

**NEWCASTLE CHRONICLE AND
JOURNAL LIMITED**

Report and Financial Statements

27 December 1998

**Deloitte & Touche
PO Box 500
201 Deansgate
Manchester
M60 2AT**



NEWCASTLE CHRONICLE AND JOURNAL LIMITED

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NEWCASTLE CHRONICLE AND JOURNAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C J Allwood
C P Graf
M D Masters
S D Parker
P A Vickers

SECRETARY

C J Diggory

REGISTERED OFFICE

Kingsfield Court
Chester Business Park
Chester
CH4 9RE

BANKERS

Royal Bank of Scotland plc
1 Dale Street
Liverpool
L2 2PP

Barclays Bank plc
4 Water Street
Liverpool
L69 2DU

SOLICITORS

Addleshaw Booth & Co.
100 Barbirolli Square
Manchester
M2 3AB

AUDITORS

Deloitte & Touche
Chartered Accountants
201 Deansgate
Manchester
M60 2AT

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 27 December 1998.

ACTIVITIES

The principal activity of the company is the publication and printing of newspapers.

REVIEW OF DEVELOPMENTS, FUTURE PROSPECTS AND FINANCIAL POSITION

The company's profit before taxation was £10,256,000 (1997 - £8,654,000). The 1998 profit includes a provision of £397,000 (1997- £656,000) against an amount owed by a related company.

The financial position of the company is set out on page 7.

The directors expect the company to perform satisfactorily during 1999.

DIVIDENDS AND TRANSFERS TO RESERVES

	1998 £'000	1997 £'000
Profit after taxation	6,962	5,624
Dividends: paid or proposed	-	(3,000)
Profit transferred to reserves	<u>6,962</u>	<u>2,624</u>

FIXED ASSETS

Changes in fixed assets are set out in notes 8, 9 and 10 to the accounts.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. All of the directors served throughout the year and thereafter except as noted below:

C J Allwood (appointed 1 October 1999)
P A Vickers (appointed 1 October 1999)

The directors have no interests in the shares of the company.

The ultimate parent company at 27 December 1998 was Trinity plc, which has subsequently changed its name to Trinity Mirror plc.

The report and financial statements of the ultimate parent company detail the interests of Mr C P Graf, Mr M D Masters and Mr S D Parker, who were also directors of that company during the year, in the shares of that company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year, the company has maintained cover for its directors and officers under a directors' and officers' liability insurance policy.

COMPANY SECRETARY

On 30 September 1999, M P Ryan resigned as company secretary, to be replaced by C J Diggory on 1 October 1999.

DONATIONS

During the year contributions for charitable purposes totalled £2,000 (1997 - £5,000).

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

DIRECTORS' REPORT

DISABLED EMPLOYEES

The company has continued its policy of encouraging the employment of registered disabled persons, bearing in mind the job requirements for skills and aptitude. In the areas of planned employee training and career development, the company strives to ensure that disabled employees receive maximum possible benefits, including opportunities for promotion. Where an employee becomes disabled during employment every effort is made to retain the employee's services and any necessary re-training for suitable alternative employment within the company is provided.

EMPLOYEES

Company employees or their elected representatives are informed of the progress of the company on a regular basis. Suggestions from employees aimed at improving the performance of the company are welcomed.

PAYMENT OF SUPPLIERS

Whilst the company has no formal supplier payment policy it agrees appropriate terms and conditions for its transactions with suppliers (by means ranging from standard written terms to individually negotiated contracts) and to make payments in accordance with those terms and conditions provided that the supplier has also complied with them.

At 27 December 1998 the company had an average of 19 days (1997: 16 days) purchases outstanding in trade creditors.

YEAR 2000

The process to ensure all critical business systems are compliant, that they have been tested and compliance can be demonstrated has continued throughout the year. The company remains on target to achieve this objective with both people and capital resources in place, and the costs directly associated with this programme are not expected to be material.

AUDITORS

The company has elected, pursuant to Section 386 of the Companies Act 1985, to dispense with the obligation to appoint auditors annually. Deloitte & Touche have expressed their willingness to continue in office as auditors.

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES

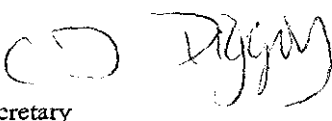
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the 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 accounting standards have been followed;
- 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. 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.

