

The Cumberland News

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CUMBRIAN NEWSPAPERS LIMITED

FINANCIAL STATEMENTS

FOR

31 DECEMBER 2006

Company Registration Number 2729



Saint & Co.

Chartered Accountants & Registered Auditors

WEDNESDAY



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COMPANIES HOUSE

CUMBRIAN NEWSPAPERS LIMITED

COMPANY INFORMATION

The board of directors	Mr R L F Burgess Mr D Bowden Mr T Hall Mr G Beattie Mr A J Swanston Mr T S Johnston Mr C Bisco Mr C Edgar Mr N R Hodgkinson
Company secretary	Mr A J Swanston
Registered office	PO Box 7 Newspaper House Dalston Road Carlisle CA2 5UA
Auditor	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

YEAR ENDED 31 DECEMBER 2006

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2006

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 2006 is available in the annual report of the parent company

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,657,332 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

Mr T Hall

Mr G Beattie

Mr A J Swanston

Mr T S Johnston

Mr C Bisco

Mr C Edgar

Mr N R Hodgkinson (Appointed 7 September 2006)

Mrs H J Scott (Resigned 29 September 2006)

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 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 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

CUMBRIAN NEWSPAPERS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2006

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 so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

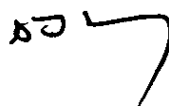
The company maintains a system of briefing and consultation to inform all employees of the company's performance.

AUDITOR

A resolution to re-appoint Saint & Co as auditor 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 30 March 2007

CUMBRIAN NEWSPAPERS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CUMBRIAN NEWSPAPERS LIMITED
YEAR ENDED 31 DECEMBER 2006

We have audited the financial statements of Cumbrian Newspapers Limited for the year ended 31 December 2006 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 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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).

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 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.

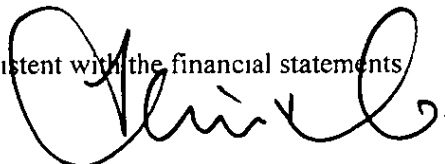
OPINION

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 2006 and of its profit for the year then ended,

CUMBRIAN NEWSPAPERS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CUMBRIAN NEWSPAPERS LIMITED *(continued)*
YEAR ENDED 31 DECEMBER 2006

- 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



SAINT & CO
Chartered Accountants
& Registered Auditors

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

30 March 2007

CUMBRIAN NEWSPAPERS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
TURNOVER	2	23,498,785	22,685,424
OPERATING COSTS:			
Raw materials and consumables		(5,149,877)	(4,758,079)
Staff costs	3	(10,307,931)	(10,047,842)
Depreciation written off fixed assets	4	(1,168,710)	(1,034,960)
Other operating charges		(4,454,605)	(4,321,600)
OPERATING PROFIT	4	2,417,662	2,522,943
Cost of restructuring the company	6	(124,142)	(28,875)
		2,293,520	2,494,068
Income from fixed asset investments	7	38,035	55,468
Interest receivable and similar income		36,899	68,839
Interest payable and similar charges	8	(32,557)	(72,171)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,335,897	2,546,204
Tax on profit on ordinary activities	9	(678,565)	(801,264)
PROFIT FOR THE FINANCIAL YEAR		1,657,332	1,744,940

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

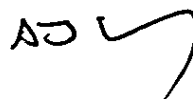
31 DECEMBER 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	11	8,009,347	8,401,559
Investments	12	5,429	5,429
		<u>8,014,776</u>	<u>8,406,988</u>
CURRENT ASSETS			
Stocks	13	267,647	282,543
Debtors	14	4,166,674	4,562,410
Cash at bank and in hand		520,809	4,766
		<u>4,955,130</u>	<u>4,849,719</u>
CREDITORS: Amounts falling due within one year	15	<u>(4,369,755)</u>	<u>(4,969,686)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>585,375</u>	<u>(119,967)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,600,151</u>	<u>8,287,021</u>
CREDITORS: Amounts falling due after more than one year	16	<u>—</u>	<u>(178,571)</u>
		<u>8,600,151</u>	<u>8,108,450</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	18	(1,153,690)	(1,225,021)
		<u>7,446,461</u>	<u>6,883,429</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	212,079	212,079
Profit and loss account	21	7,234,382	6,671,350
SHAREHOLDERS' FUNDS	22	<u>7,446,461</u>	<u>6,883,429</u>

These financial statements were approved by the directors on the 30 March 2007 and are signed on their behalf by

MR R L F BURGESS

MR A J SWANSTON

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

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES

Basis of accounting

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

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

Stocks

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

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

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

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 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

	2006 £	2005 £
United Kingdom	<u>23,498,785</u>	<u>22,685,424</u>

3 PARTICULARS OF EMPLOYEES

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

	2006 No	2005 No
Number of production staff	337	315
Number of administrative staff	<u>22</u>	<u>22</u>
	<u>359</u>	<u>337</u>

The aggregate payroll costs of the above were

	2006 £	2005 £
Wages and salaries	8,293,900	7,995,802
Social security costs	615,862	608,552
Other pension costs	<u>1,398,169</u>	<u>1,443,488</u>
	<u>10,307,931</u>	<u>10,047,842</u>

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2006	2005
	£	£
Depreciation of owned fixed assets	1,168,860	1,035,535
Profit on disposal of fixed assets	(150)	(575)
Operating lease costs		
Plant and equipment	1,541	882
Other	691,627	611,057
Auditor's remuneration - audit of the financial statements	9,100	8,700
Auditor's remuneration - other fees	<u>9,066</u>	<u>7,815</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2006	2005
	£	£
Emoluments receivable	<u>505,154</u>	<u>555,348</u>

Emoluments of highest paid director:

	2006	2005
	£	£
Total emoluments (excluding pension contributions)	<u>120,558</u>	<u>120,897</u>

Benefits are accruing under a defined benefits pension scheme and, at the year end the accrued pension amounted to £16,988 (2005 - £12,980)

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

	2006	2005
	No	No
Defined benefit schemes	<u>7</u>	<u>7</u>

6. COST OF REORGANISATION OR RESTRUCTURING

	2006	2005
	£	£
Redundancy costs	<u>124,142</u>	<u>28,875</u>

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

7. INCOME FROM FIXED ASSET INVESTMENTS

	2006	2005
	£	£
Income from unlisted investments	<u>38,035</u>	<u>55,468</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Interest payable on bank borrowing	31,550	70,231
Other similar charges payable	<u>1,007</u>	<u>1,940</u>
	<u>32,557</u>	<u>72,171</u>

9. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2006	2005
	£	£
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	441,890	447,805
Over/under provision in prior year	<u>(52,777)</u>	<u>(30,641)</u>
	389,113	417,164
Group relief	<u>360,783</u>	<u>274,254</u>
Total current tax	749,896	691,418
Deferred tax		
Origination and reversal of timing differences	<u>(71,331)</u>	<u>109,846</u>
Tax on profit on ordinary activities	<u>678,565</u>	<u>801,264</u>

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

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 higher than the standard rate of corporation tax in the UK of 30% (2005 - 30%)

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>2,335,897</u>	<u>2,546,204</u>
Profit/(loss) on ordinary activities by rate of tax	700,769	763,862
Expenses not deductible for tax purposes	22,331	42,420
Non-taxable income	(11,411)	-
Capital allowances for the period in excess of depreciation	(6,155)	(96,479)
Movements on provisions	91,067	(17,156)
Utilisation of tax losses	6,072	29,412
Adjustments to the tax charge in respect of prior periods	<u>(52,777)</u>	<u>(30,641)</u>
Total current tax (note 9(a))	<u>749,896</u>	<u>691,418</u>

10. DIVIDENDS

Equity dividends

	2006 £	2005 £
Paid		
Equity dividends on ordinary shares	<u>1,094,300</u>	<u>1,682,808</u>

