

CUMBRIAN NEWSPAPERS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1998

Company No. 2729 (England and Wales)



CUMBRIAN NEWSPAPERS LIMITED

COMPANY INFORMATION

Directors

Mr R.L.F. Burgess
Mr T.R. Kirton
Mr J.D. Morton
Mr K.J. McNulty
Mr P.G. Simpson
Mr K.O. Sutton
Mr D. Bowden
Mrs H.J. Scott
Mr I.G. Crystal

Secretary

Mr J.D. Morton

Company Number

2729

Registered Office

P.O.Box 7
Newspaper House
Dalston Road
Carlisle
CA2 5UA

Auditors

Saint & Co.
Sterling House
Wavell Drive
Rosehill
Carlisle, Cumbria
CA1 2SA

Bankers

Midland Bank Plc
English Street
Carlisle

CUMBRIAN NEWSPAPERS LIMITED

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CUMBRIAN NEWSPAPERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1998

The directors present their report together with the audited accounts for the year ended 31st December 1998.

Principal Activities and Review of Business

The principal activity of the Company is that of newspaper publishers and printers

Through most of the year advertisement volumes were buoyant and our weekly newspapers managed to reverse the trend of recent years by increasing sales.

We moved into selling time on our new press in an extremely competitive market.

Key objectives for 1999 are to improve the profitability of the company and to make a reduction in all forms of waste.

During the year dividends amounting to £460,000 (1997 £408,000) were paid and the retained profit of £202,572 will be added to reserves.

Fixed Assets

Details of movements in fixed assets are set out in the notes to the accounts.

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	Ordinary Shares	
	31st December 1998	1st January 1998
Mr R.L.F. Burgess	1	1
Mr T.R. Kirton	-	-
Mr J.D. Morton	-	-
Mr K.J. McNulty	-	-
Mr P.G. Simpson	-	-
Mr K.O. Sutton	-	-
Mr D. Bowden	-	-
Mrs H.J. Scott	-	-
Mr I.G. Crystal	-	-

Mr R.L.F. Burgess jointly holds one share as nominee for CN Group Limited the ultimate holding company. The directors' interest in the share capital of the parent company are shown in the accounts of that company.

Year 2000

Included within the Chairman's Report of the group accounts is a statement outlining the group's approach to minimising the effect of the "Millennium Bug". The anticipated total cost of dealing with the Year 2000 threat is also dealt with in that statement.

Employees

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

CUMBRIAN NEWSPAPERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1998

Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of the company's affairs and of the profit or loss for that year. In preparing these accounts the directors are required to:

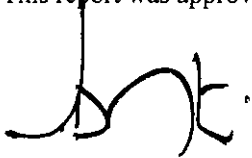
Select suitable accounting policies and then apply them consistently;

Make judgements and estimates that are reasonable and prudent;

Prepare the accounts 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 enable them to ensure that the accounts 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.

This report was approved by the board on 22nd March 1999, and signed on its behalf.



.....Mr J.D. Morton, Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF CUMBRIAN NEWSPAPERS LIMITED

We have audited the accounts on pages 4 to 12 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 6.

Respective Responsibilities of Directors and Auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and report our opinion to you.

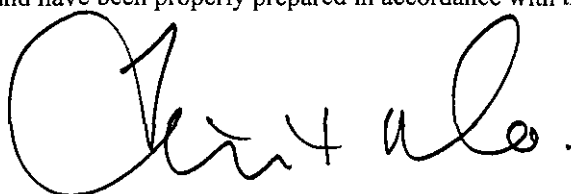
Basis of Opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Saint & Co.
Chartered Accountants and Registered Auditors
Sterling House
Wavell Drive
Rosehill
Carlisle, Cumbria
CA1 2SA
Date: 22nd March 1999

CUMBRIAN NEWSPAPERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1998

	Notes	1998 £	1997 £
Turnover		10,550,326	9,804,203
Raw materials and consumables		1,446,842	1,390,228
Other external charges		2,101,256	1,664,108
Staff costs			
Wages and salaries		4,412,499	4,250,093
Social security costs		337,540	308,198
Other pension costs		235,431	199,493
Depreciation and other amounts written off tangible fixed assets		816,845	639,553
Other operating charges		242,054	222,039
Operating Profit	2	957,859	1,130,491
Income from other fixed asset investments		12,381	9,707
		970,240	1,140,198
Exceptional Items			
Reorganisation costs		(13,969)	(29,230)
Profit on Ordinary Activities Before Tax		956,271	1,110,968
Taxation	4	(293,699)	(336,122)
Profit for the financial Year		662,572	774,846
Dividends	5	(460,000)	(408,000)
Retained Profit for the Year	13	202,572	366,846
Retained Profit Brought Forward		3,230,307	2,863,461
Retained Profit Carried Forward		3,432,879	3,230,307

All amounts relate to continuing activities.

