

RURAL PRESS LIMITED

ACN 000 010 382

AND ITS CONTROLLED ENTITIES

Half-Year Financial Report

December 31, 2000

STATUTORY DIRECTORS' REPORT

for the half year ended December 31, 2000

Your Directors have pleasure in presenting their report together with the consolidated financial report of Rural Press Limited (Parent Entity) for the half year ended December 31, 2000 and the auditor's review report thereon.

Directors

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

JB Fairfax, AM	Director since 1988 and Chairman since 1990
B Gowrie Smith	Director since 1985
TV Fairfax	Director since 1988
DJ Asimus, AO	Director since 1989
BJ Taplin	Director since 1989
SF Higgs	Director since 2000
CB Livingstone	Appointed December 13, 2000
BK McCarthy	Director and Managing Director since 1994

Review of Operations

The last six months' trading had been the most challenging the Company had experienced for many years. Although the buoyancy of the previous year was not expected to continue beyond June 30, 2000, the business hesitancy over the impact of GST was a significant factor, followed by disruptions to normal trading patterns due to the Olympics and Paralympics. These disruptions had changed consumer habits and had an affect on circulations. The recent rapid decline in the US economy impacted on business confidence in Australia, causing soft trading conditions in the final weeks of December.

The dramatic impact of increased world newsprint prices exacerbated by the low Australian dollar was also a significant factor in increased operating costs during the last six months. Recent negotiations will result in stability in this large cost area over the long term.

Revenues in the Agricultural Publishing Division in Australia were slightly lower, whilst the offshore operations experienced static revenues. The launch of *Friday* Magazine in a difficult market was well received by readers.

The Regional Publishing Division also saw a slight decline in revenues. Revenues at Federal Capital Press of Australia Pty. Limited, publisher of *The Canberra Times* were maintained.

Results in the web fed Printing Division were pleasing, largely due to encouraging increases in revenues at the new North Richmond site. The new press was now fully operational, enabling the Division to obtain new external contracts.

The Broadcasting Division, where the group has a 50.1 per cent interest, experienced some revenue increases and improved profits in a very competitive trading environment. The Ipswich licence 106.9 FM had been granted improvements to its signal in the ABA'S recent Licence Area Planning process.

The group's involvement in outdoor advertising through its investment in Street Vision had experienced operational difficulties during system rollout, particularly prior to and over the Olympic period, which impacted on marketing this new medium to potential advertisers. Upgrades in the audio and visual systems to enhance the quality of the medium had been completed in the major railway stations, with the remainder to be completed in February.

On the Internet front, progress in establishing the two online ventures in which the company has an investment – thefarmshed.com and DirectAg.com – was proceeding satisfactorily, with Farmshed page views and registration at higher than expected levels. Early indications are positive for the recently-launched merchandise module. The company’s rollout of the Yourguide sites across Australia was well advanced.

Trading conditions for the remainder of the financial year were generally showing no signs of improvement at this stage. Given the uncertainty of economic conditions in an election year, it was difficult to confidently assess the immediate trends despite some positive aspects.

Rounding off of Amounts

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

Signed in accordance with a resolution
of the Directors

JB Fairfax AM
Director

BK McCarthy
Director

Sydney NSW February 8, 2001

RURAL PRESS LIMITED
and its controlled entities
PROFIT AND LOSS STATEMENT
FOR THE HALF-YEAR ENDED DECEMBER 31, 2000

	NOTES	CONSOLIDATED	
		2000	1999
		\$'000	\$'000
Sales Revenue		215,252	217,421
Proceeds on sale of part of Queensland publishing division		-	8,440
Other Revenue		4,657	3,573
TOTAL REVENUE		219,909	229,434
OPERATING PROFIT BEFORE INTEREST, ABNORMAL ITEM AND INCOME TAX		45,913	49,271
Net interest expense		(5,262)	(7,241)
OPERATING PROFIT BEFORE ABNORMAL ITEM AND INCOME TAX	2	40,651	42,030
Abnormal item before income tax	3	-	3,699
OPERATING PROFIT BEFORE INCOME TAX		40,651	45,729
Income tax attributable to operating profit		(14,391)	(16,507)
OPERATING PROFIT AFTER INCOME TAX		26,260	29,222
Outside equity interests in operating profit after income tax		(1,238)	(892)
OPERATING PROFIT AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		25,022	28,330
Retained profits at the beginning of the half-year		84,861	96,679
Aggregate amounts transferred from reserves		-	-
Total available for appropriation		109,883	125,009
Dividends provided for or paid	5	(9,942)	(49,619)
RETAINED PROFITS AT THE END OF THE HALF-YEAR		99,941	75,390

