

CUMBRIAN NEWSPAPERS LIMITED
FINANCIAL STATEMENTS
FOR
31 DECEMBER 2004

Company Registration Number 2729



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

CUMBRIAN NEWSPAPERS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

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CUMBRIAN NEWSPAPERS LIMITED

COMPANY INFORMATION

The board of directors	Mr R.L.F. Burgess Mr K.O. Sutton 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

YEAR ENDED 31 DECEMBER 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2004.

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 2004 is available in the annual report of the parent company.

RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2004	2003
	£	£
Dividends paid on ordinary shares	<u>1,721,598</u>	<u>1,506,930</u>

DIRECTORS

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

Mr R.L.F. Burgess

Mr K.O. Sutton

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

(Appointed 2 December 2004)

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

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 at the end of the year and of the profit or loss for the year then ended. 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.

CUMBRIAN NEWSPAPERS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

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.

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

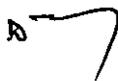
The company maintains a system of briefing and consultation to inform all employees of the company's performance.

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 11 April 2005

CUMBRIAN NEWSPAPERS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
CUMBRIAN NEWSPAPERS LIMITED
YEAR ENDED 31 DECEMBER 2004

We have audited the financial statements of Cumbrian Newspapers Limited for the year ended 31 December 2004 on pages 6 to 15 which have been prepared under the historical cost convention and 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 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 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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

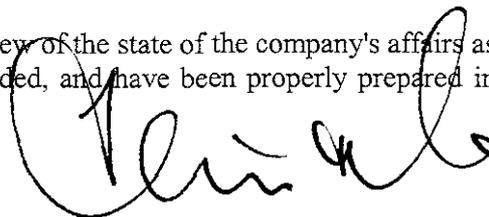
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

CUMBRIAN NEWSPAPERS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
CUMBRIAN NEWSPAPERS LIMITED *(continued)*
YEAR ENDED 31 DECEMBER 2004

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



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

SAINT & CO
Chartered Accountants
& Registered Auditors

11 April 2005

CUMBRIAN NEWSPAPERS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
TURNOVER	2	21,981,914	19,529,580
OPERATING COSTS:			
Raw materials and consumables		(5,079,978)	(4,312,654)
Staff costs	3	(8,757,737)	(7,639,584)
Depreciation written off fixed assets	4	(989,102)	(1,086,098)
Other operating charges		(3,837,278)	(3,379,838)
OPERATING PROFIT	4	3,317,819	3,111,406
Income from fixed asset investments	6	51,506	75,278
Interest receivable and similar income		197,716	125,514
Interest payable and similar charges	7	(153,161)	(123,544)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,413,880	3,188,654
Tax on profit on ordinary activities	8	(1,016,155)	(928,258)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,397,725	2,260,396
Dividends	9	(1,721,598)	(1,506,930)
RETAINED PROFIT FOR THE FINANCIAL YEAR		676,127	753,466
Balance brought forward		5,933,090	5,179,624
Balance carried forward		6,609,217	5,933,090

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 15 form part of these financial statements.

CUMBRIAN NEWSPAPERS LIMITED

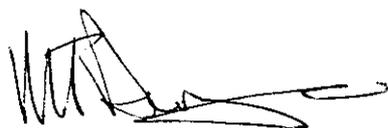
BALANCE SHEET

31 DECEMBER 2004

		2004		2003	
	Note	£	£	£	£
FIXED ASSETS					
Tangible assets	10		7,665,525		7,065,703
Investments	11		5,429		5,429
			<u>7,670,954</u>		<u>7,071,132</u>
CURRENT ASSETS					
Stocks	12	279,870		234,158	
Debtors	13	3,588,893		3,052,076	
Cash at bank and in hand		1,129,733		2,332,197	
		<u>4,998,496</u>		<u>5,618,431</u>	
CREDITORS: Amounts falling due within one year	14	<u>(3,840,122)</u>		<u>(3,895,231)</u>	
NET CURRENT ASSETS			<u>1,158,374</u>		<u>1,723,200</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>8,829,328</u>		<u>8,794,332</u>
CREDITORS: Amounts falling due after more than one year	15		<u>(892,857)</u>		<u>(1,607,143)</u>
			<u>7,936,471</u>		<u>7,187,189</u>
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	17		<u>(1,115,175)</u>		<u>(1,042,020)</u>
			<u>6,821,296</u>		<u>6,145,169</u>
CAPITAL AND RESERVES					
Called-up equity share capital	19		212,079		212,079
Profit and loss account			6,609,217		5,933,090
SHAREHOLDERS' FUNDS	20		<u>6,821,296</u>		<u>6,145,169</u>

