

INDEPENDENT NEWS & MEDIA (UK) LIMITED
(Registered Number: 983376)

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1999



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INDEPENDENT NEWS & MEDIA (UK) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

53 WEEKS ENDED 31 DECEMBER 1999

DIRECTORS' REPORT

The directors submit their report and the accounts of the company for the 53 weeks ended 31 December 1999.

STATEMENT OF 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 affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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, subject to any material departures disclosed and explained in the accounts;
- 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 to 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.

REVIEW OF THE BUSINESS

The principal activity during the year was investment holding. The company's subsidiaries were engaged in newspaper publishing activities.

On 4 January 2000 the company acquired the entire issued share capital of Athena Magazines (Jersey) Limited and certain of the business and assets of Dominion Press Limited and Empire Publishing Limited, an educational magazine group, for a consideration of £5.5m.

On 30 July 2000 the company acquired Belfast Telegraph Newspapers Limited for a consideration of £300 million less indebtedness of approximately £5 million.

With the exception of the above, the directors do not foresee any significant changes to the business in the forthcoming year.

RESULTS AND DIVIDENDS

Loss on ordinary activities for the year after taxation was £3,216,034 (1998: loss of £3,059,643). The directors do not recommend the payment of a dividend (1998: £Nil).

INDEPENDENT NEWS & MEDIA (UK) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

53 WEEKS ENDED 31 DECEMBER 1999

DIRECTORS' REPORT (continued)

YEAR 2000 AND EURO

In common with most other companies, Independent News and Media (UK) Limited established a programme of conversion to ensure that both critical and non-critical computer and business systems were amended in good time to accommodate the date change to the Year 2000.

As at the date of this report, no adverse impact has been experienced by the Company from year 2000 related problems. Although there can be no guarantee, the Directors are confident that the measures they have taken will continue to protect against any year 2000 related issues which may arise.

The future impact of the Euro continues to be addressed. It is not expected that the Euro will have a significant impact on the business.

DIRECTORS

The following directors served throughout the year:

L P Healy
B M A Hopkins
J J Parkinson
A J Round

None of the directors had any beneficial interest in the shares of the company during the year. The interests of the directors, who are not directors of Independent News & Media PLC, the company's ultimate parent undertaking, in the share options of that company at the beginning (or date of appointment, if later) and end of the year were:

	At 25 December 1998	Granted During Year	Exercised During Year	At 31 December 1999	Weighted Average Exercise Price
A J Round	100,000	40,000	-	140,000	IR372.4p

The interests of the other directors, who are also directors of Independent News & Media PLC, in the shares and share options of that company, are disclosed in that company's accounts.

AUDITORS

A resolution to re-appoint PricewaterhouseCoopers as auditors of the company will be put to the Annual General Meeting.

By order of the Board

 11 October 2000

A J Round
Company Secretary

**AUDITORS' REPORT TO THE MEMBERS OF
INDEPENDENT NEWS & MEDIA (UK) LIMITED**

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 1, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 at 31 December 1999 and of its loss for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

London

26 October 2000

INDEPENDENT NEWS & MEDIA (UK) LIMITED

PROFIT AND LOSS ACCOUNT

53 WEEKS ENDED 31 DECEMBER 1999

	Note	53 weeks ended 31 December 1999 £	52 weeks ended 25 December 1998 £
Administrative expenses		(1,964,780)	(2,233,534)
Other operating income		755,233	905,763
Net devaluation of interest in associated undertaking		-	123,200
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(1,209,547)	(1,204,571)
Interest receivable and similar income	4	2,848	329,959
Interest payable and similar charges	4	(2,869,258)	(3,656,031)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(4,075,957)	(4,530,643)
Taxation	5	859,923	1,471,000
RETAINED LOSS FOR THE YEAR		(3,216,034)	(3,059,643)
ACCUMULATED LOSSES BROUGHT FORWARD		(78,557,287)	(75,497,644)
ACCUMULATED LOSSES CARRIED FORWARD		(81,773,321)	(78,557,287)

The result for the financial year is derived entirely from continuing operations within the United Kingdom. There were no recognised gains or losses other than the loss for the year.