Approved by the Board of Directors
and signed on behalf of the Board

27 OCT 1999


Secretary



NEWCASTLE CHRONICLE AND JOURNAL LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 17 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to 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 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 of the state of the company's affairs as at 27 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

PROFIT AND LOSS ACCOUNT Year ended 27 December 1998

	Note	1998 £'000	1997 £'000
TURNOVER	2	47,070	45,764
Cost of sales		21,562	21,909
Gross profit		<u>25,508</u>	<u>23,855</u>
Distribution costs		2,825	2,640
Administrative expenses - recurring		11,971	11,726
Administrative expenses - exceptional	4	397	656
Other operating income		(1,034)	(863)
		<u>14,159</u>	<u>14,159</u>
OPERATING PROFIT	4	11,349	9,696
Interest payable and similar charges	5	(1,093)	(1,042)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,256	8,654
Tax on profit on ordinary activities	6	3,294	3,030
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,962	5,624
Equity dividends	7	-	(3,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	<u>6,962</u>	<u>2,624</u>

The results for the year ended 27 December 1998 relate solely to continuing operations.

There are no recognised gains or losses other than the profit for the current and prior year. Accordingly a Statement of Recognised Gains and Losses has not been prepared.

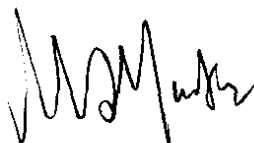
NEWCASTLE CHRONICLE AND JOURNAL LIMITED

BALANCE SHEET 27 December 1998

	Note	£'000	1998 £'000	£'000	1997 £'000
FIXED ASSETS					
Intangible assets	8	60,060		60,060	
Tangible assets	9	21,849		21,262	
Investments	10	<u>1</u>		<u>1</u>	
			81,910		81,323
CURRENT ASSETS					
Stocks	11	399		603	
Debtors	12	22,367		8,850	
Cash at bank and in hand		<u>2,727</u>		<u>3,021</u>	
		25,493		12,474	
CREDITORS: amounts falling due within one year	13	<u>14,997</u>		<u>8,426</u>	
NET CURRENT ASSETS			10,496		4,048
TOTAL ASSETS LESS CURRENT LIABILITIES			92,406		85,371
CREDITORS: amounts falling due after more than one year	14		(16,780)		(16,981)
PROVISIONS FOR LIABILITIES AND CHARGES	15		(1,505)		(1,228)
ACCRUALS AND DEFERRED INCOME	16		<u>(152)</u>		<u>(155)</u>
			<u>73,969</u>		<u>67,007</u>
CAPITAL AND RESERVES					
Called up share capital	17		64,225		64,225
Profit and loss account	18		<u>9,744</u>		<u>2,782</u>
EQUITY SHAREHOLDERS' FUNDS			<u>73,969</u>		<u>67,007</u>

These financial statements were approved by the Board of Directors on 27/10/99

Signed on behalf of the Board of Directors



- Director

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS Year ended 27 December 1998

	1998 £'000	1997 £'000
Profit for the financial year attributable to the members	6,962	5,624
Equity dividends	-	(3,000)
Net addition to shareholders' funds	6,962	2,624
Opening shareholders' funds	67,007	64,383
Closing shareholders' funds	73,969	67,007

NOTES TO THE ACCOUNTS
Year ended 27 December 1998

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Exceptional items

Exceptional items are those that need to be disclosed by virtue of their size or incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the company, or profit or losses on the disposal of fixed assets. In these cases, separate disclosure is provided on the face of the profit and loss account after operating profit.

Goodwill

Goodwill on acquisitions up to the end of the 1997 financial year being the excess of purchase price over the fair value of net assets was written off direct to reserves in the year of acquisition. Following the adoption of FRS10 and FRS11 goodwill on acquisitions since the beginning of 1998 is capitalised within intangible fixed assets and amortised over the directors' assessment of its useful estimated life on a straight line basis.

Intangible fixed assets

Intangible fixed assets comprise acquired publishing rights and titles and are stated in the balance sheet at the directors' assessment of the fair value of intangible assets based on discounted cash flow valuations. In the opinion of the directors these assets have an indefinite economic life, due to their typical lifespan, and are not therefore subject to annual amortisation. The carrying value of these assets will be reviewed annually and adjusted to the recoverable amount if required.

Tangible fixed assets

Freehold land and tangible capital assets not yet in use have not been depreciated. Depreciation on assets qualifying for investment and regional development grants is calculated on their full cost. Depreciation on other assets is provided on cost in equal instalments over the estimated lives of the assets. The rates of depreciation are as follows:

(i)	Freehold property	67 years
(ii)	Leasehold properties	The term of the lease
(iii)	Fixtures, fittings, plant and machinery	3 - 25 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and production overheads.

Regional development grants

Regional development grants are being credited to revenue over a period approximating to the average life of the related fixed assets.

Investments

Fixed asset investments are stated at cost unless, in the opinion of the directors, there has been a permanent diminution in value, in which case an appropriate adjustment is made.

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

NOTES TO THE ACCOUNTS Year ended 27 December 1998

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Leases

Where the group has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases. Future instalments payable under finance leases, net of finance charges are included in creditors with the corresponding asset values recorded in fixed tangible assets and depreciated over the shorter of their estimated useful lives or their lease terms. Payments are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element which reduces the outstanding obligation for future instalments. Operating lease payments are charged to the profit and loss account in equal annual amounts over the period of the leases.