These financial statements were approved by the directors on the 11 April 2005 and are signed on their behalf by:

MR R.L.F. BURGESS



MR A. J. SWANSTON



The notes on pages 8 to 15 form part of these financial statements.

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

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
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.

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 operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company. The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular costs are spread over the average expected remaining working lives of current members in the scheme.

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

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:

	2004	2003
	£	£
United Kingdom	<u>21,981,914</u>	<u>19,529,580</u>

3. PARTICULARS OF EMPLOYEES

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

	2004	2003
	No	No
Number of production staff	308	284
Number of administrative staff	<u>27</u>	<u>21</u>
	<u>335</u>	<u>305</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	7,578,285	6,627,679
Social security costs	602,598	485,219
Other pension costs	576,854	526,686
	<u>8,757,737</u>	<u>7,639,584</u>

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2004	2003
	£	£
Depreciation of owned fixed assets	990,059	1,110,540
Profit on disposal of fixed assets	(957)	(24,442)
Auditors' remuneration		
- as auditors	8,500	8,500
- for other services	8,545	8,213
Operating lease costs:		
Land and buildings	296,068	250,002
Plant and equipment	322	—
Vehicles	319,231	296,584
	<u> </u>	<u> </u>

Included in the profit and loss account are exceptional reorganisation costs of £nil (2002 £42,000)

5. DIRECTORS' EMOLUMENTS

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

	2004	2003
	£	£
Emoluments receivable	<u>680,151</u>	<u>621,840</u>

Emoluments of highest paid director:

	2004	2003
	£	£
Total emoluments (excluding pension contributions)	<u>138,587</u>	<u>128,007</u>

Benefits are accruing under a defined benefits pension scheme and, at the year end the accrued pension amounted to £32,214 (2003 - £7,219).

6. INCOME FROM FIXED ASSET INVESTMENTS

	2004	2003
	£	£
Income from unlisted investments	<u>51,506</u>	<u>75,278</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Interest payable on bank borrowing	<u>153,161</u>	<u>123,544</u>

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2004 £	2003 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	949,550	726,364
Over/under provision in prior year	36,483	(13,715)
	<u>986,033</u>	<u>712,649</u>
Group relief	(43,033)	236,242
Total current tax	943,000	948,891
Deferred tax:		
Origination and reversal of timing differences	73,155	(20,633)
Tax on profit on ordinary activities	<u>1,016,155</u>	<u>928,258</u>

(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% (2003 - 30%).

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>3,413,880</u>	<u>3,188,654</u>
Profit/(loss) on ordinary activities by rate of tax	1,024,164	956,596
Expenses not deductible for tax purposes	9,859	29,322
Non-taxable income	(15,452)	(22,583)
Capital allowances for the period in excess of depreciation	(69,023)	(7,117)
Adjustments to the tax charge in respect of prior periods	(6,548)	(7,327)
Total current tax (note 8(a))	<u>943,000</u>	<u>948,891</u>

9. DIVIDENDS

The following dividends have been paid in respect of the year:

	2004 £	2003 £
Dividend paid on ordinary shares	<u>1,721,598</u>	<u>1,506,930</u>

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

10. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Motor Vehicles £	Total £
COST			
At 1 January 2004	13,973,386	1,900	13,975,286
Additions	1,589,923	–	1,589,923
Disposals	(6,411)	(1,900)	(8,311)
At 31 December 2004	<u>15,556,898</u>	<u>–</u>	<u>15,556,898</u>
DEPRECIATION			
At 1 January 2004	6,907,683	1,900	6,909,583
Charge for the year	990,059	–	990,059
On disposals	(6,369)	(1,900)	(8,269)
At 31 December 2004	<u>7,891,373</u>	<u>–</u>	<u>7,891,373</u>
NET BOOK VALUE			
At 31 December 2004	<u>7,665,525</u>	<u>–</u>	<u>7,665,525</u>
At 31 December 2003	<u>7,065,703</u>	<u>–</u>	<u>7,065,703</u>
Capital commitments			
	2004		2003
	£		£
Contracted but not provided for in the financial statements	<u>991,224</u>		<u>44,517</u>