There is no difference between the results reported above and the results on an unmodified historical cost basis.

The notes on pages 7 to 13 form part of these accounts.

INDEPENDENT NEWS & MEDIA (UK) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1999

	Note	31 December 1999		25 December 1998	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		118,655		192,488
Investments	7		<u>19,015,786</u>		<u>18,978,488</u>
			19,134,441		19,170,976
CURRENTS ASSETS					
Debtors	8	74,457,259		56,495,789	
Cash at bank and in hand		<u>273</u>		<u>152</u>	
		74,457,532		56,495,941	
CREDITORS					
Amounts falling due within one year	9	<u>(85,493,380)</u>		<u>(64,388,658)</u>	
NET CURRENT LIABILITIES			<u>(11,035,848)</u>		<u>(7,892,717)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			8,098,593		11,278,259
CREDITORS					
Amounts falling due after more than one year	10		<u>(39,864,117)</u>		<u>(39,827,749)</u>
NET LIABILITIES			<u>(31,765,524)</u>		<u>(28,549,490)</u>
CAPITAL AND RESERVES					
Called up share capital	11		50,000,000		50,000,000
Share premium account			7,797		7,797
Profit and loss account			<u>(81,773,321)</u>		<u>(78,557,287)</u>
EQUITY SHAREHOLDERS' FUNDS			<u>(31,765,524)</u>		<u>(28,549,490)</u>

Approved by the Board on 11 October 2000



A J Round - Director

The notes on pages 7 to 13 form part of these accounts.

INDEPENDENT NEWS & MEDIA (UK) LIMITED
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE 53 WEEKS ENDED 31 DECEMBER 1999

	53 weeks ended 31 December 1999 £	52 weeks ended 25 December 1998 £
Loss for the financial year	(3,216,034)	(3,059,643)
NET MOVEMENT IN SHAREHOLDERS' FUNDS	(3,216,034)	(3,059,643)
SHAREHOLDERS' FUNDS AT 25 DECEMBER 1998	(28,549,490)	(25,489,847)
SHAREHOLDERS' FUNDS AT 31 DECEMBER 1999	(31,765,524)	(28,549,490)

The notes on pages 7 to 13 form part of these accounts.

INDEPENDENT NEWS & MEDIA (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1999

1 ACCOUNTING POLICIES

a) Historical cost convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Depreciation

Depreciation of tangible fixed assets is calculated on a straight-line basis at rates estimated to write off each asset over its useful life. The annual rates of depreciation used are:

Computer equipment	25%
Office equipment	15%
Motor vehicles	25%
Leasehold premises	over period of the lease

c) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing 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 accounts to the extent that it is probable that a liability or asset will crystallise in the future.

d) Investments

Investments are stated at cost less provision for any diminution in value.

e) Issue costs

The amount of the loan note liability is stated net of issue costs incurred in connection with the placement of the loan notes. These costs are amortised over the life of the loan notes.

f) Foreign currencies

Transactions designated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary assets and liabilities designated in foreign currencies are re-translated at the rates ruling at the balance sheet date (closing rate) with the resulting profit or loss included in the loss for the year.

g) Financial year

The financial year ends on the last Friday nearest 31 December. Periodically this results in a fifty-three week year.

INDEPENDENT NEWS & MEDIA (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss is stated after charging	1999 £	1998 £
Wages and salaries	1,009,068	1,028,568
Social security costs	95,401	73,380
Pension costs	144,635	117,434
Auditors' remuneration - audit fees	10,240	8,000
Depreciation on owned fixed assets	66,245	86,121
Amortisation of loan issue costs	<u>36,368</u>	<u>36,368</u>

3 DIRECTORS' EMOLUMENTS

Directors' emoluments consist of:	1999 £	1998 £
Aggregate emoluments	619,253	663,138
Pension contributions	<u>74,516</u>	<u>73,279</u>
	<u>693,769</u>	<u>736,417</u>

Pension contributions are made by the company on behalf of the two directors, who are remunerated by the company, into the directors personal pension plans.

