | 3,637 |
| Receivables | 78,474 | 64,490 |
| Inventories | 10,032 | 11,797 |
| Prepayments | 1,172 | 1,207 |
| TOTAL CURRENT ASSETS | 96,406 | 81,131 |
| Investments accounted for using the equity method | - | - |
| Other financial assets | 93,815 | 40,675 |
| Property, plant and equipment, and software | 138,421 | 124,445 |
| Mastheads | 501,702 | 500,950 |
| Licences | - | 11,235 |
| Deferred tax assets | 9,008 | 8,517 |
| Other | 251 | 53 |
| TOTAL NON-CURRENT ASSETS | 743,197 | 685,875 |
| TOTAL ASSETS | 839,603 | 767,006 |
| Payables | 36,151 | 31,816 |
| Interest bearing liabilities | - | - |
| Current tax liabilities | 20,112 | 19,234 |
| Provisions | 15,068 | 13,334 |
| TOTAL CURRENT LIABILITIES | 71,331 | 64,384 |
| Payables | 246 | 725 |
| Interest bearing liabilities | 97,000 | 66,040 |
| Deferred tax liabilities | 4,834 | 5,359 |
| Provisions | 3,829 | 4,374 |
| TOTAL NON-CURRENT LIABILITIES | 105,909 | 76,498 |
| TOTAL LIABILITIES | 177,240 | 140,882 |
| NET ASSETS | 662,363 | 626,124 |
| Contributed equity | 320,464 | 304,611 |
| Reserves | 210,016 | 204,981 |
| Retained profits | 131,883 | 116,532 |
| TOTAL SHAREHOLDERS' EQUITY | 662,363 | 626,124 |

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| | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 |
|---|---|---|
| **STATEMENT OF FINANCIAL PERFORMANCE** | | |
| Profit from ordinary activities before income tax | 119,869 | 93,846 |
| Income tax attributable to profit from ordinary activities | (33,968) | (27,547) |
| Profit from ordinary activities after income tax | 85,901 | 66,299 |
| Retained profits at the beginning of the financial year | 117,617 | 125,102 |
| | 203,518 | 191,401 |
| Dividend paid | (71,635) | (74,869) |
| Retained profits at the end of the financial year | 131,883 | 116,532 |

## 37. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

### Credit Risk

Credit risk represents the loss that would be recognised if counter-parties failed to perform as contracted. The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated on the balance sheet. The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counter-parties, and the majority of customers are in Australia.

All derivative contracts are with major financial institutions. The consolidated entity's maximum credit risk exposure in relation to forward exchange contracts and interest rate swaps is detailed below.

### Net Fair Values

Off-balance sheet financial instruments:

The valuation of off-balance sheet financial instruments reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at reporting date. This is based on independent market quotations and determined using standard valuation techniques.

| | CONSOLIDATED 2004 $'000 | CONSOLIDATED 2003 $'000 |
|---|---|---|
| Interest rate swaps | 2,161 | - |

In securing certainty over future cash flows by hedging certain transactions, the consolidated entity has obtained a net notional profit of $2,161,000 (2003: Nil). This notional profit was offset by an equivalent unfavourable movement on the underlying transactions.

### Interest Rate Risk

(i) Interest rate swaps:

Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rates. Each contract involved quarterly payments or receipts of the net amount of interest. The fixed rate varies from 3.47% to 6.62% (2003: Nil) and the floating rates were at the bank bill rates or the LIBOR rate plus the consolidated entity's credit margin. The weighted average effective floating interest rate was 4.00% (2003: Nil).

(ii) Interest rate risk exposures:

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out on the next page.