Pension costs

The company contributes to the Trinity plc defined benefit scheme. The costs are charged to the profit and loss account so as to spread the cost of pensions over the average working life of employees in the scheme membership, in accordance with the recommendation of qualified actuaries. Variations from the regular cost are spread over the average remaining service lives of employees in the scheme.

Cash flow statement

The company is not presenting a cash flow statement in accordance with the exemption in FRS 1 (Revised) - Cash Flow Statements. The ultimate parent company has included a consolidated cash flow statement in the group accounts.

Capital instruments

Capital instruments are accounted for in accordance with the principles of FRS 4 issued by the Accounting Standards Board and are classified as equity share capital, non-equity share capital, minority interest or debt as appropriate.

2. TURNOVER

Turnover arises wholly from the company's principal activity carried out within the United Kingdom and excludes VAT and similar sales based taxes.

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

NOTES TO THE ACCOUNTS Year ended 27 December 1998

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any emoluments during the year (1997 - £Nil).

During the year three directors exercised part of their share options in the ultimate parent company (1997 - one). Three of the directors are members of the Trinity plc defined benefit pension scheme (1997 - same).

	1998 £'000	1997 £'000
Employee costs during the year (including directors)		
Wages and salaries	13,514	13,082
Social security costs	1,144	1,099
Pension costs	820	694
	<u>15,478</u>	<u>14,875</u>

Included within the 1997 pension costs are £125,000 of contributions made to the Thomson Regional Newspapers Pension Fund, which is a defined benefit scheme.

	No	No
Average number of persons employed		
Production	371	371
Sales and distribution	265	267
Administration	180	177
	<u>816</u>	<u>815</u>

Pensions

The company contributes to the Trinity plc defined benefit scheme.

The scheme provides benefits based on final pensionable pay and is set up under a trust which holds the assets of the scheme separately from the company.

The pension cost is assessed in accordance with the advice of qualified actuaries using the projected unit method. The latest actuarial valuation was made as at 30 June 1998. Further details of this valuation are detailed in the financial statements of Trinity plc.

Accrued pension costs at 27 December 1998 were £Nil (1997 - £Nil).

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 December 1998

4. OPERATING PROFIT

	1998 £'000	1997 £'000
Operating profit is after charging/(crediting):		
Exceptional items - provision against amounts owed by a related company	397	656
Depreciation		
owned assets	1,073	1,073
leased assets	967	972
Auditors' remuneration - audit fees	37	24
- non audit fees	48	12
Rentals under operating leases		
land and building	39	45
plant and machinery	453	390
Release of regional development grant	(3)	(3)

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £'000	1997 £'000
Hire purchase and finance leases	1,093	1,042

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997 – 31.5%) based on the profit for the year	3,080	2,760
Deferred tax	308	285
	<hr/> 3,388	<hr/> 3,045
Adjustment in respect of prior years		
Current tax	(63)	170
Deferred tax	(31)	(185)
	<hr/> 3,294	<hr/> 3,030

7. EQUITY DIVIDENDS

	1998 £'000	1997 £'000
Dividends paid at £0.00 per share (1997 - £0.05)	-	3,000

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

NOTES TO THE ACCOUNTS Year ended 27 December 1998

8. INTANGIBLE FIXED ASSETS

	1998 £'000	1997 £'000
At beginning of year	60,060	60,060
Provision for diminution in value	-	-
At end of year	<u>60,060</u>	<u>60,060</u>

Intangible fixed assets represent the fair value of publishing rights of titles acquired. Any goodwill arising is written off directly to reserves.

9. TANGIBLE FIXED ASSETS

	Land and buildings		Fixtures, fittings, plant and machinery	Assets under the course of construction	Total
	Freehold £'000	Leasehold £'000	£'000	£'000	£'000
Cost					
At beginning of year	172	4,238	26,910	3,590	34,910
Additions - external	-	90	1,666	894	2,650
Additions - internal	-	-	28	-	28
Disposals - external	-	(2)	(189)	-	(191)
Disposals - internal	-	-	(21)	-	(21)
At end of year	<u>172</u>	<u>4,326</u>	<u>28,394</u>	<u>4,484</u>	<u>37,376</u>
Accumulated depreciation					
At beginning of year	-	1,149	12,499	-	13,648
Charge for the year	-	130	1,910	-	2,040
Additions - internal	-	-	17	-	17
Disposals - external	-	-	(178)	-	(178)
At end of year	<u>-</u>	<u>1,279</u>	<u>14,248</u>	<u>-</u>	<u>15,527</u>
Net book value					
At 27 December 1998	<u>172</u>	<u>3,047</u>	<u>14,146</u>	<u>4,484</u>	<u>21,849</u>
At 28 December 1997	<u>172</u>	<u>3,089</u>	<u>14,411</u>	<u>3,590</u>	<u>21,262</u>

The net book value of assets held under finance leases and hire purchase contracts is £8,072,000 (1997 - £9,039,000).

