

Company Registration Number 2642788

HERALD EXPRESS NEWS & MEDIA LIMITED

Report and Financial Statements

3 October 2010

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HERALD EXPRESS NEWS & MEDIA LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Anderson-Dixon
A Blair (appointed 1 January 2010)
D Currall
M P Pelosi
A Phelan

SECRETARY

P S Collins

REGISTERED OFFICE

Northcliffe Accounting Centre
PO Box 6795
St George Street
Leicester
LE1 1ZP

SOLICITORS

Foot Anstey
Salt Quay House
4 North East Quay
Sutton Harbour
Plymouth
Devon
PL4 0BN

BANKERS

The Royal Bank of Scotland plc
PO Box 34
15 Bishopsgate
London
EC2P 2AP

AUDITORS

Deloitte LLP
Bristol

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, the audited financial statements and auditors' report for the financial year ended 3 October 2010

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The company is a wholly owned subsidiary of Daily Mail and General Trust plc ("DMGT") and operates as part of the Group's A&N Media division

The company's principal activity is the publishing of newspapers in Torquay. The directors are not aware, at the date of this report, of any likely changes in the company's activities in the forthcoming financial year

The performance of the A&N Media division of Daily Mail and General Trust plc, which includes the company, is discussed in the DMGT Annual Report (available on www.dmgmt.co.uk) which does not form part of this Report

As shown in the company's profit and loss account on page 7, the company's sales have decreased by £204,000 (down 3.3%) over the prior year, approximately in line with industry declines, due to the economic climate. The principal reason for the decline is a decrease in advertising revenues of £246,000 (down 6.2%), with recruitment and property advertising revenues 8.6% and 2.8% lower than last year respectively, other advertising streams being less severely affected. Operating losses have increased by £21,000 (43.8%), reflecting the lower sales only being partially offset by lower staff costs.

The loss of the company after taxation for the financial year amounted to £52,000 (2009: loss of £34,000)

The directors have not paid a dividend for the year (2009: £nil)

The Board monitors the company's performance in a number of ways, including key performance indicators. The key performance indicators, together with the information for 2010 and 2009, are as follows:

	2010	2009	% movement
Advertising revenues	£3,746,000	£3,992,000	(6.2%)
Circulation revenues	£1,993,000	£2,116,000	(5.8%)
Other revenues	£299,000	£134,000	123.1%
Total turnover	£6,038,000	£6,242,000	(3.3%)
Operating loss	(£69,000)	(£48,000)	(43.8%)
% operating loss margin	(1.1%)	(0.8%)	(37.5%)
Employees (average number)	53	63	(16%)
Net assets	£1,724,000	£1,776,000	(2.9%)

The balance sheet on page 8 of the financial statements shows that the company's financial position at the year-end has decreased in net asset terms, compared to the prior year, by £52,000. This was due to the loss for the year.

The company is financed by Sterling inter company accounts and equity share capital under Daily Mail and General Trust plc group arrangements. The Daily Mail and General Trust plc group has a centralised treasury function.

GOING CONCERN

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of current trading conditions. These create an uncertainty over the use of the going concern basis in the preparation of the financial statements. However, the directors consider that the company, despite the loss this year, will make profits going forward. In addition, it is an integral part of Daily Mail and General Trust plc's ('DMGT') structure and strategy and this is evidenced by a letter of support from DMGT, which states its intent to provide any necessary financial support to ensure that the company is a going concern for at least twelve months from the date of signing of these financial statements. After making enquiries and taking account of the factors noted above, the directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The business operates in highly competitive environments that can be subject to rapid change. Products and services, and their means of delivery, may be affected by technological innovations, changing legislation, competitor activity or changing customer behaviour. Further structural changes in the advertising market, resulting in significant advertising moving away from the company's traditional products to the internet, could significantly affect the results. The directors will continue to develop new opportunities and respond to threats, and will continue to invest in core brands and products and adapt in order to remain competitive.