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| | Note | Floating Interest Rate $'000 | Fixed interest maturing in: 1 Year or less $'000 | Over 1 to 5 years $'000 | More than 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| 2004 | | | | | | | |
| Financial assets | | | | | | | |
| Cash | 7 | 12,520 | - | - | - | - | 12,520 |
| Receivables | 8 | - | - | - | - | 79,896 | 79,896 |
| Other financial assets | 10 | - | - | - | - | 9,007 | 9,007 |
| | | 12,520 | - | - | - | 88,903 | 101,423 |
| Weighted average interest rate | | 4.36 | | | | | |
| Financial liabilities | | | | | | | |
| Bank overdrafts and loans | 17 | 159,830 | - | - | - | - | 159,830 |
| Payables | 16 | - | - | - | - | 45,759 | 45,759 |
| Liabilities under finance leases | 17 | - | 136 | 336 | - | - | 472 |
| Provisions | 18 | - | - | - | - | 1,593 | 1,593 |
| Employee entitlements | 18 | - | - | - | - | 22,017 | 22,017 |
| | | 159,830 | 136 | 336 | - | 69,369 | 229,671 |
| Interest rate swaps | | (79,983) | - | 79,983 | - | - | - |
| Weighted average interest rate | | 3.94 | 6.81 | 5.30 | | | |
| 2003 | | | | | | | |
| Financial assets | | | | | | | |
| Cash | 7 | 10,091 | - | - | - | - | 10,091 |
| Receivables | 8 | - | 6,480 | - | - | 68,595 | 75,075 |
| Other financial assets | 10 | - | - | - | - | 8,211 | 8,211 |
| | | 10,091 | 6,480 | - | - | 76,806 | 93,377 |
| Weighted average interest rate | | 2.87 | 7.50 | | | | |
| Financial liabilities | | | | | | | |
| Bank overdrafts and loans | 17 | 132,223 | 2,170 | - | - | - | 134,393 |
| Payables | 16 | - | - | - | - | 37,438 | 37,438 |
| Liabilities under finance leases | 17 | - | 165 | 274 | - | - | 439 |
| Provisions | 18 | - | - | - | - | 4,326 | 4,326 |
| Employee entitlements | 18 | - | - | - | - | 19,075 | 19,075 |
| | | 132,223 | 2,335 | 274 | - | 60,839 | 195,671 |
| Interest rate swaps | | - | - | - | - | - | - |
| Weighted average interest rate | | 3.18 | 5.61 | 6.97 | | | |

# Financial Statements

## 38. PARTICULARS RELATING TO CONTROLLED ENTITIES

| Entity and Place of Incorporation | Beneficial Interest % 2004 | 2003 |
|---|---|---|
| Company | | |
| Rural Press Limited - NSW | | |
| Controlled entities operating within Australia | | |
| Rural Publishers Pty Limited - NSW | 100 | + 100 |
| Agricultural Publishers Pty Limited- NSW | 100 | + 100 |
| Rural Press Printing Pty Limited - QLD | 100 | + 100 |
| Rural Press Printing (Victoria) Pty Limited - VIC | 100 • | + 100 • |
| Canweb Printing Pty Limited - ACT | 100 • | + 100 • |
| J &R Graphics Pty Limited - ACT | 100 • | + 100 • |
| RP Interactive Pty Limited - NSW | 100 | ◦+ 100 |
| F@rming Online Pty Limited - NSW | 100 • | + 100 • |
| Rural Press QLD Pty Limited - QLD | 100 | + 100 |
| Rural Press (North Queensland) Pty Limited - QLD | 100 • | 100 • |
| Stock Journal Publishers Pty Limited - SA | 100 | + 100 |
| Hunter Distribution Network Pty Limited - VIC | 100 | + 100 |
| West Australian Rural Media Pty Limited - WA | 100 | + 100 |
| Western Australian Primary Industry Press Pty Limited - WA | 100 • | + 100 • |
| Regional Publishers Pty Limited - NSW | 100 | + 100 |
| Queensland Community Newspapers Pty Limited - QLD | 100 • | + 100 • |
| Mountain Press Pty Limited - NSW | 88 • | 88 • |
| RPL Technology Pty Limited - NSW | 100 • | + 100 • |
| Hibiscus Happynings Pty Limited - NSW | 100 • | ‡ 100 • |
| Pro-Ag Pty Limited - NSW | 100 • | ◦+ 100 • |
| Cudgegong Newspapers Pty Limited - NSW | 100 • | + 100 • |
| Snowy Mountains Publications Pty Limited - NSW | 100 • | + 100 • |
| Western Magazine Pty Limited - NSW | 75 • | 75 • |
| Western Magazine Settlement Trust - NSW | 75 • | 75 • |
| Macleay Valley Happynings Pty Limited - NSW | 100 • | ×+ 100 • |
| Milton Ulladulla Publishing Co. Pty Limited - NSW | 60 • | 60 • |
| Bridge Printing Office Pty Limited - SA | 100 • | + 100 • |
| Port Lincoln Times Pty Limited - SA | 100 • | + 100 • |
| S.A. Regional Media Pty Limited - SA | 100 • | + 100 • |
| Northern Newspapers Pty Limited - SA | 100 • | + 100 • |
| The Barossa News Pty Limited - SA | 100 • | + 100 • |
| Country Publishers Pty Limited - SA | 100 • | + 100 • |
| Whyalla News Properties Pty Limited - SA | 100 • | + 100 • |
| The Examiner Newspaper Pty Limited - TAS | #94.11 • | 60 • |
| Examiner Properties Pty Limited - TAS | #94.11 • | 60 • |

