

RURAL PRESS LIMITED

ACN 000 010 382

AND ITS CONTROLLED ENTITIES

Half-Year Financial Report

December 31, 1999

STATUTORY DIRECTORS' REPORT

for the half year ended December 31, 1999

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, 1999 and the auditors 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:

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 again proved the value of the company's growth strategy of geographic diversification. The performance of the company's Australian operations was particularly strong and offset softness in the overseas markets. The result from Australia was even more satisfying when disruptions experienced during the installation of new technology across the group were taken into account.

Australian Agricultural Publishing revenues reflected further improvements in advertising volumes after the pleasing trends of the last couple of years. New Zealand Agricultural publishing showed a slight improvement over last year as a consequence of some product rationalisation initiatives. The US Farm Progress operation encountered difficult agribusiness markets and was unable to maintain advertising revenues and profits at previous levels.

While management was disappointed with the result from the US, it was important to note that the business was still generating a good return on the company's investment and provided potential growth opportunities.

The Regional Publishing Division also experienced more buoyant trading conditions, driven by national advertising volumes. Margins had improved despite some disruption and additional costs from new technology installations to satisfy Y2K compliance.

The Printing Division managed to grow overall revenues and profits despite the completion of two external pre-press contracts. The Division absorbed significant costs associated with the installation of the new MAN Roland press at its North Richmond site. The press commissioning is proceeding, with full production scheduled from March, 2000.

The Broadcasting Division continued to be a growing component of the company with improved revenues and profitability in the Queensland and South Australian stations.

The Canberra Times and its associated publications continued to improve under the company's ownership and made a significant contribution to the group result. Experience with the Canberra Times MAN Uniman press has assisted training of North Richmond printing staff during the commissioning phase.

With the acquisition of the Canberra Times, Rural Press now derives increased revenues from metropolitan markets. This trend is likely to continue with increasing external printing revenue being drawn from these markets once the new North Richmond press is in full production and colour capacity in the company's other presses is further increased.

The company continues to enhance its presence on the Internet to provide its customers access to this new medium. Activity recorded on the company's web-sites continues to build as features are added, notwithstanding the limited promotional initiatives to date.

Since its launch in October 1999, propertyguide.com.au has built a solid base with 450,000 page views in the month of January, 2000. Also in January, canberratimes.com.au achieved approximately 500,000 page views. A greater level of promotion will be undertaken following the imminent launch of the jobsguide.com.au and autoguide.com.au sites. Local yourguides are being actively worked on and are gaining excellent feedback from initial viewings.

On November 26, 1999 the company raised \$90m through a new Preferred share issue at a price of \$4.80 per share resulting in the issue of 18,750,000 new Preferred shares. Directors were pleased with the outcome of this capital raising. It has placed the company in a sound position to pursue growth opportunities in both traditional and new media and Directors are confident that enhanced shareholder returns will be achieved over the long term.

The company made particular mention of the dedication of the company's staff who were able to produce this record result at the same time as they dealt with the Y2K technology roll out.

Given the current trading conditions in the company's markets the company is confident of a further record annual profit for the year ending June 30, 2000.

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

J. B. Fairfax AM
Director

B. K. McCarthy
Director

Kensington NSW February 10, 2000

RURAL PRESS LIMITED
and its controlled entities
PROFIT AND LOSS STATEMENT
FOR THE HALF-YEAR ENDED DECEMBER 31, 1999

	NOTES	CONSOLIDATED	
		1999	1998
		\$'000	\$'000
Sales Revenue		217,421	201,403
Proceeds on sale of part of Queensland publishing division		8,440	-
Other Revenue		3,573	2,569
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TOTAL REVENUE		229,434	203,972
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OPERATING PROFIT BEFORE INTEREST, ABNORMAL ITEM AND INCOME TAX		49,271	40,398
Net interest expense		(7,241)	(5,881)
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OPERATING PROFIT BEFORE ABNORMAL ITEM AND INCOME TAX	2	42,030	34,517
Abnormal item before income tax	3	3,699	-
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OPERATING PROFIT BEFORE INCOME TAX		45,729	34,517
Income tax attributable to operating profit		(16,507)	(12,383)
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OPERATING PROFIT AFTER INCOME TAX		29,222	22,134
Outside equity interests in operating profit after income tax		(892)	(1,067)
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OPERATING PROFIT AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		28,330	21,067
Retained profits at the beginning of the half-year		96,679	125,989
Aggregate amounts transferred from reserves		-	-
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Total available for appropriation		125,009	147,056
Dividends provided for or paid	5	(49,619)	(57,243)
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RETAINED PROFITS AT THE END OF THE HALF-YEAR		75,390	89,813

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, 1999

	NOTES	CONSOLIDATED		
		Dec 31 1999 \$'000	Jun 30 1999 \$'000	Dec 31 1998 \$'000
CURRENT ASSETS				
Cash		16,589	33,765	6,784
Receivables		62,556	61,600	68,148
Inventories		12,637	13,752	15,003
Other		5,066	3,881	6,395
TOTAL CURRENT ASSETS		96,848	112,998	96,330
NON-CURRENT ASSETS				
Investments		7,805	7,806	7,806
Property, plant and equipment		136,230	134,813	125,504
Mastheads		404,627	406,138	413,958
Radio licences		6,469	6,469	6,265
Other		13,386	15,757	16,647
TOTAL NON- CURRENT ASSETS		568,517	570,983	570,180
TOTAL ASSETS		665,365	683,981	666,510
CURRENT LIABILITIES				
Accounts payable		36,738	42,168	42,507
Borrowings		323	18,304	18,208
Provisions		73,260	39,340	29,257
TOTAL CURRENT LIABILITIES		110,321	99,812	89,972
NON-CURRENT LIABILITIES				
Accounts payable		1,691	1,969	2,332
Borrowings		171,165	268,675	266,681
Provisions		8,720	8,744	6,738
TOTAL NON-CURRENT LIABILITIES		181,576	279,388	275,751
TOTAL LIABILITIES		291,897	379,200	365,723
NET ASSETS		373,468	304,781	300,787
SHAREHOLDERS' EQUITY				
Share capital	4	257,594	168,381	168,381
Reserves		26,060	25,826	28,503
Retained profits		75,390	96,679	89,813
Shareholders' equity attributable to members of the parent entity		359,044	290,886	286,697
Outside equity interests in controlled entities		14,424	13,895	14,090
TOTAL SHAREHOLDERS' EQUITY		373,468	304,781	300,787

