

RURAL PRESS LIMITED

ACN 000 010 382

AND ITS CONTROLLED ENTITIES

Half-Year Financial Report

December 31, 2002

STATUTORY DIRECTORS' REPORT

for the half year ended December 31, 2002

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, 2002 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, retired on October 18, 2002
SF Higgs	Director since 2000
CB Livingstone	Director since 2000
PA Roach	Director since 2001
N Burton Taylor, AM	Appointed Director February 13, 2003
BK McCarthy	Director and Managing Director since 1994

Review of Operations

The result was very pleasing given the local and international business conditions during the period.

The group's geographic and sector diversity enabled it to produce a solid result despite the impact of severe drought conditions on its New South Wales and Queensland agricultural publications and continuing adverse trading conditions experienced by the US-based Farm Progress operations.

The main contributor in the period came from the group's general publishing, particularly through growth in national advertising revenues and volumes. Advertising in the real estate and motor vehicles categories was ahead of both last year and internal targets.

The Bendigo and Horsham publications, purchased in July 2002, have proven worthwhile acquisitions and were earnings per share positive. They will continue to contribute to the group's profitability.

Further efficiency initiatives saw the group successfully introduce computer-to-plate technology at the North Richmond site. The installation of a modern press line in Ballarat, announced in October 2002, is proceeding on schedule and is due for completion in the second half of calendar 2003.

In contrast to the previous year's buoyant trading experience, agricultural publishing endured lower revenues and profits in the period, particularly in drought-affected New South Wales and Queensland. The severe conditions have tested trading levels.

Revenues in Farm Progress in the United States of America continued to be under pressure from intense competition in an overcrowded market brought on by the slow US economy.

On a positive note, New Zealand agricultural publishing continued its impressive recovery, recording profits ahead of budget and last year.

The group recently announced the move to 100 per cent ownership of Star Broadcasting Network. This will enhance the company's long term strategy of once again developing a radio broadcasting network in Australia.

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 13, 2003

RURAL PRESS LIMITED
and its controlled entities
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED DECEMBER 31, 2002

	NOTES	CONSOLIDATED	
		2002 \$'000	2001 \$'000
Revenue from advertising, circulation and printing services		236,283	223,637
Other revenue from operating activities		3,070	3,062
		<u>239,353</u>	<u>226,699</u>
Employee salaries, wages and oncosts		(85,429)	(81,378)
Newspint, plates, ink and consumables used		(36,462)	(34,334)
Outside printing		(10,307)	(10,282)
Communications and postage		(6,722)	(6,906)
Freight and distribution		(5,989)	(5,584)
Occupancy and utilities		(4,266)	(4,139)
Promotion and sponsorship		(2,685)	(2,806)
Motor vehicle		(2,693)	(2,626)
News services		(2,562)	(2,500)
Repairs and maintenance		(2,795)	(2,313)
Other expenses		(16,723)	(19,293)
		<u>(176,633)</u>	<u>(172,161)</u>
Depreciation and amortisation		62,720	54,538
		<u>(7,512)</u>	<u>(7,975)</u>
Borrowing costs		55,208	46,563
Interest income		(5,132)	(5,321)
		223	368
Proceeds on sale of assets		50,299	41,610
Book value of assets sold		1,730	181
Share of net profits/(losses) of associates accounted for using the equity method	9,10	(1,155)	(130)
		-	(640)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		50,874	41,021
Income tax (expense)		(15,636)	(12,512)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		35,238	28,509
Net profit attributable to outside equity interests		(1,173)	(974)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	3	34,065	27,535
Non-Owner transaction changes in equity			
Increase/(decrease) in asset revaluation reserve		-	-
Net exchange difference on translation of financial statements of self-sustaining foreign operations		233	(151)
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		233	(151)
Total changes in equity other than those resulting from transactions with owners as owners		34,298	27,384
EARNINGS PER SHARE (Cents)	5		
Basic			
Ordinary shares		17.1	13.8
Preferred shares		18.8	15.2
Diluted (reflecting potential exercise of share options)			
Ordinary shares		16.7	13.7
Preferred shares		18.4	15.1