General economic conditions and the financial health of the company's customers affect the performance of the business. A significant proportion of the revenue is derived from advertising spending which has historically been cyclical, with companies spending less on advertising in times of economic slowdown. The company is also exposed to the risk that consumer and business spending patterns change. This may affect the demand for its products and services. Increasing unemployment levels, reducing house prices and a general lack of consumer confidence are all impacting adversely on the business.

ENVIRONMENT

The Daily Mail and General Trust plc group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group Annual Report which does not form part of this Report. Initiatives designed to minimise the company's net impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

DIRECTORS AND THEIR INTERESTS

The names of the current directors of the company, all of whom held office throughout the year unless otherwise stated, are set out on page 1.

No director of the company has or had a disclosable interest in any contract of significance at any time during the year or the prior year.

EMPLOYEES

Details of the number of employees and related costs can be found in note 4 to the financial statements.

Applications for employment by disabled people are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made by the company in the year amounted to £602 (2009 £1,120) in support of local charities. There were no political donations made by the company in the year (2009 £nil).

DIRECTORS' REPORT (continued)

SUPPLIER PAYMENT POLICY

As stated in note 11 to these financial statements, the company's purchase ledger is operated by A&N Media Finance Services Limited ("ANMFS"), a fellow subsidiary of Daily Mail and General Trust plc. The policy of ANMFS, and companies using ANMFS's services, on supplier payments is to agree to terms of payment at the time of placing an order for goods or services. Unless different terms have been negotiated at the outset, the normal payment terms of the supplier will be accepted. The company makes every effort to abide by the terms agreed with each supplier.

Trade creditors for ANMFS as at 3 October 2010 were equivalent to 24 days (2009: 17 days) purchases, based on the average daily amount invoiced by suppliers during the year.

AUDITORS

In the case of each of the persons who is a director of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

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



P S Collins
Secretary

17 December 2010

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERALD EXPRESS NEWS & MEDIA LIMITED

We have audited the financial statements of Herald Express News & Media Limited for the year ended 3 October 2010 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 3 October 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Nigel Thomas

Nigel Thomas (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom

17 December 2010

HERALD EXPRESS NEWS & MEDIA LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 3 October 2010

	Note	2010 £'000	2009 £'000
TURNOVER	2	<u>6,038</u>	<u>6,242</u>
OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(69)	(48)
Tax on loss on ordinary activities	6	<u>17</u>	<u>14</u>
LOSS FOR THE FINANCIAL YEAR	14	<u>(52)</u>	<u>(34)</u>

All activities relate to continuing operations

There is no difference between the loss on ordinary activities before taxation and the losses for the current and prior financial year stated above, and their historical cost equivalents

The company has no recognised gains and losses, other than the losses for the current and prior financial year above and, accordingly, no separate statement of total recognised gains and losses has been presented

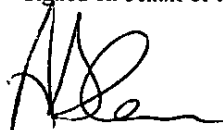
HERALD EXPRESS NEWS & MEDIA LIMITED

BALANCE SHEET
At 3 October 2010

	Note	2010		2009	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	7		-		-
Tangible assets	8		9		116
			<u>9</u>		<u>116</u>
CURRENT ASSETS					
Debtors					
- amounts falling due within one year	9	2,530		21,849	
- amounts falling due after more than one year	10	-		13	
		<u>2,530</u>		<u>21,862</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(815)</u>		<u>(20,202)</u>	
NET CURRENT ASSETS			<u>1,715</u>		<u>1,660</u>
NET ASSETS			<u>1,724</u>		<u>1,776</u>
CAPITAL AND RESERVES					
Called up share capital	13		250		250
Profit and loss account	14		1,474		1,526
SHAREHOLDERS' FUNDS			<u>1,724</u>		<u>1,776</u>

The financial statements of Herald Express News & Media Limited, registered number 2642788, were approved by the Board of Directors and authorised for issue on 17 December 2010

Signed on behalf of the Board of Directors



A Blair
Director

HERALD EXPRESS NEWS & MEDIA LIMITED**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**
Year ended 3 October 2010

	2010 £'000	2009 £'000
Loss for the financial year	(52)	(34)
Net decrease in shareholders' funds	(52)	(34)
Opening shareholders' funds	1,776	1,810
Closing shareholders' funds	<u>1,724</u>	<u>1,776</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 October 2010

1. ACCOUNTING POLICIES

The company's financial year is the 52 weeks ended 3 October 2010. The comparative figures are for the 53 week period ended 4 October 2009. The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

The directors have considered the use of the going concern basis in the preparation of the financial statements, in light of current trading conditions, and concluded that it is appropriate. More information is provided in the Directors' report.