| Entity and Place of Incorporation | Beneficial Interest 2004 | 2003 |
|---|---|---|
| Regional Publishers (VIC) Pty Limited - VIC | 100 • | + 100 • |
| Regional Publishers (Western Victoria) Pty Limited - VIC | 100 • | + 100 • |
| Rural Press Regional Media (WA) Pty Limited - WA | 100 • | + 100 • |
| Merredin Advertiser Pty Limited - WA | 100 • | + 100 • |
| Esperance Holdings Pty Limited - WA | 100 • | + 100 • |
| The Printing Press Pty Limited - WA | 100 • | + 100 • |
| Golden Mail Pty Limited - WA | 65.8 • | 65.8 • |
| The Queanbeyan Age Pty Limited - ACT | 100 • | + 100 • |
| The Federal Capital Press of Australia Pty Limited - ACT | 100 • | ◦+ 100 • |
| Tofua Holdings Pty Limited - ACT | 100 • | ◦+ 100 • |
| Regional Printers Pty Limited - NSW | 100 • | ×+ 100 • |
| Harris and Company Pty Limited (formerly Harris and Company Limited)- Tas | #85.27 • p | - |
| The Advocate Newspaper Pty Limited - Tas | #85.27 • p | - |
| Harris Print Pty Limited - Tas | #85.27 • p | - |
| Harris Enterprises Pty Limited - Tas | #85.27 • p | - |
| Harris Publications Pty Limited - Tas | #85.27 • p | - |
| Village Suburban Newspapers Pty Limited - NSW | #85.27 • | - |
| Media Investments Pty Limited - SA | 100 | + 100 |
| Star Broadcasting Network Pty Limited - QLD | Â92.44 • | +ÉH100 • |
| Lanson Investments Pty Limited - SA | 92.44 • | +ÉH100 • |
| 5AU Broadcasters Pty Limited - SA | 92.44 • | +ÉH100 • |
| Bundaberg Broadcasters Pty Limited - Qld | #92.44 • | - |
| Controlled entities operating within New Zealand | | |
| Communication Associates Limited - NZ | 100 | 100 |
| NZ Rural Press Limited - NZ | 100 • | 100• |
| Controlled entities operating within United States | | |
| Rural Press (USA) Limited - USA | 100 | 100 |
| Rural Press USA Inc - USA | 100 • | 100• |
| Farm Progress Holding Co, Inc - USA | 100 • | 100• |
| The Miller Publishing Co, Inc - USA | 100 • | 100• |
| Farm Progress Companies, Inc - USA | 100 • | 100• |
| Farm Progress Insurance Services, Inc - USA | 100 • | 100• |
| Indiana Prairie Farmer Insurance Services, Inc - USA | 100 • | 100• |

