

**INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED**  
(Registered Number: 3899652)

**DIRECTORS' REPORT AND ACCOUNTS**

**31 DECEMBER 2008**

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**INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**YEAR ENDED 31 DECEMBER 2008**

**DIRECTORS' REPORT**

The Directors submit their report and the accounts of the Company for the year ended 31 December 2008.

The Directors' report has been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

**REVIEW OF THE BUSINESS**

The principal activity during the period was investment monitoring.

The Directors do not foresee any significant changes to the business in the forthcoming year.

**RESULTS AND DIVIDENDS**

Loss on ordinary activities for the year after taxation was £198,735 (2007 profit: £2,388,077). The Directors do not recommend the payment of a dividend (2007: nil).

**DIRECTORS**

The following Directors served during the year:

B M A Hopkins

A J Round

A A Canavan (resigned 4 July 2008)

Dr C Gibson (resigned 4 July 2008)

B McIvor (resigned 4 July 2008)

Lady M Quigley (resigned 4 July 2008)

T M Ringland (resigned 4 July 2008)

Lord D Rogan (resigned 4 July 2008)

L J P O'Hagan (resigned 4 July 2008)

I G Fallon

D O'Reilly (resigned 4 July 2008)

**INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**YEAR ENDED 31 DECEMBER 2008**

**DIRECTORS' REPORT (continued)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the company will be put to the Annual General Meeting.

**By order of the Board**



**D Bracken**  
Company Secretary

27 July 2009

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED**

We have audited the financial statements of Independent News & Media (Northern Ireland) Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED (Continued)**

**Emphasis of Matter - going concern**

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Directors' confidence in the Company's ability to continue as a going concern. The matters explained in note 1 indicate the existence of a material uncertainty which may cast significant doubt about this ability. The financial statements do not include any adjustments that would be necessary if the company were unable to continue as a going concern.

 CVP

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London

27 July 2009

**INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED**

**PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 31 DECEMBER 2008**

	Note	Year Ended 31 December 2008 £	Year Ended 31 December 2007 £
Administrative expenses		<u>(198,735)</u>	<u>(316,923)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	(198,735)	(316,923)
Tax on loss on ordinary activities	4	<u>-</u>	<u>2,705,000</u>
<b>RETAINED (LOSS) / PROFIT FOR THE PERIOD</b>		(198,735)	2,388,077
<b>ACCUMULATED PROFIT BROUGHT FORWARD</b>		<u>9,446,919</u>	<u>7,058,842</u>
<b>ACCUMULATED PROFITS CARRIED FORWARD</b>		<u>9,248,184</u>	<u>9,446,919</u>

The result for the financial period is derived entirely from continuing operations within the United Kingdom.

There is no difference between the results reported above and the results on an unmodified historical cost basis.

The Company has no recognised gains or losses other than the loss for the period and therefore no separate statement of total recognised gains and losses has been presented.

**The notes on pages 7 to 12 form part of these accounts.**

**INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED**

**BALANCE SHEET**

**AS AT 31 DECEMBER 2008**

	Note	31 December 2008 £	31 December 2007 £
<b>CURRENT ASSETS</b>			
Debtors	6	9,252,685	9,454,920
<b>CREDITORS</b>			
Amounts falling due within one year	7	<u>(4,500)</u>	<u>(8,000)</u>
<b>NET CURRENT ASSETS</b>		<u>9,248,185</u>	<u>9,446,920</u>
<b>NET ASSETS</b>		<u>9,248,185</u>	<u>9,446,920</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	1	1
Profit and loss account		<u>9,248,184</u>	<u>9,446,919</u>
<b>EQUITY SHAREHOLDER'S FUNDS</b>		<u>9,248,185</u>	<u>9,446,920</u>

Approved by the Board on 27 July 2009.

*A. J. Round*

A J Round – Director

The notes on pages 7 to 12 form part of these accounts.

## INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED

### NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2008

#### 1 ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention, in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below:

##### (a) Basis of preparation and Liquidity

The financial statements are prepared on the going concern basis under the assumption that the company's ultimate parent company (the Group) will continue to provide financial support to the company to enable it to meet its liabilities as they fall due, for the foreseeable future. The ultimate parent company has committed to this. However as a result of the current difficult credit markets, the Group has been unable to raise new debt to fund the maturity of the €200million 5.75% bond ('Bonds') which were due to mature on 18 May 2009. The Group does not have sufficient headroom under its existing facilities in order to meet this maturity and service its debt obligations.

In addition the Group's banking facilities contain certain covenant tests relating to Net Debt to EBITDA and EBITDA to Net Interest. Failure of a covenant test would render the facilities in default and repayable on demand at the option of the lenders if an amendment or waiver is not granted by the lenders in advance. The Group reports on these covenants to the eight banks within the Group's bank group (the 'Banks') bi-annually as part of the facility agreements. While the Group was compliant with its banking covenants as at 31 December 2008, the covenants were due to be retested again as at 30 June 2009 and 31 December 2009. The Group remains both profitable and cash generative but, given the continued difficult trading conditions within which the Group is currently operating, there is now a strong likelihood of a breach of the financial covenants within the Group's borrowing facilities during 2009 if an amendment or waiver is not granted by the lenders in advance.

The Group has entered into a standstill agreement with the holders of the Bonds and the Banks for the period to 27 August 2009, during which period neither the holders of the Bonds nor the Banks can take any action to enforce any claim for any payment.

The Group has appointed advisers to advise it in relation to its refinancing requirements and the Group has entered into constructive discussions with an ad-hoc committee of the holders of the Bonds (the 'Bondholders'), its Banks and the two major shareholders, in relation to the Group's proposal to reschedule maturities on the Bonds and Bank debt and agree covenant amendments and the provision of working capital facilities. However there can be no certainty that these discussions with the Bondholders, the Banks and the two major shareholders will be successfully concluded or that banking facilities will continue to be available to the Group on commercially acceptable terms.

Given the current economic circumstances and the difficulties in raising finance, the Directors have had detailed and ongoing discussions as a Board and have been kept up to date on the discussions by the Group's Board of Directors. Although the Group's Board of Directors remain confident of a satisfactory outcome, they have concluded that the combination and timing of these circumstances is not entirely within their control, and accordingly the Directors have concluded these circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's and company's ability to continue as a going concern. If this is the case the company may be unable to continue to realize assets and discharge liabilities in the normal course of business.



# INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### ACCOUNTING POLICIES (Continued)

#### (a) Basis of preparation and Liquidity (Continued)

However discussions to date with the Group's Bondholders, Banks and two major shareholders have indicated a willingness to seek agreement and the Directors remain confident that an agreement will be reached with them which is acceptable to the Group. Consequently having made due enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the company has and will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements and these financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

#### (b) Deferred Tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is only recognised when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Amounts relating to deferred taxation are undiscounted.

### 2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2008	2007
Loss on ordinary activities before taxation is stated after charging:	£	£
Wages and salaries	100,000	200,000
Social security costs	7,234	20,923
Staff costs	107,234	220,923
Consultancy fees	78,500	96,000

Auditors' remuneration is borne by the parent company.

### 3 DIRECTORS' EMOLUMENTS

	2008	2007
Director's emoluments consist of:	£	£
Aggregate emoluments (see note 2)	107,234	220,923

Full details of the Directors' emoluments of A J Round, I G Fallon and B M A Hopkins in respect of their services to the UK Group and the international Group can be found in the financial statements of Independent News & Media (UK) Limited and Independent News & Media plc.

# INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### 4 TAXATION

#### (a) Analysis of (credit) for the period

	2008 £	2007 £
<b>Current tax</b>		
Adjustment in respect of prior years	-	-
	<u>-</u>	<u>-</u>

#### (b) Factors affecting the tax credit for the period

The tax assessed for the period is lower than (2007: higher than) the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2008 £	2007 £
Profit / (Loss) on ordinary activities before tax	(198,735)	(316,923)
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(56,639)	(95,077)
<i>Effects of:</i>		
Tax charge on imputed interest income	122,740	114,653
Adjustments to tax charge in respect of previous periods	-	282,831
Brought forward losses utilised	-	(126,930)
Group relief claimed	(66,101)	(2,880,477)
Current tax credit for period	<u>-</u>	<u>(2,705,000)</u>

Both the current and total tax credit on the profit / (loss) before tax will continue to be affected by the generation and surrender of tax losses.