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, 2002

	NOTES	CONSOLIDATED		
		Dec 31 2002 \$'000	Jun 30 2002 \$'000	Dec 31 2001 \$'000
CURRENT ASSETS				
Cash		14,358	9,837	9,666
Receivables		75,141	61,763	63,191
Inventories		11,020	10,334	11,835
Other		3,403	4,850	3,995
TOTAL CURRENT ASSETS		103,922	86,784	88,687
NON-CURRENT ASSETS				
Investments accounted for using the equity method	10	7,753	7,753	9,329
Other financial assets		458	459	2,782
Property, plant and equipment		126,747	123,824	127,764
Mastheads		608,492	593,790	432,342
Radio licences		6,487	6,487	6,487
Deferred tax assets		8,128	6,852	5,915
Other		1,830	2,457	3,254
TOTAL NON-CURRENT ASSETS		759,895	741,622	587,873
TOTAL ASSETS		863,817	828,406	676,560
CURRENT LIABILITIES				
Payables		33,703	34,243	34,346
Interest bearing liabilities		5,661	9,157	7,073
Current tax liabilities		13,302	15,776	12,384
Provisions		13,407	10,508	20,457
TOTAL CURRENT LIABILITIES		66,073	69,684	74,260
NON-CURRENT LIABILITIES				
Payables		1,713	1,566	2,034
Interest bearing liabilities		160,470	116,193	159,908
Deferred tax liabilities		6,046	6,038	707
Provisions		6,051	5,622	6,381
TOTAL NON-CURRENT LIABILITIES		174,280	129,419	169,030
TOTAL LIABILITIES		240,353	199,103	243,290
NET ASSETS		623,464	629,303	433,270
EQUITY				
Contributed equity	2	303,557	284,333	284,333
Reserves		187,711	187,478	28,683
Retained profits	3	104,755	130,144	103,934
Total parent entity interest		596,023	601,955	416,950
Outside equity interests in controlled entities		27,441	27,348	16,320
TOTAL EQUITY		623,464	629,303	433,270

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, 2002

	NOTES	CONSOLIDATED	
		2002 \$'000	2001 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		255,894	247,421
Payments to suppliers and employees		(202,012)	(197,958)
Dividends received		93	486
Interest received		213	386
Interest and other costs of finance paid		(4,525)	(5,334)
Income tax paid		(18,984)	(17,126)
Net cash flow from operating activities		30,679	27,875
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of businesses and controlled entities (net cash)		(20,840)	-
Proceeds from sale of business and controlled entities (net cash)		-	(6)
Purchase of minority interest		-	(70)
Purchase of investments		-	(428)
Proceeds from sale of investments		-	-
Purchase of property, plant and equipment		(6,434)	(4,696)
Proceeds from sale of property, plant & equipment		1,730	181
Purchase of mastheads & radio licences		-	(19)
Net cash flow from investing activities		(25,544)	(5,038)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		-	-
Subscriptions made by minority shareholders		-	581
Proceeds from borrowings		57,000	400
Repayment of borrowings		(21,740)	(23,330)
Payment of dividends		(40,230)	-
Payment of dividends to outside equity interests		(1,080)	(1,117)
Net cash flow from financing activities		(6,050)	(23,466)
NET INCREASE /(DECREASE) IN CASH HELD		(915)	(629)
Cash at beginning of the half-year		9,753	8,917
Exchange variance on opening cash balance		20	6
CASH AT THE END OF THE HALF-YEAR	6	8,858	8,294

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, 2002

1.STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The general purpose half-year consolidated financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029 Interim Financial Reporting and Urgent Issues Group Consensus Views. It is recommended that this half-year financial report be read in conjunction with the June 30, 2002 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, are consistent with those applied in the June 30, 2002 Annual Financial Statements and Reports.

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.

Changes in accounting policy

a) Employee benefits

The consolidated entity has applied the revised AASB 1028 Employee Benefits for the first time from July 1, 2002.

The liability for wages and salaries, annual leave is now calculated using the remuneration rates the Company expects to pay as at each reporting date, not wage and salary rates current at reporting date.

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

b) Provisions, contingent liabilities and contingent assets

The consolidated entity has applied AASB 1044 Provisions, Contingent Liabilities and Contingent Assets for the first time from July 1, 2002.

Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, even though the dividends were announced after the end of that financial year.

There was no impact on profit or loss for the reporting period to December 31, 2002.

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2002

	CONSOLIDATED		
	Dec 31	Jun 30	Dec 31
	2002	2002	2001
	\$'000	\$'000	\$'000
2. CONTRIBUTED EQUITY			
Issued and paid-up capital:			
117,273,870 (June 2002 and December 2001: 114,521,785) ordinary shares fully paid	175,686	162,098	162,098
77,784,007 (June 2002 and December 2001: 76,654,671) Preferred shares fully paid	127,871	122,235	122,235
	303,557	284,333	284,333

Dividend Reinvestment Plan ("DRP")

On November 19, 2002 and November 29, 2002 under the DRP, as approved by shareholders on October 9, 1998, the company allotted, after roundings, 2,752,085 ordinary shares fully paid at \$4.937148 per share (\$13,587,451) and 1,129,336 Preferred shares fully paid at \$4.990733 per share (\$5,636,214) from the Special Dividend paid on November 8, 2002.

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

On December 21, 2001 the company granted 220,000 options to acquire Preferred shares on a one for one basis to 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 met are exercisable between December 22, 2004 and December 21, 2007 under the rules of the Plan.

On December 20, 2002 the company granted 460,000 options to acquire Preferred shares on a one for one basis to executives. The exercise price was set at \$4.73 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 met are exercisable between December 21, 2005 and December 20, 2008 under the rules of the Plan.