Intangible fixed assets

Intangible fixed assets comprise acquired publishing titles, and are stated in the balance sheet at the directors' assessment of an element of the purchase consideration, based on discounted cash flow valuations of the titles, supported by a comparative view of similar transaction values within the newspaper industry. Publishing rights are amortised over a period of no greater than 20 years. Impairment reviews are undertaken annually.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Impairment reviews are undertaken annually.

Depreciation

Depreciation is calculated to amortise the cost of tangible fixed assets by equal annual instalments over their estimated useful lives as follows:

Fixtures, plant, equipment, and motor vehicles	3 to 12 years
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Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise 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.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Rentals payable relating to operating leases are charged to the profit and loss account equally over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 October 2010

1 ACCOUNTING POLICIES (continued)

Pension costs

Defined Benefit Scheme

The company participates in a defined benefit pension scheme which includes members from other companies within the Daily Mail and General Trust plc group. The company is unable to identify its share of the underlying assets and liabilities within the scheme and accounts for the scheme as a defined contribution scheme. In the opinion of the directors, the company's membership of the scheme falls within the multi-employer provisions of FRS 17 "Retirement benefits" and will be accounted for as if it were a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs is the contribution payable for the year.

Defined Contribution Scheme

The amount charged to the profit and loss account in respect of pension costs is the contribution payable for the year.

Cash flow statement

The company is a wholly owned subsidiary of Daily Mail and General Trust plc and the cash flows of the company are included in the consolidated cash flow statement of Daily Mail and General Trust plc.

Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

2. TURNOVER

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied and is stated after the deduction of trade discounts. Revenue is recognised on the publication of advertising or on the sale of newspapers. Other revenue is recognised as the goods or services are provided.

Turnover consists entirely of sales made in the United Kingdom and is attributable to the principal activity of the company.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 October 2010

3	OPERATING LOSS	2010		2009	
		£'000	£'000	£'000	£'000
	Turnover		6,038		6,242
	Other operating charges	(4,604)		(4,425)	
	Auditors' remuneration - audit fees	(2)		(2)	
	Amounts paid under operating leases				
	- buildings	(10)		(117)	
	- plant and equipment	(10)		(27)	
	- motor vehicles	(32)		-	
	Total other operating charges	(4,658)		(4,571)	
	Staff costs	(1,418)		(1,665)	
	Depreciation - owned assets	(25)		(54)	
	Loss on disposal of tangible fixed assets	(6)		-	
			(6,107)		(6,290)
	Operating loss		(69)		(48)

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of Daily Mail and General Trust plc disclose such fees on a consolidated basis

4.	EMPLOYEES	2010	2009
		No.	No.
	Average number of persons employed by the company by activity		
	Publishing	53	63
	Total staff costs comprised	£'000	£'000
	Wages and salaries	1,227	1,441
	Social security costs	89	111
	Pension costs	102	113
		1,418	1,665

Staff costs and employee numbers include directors, except as disclosed in note 5

At the beginning of the financial year, a number of staff were transferred to Bristol News & Media Limited, a fellow subsidiary of Northcliffe Media Limited, to undertake work on behalf of the West and South West based subsidiaries of Northcliffe Media Limited. Herald Express News & Media Limited receives a charge from Bristol News & Media Limited for the services provided by these staff.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 October 2010

5. DIRECTORS' EMOLUMENTS

	2010 £'000	2009 £'000
The emoluments of the directors of the company were as follows		
Aggregate emoluments (including benefits)	<u>84</u>	<u>73</u>

Included within the aggregate emoluments figure above are £18,000 (2009 £7,000) of performance related bonuses payable to certain directors by Northcliffe Media Limited, a parent company. These costs are not recharged to the company.

