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ACP Media (UK) Investments Limited

Report and Financial Statements

31 December 2007

Registered No: 5296666

Directors
I F Law
M Stanton

Secretary
M Stanton

Auditors
Ernst & Young LLP
400 Capability Green
Luton
Beds
LU1 3LU

Bankers
HSBC Bank plc
27-32 Poultry
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EC2P 2BX

Registered office
Room 602
77 Oxford Street
London
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2007.

Results and dividends

The loss for the year amounted to £2,748,502 (six months ended 31 December 2006: loss of £1,138,922). The directors do not recommend the payment of any dividends (2006: nil).

Principal activities and review of the business

The principal activity of the company during the year is the management of the 50% holding in the unlimited liability ACP-NatMag partnership. The company entered into a transaction with a third party company, Natmag Investments Limited, being the entity which holds the remaining 50% interest in the ACP-NatMag Partnership. The principal activity of the partnership is the publishing and distribution of magazines and periodicals.

The company recognised share of profits from the ACP-NatMag Partnership of £1,015,520 for the year ended 31 December 2007 compared with a loss of £722,366 for the six months ended 31 December 2006.

Best delivered solid circulation results for the year, however advertising revenue decreased in line with market trends. Costs were under budget on the title but ahead of last year due to marketing investments. Reveal advertising revenue was strong in the year. Circulation revenue was below budget, but remained consistent year on year. Costs were controlled on the title. The second year since the launch of Real People remained tough, with circulation struggling in an already crowded market. Advertising revenue was up year on year.

Post balance sheet event

On 5 March 2008, the company sold its 50% interest in the ACP-NatMag Partnership to The National Magazine Company Limited for £20,000,100. Subsequently, the company discontinued its trading activities.

As a result, the company carried out an impairment review of the carrying value of its investment in ACP-NatMag Partnership and made an impairment provision of £2,483,448 as at 31 December 2007. The investment has been reclassified from fixed assets to current assets.

Principal risks and uncertainties

Up to the date of disposal of the investment in the ACP-NatMag Partnership the principal risks associated with the operations of the company were generated through its investment in the ACP-NatMag partnership, a business in which the company held a 50% interest. The cash flows generated by this partnership supported the majority of cash receipts of the company. The risks below refer to those faced by the partnership.

- *Competitive risks*

  The principal competitive risk relates to the probability of large multi-nationals entering into the market via "loss leader" products. Other risks include new launches by competitors and the erosion of advertising revenue by online media.

- *Exposure to cash flow and liquidity risk*

  The company is not directly exposed to credit risk, the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation.

  Liquidity and cash flow risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The group aims to mitigate liquidity risk by managing cash generation through the operations of the partnership in which it ultimately invests.

Directors' report

The directors were not aware of any liquidity or credit problems in the partnership in which the company invested.

The company has not been exposed to any specific risk since the date of disposal of its investment in the ACP-NatMag Partnership on 5 March 2008.

Directors

The directors who served the company during the year were as follows:

C Morrison	(resigned 5 March 2008)
J H Alexander	(resigned 23 July 2007)
I F Law	
S D Lorson	(appointed 23 July 2007 and resigned 30 September 2008)

In addition, M Stanton was appointed as a director on 18 August 2008.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and

- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

Director

16 DEC 2008

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to 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.

Independent auditors' report
to the members of ACP Media (UK) Investments Limited

We have audited the financial statements of ACP Media (UK) Investments Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and 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).

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.

Independent auditors' report

to the members of ACP Media (UK) Investments Limited

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 2007 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.

Ernst + Young LLP

Ernst & Young LLP
Registered Auditor
Luton

17 December 2008

Profit and loss account
for the year ended 31 December 2007

	Notes	Year ended 31 December 2007 £	Six months ended 31 December 2006 £
Turnover		–	–
Administrative expenses		(295,514)	(7,861)
Exceptional item	2	(2,483,448)	–
Operating loss	2	(2,778,962)	(7,861)
Share of profit/(loss) from partnership	6	1,015,520	(722,366)
		(1,763,442)	(730,227)
Interest payable and similar charges	4	(985,060)	(408,695)
Loss on ordinary activities before taxation		(2,748,502)	(1,138,922)
Tax on loss on ordinary activities	5	–	–
Loss for the financial period		(2,748,502)	(1,138,922)

The company discontinued its trading activities following the disposal of its investment in the ACP-NatMag Partnership on 5 March 2008.

Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £2,748,502 (six months ended 31 December 2006: loss of £1,138,922) attributable to the shareholders for the year ended 31 December 2007.

Balance sheet
at 31 December 2007

	Notes	31 December 2007 £	31 December 2006 £
Fixed assets			
Investments	6	-	20,885,081
Current assets			
Investments	6	19,417,153	-
Debtors	7	-	3,750,000
Cash at bank		1,348	1,348
		19,418,501	3,751,348
Creditors: amounts falling due within one year	8	256,223	268,173
Net current assets		19,162,278	3,483,175
Total assets less current liabilities		19,162,278	24,368,256
Creditors: amounts falling due after more than one year	9	14,572,195	17,029,671
		4,590,083	7,338,585
Capital and reserves			
Called up share capital	11	12,001,000	12,001,000
Profit and loss account	12	(7,410,917)	(4,662,415)
Shareholders' funds	12	4,590,083	7,338,585

The financial statements were approved by the board on........16 DEC 2008.......and signed on its behalf by:

Director

Notes to the financial statements
at 31 December 2007

1. Accounting policies

Basis of preparation
The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Fundamental accounting concept
The financial statements have been prepared on a going concern basis.

