

INDEPENDENT NEWSPAPERS (FINANCE) PLC
(Registered Number: 3064815)

ANNUAL REPORT

31 DECEMBER 2003



INDEPENDENT NEWSPAPERS (FINANCE) PLC

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS' REPORT

The directors submit their report and the accounts of the company for the year ended 31 December 2003.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity during the period was the servicing of loans.

The directors do not foresee any changes in the business in the forthcoming year.

RESULTS AND DIVIDENDS

The loss for the year after taxation was £314,329 (2002: loss of £246,604). The directors do not recommend the payment of a dividend (2002: £nil).

GOING CONCERN

After making appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and have therefore prepared the accounts on a going concern basis.

TREASURY POLICY

The group's treasury function is operated by Independent News and Media PLC, the ultimate parent and full details of the treasury policy can be found in the financial statements of that company.

DIRECTORS AND THEIR INTEREST

The following directors served during the period:

L P Healy
B M A Hopkins
J J Parkinson
A J Round
I G Fallon

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 and Media PLC, in share options of that company at the beginning (or date of appointment, if later) and end of the year were:

	At 31 December 2002	Granted During Year	Exercised During Year	At 31 December 2003	Weighted Average Exercise Price
A J Round	390,000	-	-	390,000	€2.37

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

INDEPENDENT NEWSPAPERS (FINANCE) PLC

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS' REPORT (continued)

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 financial statements, the directors are required to:

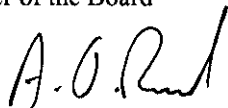
- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare 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 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.

AUDITORS

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

By order of the Board



A J Round
Director

A J Round 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

INDEPENDENT NEWSPAPERS (FINANCE) PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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. The other information comprises only the directors' report.

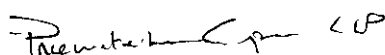
Basis of audit opinion

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6RH

27 JULY 2004

INDEPENDENT NEWSPAPERS (FINANCE) PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Administrative expenses		<u>(465,894)</u>	<u>(306,974)</u>
OPERATING LOSS	2	(465,894)	(306,974)
Interest receivable and similar income	5	6,954,352	6,954,352
Interest payable and similar charges	5	<u>(6,937,500)</u>	<u>(6,937,500)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(449,042)	(290,122)
Tax on loss on ordinary activities	4	<u>134,713</u>	<u>43,518</u>
RETAINED LOSS FOR THE YEAR		(314,329)	(246,604)
ACCUMULATED DEFICIT ON RESERVES BROUGHT FORWARD		<u>(7,545,853)</u>	<u>(7,299,249)</u>
ACCUMULATED DEFICIT ON RESERVES CARRIED FORWARD		<u>(7,860,182)</u>	<u>(7,545,853)</u>

There are no recognised gains or losses other than the loss for the financial years above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the years stated above and their historical cost equivalents.

The results for the current and prior year wholly relate to continuing operations in the United Kingdom.

The notes on pages 7 to 10 form part of these accounts.

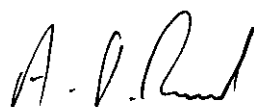
INDEPENDENT NEWSPAPERS (FINANCE) PLC

BALANCE SHEET

AS AT 31 DECEMBER 2003

	Note	31 December 2003 £	31 December 2002 £
CURRENTS ASSETS			
Cash at bank and in hand		2,017,148	-
Debtors	6	<u>134,713</u>	<u>2,056,800</u>
		2,151,861	2,056,800
CREDITORS			
Amounts falling due within one year	7	<u>(3,658,818)</u>	<u>(3,658,844)</u>
NET CURRENT LIABILITIES		(1,506,957)	(1,602,044)
DEBTORS: amounts receivable after more than one year	8	<u>67,997,934</u>	<u>67,941,456</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		66,490,977	66,339,412
CREDITORS			
Amounts falling due after more than one year	9	<u>(74,301,159)</u>	<u>(73,835,265)</u>
NET LIABILITIES		<u>(7,810,182)</u>	<u>(7,495,853)</u>
CAPITAL AND RESERVES			
Called up share capital	10	50,000	50,000
Profit and loss account		<u>(7,860,182)</u>	<u>(7,545,853)</u>
EQUITY SHAREHOLDERS' DEFICIT		<u>(7,810,182)</u>	<u>(7,495,853)</u>

Approved by the Board on 27 July 2004.



A J Round
Director

The notes on pages 7 to 10 form part of these accounts.

INDEPENDENT NEWSPAPERS (FINANCE) PLC
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Year ended 31 December 2003	Year ended 31 December 2002
Loss for the financial year	(314,329)	(246,604)
NET MOVEMENT IN SHAREHOLDERS' DEFICIT	(314,329)	(246,604)
OPENING SHAREHOLDERS' DEFICIT	(7,495,853)	(7,249,249)
CLOSING SHAREHOLDERS' DEFICIT	(7,810,182)	(7,495,853)

The notes on pages 7 to 10 form part of these accounts

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention, in accordance with the going concern concept, and comply with applicable accounting standards on a basis consistent with the previous year. The principal accounting policies are set out below:

a) **Deferred taxation**

All deferred taxation liabilities arising from timing differences are recognised. Deferred taxation assets arising from timing differences are recognised to the extent that they are expected to become recoverable in the foreseeable future.

