

RURAL PRESS LIMITED

ACN 000 010 382

AND ITS CONTROLLED ENTITIES

Half-Year Financial Report

December 31, 1998

STATUTORY DIRECTORS' REPORT

for the half year ended December 31, 1998

Your Directors have pleasure in presenting their report together with the consolidated financial report of Rural Press Limited (Chief Entity) for the half year ended December 31, 1998 and the auditors review report thereon.

Directors

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

J. B. Fairfax, AM	Director since 1988 and Chairman since 1990
B. Gowrie Smith	Director since 1985
T. V. Fairfax	Director since 1988
D. J. Asimus, AO	Director since 1989
B. J. Taplin	Director since 1989
I. G. Holmes	Director since 1995
B. K. McCarthy	Director and Managing Director since 1994

Review of Operations

The result was very satisfactory in view of the economic conditions in regional and rural markets across Australia.

Advertising volumes in the Australian agricultural and regional newspapers was similar to last year. This result was achieved despite new competition in a number of our markets and continuing difficulties in the agricultural sector through low commodity prices. Sales revenues in the Printing Division was the same as last year.

In the United States, the Farm Progress Companies merger process continued, with profits consistent with last year after expensing some one-off rationalisation charges. The company is well positioned for long term future growth.

Earnings in New Zealand were considerably lower due largely to the subdued economy and increased competition in a depressed agricultural market. In January, the company completed the purchase of the masthead *Straight Furrow*, to better position New Zealand Rural Press in the market.

The Regional Publishing Division's operations was significantly enhanced on September 23, 1998, through the acquisition of The Federal Capital Press of Australia Pty. Limited, publisher of *The Canberra Times*. The process of assimilating the operations of The Federal Capital Press of Australia is underway, with encouraging early results.

During November, the company extended its activities in broadcasting, completing the purchase of 50.1 per cent of the assets of STAR 106.9FM in Ipswich, Queensland.

The company has continued the rollout of new technology, both for accounting and business needs, and for pre-press production needs. This process, which also addresses the Year 2000 issue, has temporarily increased costs at some sites but will ultimately generate benefits with the modernised technology. Installation work on the new MAN Roland printing press at North Richmond was underway, with commissioning due early in the 1999/2000 financial year.

Trading for the first five weeks of the second half of the current financial year had been below last year, however the company still expected the history of profit growth to be maintained.

Rounding off of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 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

J. B. Fairfax AM
Director

B. K. McCarthy
Director

Kensington NSW February 11, 1999

RURAL PRESS LIMITED
and its controlled entities
PROFIT AND LOSS STATEMENTS
FOR THE HALF-YEAR ENDED DECEMBER 31, 1998

	NOTES	CONSOLIDATED	
		1998	1997
		\$'000	\$'000
Sales Revenue		201,403	174,502
Proceeds on sale of Broadcasting Division		-	87,950
Other Revenue		2,569	2,662
TOTAL REVENUE		203,972	265,114
OPERATING PROFIT BEFORE INTEREST, ABNORMAL ITEM AND INCOME TAX		40,398	36,814
Net interest expense		(5,881)	(4,475)
OPERATING PROFIT BEFORE ABNORMAL ITEM AND INCOME TAX	2	34,517	32,339
Abnormal item before income tax	3	-	31,177
OPERATING PROFIT BEFORE INCOME TAX		34,517	63,516
Income tax attributable to operating profit		(12,383)	(26,517)
OPERATING PROFIT AFTER INCOME TAX		22,134	36,999
Outside equity interests in operating profit after income tax		(1,067)	(1,017)
OPERATING PROFIT AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF THE CHIEF ENTITY		21,067	35,982
Retained profits at the beginning of the half-year		125,989	80,321
Aggregate amounts transferred from reserves		-	535
Total available for appropriation		147,056	116,838
Dividends provided for or paid	5	(57,243)	(7,564)
RETAINED PROFITS AT THE END OF THE HALF-YEAR		89,813	109,274

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

RURAL PRESS LIMITED
and its controlled entities
BALANCE SHEETS
AS AT DECEMBER 31, 1998