- • Investment by controlled entity
- \+ Controlled Entities included in Class Order 98/1418. Also refer to Note 36
- ◦ Controlled Entities added to Class Order 98/1418 on June 16, 1999
- Controlled Entities added to Class Order 98/1418 on June 8, 2000
- × Controlled Entities added to Class order 98/1418 on June 12, 2002
- É Controlled Entities added to Class order 98/1418 on June 26, 2003
- H Controlled Entities included in Class Order 98/1418 dated June 23, 2000 and removed by Revocation Deed dated June 26, 2003
- p Controlled Entities included in Class Order 98/1418 dated July 21, 1992
- ‡ Deregistered or in process of deregistration

\# Name of controlled entity acquired for cash
Harris and Company Pty Limited 85.27% acquired on December 28, 2003 for $42,626,347 with net assets of $49,989,853.
Bundaberg Broadcasters Pty Limited 100% acquired on January 1, 2004 for $7,955,822 with net assets of $7,955,822
For The Examiner Newsaper Pty Limited and Examiner Properties Pty Limited the additional 34.11% acquired was through the acquisition of Harris and Company Pty Limited.

Â Name of controlled entity partly disposed of for cash
Star Broadcasting Network Pty Limited issued shares for $500,000 to a third party for 7.56% of the company on January 1, 2004 .

# Financial Statements

## 39. SUBSEQUENT EVENTS

a) A fully franked second interim dividend of 10.00 cents per ordinary share and 11.00 cents per Preferred share was proposed by Directors on August 26, 2004.

b) A fully franked final dividend of 20.00 cents per ordinary share and 22.00 cents per Preferred share was proposed by Directors on August 26, 2004.

c) International Financial Reporting Standards

This financial report has been prepared in accordance with Australian accounting standards and other current financial reporting requirements (Australian GAAP). Commencing July 1, 2005, the financial report must be prepared in accordance with Australian equivalents to International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. The first financial reports under Australian equivalents to IFRS will be the December 31, 2005 half-year report and June 30, 2006 annual report. Comparatives for the prior corresponding periods are to be restated within these reports for consistency.

The Company has established a formal project, monitored by the Audit Committee of the Board, to achieve the required transition of the financial report to Australian equivalents to IFRS. In early 2004, the Company completed a high level overview of the key implications and potential impacts of the transition to Australian equivalents to IFRS on existing business processes, procedures, systems, accounting and reporting policies, balances and staff.

Work is progressing on formulating the changes required in order to transition to Australian equivalents to IFRS. Priority has been allocated to areas where systems and procedural changes were necessary to ensure that the required comparative information will be available from July 1, 2004. These priority areas have been addressed and the remainder of this activity is expected to be completed in full prior to December 31, 2004. Implementation of identified changes to enable generation of the required new disclosures and provision of staff training is expected to be substantially completed by June 30, 2005.

The differences between Australian GAAP and Australian equivalents to IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and/or financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences and it does not identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events will be presented.

The effects of the differences discussed below have not yet been fully quantified. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with Australian equivalents to IFRS. Regulatory bodies that promulgate Australian and International accounting standards have significant ongoing projects that could result in additional differences between the financial reports prepared under Australian GAAP and the financial reports prepared under Australian equivalents to IFRS. Further, system upgrades and other implementation costs which may be incurred have not been quantified as at the transition date of July 1, 2004 as this process is continuing. Such costs are not anticipated to be material.