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, 1999

	NOTES	CONSOLIDATED	
		1999	1998
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		217,131	198,713
Cash payments in the course of operations		(168,864)	(160,110)
Dividends received		21	50
Interest received		539	215
Interest and other costs of finance paid		(7,780)	(6,096)
Income tax paid		(15,411)	(13,481)
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Net cash flow from operating activities		25,636	19,291
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CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of businesses and controlled entities (net cash)		-	(163,385)
Purchase of investments		(2)	-
Purchase of property, plant and equipment		(10,819)	(12,072)
Purchase of mastheads & radio licences		-	-
Proceeds from sale of property, plant & equipment		1,092	795
Proceeds from sale of investments		5	140
Proceeds from sale of business and controlled entities (net cash)		8,328	-
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Net cash flow from investing activities		(1,396)	(174,522)
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CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		89,213	-
Proceeds from borrowings		750	183,510
Repayment of borrowings		(116,795)	-
Payment of dividends		(13,968)	(26,499)
Payment of dividends to outside equity interests		(758)	(945)
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Net cash flow from financing activities		(41,558)	156,066
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NET INCREASE (DECREASE) IN CASH HELD		(17,318)	835
Cash at beginning of the half-year		35,386	9,884
Exchange variance on opening cash balance		292	(4)
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CASH AT THE END OF THE HALF-YEAR	7	18,360	10,715

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, 1999

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, 1999 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.

CONSOLIDATED	
1999	1998
\$'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	539	215
Interest paid or due and payable (including lease finance charges)	7,780	6,096
Depreciation including all forms of amortisation	7,244	5,910
Amortisation of goodwill	304	301

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

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 1999

	CONSOLIDATED		
	Dec 31 1999	Jun 30 1999	Dec 31 1998
	\$'000	\$'000	\$'000
4. SHARE CAPITAL			
Issued and paid-up capital			
111,093,331 (June 1999 and December 1998: 111,093,136) ordinary shares fully paid	145,385	145,385	145,385
74,523,240 (June 1999 and December 1998: 55,773,240) preferred shares fully paid	112,209	22,996	22,996
	257,594	168,381	168,381
 (a) Preferred Shares			
On November 29, 1999 the company allotted from a capital raising 18,750,000 preferred shares fully paid @ \$4.80. The proceeds less expenses raised \$89,213,031.			
 (b) Share Options			
On December 17, 1999 the company granted an additional 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 Executive Option Plan ("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 28, 2002 and December 18, 2005 under the rules of the Plan.			

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 1999

	CONSOLIDATED	
	1999	1998
	\$'000	\$'000
5. DIVIDENDS		
Dividends provided for or paid		
Special dividend declared of 20.70 cents per ordinary share (1998: 30.00 cents)	22,996	31,824
Special dividend declared of 22.77 cents per preferred share (1998: 33.00 cents)	16,969	17,503
Interim dividend declared of 5.00 cents per ordinary share (1998: 4.60 cents)	5,555	5,094
Interim dividend declared of 5.50 cents per preferred share (1998: 5.06 cents)	4,099	2,822
	49,619	57,243
 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 36%	1,738	6,183
– Post acquisition profits at 36%	58,209	83,625
	59,947	89,808
 6. EARNINGS PER SHARE		
(a) Basic earnings per share (dollars per share)	0.166	0.132
(b) Diluted earnings per share (dollars per share)	0.165	0.132
(c) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	170,229,198	159,644,830
(d) Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	172,113,763	159,780,835

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	16,589	6,784
Short term deposits	1,884	3,931
Bank overdraft	(113)	-
	18,360	10,715

RURAL PRESS LIMITED
and its controlled entities
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 1999

8. SEGMENT REPORTING

	Operating Revenue		Segment Assets		Earnings before Tax	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Australasia	191,459	168,732	561,477	546,480	46,254	35,515
United States	28,996	35,025	103,888	120,030	3,017	4,883
	<u>220,455</u>	<u>203,757</u>	<u>665,365</u>	<u>666,510</u>	<u>49,271</u>	<u>40,398</u>
Abnormal item	8,440	-	-	-	3,699	-
Net interest	539	215	-	-	(7,241)	(5,881)
	<u>229,434</u>	<u>203,972</u>	<u>665,365</u>	<u>666,510</u>	<u>45,729</u>	<u>34,517</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. The contribution to consolidated profit after tax was \$94,000 (1998: \$356,000) and the contribution to consolidated profit from the sale of interest was \$3,699,000.

**RURAL PRESS LIMITED
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED DECEMBER 31, 1999**

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 December 31, 1999 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 10, 2000

**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, 1999, consisting of the profit and loss statement, balance sheet, statement of cash flows, accompanying notes 1 to 10 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 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, 1999 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

B. K. Phillips
Partner

Sydney
Date: