

Cumbrian Newspapers Limited

Audited Financial Statements for year ended
31 December, 2005

Company Registration Number 2729



Saint & Co.

Chartered Accountants & Registered Auditors

CUMBRIAN NEWSPAPERS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

CONTENTS	PAGES
Company information	1
The directors' report	2 to 3
Independent auditors' report to the shareholders	4 to 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 to 16

CUMBRIAN NEWSPAPERS LIMITED

COMPANY INFORMATION

The board of directors

Mr R.L.F. Burgess
Mr K.O. Sutton (resigned - 23 December 2005)
Mr D. Bowden
Mrs H. J. Scott
Mr T. Hall
Mr G. Beattie
Mr A. J. Swanston
Mr T. S. Johnston
Mr C. Bisco
Mr C. Edgar

Company secretary

Mr A. J. Swanston

Registered office

PO Box 7
Newspaper House
Dalston Road
Carlisle
CA2 5UA

Auditors

Saint & Co
Chartered Accountants
& Registered Auditors
Sterling House
Wavell Drive, Rosehill
Carlisle, Cumbria
CA1 2SA

Bankers

HSBC Bank PLC
PO Box 5
29 English Street
Carlisle
Cumbria
CA3 8JT

CUMBRIAN NEWSPAPERS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2005

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of newspaper publishers and printers.

A full review of the business in 2005 is available in the annual report of the parent company.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,744,940. Particulars of dividends paid are detailed in note 10 to the financial statements.

DIRECTORS

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

Mr R.L.F. Burgess

Mr D. Bowden

Mrs H. J. Scott

Mr T. Hall

Mr G. Beattie

Mr A. J. Swanston

Mr T. S. Johnston

Mr C. Bisco

Mr C. Edgar

Mr K.O. Sutton

(Resigned 23 December 2005)

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 8 to 9, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- state whether applicable 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.

The directors are responsible for keeping proper accounting records which 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. The directors 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.

CUMBRIAN NEWSPAPERS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2005

DISABLED EMPLOYEES

Disabled persons are employed by the company when they appear to be suited to a particular vacancy. It is the company's policy to continue, where possible, to employ persons who become disabled during their employment.

EMPLOYEE INVOLVEMENT

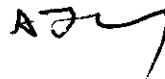
The company maintains a system of briefing and consultation to inform all employees of the company's performance.

AUDITORS

A resolution to re-appoint Saint & Co as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
PO Box 7
Newspaper House
Dalston Road
Carlisle
CA2 5UA

Signed by order of the directors



MR A. J. SWANSTON
Company Secretary

Approved by the directors on 31 March 2006

CUMBRIAN NEWSPAPERS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
CUMBRIAN NEWSPAPERS LIMITED
YEAR ENDED 31 DECEMBER 2005

We have audited the financial statements of Cumbrian Newspapers Limited for the year ended 31 December 2005 on pages 6 to 16 which have been prepared on the basis of the accounting policies set out on pages 8 to 9.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 judgements 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

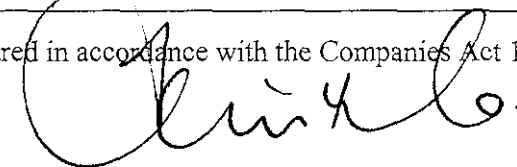
In our opinion:

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 2005 and of its profit for the year then ended; and

CUMBRIAN NEWSPAPERS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
CUMBRIAN NEWSPAPERS LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2005

the financial statements have been properly prepared in accordance with the Companies Act 1985.



SAINT & CO
Chartered Accountants
& Registered Auditors

Sterling House
Wavell Drive, Rosehill
Carlisle, Cumbria
CA1 2SA

31 March 2006

CUMBRIAN NEWSPAPERS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2005

	Note	2005 £	2004 £
TURNOVER	2	22,685,424	21,981,915
OPERATING COSTS:			
Raw materials and consumables		(4,758,080)	(5,079,978)
Staff costs	3	(10,047,842)	(8,757,737)
Depreciation written off fixed assets	4	(1,034,960)	(989,102)
Other operating charges		(4,321,599)	(3,837,278)
OPERATING PROFIT	4	2,522,943	3,317,820
Cost of restructuring the company	6	(28,875)	—
		2,494,068	3,317,820
Income from fixed asset investments	7	55,468	51,506
Interest receivable and similar income		68,839	197,716
Interest payable and similar charges	8	(72,171)	(153,161)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,546,204	3,413,881
Tax on profit on ordinary activities	9	(801,264)	(1,016,155)
PROFIT FOR THE FINANCIAL YEAR		<u>1,744,940</u>	<u>2,397,726</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 16 form part of these financial statements.