The key potential implications of the conversion to Australian equivalents to IFRS on the consolidated entity are as follows:

- Internally generated intangible assets currently recorded in the financial report at valuation cannot be recognised and purchased intangible assets cannot be revalued as there is no active market for these intangibles. Previous revaluations of the entity’s mastheads will therefore be reversed. These adjustments will reverse the revaluation reserves currently recorded in the financial report in respect of masthead revaluations ($168,876,000 as at June 30, 2004) and an additional residual amount to consolidated retained earnings. The full impact of these adjustments on the consolidated statement of financial position has not yet been determined, however this change is not anticipated to have a significant effect on either cash flows or the Company's dividend policy;
- Impairments of assets will be determined on a discounted cash flow basis, with strict tests for determining whether goodwill and cash-generating units have been impaired. Any impairment is recognised in the statement of financial performance and must be allocated against the individual assets affected by the impairment conditions;
- As all goodwill and intangible assets held by the consolidated entity have indefinite useful lives, they will be tested for impairment annually, with any impairment recorded directly in the statement of financial performance in the period in which the impairment occurs. Goodwill will no longer be amortised and the current amortisation charge ($142,000 in 2004) recognised by the consolidated entity will cease; and

# Financial Statements

- Revaluation increments and decrements relating to revalued property, plant and equipment are required to be recognised on an individual asset basis, not a class of assets basis as specified under existing Australian GAAP. The consolidated entity is considering taking advantage of the deemed cost exemption available for land and buildings currently held at valuation, thereby reverting back to cost and avoiding asset by asset assessments.

Proposed standards dealing with accounting for income tax, equity based compensation, hedge accounting and changes in accounting policy will impact the form and presentation of the financial statements but are not expected to have a material financial impact on reported assets, liabilities or results.

# Directors' Declaration

In accordance with a resolution of the Directors of Rural Press Limited, we state that:

(1) In the opinion of the Directors of Rural Press Limited:

(a) the financial statements and notes, set out on pages 30 to 61 are in accordance with the Corporations Act, 2001, including:

(i) giving a true and fair view of the financial position of the Company and consolidated entity as at June 30, 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations, 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) There are reasonable grounds to believe that the Company and certain subsidiaries identified in Note 38 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

On behalf of the Board

JB Fairfax, AM
**Director**

BK McCarthy
**Director**

Sydney, NSW
August 26, 2004

# Financial Statements

## Independent Audit Report to the Members of Rural Press Limited

### Scope

**The financial report and Directors' responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration set out on pages 30 to 62 for both Rural Press Limited (the "Company") and Rural Press Limited and its Controlled Entities (the "Consolidated Entity"), for the year ended June 30, 2004. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**Audit approach**

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

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

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

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

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### Audit Opinion

In our opinion, the financial report of Rural Press Limited is in accordance with:

a) the Corporations Act 2001 including:
   i) giving a true and fair view of the Company's and the consolidated entity's financial position as at June 30, 2004 and of their performance for the financial year ended on that date; and
   ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

KPMG

BK Phillips
**Partner**

Sydney, NSW
August 26, 2004

# Shareholder Information

## Substantial Shareholders

The number of shares held by the substantial shareholders holding ordinary shares as at August 12, 2004 were as follows:

| Shareholder | Ordinary Shares |
|---|---|
| JB Fairfax AM (held in trust for Marinya Media Pty Limited) | 5,150 |
| TV Fairfax AM (held in trust for Marinya Media Pty Limited) | 5,150 |
| Marinya Media Pty Limited | 63,529,599 |
| | 63,539,899 |
| Commonwealth Bank of Australia Limited (held by nominee companies) | 8,035,775 |
| Perpetual Trustees Australia Limited (held by nominee companies) | 6,248,160 |

Distribution of Shareholders and Totals in each class
as at August 12, 2004

| | Ordinary Shares | Preferred Shares |
|---|---|---|
| (a) Category | | |
| 1-1000 | 2,250 | 952 |
| 1001-5000 | 2,579 | 1,136 |
| 5001-10000 | 565 | 403 |
| 10,001-100,000 | 548 | 425 |
| 100,001 and over | 47 | 48 |
| Total Shareholders | 5,989 | 2,964 |
| (b) Holding less than a marketable parcel of 69 ordinary shares | 54 | |

## Voting Shares

Ordinary Shares

On a show of hands every person present who is a member holding ordinary shares, proxy attorney or representative of such member, shall have one vote and on a poll every such member who is present in person or by proxy, attorney or representative shall have one vote for each share held by him or her.