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

11 TANGIBLE FIXED ASSETS

	Plant & Machinery £
COST	
At 1 January 2006	17,324,692
Additions	774,040
Disposals	(425)
Transfers	17,659
At 31 December 2006	18,115,966
DEPRECIATION	
At 1 January 2006	8,923,133
Charge for the year	1,168,860
On disposals	(425)
Transfers	15,051
At 31 December 2006	10,106,619
NET BOOK VALUE	
At 31 December 2006	8,009,347
At 31 December 2005	8,401,559

Capital commitments

	2006 £	2005 £
Contracted but not provided for in the financial statements	136,593	6,000

12 INVESTMENTS

	Unlisted Investments £
COST	
At 1 January 2006 and 31 December 2006	5,429
NET BOOK VALUE	
At 31 December 2006	5,429
At 31 December 2005	5,429

13. STOCKS

	2006 £	2005 £
Raw materials	267,647	282,543

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

14. DEBTORS

	2006	2005
	£	£
Trade debtors	3,521,453	3,901,431
Amounts owed by group undertakings	278,370	414,775
Other debtors	174,577	136,372
Prepayments and accrued income	192,274	109,832
	<u>4,166,674</u>	<u>4,562,410</u>

15. CREDITORS: Amounts falling due within one year

	2006	2005
	£	£
Bank loans and overdrafts	190,785	1,767,053
Trade creditors	472,490	331,002
Amounts owed to group undertakings	2,363,336	1,895,371
Taxation and social security	623,060	561,649
Other creditors	377,406	8,044
Accruals and deferred income	342,678	406,567
	<u>4,369,755</u>	<u>4,969,686</u>

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

	2006	2005
	£	£
Bank loans and overdrafts	<u>190,785</u>	<u>1,767,053</u>

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

	2006	2005
	£	£
Bank loans and overdrafts	<u>—</u>	<u>178,571</u>

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

	2006	2005
	£	£
Bank loans and overdrafts	<u>—</u>	<u>178,571</u>

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

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 full actuarial valuation was carried out on the 1st November, 2004 and updated on the 31st December 2006 by a qualified independent actuary. The pension charge for the year was £1,073,155 (2005 - £1,443,488, this included a one off payment of £802,955).

In addition to the defined benefit scheme the company has introduced a defined contribution arrangement and contributed £1,459 to this in the year. An additional payment of £323,555 will be paid into the scheme after the year end and is included in other creditors.

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

	2006 £	2005 £
Provision brought forward	1,225,021	1,115,175
Profit and loss account movement arising during the year	(71,331)	109,846
Provision carried forward	<u>1,153,690</u>	<u>1,225,021</u>

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

	2006 £	2005 £
Excess of taxation allowances over depreciation on fixed assets	1,280,757	1,261,021
General provisions	(127,067)	(36,000)
	<u>1,153,690</u>	<u>1,225,021</u>

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

19 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	2006		2005	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire				
Within 1 year	-	76,316	-	49,639
Within 2 to 5 years	312,900	218,104	272,850	252,681
After more than 5 years	-	-	27,500	-
	<u>312,900</u>	<u>294,420</u>	<u>300,350</u>	<u>302,320</u>

20. SHARE CAPITAL

Authorised share capital:

	2006 £	2005 £
253,000 Ordinary shares of £1 each	<u>253,000</u>	<u>253,000</u>

Allotted, called up and fully paid.

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	<u>212,079</u>	<u>212,079</u>	<u>212,079</u>	<u>212,079</u>

21 PROFIT AND LOSS ACCOUNT

	2006 £	2005 £
Balance brought forward	6,671,350	6,609,218
Profit for the financial year	1,657,332	1,744,940
Equity dividends paid (FRS 25)	(1,094,300)	(1,682,808)
Balance carried forward	<u>7,234,382</u>	<u>6,671,350</u>

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	1,657,332	1,744,940
Equity dividends paid (FRS 25)	(1,094,300)	(1,682,808)
Net addition to shareholders' funds	563,032	62,132
Opening shareholders' funds	6,883,429	6,821,297
Closing shareholders' funds	<u>7,446,461</u>	<u>6,883,429</u>

23. ULTIMATE PARENT COMPANY

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