	NOTES	CONSOLIDATED		
		Dec 31 1998 \$'000	Jun 30 1998 \$'000	Dec 31 1997 \$'000
CURRENT ASSETS				
Cash and bank deposits		6,784	9,972	13,402
Receivables		68,148	54,534	53,116
Inventories		15,003	15,815	11,998
Other		6,395	2,791	5,071
TOTAL CURRENT ASSETS		96,330	83,112	83,587
NON-CURRENT ASSETS				
Investments		7,806	7,798	8,213
Property, plant and equipment		125,504	73,733	68,747
Mastheads		413,958	302,605	301,318
Radio licences		6,265	1,915	-
Other		16,647	17,410	10,525
TOTAL NON- CURRENT ASSETS		570,180	403,461	388,803
TOTAL ASSETS		666,510	486,573	472,390
CURRENT LIABILITIES				
Accounts payable		42,507	42,866	46,624
Borrowings		18,208	2,688	901
Provisions		29,257	32,124	40,266
TOTAL CURRENT LIABILITIES		89,972	77,678	87,791
NON-CURRENT LIABILITIES				
Accounts payable		2,332	2,121	-
Borrowings		266,681	101,871	100,574
Provisions		6,738	4,448	4,964
TOTAL NON-CURRENT LIABILITIES		275,751	108,440	105,538
TOTAL LIABILITIES		365,723	186,118	193,329
NET ASSETS		300,787	300,455	279,061
SHAREHOLDERS' EQUITY				
Share capital	4	168,381	116,690	116,690
Reserves		28,503	45,360	41,159
Retained profits		89,813	125,989	109,274
Shareholders' equity attributable to members of the chief entity		286,697	288,039	267,123
Outside equity interests in controlled entities		14,090	12,416	11,938
TOTAL SHAREHOLDERS' EQUITY		300,787	300,455	279,061

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

RURAL PRESS LIMITED
and its controlled entities
STATEMENTS OF CASH FLOWS
FOR THE HALF-YEAR ENDED DECEMBER 31, 1998

	NOTES	CONSOLIDATED	
		1998	1997
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		198,713	166,678
Payments to suppliers and employees		(160,110)	(125,524)
Dividends received		50	85
Interest received		215	785
Interest and other costs of finance paid		(6,096)	(5,260)
Income tax paid		(13,481)	(11,072)
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Net cash flow from operating activities		19,291	25,692
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CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of businesses and controlled entities (net cash)		(163,385)	(78,264)
Purchase of investments		-	(20)
Purchase of property, plant and equipment		(12,072)	(4,686)
Purchase of mastheads & radio licences		-	(173)
Proceeds from sale of property, plant & equipment		795	261
Proceeds from sale of investments		140	-
Proceeds from sale of business and controlled entities (net cash)		-	87,479
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Net cash flow from investing activities		(174,522)	4,597
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CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		183,510	78,893
Repayment of borrowings		-	(98,650)
Repayment of deferred vendor finance		-	(10,000)
Payment of dividends		(26,499)	(10,359)
Payment of dividends to outside equity interests		(945)	(760)
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Net cash flow from financing activities		156,066	(40,876)
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NET INCREASE (DECREASE) IN CASH HELD		835	(10,587)
Cash at beginning of the half-year		9,884	25,687
Exchange variance on opening cash balance		(4)	173
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CASH AT THE END OF THE HALF-YEAR	7	10,715	15,273

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

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE ACCOUNTS
FOR THE HALF YEAR ENDED DECEMBER 31, 1998

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, 1998 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 economic entity except where there is a change in accounting policy disclosed in these accounts.

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.

CONSOLIDATED	
1998	1997
\$'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	215	785
Interest paid or due and payable (including lease finance charges)	6,096	5,260
Depreciation including all forms of amortisation	5,910	4,481
Amortisation of goodwill	301	125

3. ABNORMAL ITEM

Profit on sale of Regional Broadcasters Australia Pty. Limited and its subsidiaries	-	31,177
Income tax effect	-	(14,834)
		16,343