Preferred Shares

A member holding Preferred Shares has the right to vote in each of the following circumstances only:

- during a period during which a dividend (or part of a dividend) in respect of the shares is in arrears;
- on a proposal to reduce the capital of the Company;
- on a resolution to determine the terms of a buy-back agreement;
- on a proposal that affects the rights attached to the share;
- on a proposal to wind up the Company;
- on a proposal to dispose of the whole of the Company's property, businesses and undertaking; and
- during the winding up of the Company.

On market buy-back

There is currently no on market buy-back being undertaken.

# Shareholder Information

## Twenty Largest Shareholders

As at August 12, 2004

**Ordinary Shares**

| Shareholder | No. of Ordinary Shares | % of Total Ordinary Shares |
|---|---|---|
| Marinya Media Pty Limited | 63,529,599 | 53.54 |
| RBC Global Services Australia Nominees Pty Limited (PIPOOLED Account) | 4,912,299 | 4.14 |
| JP Morgan Nominees Australia Limited | 2,946,124 | 2.48 |
| Citicorp Nominees Pty Limited (CFS WSLE Imputation Fund Account) | 2,437,974 | 2.05 |
| RBC Global Services Australia Nominees Pty Limited (BKCUST Account) | 1,612,801 | 1.36 |
| Citicorp Nominees Pty Limited (CFS Imputation Fund Account) | 1,513,380 | 1.28 |
| Estate of the late Mrs Caroline EO Simpson | 1,189,806 | 1.00 |
| AMP Life Limited | 1,119,902 | 0.94 |
| National Nominees Limited | 1,074,806 | 0.91 |
| Westpac Custodian Nominees Limited | 1,065,315 | 0.90 |
| Citicorp Nominees Pty Limited (CFS WSLE Australian Sheet Fund account) | 1,037,862 | 0.87 |
| Cogent Nominees Pty Limited | 1,027,825 | 0.87 |
| Citicorp Nominees Pty Limited (CFS WSLE Industrial Share Account) | 904,461 | 0.76 |
| RBC Global Services Australia Nominees Pty Limited (PIIC Account) | 683,362 | 0.58 |
| Citicorp Nominees Pty Limited (CFS WSLE 452 Aust Share Account) | 677,951 | 0.57 |
| Sandhurst Trustees Limited (SISF Account) | 529,134 | 0.45 |
| Citicorp Nominees Pty Limited | 440,914 | 0.37 |
| Mr Edward Fairfax Simpson | 396,601 | 0.33 |
| Invia Custodian Pty Limtied (Est Hugh S Roberton Account) | 389,766 | 0.33 |
| Milton Corporation Limited | 359,949 | 0.30 |
| TOTAL | 87,849,831 | 74.03 |

