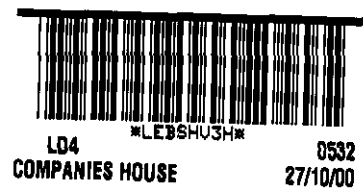


INDEPENDENT NEWSPAPERS (PUBLISHING) LIMITED
(Registered Number: 1370287)

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1999



INDEPENDENT NEWSPAPERS (PUBLISHING) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

53 WEEKS ENDED 31 DECEMBER 1999

DIRECTORS' REPORT

The directors submit their report and the accounts of Independent Newspapers (Publishing) Limited (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.

YEAR 2000 AND EURO

In common with most other companies, Independent Newspapers Publishing 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.

REVIEW OF THE BUSINESS

The Company acts as a holding company. Its subsidiary and associated undertakings are engaged in newspaper publishing activities.

The directors foresee no significant change to the business in the coming year.

DIVIDENDS

The directors do not recommend payment of a dividend (1998: £Nil).

INDEPENDENT NEWSPAPERS (PUBLISHING) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

53 WEEKS ENDED 31 DECEMBER 1999

DIRECTORS' REPORT (Continued)

DIRECTORS

The directors who held office during the year were:

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

No director had any beneficial interest in the Company's share capital during the year. The interests of the directors, who are also directors of the Company's ultimate parent, Independent News & Media PLC, in the shares and share options of that company are disclosed in that company's accounts.

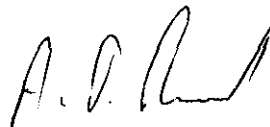
The interests of the directors, who are not directors of Independent News & Media PLC, in the share options of the Company's ultimate parent, Independent News & Media PLC at the beginning (or date of appointment, if later) and end of the year were:

	At 25 December 1998	Granted during year	Exercised during year	At 31 December 1999	Weighted average exercise price
AJ Round	100,000	40,000	-	140,000	IR372.4p

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 NEWSPAPERS (PUBLISHING) LIMITED**

We have audited the financial statements on pages 4 to 7.

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 as at 31 December 1999 and of its result 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 NEWSPAPERS (PUBLISHING) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1999

	Note	31 December 1999	25 December 1998
		£	£
FIXED ASSETS			
Investments	4	10,354,871	10,354,871
CREDITORS			
Amounts falling due within one year	5	<u>(9,122,449)</u>	<u>(9,122,449)</u>
NET CURRENT LIABILITIES		<u>(9,122,449)</u>	<u>(9,122,449)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,232,422</u>	<u>1,232,422</u>
CAPITAL AND RESERVES			
Share capital	7	1,000	1,000
Other reserves	8	774,414	774,414
Profit and loss account	8	<u>457,008</u>	<u>457,008</u>
EQUITY SHAREHOLDERS' FUNDS		<u>1,232,422</u>	<u>1,232,422</u>

Approved by the Board on 11 October 2000



A J Round - Director

The notes on pages 5 to 7 form part of these accounts

INDEPENDENT NEWSPAPERS (PUBLISHING) 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) Fixed Asset Investments

Investments are valued at cost in the accounts, less provision for any permanent diminution in value.

c) Financial year

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

d) Group financial statements

Independent Newspapers (Publishing) Limited is not required to prepare group accounts as it is a wholly owned subsidiary of Independent News & Media PLC, a company incorporated in the Republic of Ireland.

The only consolidated accounts produced that include the results of the Company are those of Independent News & Media PLC. A copy of these accounts can be obtained from 1/2 Upper Hatch Street, Dublin 2 (see Note 10).

2 PROFIT AND LOSS ACCOUNT

During the current and preceding financial period, the company did not trade with the exception of the purchase and sale of shares in Capital Newspapers Limited during 1998 on which no profit was realised. Consequently the company has not presented a profit and loss account. Auditors' remuneration was borne by the parent company.

3 DIRECTORS' EMOLUMENTS AND EMPLOYEES

No director received any emoluments from the company in respect of services during the year (1998: £Nil).

Full details of the directors' emoluments in respect of their services to the UK group and the international group can be found in the financial statements of Independent News & Media (UK) Limited and Independent News & Media PLC.

The company had no employees during the year (1998: Nil).

INDEPENDENT NEWSPAPERS (PUBLISHING) LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1999

4 INVESTMENTS

	Shares in subsidiary Undertaking £	Total £
At 25 December 1998	10,354,871	10,354,871
At 31 December 1999	<u>10,354,871</u>	<u>10,354,871</u>

Shares in subsidiary undertaking comprise 100% (1998: 100%) of the ordinary share capital of Independent Newspapers (Regionals) Limited.

In the opinion of the directors the value of its investment in its subsidiary undertaking is not less than the amount at which the investment is stated in the balance sheet.

5 CREDITORS (amounts falling due within one year)

	1999 £	1998 £
Amounts owed to group undertakings, repayable on demand	<u>9,122,449</u>	<u>9,122,449</u>

6 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Unrealised gain on sale of investment	<u>-</u>	<u>774,414</u>
Net addition to shareholders' funds	<u>-</u>	<u>774,414</u>
Opening shareholders' funds	<u>1,232,442</u>	<u>458,008</u>
Closing shareholders' funds	<u>1,232,442</u>	<u>1,232,442</u>

7 CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised, allotted and called up share capital 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

INDEPENDENT NEWSPAPERS (PUBLISHING) LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1999

8 RESERVES

	Other reserves	Profit and loss Account
	£	£
Balance at 25 December 1998	<u>774,414</u>	<u>457,008</u>
Balance at 31 December 1999	<u>774,414</u>	<u>457,008</u>

9 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.

10 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Independent News & Media (UK) Limited, a company incorporated in Great Britain and registered in England. 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 these accounts can be obtained from 1/2 Upper Hatch Street, Dublin 2.