No options expired or were exercised during the half-year, or prior year.

At December 31, 2002 the total number of options outstanding from the above, and from grants in the previous years, were 3,810,000. The options are exercisable once the performance hurdles are met and if exercised will be before December 20, 2008.

	CONSOLIDATED	
	2002	2001
	\$'000	\$'000
3. RETAINED PROFITS		
Retained profits at the beginning of the half-year	130,144	87,335
Net profit attributable to members of the parent entity	34,065	27,535
Dividend provided for or paid	(59,454)	(10,936)
	104,755	103,934

RURAL PRESS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2002

	CONSOLIDATED	
	2002	2001
	\$'000	\$'000
4. DIVIDENDS		
Dividends provided for or paid		
Interim dividend declared in 2001 of 5.50 cents fully franked per ordinary share	-	6,299
Interim dividend declared in 2001 of 6.05 cents fully franked per Preferred share	-	4,637
Final dividend paid of 9.90 cents fully franked per ordinary share	11,338	-
Final dividend paid of 10.89 cents fully franked per Preferred share	8,348	-
Special dividend declared of 20.00 cents fully franked per ordinary share	22,904	-
Special dividend declared of 22.00 cents fully franked per Preferred share	16,864	-
	59,454	10,936
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 franking credits available for the payment of dividends out of existing franking credits and franking credits arising from the payment of income tax in the forthcoming year:		
– Consolidated	47,577	44,894
– Rural Press Limited	2,940	7,646
	47,577	44,894
From July 1, 2002 the franking credits available have been measured in accordance with the new Business Tax System (Imputation) Act 2002 as the amount of income tax paid rather than being based on after-tax profits as in previous periods.		
Comparative information has been restated for this change in measurement.		
This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credits.		
5. EARNINGS PER SHARE		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share		
-ordinary	115,107,401	114,521,785
- Preferred	76,894,754	76,654,671
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share		
-ordinary	115,107,401	114,521,785
- Preferred	80,312,405	78,759,454

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2002

CONSOLIDATED
2002 2001
\$'000 \$'000

6. NOTE TO THE STATEMENT OF CASH FLOWS

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	13,701	9,368
Short term deposits	657	298
Bank overdraft	(5,500)	(1,372)
	8,858	8,294

7. 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.

8. SEGMENT REPORTING

Business segments

	Operating Revenue		Profit before Tax	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Newspaper publishing – Australasia	173,048	154,690	40,277	36,885
Printing - Australasia	71,044	67,284	9,144	8,023
Eliminations / internal charges / unallocated	(34,129)	(32,729)	4,520	2,636
	209,963	189,245	53,941	47,544
Magazine publishing – United States	25,995	34,207	2,084	1,321
Broadcasting	3,395	2,948	(170)	(194)
Agricultural Internet Investments	-	-	(72)	(1,114)
	239,353	226,400	55,783	47,557
Discontinued activities - Outdoor	-	299	-	(1,583)
Net interest	-	-	(4,909)	(4,953)
	239,353	226,699	50,874	41,021

Profit before tax is disclosed separately for the Newspaper publishing - Australasia and Printing - Australasia activities as required by Accounting Standard AASB 1005 Segment Reporting.

The individually reported financial results for these two activities are determined after various internal charges, internal allocation of indirect costs and with internal revenues being based on historical pricing formulae for production activities. The individually reported financial results do not therefore represent the financial performance of these activities as separate stand alone business segments.

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2002

CONSOLIDATED
2002 2001
\$'000 \$'000

9. INVESTMENTS IN ASSOCIATES

Equity information

Aggregate share of profits/(losses) of associates

Operating profit/(loss) before income tax	-	(640)
Income tax expense	-	-
Net Profit/(loss) attributable to members of the parent entity	-	(640)

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	
		2002 \$'000	2001 \$'000	2002 %	2001 %	2002 \$'000	2001 \$'000
Equity Accounted							
The Farmshed Pty Limited	Company	-	1,576	-	45	-	(1,114)
Gippsland Regional Publications Partnership	Partnership	6,193	6,193	50	50	-	444
Others	Various	1,560	1,560	40-50	40-50	-	30
		<u>7,753</u>	<u>9,329</u>			<u>-</u>	<u>(640)</u>
Non Equity Accounted							
Farmshed Ventures Pty Limited	Company	-	2,323				
Other	Company	458	459				
		<u>458</u>	<u>2,782</u>				

All investments are in ordinary securities, or are convertible to ordinary securities at the investor company's option. Last year the group had a commitment for uncalled capital for The Farmshed Ventures Pty Limited of \$4,288,000.

As from July 1, 2002 the contribution to net profit from associates of \$736,000 is included in Other revenue from operating activities.

**RURAL PRESS LIMITED
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED DECEMBER 31, 2002**

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, 2002 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 13, 2003

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, 2002, 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 in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. 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, 2002 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

KPMG

BK Phillips
Partner

Sydney
Date: February 13, 2003