The total amount of emoluments to the highest paid director was £436,853 (1998: £554,718) and company contributions paid into the director's personal pension plan were £62,187 (1998: £59,980).

Full details of the emoluments paid to those directors who are not remunerated by Independent News & Media (UK) Limited can be found in the financial statements of Independent News & Media PLC.

INDEPENDENT NEWS & MEDIA (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

4 INTEREST

	1999 £	1998 £
Interest receivable and similar income		
- group undertakings	-	320,892
- other	2,848	9,067
	<u>2,848</u>	<u>329,959</u>
Interest payable and similar charges		
- bank loans and overdrafts wholly repayable within five years	50,376	59,667
- other loans	2,818,882	3,596,364
	<u>2,869,258</u>	<u>3,656,031</u>

5 TAXATION

	1999 £	1998 £
Group relief surrendered at 30.25% (1998 : 31%)	859,923	1,324,000
Adjustment in respect of prior years	-	147,000
	<u>859,923</u>	<u>1,471,000</u>

6 TANGIBLE FIXED ASSETS

	Office equipment £	Short leasehold premises £	Motor vehicles £	Total £
Cost				
25 December 1998	72,858	191,598	82,684	347,140
Additions	3,270	-	-	3,270
Disposals	-	-	(32,580)	(32,580)
31 December 1999	<u>76,128</u>	<u>191,598</u>	<u>50,104</u>	<u>317,830</u>
Depreciation				
25 December 1998	25,444	98,616	30,592	154,652
Charge for the year	12,563	34,368	19,314	66,245
Disposals	-	-	(21,722)	(21,722)
31 December 1999	<u>38,007</u>	<u>132,984</u>	<u>28,184</u>	<u>199,175</u>
Net book value				
31 December 1999	<u>38,121</u>	<u>58,614</u>	<u>21,920</u>	<u>118,655</u>
25 December 1998	<u>47,414</u>	<u>92,982</u>	<u>52,092</u>	<u>192,488</u>

INDEPENDENT NEWS & MEDIA (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

7 INVESTMENTS

	Shares in group undertakings £	Loans to group undertakings £	Other Investments £	Total £
At 25 December 1998	52,052,497	21,500,000	12,083,233	85,635,730
Provision b/f	(45,157,242)	(21,500,000)	-	(66,657,242)
Additions/Advances	37,298	-	-	37,298
Net book value				
- at 31 December 1999	6,932,553	-	12,083,233	19,015,786
- at 25 December 1998	6,895,255	-	12,083,233	18,978,488

At 26 December 1997 a provision was made against the shares in and loan to Independent Newspapers (UK) Limited. This provision is for a temporary diminution in the value of the group's interest in Independent Newspapers (UK) Limited. In the opinion of the Directors this diminution in value has arisen due to the current trading conditions in the newspaper industry in the United Kingdom. However, the Directors are confident about the long-term prospects of Independent Newspapers (UK) Limited and believe that no permanent diminution in value has taken place.

Other investments comprise a 19.089% holding in Lusomundo Media (formally Jornalgeste SGPS).

The additions/advances of £37,298 represent legal costs incurred on the investment in Independent Newspapers (UK) Limited.

The company's subsidiaries (which are all registered and operating in England) at 31 December 1999 were as follows:

Subsidiaries	Business	Percentage of nominal value of ordinary shares
Independent Newspapers (UK) Ltd*	Newspaper Publication	100.0%
Independent Magazines (UK) Ltd*	Magazine Publication	100.0%
Independent Newspapers (Regionals) Ltd	Newspaper Publication	100.0%
Independent Newspapers (Publishing) Ltd*	Investment	100.0%
The Perfect Poster Company Ltd*	Investment	100.0%
Stantonmill Limited*	Investment	100.0%
Independent Newspapers Finance PLC*	Investment	100.0%
London Recorder Newspapers Ltd	Newspaper Publication	100.0%
Capital Newspapers Ltd	Newspaper Publication	100.0%

*Direct Holdings

The directors are of the opinion that the values of the investments in subsidiaries and in other investments are not less than their book values.