11. INVESTMENTS

	Unlisted Investments £
COST	
At 1 January 2004 and 31 December 2004	<u>5,429</u>
NET BOOK VALUE	
At 31 December 2004	<u>5,429</u>
At 31 December 2003	<u>5,429</u>

12. STOCKS

	2004 £	2003 £
Raw materials	<u>279,870</u>	<u>234,158</u>

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

13. DEBTORS

	2004	2003
	£	£
Trade debtors	3,164,562	2,474,384
Amounts owed by group undertakings	209,465	247,210
Other debtors	88,231	91,156
Prepayments and accrued income	126,635	239,326
	<u>3,588,893</u>	<u>3,052,076</u>

14. CREDITORS: Amounts falling due within one year

	2004	2003
	£	£
Bank loans and overdrafts	730,437	732,324
Trade creditors	438,728	414,808
Amounts owed to group undertakings	1,300,604	1,608,194
Other creditors including taxation and social security:		
Corporation tax	517,663	366,864
Other taxation and social security	321,239	307,821
Other creditors	8,224	13,922
	<u>3,316,895</u>	<u>3,443,933</u>
Accruals and deferred income	523,227	451,298
	<u>3,840,122</u>	<u>3,895,231</u>

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

	2004	2003
	£	£
Bank loans and overdrafts	<u>730,437</u>	<u>732,324</u>

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

	2004	2003
	£	£
Bank loans and overdrafts	<u>892,857</u>	<u>1,607,143</u>

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

	2004	2003
	£	£
Bank loans and overdrafts	<u>892,857</u>	<u>1,607,143</u>

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

16. PENSIONS

The company is a member of the group pension scheme providing benefits based on final pensionable pay. The assets are held separately from those of the group in trustee administered funds.

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, 2001.

The pension charge for the year was £576,854 (2003 - £526,686). This included the amortisation of experience surpluses that are being recognised over 15 years (the average remaining service lives of employees).

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

The new Financial Reporting Standard (FRS17) has been published and will change the basis on which defined benefit pension costs and the funding position are calculated and reported for accounting purposes. The implementation of FRS17 has been deferred until 2005 but transitional provisions require supplementary disclosure in earlier years. Details of these supplementary disclosures can be found in the financial statements of the holding company CN Group.

17. DEFERRED TAXATION

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

	2004	2003
	£	£
Provision brought forward	1,042,020	1,062,653
Profit and loss account movement arising during the year	73,155	(20,633)
Provision carried forward	<u>1,115,175</u>	<u>1,042,020</u>

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

	2004	2003
	£	£
Excess of taxation allowances over depreciation on fixed assets	1,115,175	1,095,176
General provisions	-	(53,156)
	<u>1,115,175</u>	<u>1,042,020</u>

CUMBRIAN NEWSPAPERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

18. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	2004		2003	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	–	31,719	3,500	30,824
Within 2 to 5 years	235,000	262,980	216,600	211,306
After more than 5 years	27,500	–	27,500	–
	<u>262,500</u>	<u>294,699</u>	<u>247,600</u>	<u>242,130</u>

19. SHARE CAPITAL

Authorised share capital:

	2004 £	2003 £
253,000 Ordinary shares of £1 each	<u>253,000</u>	<u>253,000</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	<u>212,079</u>	<u>212,079</u>	<u>212,079</u>	<u>212,079</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	2,397,725	2,260,396
Dividends	(1,721,598)	(1,506,930)
	<u>676,127</u>	<u>753,466</u>
Opening shareholders' equity funds	<u>6,145,169</u>	<u>5,391,703</u>
Closing shareholders' equity funds	<u>6,821,296</u>	<u>6,145,169</u>

21. ULTIMATE PARENT COMPANY

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