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

RURAL PRESS LIMITED
and its controlled entities
BALANCE SHEET
AS AT DECEMBER 31, 2000

	NOTES	CONSOLIDATED		
		Dec 31 2000 \$'000	Jun 30 2000 \$'000	Dec 31 1999 \$'000
CURRENT ASSETS				
Cash		10,474	4,798	16,589
Receivables		70,811	65,954	62,556
Inventories		16,788	11,924	12,637
Other		3,867	5,185	5,066
TOTAL CURRENT ASSETS		101,940	87,861	96,848
NON-CURRENT ASSETS				
Investments	11,12	20,362	13,383	7,805
Property, plant and equipment	1	143,809	146,198	136,230
Mastheads	1	418,251	409,704	404,627
Radio licences	1	6,469	6,469	6,469
Other		10,831	12,977	13,386
TOTAL NON- CURRENT ASSETS		599,722	588,731	568,517
TOTAL ASSETS		701,662	676,592	665,365
CURRENT LIABILITIES				
Accounts payable		36,226	46,733	36,738
Borrowings		313	407	323
Provisions		32,282	45,396	73,260
TOTAL CURRENT LIABILITIES		68,821	92,536	110,321
NON-CURRENT LIABILITIES				
Accounts payable		1,898	1,504	1,691
Borrowings		192,719	162,997	171,165
Provisions		9,492	9,319	8,720
TOTAL NON-CURRENT LIABILITIES		204,109	173,820	181,576
TOTAL LIABILITIES		272,930	266,356	291,897
NET ASSETS		428,732	410,236	373,468
SHAREHOLDERS' EQUITY				
Share capital	4	284,333	284,333	257,594
Reserves		29,285	26,565	26,060
Retained profits		99,941	84,861	75,390
Shareholders' equity attributable to members of the parent entity		413,559	395,759	359,044
Outside equity interests in controlled entities		15,173	14,477	14,424
TOTAL SHAREHOLDERS' EQUITY		428,732	410,236	373,468

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

RURAL PRESS LIMITED
and its controlled entities
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED DECEMBER 31, 2000

	NOTES	CONSOLIDATED	
		2000 \$'000	1999 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		234,408	217,131
Cash payments in the course of operations		(196,263)	(168,864)
Dividends received		46	21
Interest received		292	539
Interest and other costs of finance paid		(5,554)	(7,780)
Income tax paid		(17,936)	(15,411)
Net cash flow from operating activities		14,993	25,636
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of businesses and controlled entities (net cash)		(817)	-
Purchase of investments		(8,005)	(2)
Purchase of property, plant and equipment		(6,714)	(10,819)
Purchase of mastheads & radio licences		-	-
Proceeds from sale of property, plant & equipment		732	1,092
Proceeds from sale of investments		-	5
Proceeds from sale of business and controlled entities (net cash)		-	8,328
Net cash flow from investing activities		(14,804)	(1,396)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		-	89,213
Proceeds from borrowings		25,478	750
Repayment of borrowings		(1,180)	(116,795)
Payment of dividends		(17,896)	(13,968)
Payment of dividends to outside equity interests		(790)	(758)
Net cash flow from financing activities		5,612	(41,558)
NET INCREASE (DECREASE) IN CASH HELD		5,801	(17,318)
Cash at beginning of the half-year		6,227	35,386
Exchange variance on opening cash balance		(281)	292
CASH AT THE END OF THE HALF-YEAR	7	11,747	18,360

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

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2000

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

The general purpose half-year consolidated financial report has been prepared in accordance with the requirements of the Corporations Law, Accounting Standard 1029 "Half-Year Accounts and Consolidated Accounts" and Urgent Issues Group consensus views. It is recommended that this half-year financial report be read in conjunction with the June 30, 2000 Annual Financial Statements and Reports and any public announcements by Rural Press Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Law.

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

These accounting policies have been consistently applied by the entities in the consolidated entity except where there is a change in accounting policy disclosed in these financial statements.

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

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

Changes in accounting policy

Revaluation of non-current assets

The economic entity has adopted AASB 1041 "Revaluation of non-current Assets" effective July 1, 2000. The standard requires each class of non-current asset, other than inventories, foreign currency monetary assets, goodwill, investments valued using the equity accounting method and other assets measured at net market value where the market value movements are recognised in the profit and loss statement, to be measured on either the cost or fair value basis.