Of the directors at 3 October 2010 who received emoluments during the year, retirement benefits are accruing to one director under defined benefit schemes (2009 one).

The emoluments of M P Pelosi were paid by Northcliffe Media Limited and are excluded from the details above. It is not practicable to split his remuneration between services provided to Northcliffe Media Limited and its subsidiary companies. His remuneration is fully disclosed in the financial statements of Northcliffe Media Limited.

The emoluments of S Anderson-Dixon were paid by Bristol News & Media Limited and are excluded from the details above. It is not practicable to split his remuneration between the services provided to Bristol News & Media Limited and fellow subsidiary companies of Northcliffe Media Limited. His remuneration is fully disclosed in the financial statements of Bristol News & Media Limited.

The emoluments of D S Currall and A Blair were paid by South West Media Group Limited and are excluded from the details above. It is not practicable to split their remuneration between the services provided to South West Media Group Limited and its subsidiary companies. Their remuneration is fully disclosed in the financial statements of South West Media Group Limited.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 October 2010

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2010 £'000	2009 £'000
Corporation tax		
Corporation tax credit for the year	(15)	(11)
Under-provision in respect of prior years	3	3
	<u>(12)</u>	<u>(8)</u>
Deferred tax		
Timing differences, origination and reversal	(5)	(6)
	<u>(17)</u>	<u>(14)</u>
Tax on loss on ordinary activities	<u>(17)</u>	<u>(14)</u>

The current tax rate for the year is 28% (2009 28%) The current tax credit for the year is less than 28% (2009 credit less than 28%) for the reasons set out in the following reconciliation

	£'000	£'000
Loss on ordinary activities before taxation	<u>(69)</u>	<u>(48)</u>
 Tax loss on ordinary activities at standard rate	 (19)	 (13)
Factors affecting the charge		
Disallowable expenses	1	2
Capital allowances - timing differences	3	2
Short-term timing differences	-	(2)
Under-provision in respect of prior years	3	3
	<u>(12)</u>	<u>(8)</u>

It is not anticipated that the forthcoming tax rate change, from 28% to 24% in coming years, will have a material impact on the tax charge

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 October 2010

7	INTANGIBLE FIXED ASSETS		Publishing rights £'000
	Cost		
	At 5 October 2009 and 3 October 2010		228
	Accumulated amortisation and impairment		
	At 5 October 2009 and 3 October 2010		228
	Net book value		
	At 3 October 2010 and 4 October 2009		-
8.	TANGIBLE FIXED ASSETS		Fixtures, plant, equipment, and motor vehicles £'000
	Cost		
	At 5 October 2009		1,252
	Disposals		(170)
	At 3 October 2010		1,082
	Depreciation		
	At 5 October 2009		1,136
	Charge for the year		25
	Disposals		(88)
	At 3 October 2010		1,073
	Net book value		
	At 3 October 2010		9
	At 4 October 2009		116
9	DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
		2010 £'000	2009 £'000
	Amounts owed by group undertakings	2,401	21,744
	Value added taxation recoverable	15	8
	Prepayments and accrued income	71	85
	Deferred taxation asset (note 12)	17	12
	Corporation tax recoverable	26	-
		2,530	21,849

The sales ledger is operated by Bristol News & Media Limited, a fellow subsidiary of Northcliffe Media Limited

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 October 2010

10. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010	2009
	£'000	£'000
Amounts owed by group undertakings	-	13

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£'000	£'000
Amounts owed to group undertakings	678	19,674
Corporation tax	-	373
Accruals and deferred income	137	155
	815	20,202

The purchase ledger is operated by A&N Media Finance Services Limited, a fellow subsidiary of Daily Mail and General Trust plc

12. DEFERRED TAXATION ASSET

	£'000
At 5 October 2009 (asset – see note 9)	12
Current year credit	5
At 3 October 2010 (asset – see note 9)	17

The deferred taxation assets in the financial statements are analysed as follows

	2010	2009
	£'000	£'000
Capital allowances - timing differences	17	12

There is no unprovided deferred taxation. A deferred tax asset of £17,000 has been recognised at 3 October 2010 (2009 asset £12,000). The directors are of the opinion, based on forecast trading, that the level of group profits in future years make it more likely than not that the asset will be recovered. Deferred taxation is expected to reverse at a rate between 24% and 27% (2009 28%).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 October 2010

13. CALLED UP SHARE CAPITAL	2010	2009
	£'000	£'000
Authorised, allotted and fully paid 250,000 ordinary shares of £1 each	250	250

14. STATEMENT OF MOVEMENTS IN RESERVES

	Profit and loss account £'000
At 5 October 2009	1,526
Loss for the financial year	(52)
At 3 October 2010	1,474

15. FINANCIAL COMMITMENTS

At 3 October 2010 and 4 October 2009 the company had annual commitments under non-cancellable operating leases as follows

	2010		2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring				
- less than one year	-	1	-	5
- between one and two years	-	8	-	15
- between two and five years	-	10	-	15
- after five years	-	-	117	-
	<u>-</u>	<u>19</u>	<u>117</u>	<u>35</u>

The decrease in operating lease commitments relating to land and buildings reflects the completion of the historic lease arrangements, with a new formal agreement to occupy premises yet to be finalised

16. CONTINGENT LIABILITIES

Certain undertakings within the A&N Media group are included in a group VAT registration. The contingent liability of Herald Express News & Media Limited under the group VAT registration at 3 October 2010 was £4,193,000 (2009 £6,757,000)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 October 2010

17. PENSION ARRANGEMENTS

The Company operates AN PensionSaver, a group personal pension arrangement under which contributions are paid by the employer and employees. It also participates in a defined benefit pension scheme operated by Daily Mail and General Trust plc.

AN PensionSaver

AN PensionSaver was launched on 1 October 2007 and, since 1 August 2008 has been the principal pension arrangement offered to employees of the Company.

Assets of the plan are invested in funds selected by members and held independently from the Company's finances. The investment and administration of the plan is undertaken by Fidelity Pension Management.

Harmsworth Pension Scheme

The Harmsworth Pension Scheme is a defined benefit scheme providing service-related benefits based on final pensionable salary. The assets of the scheme are held independently from the Company's finances and are administered by a trustee company. The most recent actuarial valuation of the scheme, upon which the current contributions are based, was carried out as at 31 March 2007 using the projected unit credit method.

Daily Mail and General Trust plc continues to develop a series of measures principally designed to limit the Group's exposure to people living longer than is currently expected. These measures have been discussed with scheme trustees and a formal process of employee consultation will begin in December. The Group expects that this package of changes will secure the future of the schemes, which will continue to provide a valuable retirement provision for scheme members.

The funding strategy agreed with the Trustee of the principal scheme in connection with the 2007 valuation made allowance for assumed future investment returns on the scheme's assets of 3.3% p.a. above price inflation, compared with the real return of some 2.6% p.a. implicit within the calculation of the Technical Provisions (i.e. the value of the scheme's benefit liabilities). Daily Mail and General Trust plc agreed with the Trustee that this margin would be covered by a contingent asset and the Group put in place letters of credit of an amount sufficient to cover any potential shortfall in this additional investment return arising prior to the next triennial valuation. As at 3 October 2010, the letter of credit had a value of £46.94 million (2009: £32.1 million). Post year-end on 5 October 2010 the Group made a funding payment of £8.6 million to the scheme in exchange for which the trustee agreed that the letter of credit could be reduced by a corresponding amount.

Cash contributions paid by the Company to the Harmsworth Pension Scheme as required by the schedule of contributions remain at the same level of 18.0% of members' scheme salaries (2009: 18.0%) with employees contributing either 5% or 7.5% depending on which section of the scheme they are in. However, since 1 January 2009 a majority of members have agreed to a salary sacrifice arrangement whereby the Company pays the equivalent of the employee's contribution in exchange for a corresponding reduction in salary. In addition, Daily Mail and General Trust plc agreed to make a series of funding payments amounting to £3.17 million over a period of 27 months commencing in September 2009 in exchange for which the Trustees agreed to accept the cancellation of letters of credit that had been provided by Daily Mail and General Trust plc following the merger of the two main pension schemes of the Group in November 2007. In the year to 3 October 2010 the Group paid £1.0 million in accordance with that agreement (2009: £1.0 million).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 October 2010

17 PENSION ARRANGEMENTS (continued)

Other key financial assumptions adopted were as follows

Long-term assumed rate of	
Price inflation	3.0% pa
Salary increases	4.3% pa
Pension increases (on excess over GMP*)	3.0% pa
Discount rate for accrued liabilities	
- Pre-retirement	6.4% pa
- Post-retirement	4.8% pa

* Guaranteed minimum pension (GMP) is the minimum pension that the scheme must legally provide by being contracted out of the earnings-related part of the State Pension

The financial assumptions shown above used in the most recent actuarial valuation were selected to provide a basis for funding the schemes and are not intended to reflect the Company's experience or policy regarding pay in any one financial year

The valuation of the principal scheme showed that the combined accumulated assets of the scheme as at 31 March 2007 represented 99% of the scheme's Technical Provisions in respect of past service benefits. However, in common with the majority of defined benefit schemes, there was a sharp deterioration over the following two years, with the equivalent funding level falling to 63% as at 31 March 2009. Recent quarterly updates provided to the trustee indicate that the funding position has since improved.

Members are able to make additional voluntary contributions (AVCs) into unit-linked funds held within each scheme. No benefit obligation arises to the Daily Mail and General Trust plc, or the Company, from these AVCs and the related unit-linked AVC assets have been excluded from the valuation of assets and liabilities reported below.

The pension charge for the year ended 3 October 2010 comprised

	2010	2009
	£000	£000
Defined Benefit Schemes	102	113

Herald Express News & Media Limited is unable to identify its share of the underlying assets and liabilities in the defined benefit schemes in which it participates. The schemes are operated on an aggregate basis with no segregation of the assets to individual participating employers and, therefore, the same contribution rate is charged to all participating employers (ie the contribution rate charged to each employer is affected by the experience of the schemes as a whole). The schemes are therefore accounted for as defined contribution schemes by the Company. This means that the pension charge reported in these financial statements is the same as the cash contributions due in the period.

The ultimate UK parent company, Daily Mail and General Trust plc, is required to account for defined benefit schemes under International Accounting Standard 19 "Employee Benefits" ("IAS 19"). The IAS 19 disclosures in the Annual Report and Accounts of Daily Mail and General Trust plc have been based on calculations using membership data as at 30 September 2010 along with asset valuations and cash flow information from the schemes for the year to 3 October 2010. The calculations use assumptions and actuarial methodology required by IAS 19. These showed that the market value of the principal scheme's assets was £1,342.6 million (2009: £1,228.4 million) and that the actuarial value of these assets represented 86% (2009: 78%) of the benefits that had accrued to members (also calculated in accordance with IAS 19) resulting in a reported deficit of £214.3 million at 3 October 2010 (2009: £339.4 million deficit).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 October 2010

17. PENSION ARRANGEMENTS (continued)

The size of the surplus or deficit in the schemes, as measured for funding purposes, impacts on the calculations undertaken by the actuary to determine the cash funding (contributions) required from the companies that participate in the schemes. The valuations and disclosures required under IAS 19 for the financial statements of Daily Mail and General Trust plc are not materially different to the valuations and disclosures required under FRS 17.

Stakeholder Pensions

The Company provides access to a stakeholder pension plan for relevant employees who are not eligible for other pension schemes operated by the Group.

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by FRS 8 31(C) revised 'Related party disclosures', and has not disclosed transactions with other group companies which are 100% owned by the same parent company.

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is 100% owned by South West Media Group Limited, which is wholly owned by Northcliffe Media Limited.

The directors regard the ultimate parent company as Rothermere Continuation Limited, a company incorporated in Bermuda. The ultimate controlling party is The Viscount Rothermere, the Chairman of Daily Mail and General Trust plc.

The largest and smallest group of which the company is a member and for which group financial statements are drawn up is that of Daily Mail and General Trust plc, registered in England and Wales. Copies of the report and financial statements are available from

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