CUMBRIAN NEWSPAPERS LIMITED

BALANCE SHEET

31 DECEMBER 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	11	8,401,559	7,665,525
Investments	12	5,429	5,429
		<u>8,406,988</u>	<u>7,670,954</u>
CURRENT ASSETS			
Stocks	13	282,543	279,870
Debtors	14	4,562,410	3,588,893
Cash at bank and in hand		4,766	1,129,733
		<u>4,849,719</u>	<u>4,998,496</u>
CREDITORS: Amounts falling due within one year	15	<u>(4,969,686)</u>	<u>(3,840,121)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(119,967)</u>	<u>1,158,375</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,287,021</u>	<u>8,829,329</u>
CREDITORS: Amounts falling due after more than one year	16	<u>(178,571)</u>	<u>(892,857)</u>
		<u>8,108,450</u>	<u>7,936,472</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	18	<u>(1,225,021)</u>	<u>(1,115,175)</u>
		<u>6,883,429</u>	<u>6,821,297</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	212,079	212,079
Profit and loss account		6,671,350	6,609,218
SHAREHOLDERS' FUNDS	22	<u>6,883,429</u>	<u>6,821,297</u>

These financial statements were approved by the directors on the 31 March 2006 and are signed on their behalf by:

MR R.L.F. BURGESS

MR A. J. SWANSTON




CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

FRS 21 'Events after the Balance Sheet date (IAS 10)'

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 5-33.33% per annum on cost
Motor Vehicles	- 20% per annum on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES *(continued)*

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company participates in a defined benefit multi-employer pension scheme. The assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme, in accordance with the exemptions provided in FRS 17 as if it were a defined contribution scheme. The annual amounts payable are charged to the profit and loss account. The defined benefit scheme is accounted for under FRS 17 in the parent company accounts, CN Group Limited and any available information about the surplus or deficit in the scheme is shown in these accounts.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

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 future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted 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.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2005	2004
	£	£
United Kingdom	<u>22,685,424</u>	<u>21,981,915</u>

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2005	2004
	No	No
Number of production staff	315	308
Number of administrative staff	22	27
	<u>337</u>	<u>335</u>

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	7,995,802	7,578,285
Social security costs	608,552	602,598
Other pension costs	1,443,488	576,854
	<u>10,047,842</u>	<u>8,757,737</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2005	2004
	£	£
Depreciation of owned fixed assets	1,035,535	990,059
Profit on disposal of fixed assets	(575)	(957)
Auditors' remuneration		
- as auditor	8,700	8,500
- for other services	7,815	8,545
Operating lease costs:		
Plant and equipment	882	322
Other	<u>611,057</u>	<u>615,299</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2005	2004
	£	£
Emoluments receivable	<u>555,348</u>	<u>618,821</u>

Emoluments of highest paid director:

	2005	2004
	£	£
Total emoluments (excluding pension contributions)	<u>120,897</u>	<u>139,261</u>

Benefits are accruing under a defined benefits pension scheme and, at the year end the accrued pension amounted to £12,980 (2004 - £32,214).

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

5. DIRECTORS' EMOLUMENTS *(continued)*

The number of directors who accrued benefits under company pension schemes was as follows:

	2005	2004
	No	No
Defined benefit schemes	7	8

6. COST OF REORGANISATION OR RESTRUCTURING

	2005	2004
	£	£
Redundancy costs	<u>28,875</u>	<u>—</u>

7. INCOME FROM FIXED ASSET INVESTMENTS

	2005	2004
	£	£
Income from unlisted investments	<u>55,468</u>	<u>51,506</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Interest payable on bank borrowing	70,231	153,161
Other similar charges payable	1,940	—
	<u>72,171</u>	<u>153,161</u>

9. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2005	2004
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	447,805	949,550
Over/under provision in prior year	(30,641)	36,483
	<u>417,164</u>	<u>986,033</u>
Group relief	274,254	(43,033)
Total current tax	<u>691,418</u>	<u>943,000</u>
Deferred tax:		
Origination and reversal of timing differences	109,846	73,155
Tax on profit on ordinary activities	<u>801,264</u>	<u>1,016,155</u>

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

9. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>2,546,204</u>	<u>3,413,881</u>
Profit/(loss) on ordinary activities by rate of tax	763,862	1,024,164
Expenses not deductible for tax purposes	25,264	9,859
Non-taxable income	-	(15,452)
Capital allowances for the period in excess of depreciation	(96,479)	(69,023)
Utilisation of tax losses	29,412	-
Adjustments to the tax charge in respect of prior periods	<u>(30,641)</u>	<u>(6,548)</u>
Total current tax (note 9(a))	<u>691,418</u>	<u>943,000</u>