**Preferred Shares**

| Shareholder | No. of Preferred Shares | % of Total Preferred Shares |
|---|---|---|
| Marinya Media Pty Limited | 23,484,518 | 29.47 |
| RBC Global Services Australia Nominees Pty Limited (PIPOOLED Account) | 5,516,575 | 6.92 |
| JP Morgan Nominees Australia Limited | 5,206,171 | 6.53 |
| Westpac Custodian Nominees Limited | 5,117,807 | 6.42 |
| National Nominees Limited | 2,734,461 | 3.43 |
| Citicorp Nominees Pty Limited (CFS WSLE Imputation Fund Account) | 2,526,765 | 3.17 |
| Westpac Financial Services Limited | 1,613,700 | 2.02 |
| Citicorp Nominees Pty Limited (CFS Imputation Fund Account) | 1,571,218 | 1.97 |
| RBC Global Services Australia Nominees Pty Limited (PIIC Account) | 1,115,244 | 1.40 |
| Wilmar Enterprises Pty Limited | 1,060,000 | 1.33 |
| Queensland Investment Corporation | 1,054,755 | 1.32 |
| Citicorp Nominees Pty Limited (CFSIL CFS WS Small Comp Account) | 1,027,185 | 1.29 |
| Carramar Pty Limited | 1,004,000 | 1.26 |
| RBC Global Services Australia Nominees Pty Limited (BKCUST Account) | 945,792 | 1.19 |
| Cogent Nominees Pty Limited | 786,806 | 0.99 |
| Citicorp Nominees Pty Limited (CFS WSLE 452 Aust Share Account) | 595,686 | 0.75 |
| AMP Life Limited | 585,955 | 0.74 |
| Est Late Caroline EO Simpson | 583,500 | 0.73 |
| PSS Board | 457,623 | 0.57 |
| Milton Corporation Limited | 452,598 | 0.57 |
| TOTAL | 57,440,359 | 72.07 |

# Shareholder Information

## Company Directory

### Registered Office

159 Bells Line of Road
North Richmond NSW 2754
Telephone (02) 4570 4444
Facsimile (02) 4570 4663
Email groupadmin@ruralpress.com
www.ruralpress.com

### Corporate Operations Office

159 Bells Line of Road
North Richmond NSW 2754
Telephone (02) 4570 4444
Facsimile (02) 4570 4663

### Stock Exchange Listing

Australian Stock Exchange, Sydney

### Share Registry

Computershare Investor Services Pty Limited
60 Carrington Street
Sydney NSW 2000
Postal Address
GPO Box 7045
NSW 1115
Telephone 1300 855 080
Facsimile (02) 8234 5050
www.computershare.com

### Auditors

KPMG
10 Shelley Street
Sydney NSW 2000

### Bankers & Financiers

Westpac Banking Corporation
National Australia Bank Limited

### Company Secretary

BHG Stofberg

### Company Diary

| | |
|---|---|
| | **2004** |
| Distribution of 2004 Annual Report | September 20 |
| 2004 Annual General Meeting (at 159 Bells Line of Road, North Richmond NSW 10:30am) | October 22 |
| 2004 Final Dividend Record Date | November 3 |
| 2004 Final Dividend Payment | November 12 |
| | **2005** |
| Announcement of 2005 Half Year Results | February 10 |
| 2005 Interim Dividend Record Date | February 18 |
| 2005 Interim Dividend Payment | March 4 |
| Announcement of 2005 Full Year Results | August 25 |

### Electronic Receipt of Company Information

Shareholders are able to receive notification about the Company's announcements, annual and periodic reports and other Company information by email.

By registering for this service, shareholders can keep up to date with significant Company announcements as they happen.

Visit the share registry website at www.computershare.com/au/investors and follow these easy steps:

- Click on *Investors*
- Click on *Register your Email Address*
- Select the Company name from the drop down list
- Enter personal security information: Holder Identification Number (HIN) or Security Reference Number (SRN); family or Company name and postcode and then click on *Submit* and follow the prompts.
- Enter email address and select which publications are required.

Once submitted, Computershare will forward an email requesting confirmation that the details supplied are correct. Simply click on Reply and then send.

Computershare can be contacted on 1300 855 080.

### Shareholders' Details

Shareholders who:

- have changed their name or address
- wish to consolidate two or more separate shareholdings
- wish to lodge their tax file numbers

should advise Rural Press' share registry by completing the relevant forms available from www.computershare.com, or by telephoning the freecall number 1300 855 080 to request the forms.

Shareholders can also view the following on www.computershare.com:

- historical price information
- share price performance versus market indices
- individual shareholders' dividend receipt history.

Printed by Uptin Print, Port Macquarie, NSW, a member of the Rural Press Group

Designed by Hugonnet Design Associates, Pyrmont, NSW