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

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE ACCOUNTS
FOR THE HALF YEAR ENDED DECEMBER 31, 1998

	CONSOLIDATED		
	Dec 31 1998	Jun 30 1998	Dec 31 1997
	\$'000	\$'000	\$'000
4. SHARE CAPITAL			
Issued and paid-up capital			
110,732,776 ordinary shares (June 1998 and December 1997: 106,081,929 of \$1.00 each) fully paid	145,385	106,082	106,082
55,773,240 preferred shares (June 1998 and December 1997: 53,041,290 of \$0.20 each) fully paid	22,996	10,608	10,608
	168,381	116,690	116,690
(a) Dividend Reinvestment Plan (“DRP”)			
On December 18, 1998 the DRP, as approved by shareholders on October 9, 1998, allotted 4,650,847 ordinary shares fully paid @ \$4.860679 (\$22,609,000) per share and 2,731,950 preferred shares fully paid @ \$4.533750 (\$12,388,000) per share from the Special Dividend approved by Directors.			
(b) Share Options			
On December 18, 1998 the economic entity granted 1,925,000 options to acquire preferred shares on a one for one basis to senior executives. The exercise price was set at \$4.70 as determined under the rules of the Executive Option Plan (“the Plan”) as approved by shareholders on October 9, 1998. Each option is exercisable once the performance hurdles are met and will be between December 28, 2001 and December 18, 2004 under the rules of the Plan.			
(c) Abolition of par value shares			
The Company Law Review Act 1998 (“the Act”) came into effect on July 1, 1998. The Act abolished par value shares, and any amount standing to the credit of the share premium reserve became part of the Company’s share capital on July 1, 1998. As a result, the balance of the share premium reserve amounting to \$16,694,000 was transferred to the share capital account on July 1, 1998 increasing the share capital on that date to \$133,384,000. From July 1, 1998 share capital does not have a nominal (par) value.			

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE ACCOUNTS
FOR THE HALF YEAR ENDED DECEMBER 31, 1998

	CONSOLIDATED	
	1998	1997
	\$'000	\$'000
5. DIVIDENDS		
Dividends provided for or paid		
Special dividend paid of 30.0 cents per ordinary share	31,824	-
Special dividend paid of 33.0 cents per preferred share	17,503	-
Interim dividend declared of 4.60 cents per ordinary share (1997 4.60 cents)	5,094	4,880
Interim dividend declared of 5.06 cents per preferred share (1997 5.06 cents)	2,822	2,684
	57,243	7,564
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 (before the proposed dividend) out of existing franking credits and franking credits arising from the payment of income tax in the forthcoming year:		
– Pre-acquisition profits at 36%	6,183	15,240
– Post acquisition profits at 36%	83,625	114,635
	89,808	129,875
6. EARNINGS PER SHARE		
(a) Basic earnings per share (dollars per share)	.132	.226
(b) Diluted earnings per share (dollars per share)	.132	.226
(c) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	159,644,830	159,123,219
(d) Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	159,780,835	159,123,219
The 1997 figure includes the abnormal sale of the Broadcasting Division, the Basic earnings per share would have been \$0.123.		
7. NOTES TO THE STATEMENTS OF CASH FLOW		
(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	6,784	13,402
Short term deposits	3,931	1,871
Bank overdraft	-	-
	10,715	15,273

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE ACCOUNTS
FOR THE HALF YEAR ENDED DECEMBER 31, 1998

8. SEGMENT REPORTING

	Operating Revenue		Segment Assets		Earnings before Tax	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Australasia	168,732	145,369	546,480	359,014	35,515	30,485
United States	35,025	23,731	120,030	113,376	4,883	4,629
	<u>203,757</u>	<u>169,100</u>	<u>666,510</u>	<u>472,390</u>	<u>40,398</u>	<u>35,114</u>
Discontinued segment						
– Radio Division	-	7,279	-	-	-	1,700
Abnormal item	-	87,950	-	-	-	31,177
Net interest	215	785	-	-	(5,881)	(4,475)
	<u>203,972</u>	<u>265,114</u>	<u>666,510</u>	<u>472,390</u>	<u>34,517</u>	<u>63,516</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 and therefore no material losses will be incurred. The costs expected in defending these actions have been allowed for in the accounts.

10. CONTROL GAINED/LOST OVER ENTITIES

Control Gained

The economic entity gained the control of the Federal Capital Press of Australia Pty. Limited and its subsidiary on September 23, 1998. The contribution to consolidated profit after tax was \$2,568,000.

**RURAL PRESS LIMITED
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED DECEMBER 31, 1998**

In the opinion of the Directors of Rural Press Limited:

1. The financial statements and notes set out on pages 3 to 9 are in accordance with the Corporations Law, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 1998 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.

J. B. Fairfax, AM
Director

B. K. McCarthy
Director

Kensington N.S.W. February 11, 1999

**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 31 December 1998, consisting of the profit and loss account, balance sheet, statement of cash flows, accompanying notes and the directors' declaration set out on pages 3 to 10. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report.

We have performed the 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, 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 31 December 1998 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
Chartered Accountants

B. Phillips
Partner

Sydney
Date