The company is a controlled entity of PBL Media Holdings Pty Limited. The results of the company have been included in the consolidated financial statements of PBL Media Holdings Pty Limited and its controlled entities ("the PBL Media Holdings Group") for the year ended 30 June 2008. The company is one of the Guarantors of the Senior Debt and Mezzanine Note financing facilities of the PBL Media Holdings Group.

In the year ended 30 June 2008, the PBL Media Holdings Group's EBITDA was $508.9m and as at 30 June 2008 the PBL Media Holdings Group has a positive net asset balance of $925m.

The PBL Media Holdings Group has debt facilities including Senior Debt facilities and Mezzanine Note facilities. There are no refinancing events due for the Senior Debt until 7th February 2013 and until 7th April 2014 for the Mezzanine Notes. Amortisation of the Senior Debt over the next 12 months requires a repayment of approximately $22m in December 2008 and approximately $22 million in June 2009.

As part of its financing facilities, the PBL Media Holdings Group is subject to certain customary financial covenants measured on a quarterly basis. The PBL Media Holdings Group has been in compliance with all of its financial covenant requirements to date including the quarter ended 30 June 2008 and subsequently the quarter ended 30 September 2008.

In December 2008, the PBL Media Holdings Group announced it had received overwhelming consent from its banking syndicate for the $445m recapitalisation package put forward by its ultimate shareholders, funds advised by CVC Capital Partners and CVC Asia Pacific ("CVC funds"). The recapitalisation involves CVC funds investing $335 million of new equity into the PBL Media Holdings Group while at the same time cancelling $110 million of excess undrawn facilities.

The package comes with wholesale changes to the existing financial covenants relating to the PBL Media Holdings Group's £3.8 billion of net debt post recapitalisation.

The group is therefore not forecasting a breach of debt covenants in the foreseeable future. Consequently, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent undertaking publishes consolidated financial statements.

Related party transactions
At 31 December 2007 the company was a wholly owned subsidiary of PBL Media Holdings Pty Limited, the consolidated financial statements of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the group.

Notes to the financial statements
at 31 December 2007

1. Accounting policies (continued)

Deferred taxation
Deferred tax is recognised in respect of all 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, or a right to pay less, tax in the future have occurred.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Accounting for share of partnership
The profit and loss account includes the company's share of the profit or loss in the partnership in the period. This is determined on a pro rata basis based on the partnership's audited financial statements for the period to 31 December in each accounting period.

Investments in jointly controlled partnerships
Investments in jointly controlled partnerships are initially recorded at cost and the carrying amount is increased or decreased to recognise the company's share of the profit or loss of the jointly controlled partnerships.

The carrying value of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Other investments
Investments are shown at cost less provision for diminution in value.

Notes to the financial statements
at 31 December 2007

2. Operating loss

This is stated after charging:

	Year ended 31 December 2007 £	*Six months ended 31 December 2006* £
Auditors' remuneration - audit services	10,500	7,500
- non audit services	5,450	5,050
Directors' emoluments	–	–
Net loss on foreign currency translation	279,564	5,211
Diminution in value of investment (note 6)	2,483,448	–

3. Staff costs

No salaries or wages have been paid to employees, including the directors, during the year (six months ended 31 December 2006: £nil).

4. Interest payable and similar charges

	Year ended 31 December 2007 £	*Six months ended 31 December 2006* £
Interest on loans due to group undertakings	985,060	408,695

5. Tax

a) Tax on loss on ordinary activities:

The tax charge is made up as follows:

	Year ended 31 December 2007 £	*Six months ended 31 December 2006* £
Current tax:		
UK corporation tax	–	–
Tax on loss on ordinary activities (note 5(b))	–	–

Notes to the financial statements
at 31 December 2007

5. Tax (continued)

b) Factors affecting current tax charge:

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are reconciled below:

	Year ended 31 December 2007	*Six months ended 31 December 2006*
	£	£
Loss on ordinary activities before tax	(2,748,502)	(1,138,922)
Loss on ordinary activities multiplied by standard rate of corporation tax in UK of 30% (2006 : 30%)	(824,551)	(341,677)
Expenses not deductible for tax purposes	1,081,817	167,592
Other timing differences	–	122,608
Tax losses carried forward	(182,411)	51,477
Group relief	(74,855)	–
Total current tax (note 5(a))	–	–

c) Deferred tax

Deferred tax assets not provided in the financial statements are as follows:

	31 December 2007	*31 December 2006*
	£	£
Other timing differences	428,833	459,464
Tax losses	82,953	271,290
	511,786	730,754

The deferred tax assets have not been recognised as there is insufficient evidence that the assets will be recoverable. The deferred tax assets will be recognised once the company generates sufficient taxable profits.