The economic entity has adopted the fair value basis for freehold land and buildings. As at July 1, 2000 the fair value is based on an independent valuation carried out in 1998.

The economic entity has adopted the cost basis for mastheads and has deemed the cost of these assets to be equal to the carrying value of the assets as at July 1, 2000. The carrying value brought forward from June 30, 2000 comprised of \$334,972,000 carried at cost of acquisition and \$74,732,000 carried at directors' valuation 1990.

The change in accounting policy has no financial effect in the current or prior periods.

As a consequence of making the cost basis election on the adoption of AASB 1041, the asset revaluation reserve at July 1, 2000 related to the above class of non-current assets is no longer available for asset write-downs.

Other non-current assets

The economic entity has continued to adopt the cost basis for other non current assets such as radio licences, investments, receivables, plant and equipment and intangibles other than goodwill.

RURAL PRESS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2000

	CONSOLIDATED	
	2000	1999
	\$'000	\$'000
2. OPERATING PROFIT		
Operating profit before abnormal item and income tax has been arrived at after including:		
Interest received or due and receivable	292	539
Interest paid or due and payable (including lease finance charges)	5,554	7,780
Depreciation and amortisation of leasehold property	8,336	7,244
Amortisation of goodwill and intangibles	187	304
3. ABNORMAL ITEM		
Profit on sale of Gympie Times Pty. Limited and part of the regional publishing business in Queensland	-	3,699
Income tax effect	-	-
	-	3,699

The above abnormal item is included in Operating Profit before Income Tax

	CONSOLIDATED		
	Jun 30	Jun 30	Dec 31
	2000	2000	1999
	\$'000	\$'000	\$'000
4. SHARE CAPITAL			
Issued and paid-up capital:			
114,521,785 (June 2000: 114,521,785 and December 1999: 111,093,136) ordinary shares fully paid	162,098	162,098	145,385
76,654,671 (June 2000: 76,654,671 and December 1999: 74,523,240) Preferred shares fully paid	122,235	122,235	112,209
	284,333	284,333	257,594

(a) Preferred Shares

On November 29, 1999 the company allotted, from a capital raising, 18,750,000 Preferred shares fully paid at \$4.80. The proceeds less expenses raised \$89,213,031.

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

On December 17, 1999 the company granted 320,000 options to acquire Preferred shares on a one for one basis to senior executives. The exercise price was set at \$4.83 as determined under the rules of the Plan as approved by shareholders on October 9, 1998. Each option is exercisable once the performance hurdles are met and if exercised will be between December 18, 2002 and December 18, 2005 under the rules of the Plan.

On December 22, 2000 the company granted 95,000 options to acquire Preferred shares on a one for one basis to senior executives. The exercise price was set at \$5.00 as determined under the rules of the Plan as approved by shareholders on October 9, 1998. Each option is exercisable once the performance hurdles are met and if exercised will be between December 23, 2003 and December 22, 2006 under the rules of the Plan.

At December 31, 2000 the total number of options outstanding from the above, and from grants in the previous years, were 2,135,000. The options are exercisable once the performance hurdles are met and if exercised will be between December 18, 2001 and December 22, 2006.

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2000

		CONSOLIDATED	
		2000	1999
		\$'000	\$'000
5.	DIVIDENDS		
	Dividends provided for or paid		
	Special dividend declared in 1999 of 20.70 cents per ordinary share	-	22,996
	Special dividend declared in 1999 of 22.77 cents per Preferred share	-	16,969
	Interim dividend declared of 5.00 cents per ordinary share (1999: 5.00 cents)	5,726	5,555
	Interim dividend declared of 5.50 cents per Preferred share (1999: 5.50 cents)	4,216	4,099
		9,942	49,619
	 Dividend imputation		
	All dividends paid or proposed are fully franked out of existing franking credits or out of franking credits arising from the payment of income tax in the forthcoming period.		
	Amount of retained profits and reserves that could be distributed as franked dividends (after the proposed dividends) out of existing franking credits and franking credits arising from the payment of income tax in the forthcoming year:		
	– Pre-acquisition profits at 34% (1999: 36%)	2,132	1,738
	– Post acquisition profits at 34% (1999: 36%)	56,033	58,209
		58,165	60,047
6.	EARNINGS PER SHARE		
(a)	Basic earnings per share (dollars per share)	0.131	0.166
(b)	Diluted earnings per share (dollars per share)	0.129	0.165
(c)	Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	191,176,456	170,229,198
(d)	Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	193,254,527	172,113,763

The 1999 figure includes the abnormal sale of the Gympie Times Pty Limited and part of the Queensland regional publishing business, and the adjustment to Future Income Tax Benefits and Deferred Income Tax Liability due to the reduction in company tax rates. Excluding the above items the Basic earnings per share would have been \$0.151.

