

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

DIRECTORS' REPORT AND ACCOUNTS

25 DECEMBER 1998



INDEPENDENT NEWSPAPERS (PUBLISHING) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

52 WEEKS ENDED 25 DECEMBER 1998

DIRECTORS' REPORT

The directors submit their report and the accounts of Independent Newspapers (Publishing) Limited (the "Company") for the 52 weeks ended 25 December 1998.

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

The Directors are aware of the need for the Company to be Year 2000 compliant and Independent News & Media plc (formerly Independent Newspapers plc), the Company's ultimate parent, has established an overall year 2000 programme. The details of this programme are contained in the consolidated financial statements of Independent News & Media plc (formerly Independent Newspapers plc).

REVIEW OF THE BUSINESS

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

On 23 December 1998, the Company purchased 1,525,000 ordinary shares of 10p each of Capital Newspapers Limited from Stantonmill Limited, a fellow subsidiary undertaking, for consideration of £3,118,048 in cash payable on demand. The transaction was completed at the estimated market value.

This increased the holding of the Company in Capital Newspapers Limited to 75%, with a book value of £6,250,548.

On the same date, the entire holding was sold to Independent Newspapers (Regionals) Limited at estimated market value for consideration of 7,024,962 newly issued ordinary shares of £1 each in the capital of Independent Newspapers (Regionals) Limited, the Company's subsidiary.

This resulted in an unrealised gain on disposal of £774,414 which has been reflected in Other Reserves.

INDEPENDENT NEWSPAPERS (PUBLISHING) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

52 WEEKS ENDED 25 DECEMBER 1998

DIRECTORS' REPORT (Continued)

DIVIDENDS

The directors do not recommend payment of a dividend (1997: £Nil).

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 in the Company's ultimate parent, Independent News & Media plc (who are also directors of Independent News & Media plc), are disclosed in that company's accounts.

The interests of the directors, who are not directors of Independent News & Media plc in shares and 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 27 December 1997	Granted during year	Exercised during year	At 25 December 1998	Weighted average exercise price
AJ Round	75,000	25,000	-	100,000	IR377p

AUDITORS

On 1 July 1998, Price Waterhouse merged with Coopers and Lybrand. Price Waterhouse resigned as auditors on 7 August 1998 and PricewaterhouseCoopers, the firm created as a result of this merger, was appointed by the directors to succeed as auditors.

By order of the Board

26 October 1999



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 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 1, the financial statements. Our responsibilities, as independent auditors, are established 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 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 25 December 1998 and of its result for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



26 October 1999

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

1 Embankment Place
London WC2N 6NN

INDEPENDENT NEWSPAPERS (PUBLISHING) LIMITED

BALANCE SHEET

AS AT 25 DECEMBER 1998

	Note	25 December 1998	26 December 1997
		£	£
FIXED ASSETS			
Investments	4	10,354,871	6,462,409
CREDITORS			
Amounts falling due within one year	5	<u>(9,122,449)</u>	<u>(6,004,401)</u>
NET CURRENT LIABILITIES		<u>(9,122,449)</u>	<u>(6,004,401)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,232,422</u>	<u>458,008</u>
CAPITAL AND RESERVES			
Share capital	7	1,000	1,000
Other Reserves	8	774,414	-
Profit and loss account	8	<u>457,008</u>	<u>457,008</u>
EQUITY SHAREHOLDERS' FUNDS		<u>1,232,422</u>	<u>458,008</u>

Approved by the Board on 26th October 1999



A J Round - Director

The notes on pages 6 to 8 form part of these accounts.

INDEPENDENT NEWSPAPERS (PUBLISHING) LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
AS AT 25 DECEMBER 1998

	1998
	£
Unrealised gain on sale of investment	<u>774,414</u>
Total gains recognised in the year	<u>774,414</u>

The notes on pages 6 to 8 form part of these accounts.

INDEPENDENT NEWSPAPERS (PUBLISHING) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 25 DECEMBER 1998

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 (formerly Independent Newspapers Plc), a company incorporated in the Republic of Ireland.

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 (note 4) 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 (1997: £Nil).

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

The company had no employees during the year (1997: Nil).

INDEPENDENT NEWSPAPERS (PUBLISHING) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 25 DECEMBER 1998

4 INVESTMENTS

	Shares in subsidiary Undertaking £	Shares in Associated Undertaking £	Total £
At 26 December 1997	3,329,909	3,132,500	6,462,409
Additions	7,024,962	3,118,048	10,143,010
Disposals	-	(6,250,548)	(6,250,548)
At 25 December 1998	10,354,871	-	10,354,871

Shares in subsidiary undertaking comprise 100% (1997: 100%) of the ordinary share capital of Independent Newspapers (Regionals) Limited.

Shares in associated undertaking comprised, prior to its disposal, 75% (1997: 41.8%) of the ordinary share capital of Capital Newspapers Limited.

On 23 December 1998, the Company purchased 1,525,000 ordinary shares of 10p each of Capital Newspapers Limited from Stantonmill Limited for consideration of £3,118,048 in cash, payable on demand. The transaction was completed at the estimated market value.

This increased the holding of the Company in Capital Newspapers Limited to 75%, with a book value of £6,250,548.

On the same date, this holding was sold to Independent Newspapers (Regionals) Limited at estimated market value for consideration of 7,024,962 newly issued shares in the capital of Independent Newspapers (Regionals) Limited.

This resulted in an unrealised gain on disposal of £774,414.

Both Independent Newspapers (Regionals) Limited and Capital Newspapers Limited are engaged in the newspaper industry and are incorporated in Great Britain and registered in England.

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)

	1998 £	1997 £
Amounts owed to group undertakings, payable on demand	9,122,449	6,004,401

INDEPENDENT NEWSPAPERS (PUBLISHING) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 25 DECEMBER 1998

6 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998	1997
	£	£
Unrealised gain on sale of investment	774,414	-
Net addition to shareholders' fund	774,414	-
Opening shareholders' funds	458,008	458,008
Closing shareholders' funds	1,232,442	458,008

7 CALLED UP SHARE CAPITAL

	1998	1997
	£	£
Authorised, allotted and called up share capital 1,000 ordinary shares of £1 each	1,000	1,000

8 RESERVES

	Other reserves £	Profit and loss Account £
Balance at 27 December 1997	-	457,008
Unrealised gain on sale of investment	774,414	-
Balance at 25 December 1998	774,414	457,008

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 (formerly Independent Newspapers Holdings Limited), a company incorporated in Great Britain and registered in England. The ultimate holding company is Independent News & Media plc (formerly Independent Newspapers 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 accounts produced that include the results of the Company are those of Independent News & Media plc (formerly Independent Newspapers Plc). A copy of these accounts can be obtained from 1/2 Upper Hatch Street, Dublin 2.