There were no other gains and losses for 1998 or 1997 other than those included in the profit and loss account.

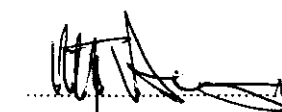
CUMBRIAN NEWSPAPERS LIMITED

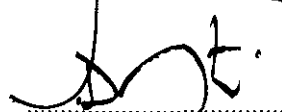
BALANCE SHEET

AS AT 31ST DECEMBER 1998

	Notes	£	1998 £	£	1997 £
Fixed Assets					
Tangible assets	6		7,413,022		7,152,957
Investments	7		5,429		5,429
			<u>7,418,451</u>		<u>7,158,386</u>
Current Assets					
Stocks	8	182,919		148,589	
Debtors	9	1,759,312		1,540,532	
Cash at bank and in hand		6,141		6,141	
			<u>1,948,372</u>	<u>1,695,262</u>	
Creditors: Amounts Falling Due Within One Year	10	(4,925,008)		(4,859,292)	
Net Current (Liabilities)			<u>(2,976,636)</u>		<u>(3,164,030)</u>
Total Assets Less Current Liabilities			<u>4,441,815</u>		<u>3,994,356</u>
Provision for Liabilities and Charges					
Deferred taxation	11		(796,857)		(551,970)
			<u>3,644,958</u>		<u>3,442,386</u>
Capital and Reserves					
Share capital	12		212,079		212,079
Profit and loss account	13		3,432,879		3,230,307
Shareholders' Funds	17		<u>3,644,958</u>		<u>3,442,386</u>

These accounts were approved by the board on 22nd March 1999 and signed on its behalf.


 Mr R.L.F. Burgess


 Mr J.D. Morton

Directors

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

1 Accounting Policies

Basis of Accounting

The Accounts have been prepared under the historical cost convention.

The company has taken advantage of the exemptions in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that the company is a wholly owned subsidiary of CN Group Limited and consolidated accounts and cash flow statement have been prepared by that company

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT .

Investments

Investments are stated at cost.

Depreciation

Depreciation is provided on all fixed tangible assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows :-

Plant and machinery

7-20% per annum on cost

Motor vehicles

20% per annum on cost

No depreciation is provided on assets in the course of construction until projects are completed and successfully commissioned

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred Taxation

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advanced corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

Pension Funding

Contributions are charged to the profit and loss account spreading the cost of pensions over employees' working lives within the Company

Leased Assets

Operating lease rentals are charged to the profit and loss account in the year to which they relate.

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

2 Operating Profit

The operating profit is stated after charging :

	1998	1997
	£	£
Depreciation of owned assets	936,058	652,098
Operating Lease rentals - plant and equipment	23,190	17,470
Operating Lease rentals - land and buildings	209,051	197,569
Auditors' remuneration	7,000	7,000

3 Directors and Employee Information.

Staff costs, including directors' remuneration, were as follows:

	1998	1997
	£	£
Wages and salaries	4,412,499	4,250,093
Social security costs	337,540	308,198
Other pension costs	235,431	199,493
	4,985,470	4,757,784

The average weekly number of employees, including directors, during the year was as follows:

	1998	1997
	Number	Number
Administrative	22	25
Productive	240	236
	262	261

Directors' emoluments

	1998	1997
	£	£
Emoluments	395,380	363,039
	395,380	363,039

The highest paid director received emoluments and benefits as follows:-

	1998	1997
	£	£
Emoluments	87,215	71,047

The Chairman and one other Director receive their remuneration from other Group Companies for services within those Companies.

The amount of accrued pension in respect of the highest paid director was £20,653 (1997: £1,441).

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

4 Taxation

	1998 £	1997 £
Based on the profit for the year		
U.K. Corporation tax at 31 % (1997 31.5 %)	22,426	-
Group relief	(9,463)	(4,742)
Deferred tax charge	282,583	338,968
Tax attributable to franked investment income	2,476	1,896
	<u>298,022</u>	<u>336,122</u>
Prior periods		
UK corporation tax	33,373	-
Deferred taxation	(37,696)	-
	<u>293,699</u>	<u>336,122</u>

5 Dividends

	1998 £	1997 £
Ordinary dividends - paid	-	408,000
Ordinary dividends - proposed	460,000	-
	<u>460,000</u>	<u>408,000</u>