7. NOTE TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, short term deposits at call, bank bills receivable, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

Cash	10,474	16,589
Short term deposits	1,419	1,884
Bank overdraft	(146)	(113)
	11,747	18,360

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2000

8. SEGMENT REPORTING

	Operating Revenue		Segment Assets		Earnings before Tax	
	2000	1999	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australasia	190,654	191,459	575,565	561,477	42,412	46,254
United States	28,963	28,996	126,097	103,888	3,501	3,017
	<u>219,617</u>	<u>220,455</u>	<u>701,662</u>	<u>665,365</u>	<u>45,913</u>	<u>49,271</u>
Abnormal item	-	8,440	-	-	-	3,699
Net interest	292	539	-	-	(5,262)	(7,241)
	<u>219,909</u>	<u>229,434</u>	<u>701,662</u>	<u>665,365</u>	<u>40,651</u>	<u>45,729</u>

The company and its controlled entities operate predominantly in the publishing and printing industry.

9. CONTINGENT LIABILITIES AND GUARANTEES

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

10. CONTROL GAINED/LOST OVER ENTITIES

Control Lost

The economic entity sold the control of the Gympie Times Pty. Limited on August 6, 1999. In the prior period the contribution to consolidated profit after tax was \$94,000 and the contribution to consolidated profit from the sale of interest was \$3,699,000.

11. INVESTMENTS IN ASSOCIATES

	CONSOLIDATED	
	2000	1999
	\$'000	\$'000
Equity information		
Aggregate share of profits/(losses) of associates		
Operating profit/(loss) before income tax	(1,953)	476
Income tax expense	847	-
Net Profit/(loss) attributable to members of the parent entity	<u>(1,106)</u>	<u>476</u>

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2000

12. MATERIAL INTEREST IN ENTITIES WHICH ARE NOT CONTROLLED ENTITIES

The economic entity has a material interest in the following entities:

Name	Nature of Entity	Book Value		Consolidated Interest		Contribution to net profit	
		2000 \$'000	1999 \$'000	2000 %	1999 %	2000 \$'000	1999 \$'000
Equity Accounted							
The Farmshed Pty Limited	Company	2,241	-	34	-	(344)	-
Street Vision Pty Limited	Company	4,346	-	50	-	(1,254)	-
Gippsland Regional							
Publications Partnership	Partnership	6,193	6,193	50	50	446	470
Others							
	Various	1,560	1,560	40-50	40-50	46	6
		<u>14,340</u>	<u>7,753</u>			<u>(1,106)</u>	<u>476</u>
Non Equity Accounted							
DirectAg.Com, Inc	Company	3,670	-				
Farmshed Ventures Pty Limited	Company	2,323					
Other	Company	29	52				
		<u>6,022</u>	<u>52</u>				
Total Investments		<u>20,362</u>	<u>7,805</u>				

All investments are in ordinary securities, or are convertible to ordinary securities at the investor company's option. At the reporting date, the group has committed for uncalled capital for The Farmshed Ventures Pty Limited and DirectAg.Com, Inc totalling \$17,750,000.

The book value of The Farmshed Pty Limited includes the amount of \$722,000 being the value of editorial and advertising services provided by group entities to The Farmshed Pty Limited.

**RURAL PRESS LIMITED
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED DECEMBER 31, 2000**

In the opinion of the Directors of Rural Press Limited:

1. The financial statements and notes set out on pages 3 to 10 are in accordance with the Corporations Law, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at December 31, 2000 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts" and the Corporations Regulations; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

JB Fairfax, AM
Director

BK McCarthy
Director

Sydney NSW February 8, 2001

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

Scope

We have reviewed the financial report of Rural Press Limited for the half-year ended December 31, 2000, consisting of the profit and loss statement, balance sheet, statement of cash flows, accompanying notes 1 to 12 and the directors' declaration set out on pages 3 to 11. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report.

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

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

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

- (a) the Corporations Law, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at December 31, 2000 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts" and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

KPMG

BK Phillips
Partner

Sydney
Date: