

**RURAL PRESS LIMITED**

ACN 000 010 382

**AND ITS CONTROLLED ENTITIES**

**Half-Year Financial Report**

**December 31, 2001**

## **STATUTORY DIRECTORS' REPORT**

### **for the half year ended December 31, 2001**

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, 2001 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, retired on September 30, 2001
SF Higgs	Director since 2000
CB Livingstone	Director since 2000
PA Roach	Appointed Director October 18, 2001
BK McCarthy	Director and Managing Director since 1994

#### **Review of Operations**

The last six months' trading had been rewarding in Australia and New Zealand, with profit growth in both those markets. The circulation in many of the paid publications showing increases over last year.

Whilst the company had been exposed to the world-wide trend of reduced levels of national advertising, growth in revenues from local sources had outstripped the national revenue declines, providing overall advertising revenue improvement.

Revenues in newspaper publishing had risen by 2.8 per cent. Generally good seasons, together with the low Australian dollar and better prices for primary products had generated improved conditions for the rural and regional sector. Classified, motor vehicle, real estate and retail advertising demonstrated good recovery from the levels of last year.

In New Zealand, the publishing strategy was changed late last year, and the results to date have shown a vast improvement, at the same time winning market share.

The company's result was achieved despite lower earnings from the group's United States magazine publishing arm, Farm Progress Companies. Market conditions in the US economy generally, and in US agriculture, continued to deteriorate and results from Farm Progress were disappointing. Farm Progress Companies faced a very competitive market and some industry rationalisation seemed inevitable.

Broadcasting operations in South Australia managed to maintain revenues in a challenging market, whilst considerable launch costs have been incurred in Ipswich with the transition to the new River 94.9 format.

Trading conditions in the second half had largely continued on the same basis as the first half, with no change evident in revenue trends. Given the uncertainty with domestic national advertising and the United States publishing market, it was difficult to confidently assess the anticipated full year result. However, Directors are optimistic of earnings growth on the previous year.

## **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 14, 2002

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE HALF-YEAR ENDED DECEMBER 31, 2001**

	NOTE S	CONSOLIDATED	
		2001 \$'000	2000 \$'000
Revenue from advertising, circulation and printing services		223,637	220,368
Other revenue from operating activities		3,062	2,902
		<u>226,699</u>	<u>223,270</u>
Employee salaries, wages and oncosts		(81,378)	(79,951)
Newspint, plates, ink and consumables used		(34,334)	(35,668)
Outside printing		(10,282)	(11,833)
Communications and postage		(6,906)	(7,165)
Freight and distribution		(5,584)	(5,371)
Other expenses		(33,677)	(27,706)
		<u>54,538</u>	<u>55,576</u>
Depreciation and amortisation		(7,975)	(8,523)
		<u>46,563</u>	<u>47,053</u>
Interest expense		(5,321)	(5,554)
Interest income		368	292
		<u>41,610</u>	<u>41,791</u>
Proceeds on sale of assets		181	732
Book value of assets sold		(130)	(766)
Share of net profits/(losses) of associates accounted for using the equity method		(640)	(1,106)
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<u>41,021</u>	<u>40,651</u>
Income tax (expense)		(12,512)	(14,391)
<b>PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE</b>		<u>28,509</u>	<u>26,260</u>
Net profit attributable to outside equity interests		(974)	(1,238)
<b>NET PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>	3	<u>27,535</u>	<u>25,022</u>
<b>Non-Owner transaction changes in equity</b>			
Increase/(decrease) in asset revaluation reserve		-	-
Net exchange difference on translation of financial statements of self-sustaining foreign operations		(151)	2,719
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		<u>(151)</u>	<u>2,719</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>27,384</u>	<u>27,741</u>
<b>EARNINGS PER SHARE (Cents)</b>	5		
Basic			
Ordinary shares		13.8	12.6
Preferred shares		15.2	13.8
Diluted (reflecting potential exercise of share options)			
Ordinary shares		13.7	12.4
Preferred shares		15.1	13.7

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

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2001**

	NOTES	CONSOLIDATED		
		Dec 31 2001 \$'000	Jun 30 2001 \$'000	Dec 31 2000 \$'000
<b>CURRENT ASSETS</b>				
Cash		9,666	8,917	10,474
Receivables		63,191	62,362	70,811
Inventories		11,835	13,975	16,788
Other		3,995	2,047	3,867
<b>TOTAL CURRENT ASSETS</b>		<b>88,687</b>	<b>87,301</b>	<b>101,940</b>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method	10	9,329	10,444	14,340
Other financial assets		2,782	2,353	6,022
Property, plant and equipment		127,764	131,594	143,809
Mastheads		432,342	433,024	418,251
Radio licences		6,487	6,469	6,469
Deferred tax assets		5,915	6,428	6,414
Other		3,254	3,956	4,417
<b>TOTAL NON- CURRENT ASSETS</b>		<b>587,873</b>	<b>594,268</b>	<b>599,722</b>
<b>TOTAL ASSETS</b>		<b>676,560</b>	<b>681,569</b>	<b>701,662</b>
<b>CURRENT LIABILITIES</b>				
Payables		34,346	39,561	36,226
Interest bearing liabilities		7,073	197	313
Current tax liabilities		12,384	14,255	12,703
Provisions		20,457	11,200	19,579
<b>TOTAL CURRENT LIABILITIES</b>		<b>74,260</b>	<b>65,213</b>	<b>68,821</b>
<b>NON-CURRENT LIABILITIES</b>				
Payables		2,034	1,822	1,898
Interest bearing liabilities		159,908	188,818	192,719
Deferred tax liabilities		707	4,034	4,031
Provisions		6,381	5,966	5,461
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>169,030</b>	<b>200,640</b>	<b>204,109</b>
<b>TOTAL LIABILITIES</b>		<b>243,290</b>	<b>265,853</b>	<b>272,930</b>
<b>NET ASSETS</b>		<b>433,270</b>	<b>415,716</b>	<b>428,732</b>
<b>SHAREHOLDERS' EQUITY</b>				
Contributed equity	2	284,333	284,333	284,333
Reserves		28,683	28,834	29,285
Retained profits	3	103,934	87,335	99,941
<b>Total parent entity interest</b>		<b>416,950</b>	<b>400,502</b>	<b>413,559</b>
<b>Outside equity interests in controlled entities</b>		<b>16,320</b>	<b>15,214</b>	<b>15,173</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>433,270</b>	<b>415,716</b>	<b>428,732</b>

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

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED DECEMBER 31, 2001**

	NOTES	CONSOLIDATED	
		2001 \$'000	2000 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		247,421	236,087
Payments to suppliers and employees		(197,958)	(197,328)
Dividends received		486	46
Interest received		386	173
Interest and other costs of finance paid		(5,334)	(6,049)
Income tax paid		(17,126)	(17,936)
<b>Net cash flow from operating activities</b>		<b>27,875</b>	<b>14,993</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of businesses and controlled entities (net cash)		-	(817)
Proceeds from sale of business and controlled entities (net cash)		(6)	-
Purchase of minority interest		(70)	-
Purchase of investments		(428)	(8,005)
Proceeds from sale of investments		-	-
Purchase of property, plant and equipment		(4,696)	(6,714)
Proceeds from sale of property, plant & equipment		181	732
Purchase of mastheads & radio licences		(19)	-
<b>Net cash flow from investing activities</b>		<b>(5,038)</b>	<b>(14,804)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue		-	-
Subscriptions made by minority shareholders		581	-
Proceeds from borrowings		400	25,478
Repayment of borrowings		(23,330)	(1,180)
Payment of dividends		-	(17,896)
Payment of dividends to outside equity interests		(1,117)	(790)
<b>Net cash flow from financing activities</b>		<b>(23,466)</b>	<b>5,612</b>
<b>NET INCREASE /(DECREASE) IN CASH HELD</b>		<b>(629)</b>	<b>5,801</b>
Cash at beginning of the half-year		8,917	6,227
Exchange variance on opening cash balance		6	(281)
<b>CASH AT THE END OF THE HALF-YEAR</b>	<b>6</b>	<b>8,294</b>	<b>11,747</b>

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

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2001**

**1.STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

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

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

These accounting policies have been consistently applied by the entities in the consolidated entity 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.

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

**Reclassification of financial information**

Some line items and sub-totals reported in the previous reporting periods have been reclassified and repositioned in the financial statements as a result of the first time application on July 1, 2001 of the revised standard AASB 1029 Interim Financial Reporting and the first time application at June 30, 2001 of AASB 1018 Statement of Financial Performance and AASB 1040 Statement of Financial Position.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profits from the face of the statement of financial performance to Note 3.

**Changes in accounting policy**

**a) Foreign currency translation**

The consolidated entity has applied the revised AASB 1012 Foreign Currency Translation for the first time from July 1, 2001. For hedges of specific purchases or sales, the gains or costs on entering the hedge and the exchange differences up to the date of the purchase or sale are now deferred and recognised as assets or liabilities on the statement of financial position from the inception of the hedge contract, not when the specific purchase or sale occurs.

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

**b) Earnings per share**

The consolidated entity has applied AASB 1027 Earnings Per Share for the first time from July 1, 2001. Basic EPS earnings are now calculated as net profit or loss, rather than excluding extraordinary items. Diluted EPS earnings are now calculated by only adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2001**

The identification of dilutive potential ordinary shares is now based on net profit or loss from continuing ordinary operations, not net profit or loss before extraordinary items and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

The change in accounting policy has had no effect on the calculation of EPS in the current or prior periods.

**c) Segment reporting**

The consolidated entity has applied the revised AASB 1005 Segment Reporting for the first time from 1 July 2001. Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns. Comparative information has been restated for the changes in definitions of segment revenues and results.

	<b>CONSOLIDATED</b>		
	<b>Dec 31 2001 \$'000</b>	<b>Jun 30 2001 \$'000</b>	<b>Dec 31 2000 \$'000</b>
<b>2. CONTRIBUTED EQUITY</b>			
Issued and paid-up capital:			
114,521,785 (June 2001 and December 2000: 114,521,785) ordinary shares fully paid	162,098	162,098	162,098
76,654,671 (June 2001 and December 2000: 76,654,671) Preferred shares fully paid	122,235	122,235	122,235
	284,333	284,333	284,333

Share Options: Executive Option Plan (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.

On December 21, 2001 the company granted 220,000 options to acquire Preferred shares on a one for one basis to senior executives. The exercise price was set at \$4.60 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 22, 2004 and December 21, 2007 under the rules of the Plan.

At December 31, 2001 the total number of options outstanding from the above, and from grants in the previous years, were 2,295,000. The options are exercisable once the performance hurdles are met and if exercised will be between December 18, 2001 and December 21, 2007.

	<b>CONSOLIDATED</b>	
	<b>2001 \$'000</b>	<b>2000 \$'000</b>
<b>3. RETAINED EARNINGS</b>		
Retained profits at the beginning of the half-year	87,335	84,861
Net profit attributable to members of the parent entity	27,535	25,022
Dividend provided for or paid	(10,936)	(9,942)
	103,934	99,941

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2001**

		CONSOLIDATED	
		2001	2000
		\$'000	\$'000
<b>4. DIVIDENDS</b>			
Dividends provided for or paid			
Interim dividend declared of 5.50 cents per ordinary share (2000: 5.00 cents )	6,299	5,726	
Interim dividend declared of 6.05 cents per Preferred share (2000: 5.50 cents)	4,637	4,216	
	10,936	9,942	
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:			
– Consolidated at 30% (2000: 34%)	104,752	58,165	
– Rural Press Limited at 30% (2000: 34%)	17,840	5,775	
	122,592	63,940	
<b>5. EARNINGS PER SHARE</b>			
(a) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share			
-ordinary	114,521,785	114,521,785	
- Preferred	76,654,671	76,654,671	
(b) Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share			
-ordinary	114,521,785	114,521,785	
- Preferred	78,759,454	78,732,742	
<b>6. NOTE TO THE STATEMENT OF CASH FLOWS</b>			
(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	9,368	10,474	
Short term deposits	298	1,419	
Bank overdraft	(1,372)	(146)	
	8,294	11,747	
<b>7. CONTINGENT LIABILITIES AND GUARANTEES</b>			

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.

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2001**

**8. SEGMENT REPORTING**

Business segments

	<b>Operating Revenue</b>		<b>Profit before Tax</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Newspaper publishing – Australasia	154,690	150,489	36,885	34,547
Magazine publishing – United States	34,207	33,803	1,321	3,336
Printing - Australasia	67,284	67,238	8,023	6,603
Broadcasting	2,948	3,320	(194)	706
Agricultural Internet Investments	-	-	(1,114)	(344)
Eliminations / other	(32,729)	(31,580)	2,636	2,319
	<u>226,400</u>	<u>223,270</u>	<u>47,557</u>	<u>47,167</u>
Discontinued activities - Outdoor	299	-	(1,583)	(1,254)
Net interest	-	-	(4,953)	(5,262)
	<u>226,699</u>	<u>223,270</u>	<u>41,021</u>	<u>40,651</u>

**9. INVESTMENTS IN ASSOCIATES**

	<b>CONSOLIDATED</b>	
	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Equity information		
Aggregate share of profits/(losses) of associates		
Operating profit/(loss) before income tax	(640)	(1,953)
Income tax expense	-	847
Net Profit/(loss) attributable to members of the parent entity	<u>(640)</u>	<u>(1,106)</u>

**RURAL PRESS LIMITED**  
**and its controlled entities**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2001**

**10. 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	
		2001 \$'000	2000 \$'000	2001 %	2000 %	2001 \$'000	2000 \$'000
Equity Accounted							
The Farmshed Pty Limited	Company	1,576	2,241	45	34	(1,114)	(344)
Street Vision Pty Limited	Company	-	4,346	-	50	-	(1,254)
Gippsland Regional							
Publications Partnership	Partnership	6,193	6,193	50	50	444	446
Others							
	Various	1,560	1,560	40-50	40-50	30	46
		<u>9,329</u>	<u>14,340</u>			<u>(640)</u>	<u>(1,106)</u>
Non Equity Accounted							
DirectAg.Com, Inc	Company	-	3,670				
Farmshed Ventures Pty Limited	Company	2,323	2,323				
Other	Company	459	29				
		<u>2,782</u>	<u>6,022</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 of \$4,288,000 (2000: The Farmshed Ventures Pty Limited and DirectAg.Com, Inc totalling \$17,750,000).

**RURAL PRESS LIMITED  
DIRECTORS' DECLARATION  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2001**

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

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

JB Fairfax, AM  
Director

BK McCarthy  
Director

Sydney NSW February 14, 2002

**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, 2001, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 10 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 "Interim Financial Reporting" 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 Act 2001, including:
  - i) giving a true and fair view of the consolidated entity's financial position as at December 31, 2001 and of its performance for the half-year ended on that date; and
  - ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

KPMG

BK Phillips  
Partner

Sydney  
Date: February 14, 2002