10. DIVIDENDS

Dividends on equity shares

	2005 £	2004 £
Paid		
Equity dividends on ordinary shares	<u>1,682,808</u>	<u>1,721,598</u>

11. TANGIBLE FIXED ASSETS

	Plant & Machinery £
COST	
At 1 January 2005	15,556,897
Additions	1,774,979
Disposals	(10,221)
Transfers	3,037
At 31 December 2005	<u>17,324,692</u>
DEPRECIATION	
At 1 January 2005	7,891,372
Charge for the year	1,035,535
On disposals	(3,774)
At 31 December 2005	<u>8,923,133</u>
NET BOOK VALUE	
At 31 December 2005	<u>8,401,559</u>
At 31 December 2004	<u>7,665,525</u>

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

11. TANGIBLE FIXED ASSETS *(continued)*

Capital commitments

	2005 £	2004 £
Contracted but not provided for in the financial statements	6,000	991,224

12. INVESTMENTS

	Unlisted Investments £
COST	
At 1 January 2005 and 31 December 2005	5,429
NET BOOK VALUE	
At 31 December 2005	5,429
At 31 December 2004	5,429

13. STOCKS

	2005 £	2004 £
Raw materials	282,543	279,870

14. DEBTORS

	2005 £	2004 £
Trade debtors	3,901,431	3,164,562
Amounts owed by group undertakings	414,775	209,465
Other debtors	136,372	88,231
Prepayments and accrued income	109,832	126,635
	4,562,410	3,588,893

15. CREDITORS: Amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	1,767,053	730,437
Trade creditors	331,002	438,728
Amounts owed to group undertakings	1,895,371	1,300,604
Taxation and social security	561,649	838,902
Other creditors	8,044	8,224
Accruals and deferred income	406,567	523,226
	4,969,686	3,840,121

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

15. CREDITORS: Amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2005	2004
	£	£
Bank loans and overdrafts	<u>1,767,053</u>	<u>730,437</u>

16. CREDITORS: Amounts falling due after more than one year

	2005	2004
	£	£
Bank loans and overdrafts	<u>178,571</u>	<u>892,857</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2005	2004
	£	£
Bank loans and overdrafts	<u>178,571</u>	<u>892,857</u>

17. PENSIONS

The company participates in a defined benefit multi-employer pension scheme. The assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme, in accordance with the exemptions provided in FRS 17 as if it were a defined contribution scheme. The annual amounts payable are charged to the profit and loss account. The defined benefit scheme is accounted for under FRS 17 in the parent company accounts, CN Group Limited and any available information about the surplus or deficit in the scheme is shown in these accounts.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method and are based on pension costs across the group as a whole. The most recent valuation was at 1 November, 2004. The pension charge for the year was £640,533 (2004 - £576,854).

Particulars of the actuarial valuation of the scheme are contained in the financial statements of the holding company, CN Group Limited.

18. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2005	2004
	£	£
Provision brought forward	1,115,175	1,042,020
Profit and loss account movement arising during the year	109,846	73,155
Provision carried forward	<u>1,225,021</u>	<u>1,115,175</u>

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

18. DEFERRED TAXATION *(continued)*

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2005 £	2004 £
Excess of taxation allowances over depreciation on fixed assets	1,261,021	1,168,331
General provisions	(36,000)	(53,156)
	<u>1,225,021</u>	<u>1,115,175</u>

19. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	2005		2004	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	-	49,639	-	31,719
Within 2 to 5 years	272,850	252,681	235,000	262,980
After more than 5 years	27,500	-	27,500	-
	<u>300,350</u>	<u>302,320</u>	<u>262,500</u>	<u>294,699</u>

20. SHARE CAPITAL

Authorised share capital:

	2005 £	2004 £
253,000 Ordinary shares of £1 each	<u>253,000</u>	<u>253,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	212,079	212,079	212,079	212,079

21. PROFIT AND LOSS ACCOUNT

	2005 £	2004 £
Balance brought forward	6,609,218	5,933,090
Profit for the financial year	1,744,940	2,397,726
Equity dividends paid (FRS 25)	(1,682,808)	(1,721,598)
Balance carried forward	<u>6,671,350</u>	<u>6,609,218</u>

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Profit for the financial year	1,744,940	2,397,726
Equity dividends paid (FRS 25)	(1,682,808)	(1,721,598)
Net addition to shareholders' funds	<u>62,132</u>	<u>676,128</u>
Opening shareholders' funds	6,821,297	6,145,169
Closing shareholders' funds	<u>6,883,429</u>	<u>6,821,297</u>

23. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of CN Group Limited, which is incorporated in England and Wales.