6 Tangible Fixed Assets

	Plant and Machinery	Motor Vehicles	Total
	£	£	£
Cost or valuation			
At 1st January 1998	11,743,639	817,863	12,561,502
Additions	1,375,998	60,868	1,436,866
Disposals	(1,697,232)	(124,787)	(1,822,019)
Intra group transfers	(220,386)	(137,670)	(358,056)
At 31st December 1998	<u>11,202,019</u>	<u>616,274</u>	<u>11,818,293</u>
Depreciation			
At 1st January 1998	4,922,168	486,378	5,408,546
Charge for the year	827,884	108,174	936,058
Disposals	(1,566,866)	(98,043)	(1,664,909)
Intra group transfers	(199,188)	(75,236)	(274,424)
At 31st December 1998	<u>3,983,998</u>	<u>421,273</u>	<u>4,405,271</u>
Net Book Value			
At 31st December 1998	<u>7,218,021</u>	<u>195,001</u>	<u>7,413,022</u>
At 31st December 1997	<u>6,821,471</u>	<u>331,485</u>	<u>7,152,956</u>

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

7 Fixed Assets Investments

	Investments Other than Loans	Total
Cost	£	£
At 1st January 1998	5,429	5,429
At 31st December 1998	5,429	5,429
Net Book Value		
At 31st December 1998	5,429	5,429
At 31st December 1997	5,429	5,429

8 Stocks

	1998	1997
	£	£
Raw Materials and Consumables	182,919	148,589
	182,919	148,589

9 Debtors and Prepayments

	1998	1997
	£	£
Trade debtors	1,421,761	1,265,675
Amounts owed by fellow group companies	242,625	139,999
Other debtors	25,386	25,704
Prepayments and accrued income	69,540	109,154
	1,759,312	1,540,532

10 Creditors: Amounts Falling Due Within One Year

	1998	1997
	£	£
Bank Loan	25,141	25,704
Bank overdraft	2,800,497	3,186,360
Trade creditors	246,740	304,489
Amounts owed to parent company	800,449	835,519
Amounts owed to fellow subsidiary undertakings	164,153	57,125
Corporation tax	22,426	-
Other taxes and social security	163,677	142,499
Proposed dividends	460,000	-
Other creditors	19,629	13,014
Accruals and deferred income	222,296	294,582
	4,925,008	4,859,292

The bank overdraft is secured by a charge over book debts.

Amounts owed to the parent are secured by a debenture over the assets of the Company.

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

11 Deferred Taxation

Deferred taxation provided and unprovided for in the financial statements is set out below.

	1998 £	1997 £
At 1st January 1998	551,970	213,002
Movement in the year	244,887	338,968
At 31st December 1998	<u>796,857</u>	<u>551,970</u>

The amount provided is calculated using a tax rate of 31 % (1997 31%) and represents the following. There is no amount unprovided.

	Amount Provided	
	1998 £	1997 £
Accelerated capital allowances	<u>796,857</u>	<u>551,970</u>

12 Share Capital

	1998 £	1997 £
Authorised Equity Shares		
Ordinary shares of £1 each	<u>253,000</u>	<u>253,000</u>
Allotted Equity Shares		
Allotted, called up and fully paid ordinary shares of £1 each	<u>212,079</u>	<u>212,079</u>

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

13 Profit and Loss Account

	Profit and Loss Account £
At 1st January 1998	3,230,307
Profit for the year	202,572
At 31st December 1998	<u>3,432,879</u>

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

14 Capital Commitments

The Company had the following capital commitments:

	1998	1997
	£	£
Contracted for but not provided in the financial statements	140,635	380,593

15 Pension Arrangements

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 valuations were at 1 November 1996.

The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and to the rates of increase in pay and pensions. It was assumed that investment returns would be 2% per annum higher than the growth in pensionable salaries.

The pension charge for the year amounted to £235,431 (1997 £199,493). This included the amortisation of experience surpluses that are being recognised over 16 years, the average remaining service lives of employees.

Particulars of the actuarial valuations of the schemes are contained in the financial statements of the Parent Company CN Group Ltd.

16 Operating Lease Commitments

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1998	1997	1998	1997
	£	£	£	£
Operating leases which expire:				
Within one year	1,958	-	-	-
Between two and five years	157,000	152,000	26,007	-
After five years	24,500	24,500	-	-
	183,458	176,500	26,007	-

CUMBRIAN NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

17	Reconciliation of Shareholders' Funds	1998 £	1997 £
	Profit for the financial year	662,572	774,846
	Dividends	(460,000)	(408,000)
	Increase in the shareholders' funds	202,572	366,846
	Opening shareholders' funds	3,442,386	3,075,540
	Closing shareholders' funds	3,644,958	3,442,386