There are no unprovided deferred tax liabilities.

d) Factors that may affect future tax charges:

On 21 March 2007 the UK Chancellor of the Exchequer announced a number of corporate tax reforms effective from 1 April 2008. The following changes to corporation tax will have an impact on the company:

- Corporation tax reduction from 30% to 28%; and
- Tax amortisation on plant and machinery capital additions will be reduced from 25% to 20% per annum.

The full impact of these changes has yet to be ascertained but it is likely that the company will have a lower UK effective tax rate on any future taxable profits.

Notes to the financial statements
at 31 December 2007

6. Investments

	Interests in jointly controlled partnership £
Cost:	
At 1 January 2007 and at 31 December 2007	24,009,305
50% share of partnership profit/(loss):	
At 1 January 2007	(3,124,224)
50% share of partnership profit for the year	1,015,520
At 31 December 2007	(2,108,704)
Diminution in value	(2,483,448)
	(4,592,152)
Carrying value at 31 December 2007- classified as a current asset	19,417,153
Carrying value at 1 January 2007- classified as a fixed asset	20,885,081

The company held a 50% holding in ACP-NatMag Partnership. The principal activity of ACP-NatMag Partnership was the publication and distribution of magazines and periodicals. The registered address of the Partnership is: National Magazine House, 72 Broadwick Street, London W1F 9EP.

The financial statements of ACP-NatMag Partnership for the year ended 31 December 2007 showed the following amounts:

	£
Turnover	32,883,458
Profit for the year (nil tax)	2,031,040
Fixed assets	36,251,001
Current assets	5,583,849
Liabilities due within one year	(46,052,291)
Net assets	(4,217,441)

Under the provision of section 228 of the Companies Act 1985 the company is exempt from preparing consolidated financial statements. Therefore the financial statements show information about the company as an individual entity.

On 5 March 2008, the company sold its 50% interest in the ACP-NatMag Partnership to The National Magazine Company Limited for £20,000,100. Subsequently, the company discontinued its trading activities.

As a result, the company carried out an impairment review of the carrying value of its investment in ACP-NatMag Partnership and made an impairment provision of £2,483,448 as at 31 December 2007. The investment has been reclassified from fixed assets to current assets.

Notes to the financial statements
at 31 December 2007

7. Debtors

	31 December 2007 £	*31 December 2006* £
Amounts due from ACP-NatMag Partnership	–	3,750,000

8. Creditors: amounts falling due within one year

	31 December 2007 £	*31 December 2006* £
Accruals	22,000	33,950
Amounts due to group undertakings	234,223	234,223
	256,223	268,173

9. Creditors: amounts falling due after more than one year

	31 December 2007 £	*31 December 2006* £
Loan from group undertakings	12,766,606	13,531,547
Amounts due to group undertakings	1,805,589	3,498,124
	14,572,195	17,029,671

Interest is charged on the loan from the parent undertaking at LIBOR plus 1.1%. The loan is unsecured and is not repayable until after 31 December 2008.

10. Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

Notes to the financial statements
at 31 December 2007

11. Share capital

				Authorised
		31 December 2007		*31 December 2006*
	No.	*£*	*No.*	*£*
Ordinary shares of £1 each	50,000,000	50,000,000	50,000,000	50,000,000

				Allotted, called up and full paid
		31 December 2007		*31 December 2006*
	No.	*£*	*No.*	*£*
Ordinary shares of £1 each	12,001,000	12,001,000	12,001,000	12,001,000

12. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Profit and loss account*	*Total share-holders' funds*
	£	*£*	*£*
At 1 July 2006	12,001,000	(3,523,493)	8,477,507
Loss for the period	–	(1,138,922)	(1,138,922)
At 1 January 2007	12,001,000	(4,662,415)	7,338,585
Loss for the year	–	(2,748,502)	(2,748,502)
At 31 December 2007	12,001,000	(7,410,917)	4,590,083

13. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is ACP Media (UK) Limited, a company incorporated in the United Kingdom.

The company's ultimate parent undertaking and controlling party is PBL Media Holdings Pty Limited, a company incorporated in Australia. Copies of group financial statements can be obtained from 54-58 Park Street, Sydney, Australia.

14. Post balance sheet event

On 5 March 2008, the company sold its 50% interest in the ACP-NatMag Partnership to The National Magazine Company Limited for £20,000,100. Subsequently, the company discontinued its trading activities.

As a result, the company carried out an impairment review of the carrying value of its investment in ACP-NatMag Partnership and made an impairment provision of £2,483,448 as at 31 December 2007. The investment has been reclassified from fixed assets to current assets.

Notes to the financial statements
at 31 December 2007

15. Guarantees
The company is one of the guarantors of the Senior Debt and Mezzanine Note financing facilities of the PBL Media Holdings Group. At 31 December 2007 the Senior Debt was AUD$3,604million and the Mezzanine Note was AUD$695million. See note 1 for details of the PBL Media Holdings group recapitalisation and improvement in group debt facilities.