Under Section 228 of the Companies Act the company is exempted from the obligation to prepare group accounts, as the company is a wholly owned subsidiary of Independent News and Media PLC, a company incorporated in the Republic of Ireland (see Note 15).

INDEPENDENT NEWS & MEDIA (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

8 DEBTORS (amounts falling due within one year)

	1999 £	1998 £
Amounts owed by group undertakings	73,753,444	56,157,119
Other debtors	262,449	295,588
Prepayments and accrued income	441,366	43,082
	<u>74,457,259</u>	<u>56,495,789</u>

Amounts owed by group undertakings are non-interest bearing, unsecured and repayable on demand.

9 CREDITORS (amounts falling due within one year)

	1999 £	1998 £
Bank loans and overdrafts	1,292,632	5,127,269
Amounts owed to group undertakings	83,983,780	57,246,600
Other creditors (including taxation and social security)	58,447	36,074
Accruals and deferred income	158,521	1,978,715
	<u>85,493,380</u>	<u>64,388,658</u>

Amounts owed to group undertakings are non-interest bearing, unsecured and repayable on demand.

10 CREDITORS (amounts falling due after more than one year)

	1999 £	1998 £
Loans (falling due between one and two years)	13,454,139	-
Loans (falling due after two and within five years)	26,409,978	13,441,865
Loans (falling due after five years)	-	26,385,884
	<u>39,864,117</u>	<u>39,827,749</u>

Loans are floating rate loan notes repayable between 2001 and 2004.

INDEPENDENT NEWS & MEDIA (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

11 CALLED UP SHARE CAPITAL

	1999 £	Authorised 1998 £	Allotted and Fully Paid 1999 £	1998 £
Ordinary shares of £1 each	49,999,500	49,999,500	49,999,500	49,999,500
Management shares of £1 each	500	500	500	500
	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>

All shares enjoy equal voting rights and rights to dividends. All shares also have equal rights on the winding up of the company.

In February 2000 the company increased its authorised share capital by 30,000,000 ordinary shares of £1 each and issued 30,00,000 ordinary shares of £1 each to Abbey Communications (Netherlands) BV, a subsidiary of the ultimate parent, Independent News and Media PLC.

In July 2000 the company increased its authorised share capital by 147,000,000 ordinary shares of £1 each and issued 147,00,000 ordinary shares of £1 each to the ultimate parent, Independent News and Media PLC.

12 EMPLOYEES

The company had 9 employees during the period (1998: 7).

13 CONTINGENT LIABILITIES

The company is a guarantor to an agreement entered into by Independent Communications (International) Limited, a fellow subsidiary undertaking, for a loan of £20,000,000 from three American insurance companies.

The company has guaranteed the bank advances of its parent company and certain subsidiary undertakings to a maximum of IR£380,000,000 in conjunction with other group companies.

14 CASH FLOW STATEMENT

The company is exempt from producing a cash flow statement under Financial Reporting Standard 1 as it is wholly owned by a parent undertaking established under the law of a member state of the European Community. The parent undertaking prepares consolidated financial statements, including a consolidated cash flow statement, which includes all subsidiary undertakings. These financial statements are drawn up in accordance with companies legislation promulgated within the Republic of Ireland.

INDEPENDENT NEWS & MEDIA (UK) LIMITED

NOTES TO THE ACCOUNTS (Continued)

15 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The ultimate holding company is Independent News & Media PLC, a company incorporated in the Republic of Ireland.

As permitted by paragraph 3(c) of FRS8 - Related Party Disclosures, transactions with other entities in the group are not disclosed

The only consolidated accounts produced that include the results of the company are those of Independent News & Media PLC. A copy of those accounts can be obtained from 1/2 Upper Hatch Street, Dublin 2.

16 FINANCIAL SUPPORT

The ultimate parent company, Independent News & Media PLC, has undertaken to provide such additional funds as may be required to enable the company to meet its obligations as they fall due.