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

NOTES TO THE ACCOUNTS **Year ended 27 December 1998**

10. INVESTMENTS

	1998	1997
	£'000	£'000
Listed investment	<u>1</u>	<u>1</u>

The market value of the listed investment at the year end was £364.

11. STOCKS

	1998	1997
	£'000	£'000
Raw materials and consumables	<u>399</u>	<u>603</u>

12. DEBTORS

	1998	1997
	£'000	£'000
Trade debtors	5,061	4,876
Amounts owed by group undertakings		
Ultimate parent company	16,808	3,558
Fellow subsidiaries	-	118
Corporation tax recoverable	158	144
Other debtors	54	58
Prepayments and accrued income	<u>286</u>	<u>96</u>
	<u>22,367</u>	<u>8,850</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998	1997
	£'000	£'000
Obligations under finance leases and hire purchase agreements	1,295	1,123
Trade creditors	1,123	968
Amounts owed to group undertakings		
Ultimate parent company	5,672	710
Fellow subsidiaries	549	28
Other creditors	119	249
Taxation and social security	3,867	3,120
Accruals and deferred income	<u>2,372</u>	<u>2,228</u>
	<u>14,997</u>	<u>8,426</u>

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

NOTES TO THE ACCOUNTS Year ended 27 December 1998

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £'000	1997 £'000
Obligations under finance leases at a commercial rate of interest and hire purchase agreements	16,780	16,981
Repayable by instalments as follows:		
Between one and two years	1,130	1,331
Between two and five years	568	187
Beyond five years	15,082	15,463
	16,780	16,981

The finance leases are secured by a fixed charge over the printing press which has a net book value of £8,072,000 (1997 - £9,039,000).

15. PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
Deferred taxation	
Provision at beginning of year	1,228
Current year tax charge	308
Adjustment in respect of prior periods	(31)
Provision at end of year	1,505

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 1998 £'000	Provided 1997 £'000	Not Provided 1998 £'000	Not Provided 1997 £'000
Capital allowances in excess of depreciation	1,689	1,416	-	-
Other timing differences	(184)	(188)	-	-
	1,505	1,228	-	-

16. ACCRUALS AND DEFERRED INCOME

Government grants

	1998 £'000	1997 £'000
At beginning of year	155	158
Release to profit and loss account	(3)	(3)
At end of year	152	155

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

NOTES TO THE ACCOUNTS Year ended 27 December 1998

17. CALLED UP SHARE CAPITAL

	1998 £'000	1997 £'000
Authorised 64,225,000 ordinary shares of £1 each	64,225	64,225
Called up, allotted and fully paid 64,225,000 ordinary shares of £1 each	64,225	64,225

18. RESERVES

	Profit and loss account £'000
Balance at beginning of year	2,782
Profit for the year	6,962
Balance at end of year	9,744

19. FINANCIAL COMMITMENTS

Capital commitments	1998 £'000	1997 £'000
Contracted for but not provided in the financial statements	666	736
Authorised but not yet contracted for	615	674

Operating lease commitments

At 27 December 1998 the company was committed to making the following payments during the next year in respect of operating leases:

	Total £'000	Land and buildings £'000	Other £'000
Leases which expire:			
Within one year	461	8	453
Within two to five years	-	-	-
After five years	16	16	
	477	24	453

20. CONTINGENT LIABILITIES

The company, together with certain of its fellow subsidiaries in the United Kingdom, has guaranteed the loans and bank overdraft of the ultimate parent company with certain of the group's bankers. At 27 December 1998 this amounted to £35m (1997 - £98.225m).

NEWCASTLE CHRONICLE AND JOURNAL LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 December 1998

21. ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company at 27 December 1998 was Trinity plc, which has subsequently changed its name to Trinity Mirror plc, a company registered in England and Wales. Copies of the group financial statements are available from its registered office at Kingsfield Court, Chester Business Park, Chester, CH4 9RE.

22. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption included in Financial Reporting Standard No.8 "Related Party Disclosures" (para 3) for wholly owned subsidiaries not to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties.

During the year the company maintained the books and records of both Ad-Mag (North East) Limited and Markstead Limited. These companies are both related to Newcastle Chronicle and Journal Limited who act as agents and receive a management fee from each company. At the year end the company owed Ad-Mag (North East) Limited £93,000 (1997 - £95,000). Due to the trading losses currently being experienced by Chargestake Limited, the company has provided against the balance of £1,053,000 (1997 - £656,000) owed by this company at the year end as detailed in note 4 to the accounts.