The current tax credit relates to group relief provided to a fellow subsidiary company against capital profit in that subsidiary company for which payment will be received by Independent News & Media (Northern Ireland) Limited.

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect 1 April 2008. Accordingly the company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

#### (c) Deferred Tax

No deferred tax was recognised at 31 December 2008 (31 December 2007: £nil) on the basis that there is insufficient evidence of suitable taxable profits from which the tax losses can be offset against and from which the future reversal of the underlying timing difference can be deducted.

	2008 £	2007 £
Tax losses carried forward	-	-
	<u>-</u>	<u>-</u>

# INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### 5 INVESTMENTS

	Shares in Group Undertakings £
At 31 December 2007 & 31 December 2008:	
Cost	172,015,350
Impairment provision	<u>(172,015,350)</u>
Net book value	<u>-</u>

The Company's subsidiaries (which are all registered and operating in England) at 31 December 2008 were as follows:

Subsidiaries	Business	Percentage of nominal value of ordinary shares
TIH Belfast	Investment	100%
Independent News & Media (Nominees) Ltd	Investment	100%

TIH Belfast is in the process of being wound up.

Independent News & Media (Nominees) Ltd was dormant during the financial period.

Under Section 228 of the Companies Act the company is exempt from the obligation to prepare group accounts, as the company is a wholly owned subsidiary of Independent News and Media PLC, and is included in the consolidated financial statements of that company, a company incorporated in the Republic of Ireland (see Note 13).

### 6 DEBTORS (amounts falling due within one year)

	2008 £	2007 £
Amounts owed by Group undertakings	9,252,685	9,441,919
Other debtors	<u>-</u>	<u>13,001</u>
	<u>9,252,685</u>	<u>9,454,920</u>

Amounts owed by Group undertakings are non-interest bearing, unsecured and repayable on demand.

**INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**7 CREDITORS (amounts falling due within one year)**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Other creditors	4,500	8,000
	<u>4,500</u>	<u>8,000</u>

**8 SHARE CAPITAL**

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	100	100	1	1
	<u>100</u>	<u>100</u>	<u>1</u>	<u>1</u>

**9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS**

	<b>£</b>
Opening Shareholders Funds at 1 January 2008	9,446,920
Loss for the year	(198,735)
<b>Closing Shareholders Funds at 31 December 2008</b>	<u><b>9,248,185</b></u>

**10 EMPLOYEES**

The Company had no employees other than directors (average of 7) during the period (2007: 11).

**11 CONTINGENT LIABILITIES**

They had no contingent liabilities at the balance sheet date.

**12 CASH FLOW STATEMENT**

The Company is exempt from producing a cash flow statement under Financial Reporting Standard 1 as it is wholly owned by a parent undertaking established under the law of a member state of the European Community. The parent undertaking prepares consolidated financial statements, including a consolidated cash flow statement, which includes all subsidiary undertakings. These financial statements are drawn up in accordance with companies' legislation promulgated within the Republic of Ireland.

## **INDEPENDENT NEWS & MEDIA (NORTHERN IRELAND) LIMITED**

### **NOTES TO THE ACCOUNTS (Continued)**

#### **13 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS**

The ultimate holding company is Independent News & Media PLC, a company incorporated in the Republic of Ireland.

As permitted by paragraph 3(c) of FRS8 - Related Party Disclosures, transactions with other entities in the Group are not disclosed. There are no other related party transactions.

The immediate parent company is Independent News & Media (UK) Limited, a company incorporated in the United Kingdom.

Independent News & Media PLC is the parent undertaking of the smallest and largest group to consolidate these financial statements. A copy of those accounts can be obtained from Independent House, 2023 Bianconi Avenue, Citywest Business Campus, Naas Road, Dublin 24, Ireland.