Timing differences are temporary differences between profits as computed for taxation purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes.

b) **Issue costs**

The amount of the loan 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.

c) **Foreign currencies**

Assets, liabilities, revenues and costs arising from transactions denominated in foreign currencies are translated into sterling either at the exchange rate in operation on the date on which the transaction occurred or at the contracted rate if the transaction is covered by a related or matching foreign exchange contract.

At the balance sheet date monetary assets and liabilities are translated at closing or, if applicable, forward contract rates. Non-monetary assets are maintained at their historic sterling equivalent.

Exchange gains or losses on settled transactions and unsettled monetary items are dealt with in the profit and loss account as part of the results from ordinary activities.

d) **Financial instruments**

The group's policies are described in the financial statements of Independent News & Media PLC.

e) **Cash flow statement**

The company is a wholly-owned subsidiary of Independent News and Media PLC and is included in the consolidated financial statements of Independent News and Media PLC, which are publicly available. These financial statements are drawn up in accordance with companies legislation promulgated within the Republic of Ireland. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1.

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS (Continued)

2 OPERATING LOSS

Operating loss is stated after charging:

	2003 £	2002 £
Amortisation of debt issue costs	<u>465,894</u>	<u>306,960</u>

Auditors' remuneration was borne by the parent company.

3 DIRECTORS' EMOLUMENTS AND EMPLOYEES

No director received any emoluments in respect of services to the company during the year. (2002: £nil). The company had no employees during the year (2002: nil).

4 TAXATION

(a) Analysis of credit for the year

	2003 £	2002 £
<i>Current Tax</i>		
Group relief surrendered at 30%	<u>(134,713)</u>	<u>(43,518)</u>
Tax on loss on ordinary activities	<u>(134,713)</u>	<u>(43,518)</u>

The company expects to surrender the benefits of tax losses of £449,042 (2002: £145,060) to another group company for a consideration of £134,713 (2002: £43,518).

(b) Factors affecting the tax charge for the year

The tax assessed for the year compares to the standard rate of corporation tax in the UK (30%) as follows:

	2003 £	2002 £
Loss on ordinary activities before tax	<u>(449,042)</u>	<u>(290,122)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(134,713)	(87,037)
<i>Effects of:</i>		
Losses not utilised/surrendered in the period	<u>-</u>	<u>43,519</u>
Current tax credit for period	<u>(134,713)</u>	<u>(43,518)</u>

Both the current and total tax charge on the profit or loss before tax will continue to be affected by the generation and surrender of tax losses.

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS (Continued)

4 TAXATION (continued)

(c) Deferred Tax

No deferred tax was recognised at 31 December 2003 (31 December 2002: nil) on the basis that there is insufficient evidence of suitable taxable profits against which the tax losses can be utilised.

Total potential deferred tax asset is analysed as follows:

	2003 £	2002 £
Tax losses carried forward	<u>203,536</u>	<u>203,536</u>
	<u>203,536</u>	<u>203,536</u>

The potential deferred tax asset is measured on a non-discounted basis at the current corporation tax rate of 30% (2002:30%)

5 INTEREST RECEIVABLE/PAYABLE

	2003 £	2002 £
Interest income - fellow subsidiary undertakings	<u>6,954,352</u>	<u>6,954,352</u>
Interest payable on long-term loans	<u>6,937,500</u>	<u>6,937,500</u>

6 DEBTORS (amounts receivable in less than one year)

	2003 £	2002 £
Amounts owed by parent undertaking	-	39,626
Amounts owed by fellow subsidiary undertakings	<u>134,713</u>	<u>2,017,174</u>
	<u>134,713</u>	<u>2,056,800</u>

7 CREDITORS (amounts falling due within one year)

	2003 £	2002 £
Bank loans and overdrafts	-	26
Accruals and deferred income	<u>3,658,818</u>	<u>3,658,818</u>
	<u>3,658,818</u>	<u>3,658,844</u>

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS (Continued)

8 DEBTORS (amounts receivable after more than one year)

	2003 £	2002 £
Amounts owed by parent undertaking	<u>67,997,934</u>	<u>67,941,456</u>

The amount owed by the parent undertaking is a loan of £67,997,934 which is unsecured, bears interest at 11.20% per annum and is repayable on 21 June 2005.

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

	2003 £	2002 £
Loans (falling due between one and two years)	<u>74,301,159</u>	<u>73,835,265</u>
	<u>74,301,159</u>	<u>73,835,265</u>

On 15 June 1995 the company issued 9.25% Guaranteed Bonds. The bonds are unsecured and due for repayment in June 2005.

10 CALLED UP SHARE CAPITAL

	Authorised		Allocated and Fully Paid	
	2003 £	2002 £	2003 £	2002 £
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>50,000</u>	<u>50,000</u>

11 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The company is a 100% owned subsidiary undertaking of Independent News and Media (UK) Limited, a company incorporated in Great Britain and registered in England. The ultimate holding company is Independent News and Media PLC, a company incorporated in the Republic of Ireland.

The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Independent News and Media PLC group or investees of the Independent News and Media PLC group. There are no other related party transactions.

The only accounts produced that include the results of the company are those of Independent News and Media PLC. A copy of those accounts can be obtained from Independent House, 2023 Bianconi Avenue, Citywest Business Campus, Naas Road, Dublin 24, Ireland.

12 FINANCIAL SUPPORT

The ultimate parent company, Independent News and 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.