

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

ANNUAL REPORT

31 DECEMBER 2005



INDEPENDENT NEWSPAPERS (FINANCE) PLC
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005

DIRECTORS' REPORT

The directors submit their report and the accounts of the company for the year ended 31 December 2005.

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 profit for the year after taxation was £81,144 (2004: loss of £1,748,047). The directors do not recommend the payment of a dividend (2004: £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.

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 and end of the year were:

	At 31 December 2004	Granted During Year	Exercised During Year	At 31 December 2005	Weighted Average Exercise Price
A J Round	507,783	-	-	507,783	€2.10

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 2005

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

13 July 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

INDEPENDENT NEWSPAPERS (FINANCE) PLC

We have audited the financial statements of Independent Newspapers (Finance) PLC for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the reconciliation of movements in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

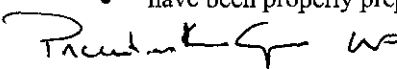
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its result 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

13 July 2006

INDEPENDENT NEWSPAPERS (FINANCE) PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Administrative expenses		<u>(67,729)</u>	<u>(434,712)</u>
OPERATING LOSS	2	(67,729)	(434,712)
Interest receivable and similar income	6	734,845	7,187,685
Interest payable and similar charges	6	(585,972)	(6,764,864)
Exceptional item	3	<u>-</u>	<u>(1,940,049)</u>
PROFIT /(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		81,144	(1,951,940)
Tax on profit/ (loss) on ordinary activities	5	<u>-</u>	<u>203,893</u>
RETAINED PROFIT / (LOSS) FOR THE YEAR		81,144	(1,748,047)
ACCUMULATED DEFICIT ON RESERVES BROUGHT FORWARD		<u>(9,608,229)</u>	<u>(7,860,182)</u>
ACCUMULATED DEFICIT ON RESERVES CARRIED FORWARD		<u>(9,527,085)</u>	<u>(9,608,229)</u>

There are no recognised gains or losses other than the profit/ (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 profit / (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 11 form part of these accounts.

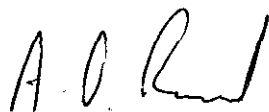
INDEPENDENT NEWSPAPERS (FINANCE) PLC

BALANCE SHEET

AS AT 31 DECEMBER 2005

	Note	31 December 2005 £	31 December 2004 £
CURRENTS ASSETS			
Cash at bank and in hand		193	23,193
Debtors: amounts receivable in less than one year	7	<u>10,642,212</u>	<u>33,224,983</u>
		10,642,405	33,248,176
CREDITORS			
Amounts falling due within one year	8	<u>(9,619,490)</u>	<u>(32,306,405)</u>
NET CURRENT ASSETS		1,022,915	941,771
TOTAL ASSETS LESS CURRENT LIABILITIES		1,022,915	941,771
NET ASSETS		<u>1,022,915</u>	<u>941,771</u>
CAPITAL AND RESERVES			
Called up share capital	9	50,000	50,000
Capital Contribution reserve	10	10,500,000	10,500,000
Profit and loss account		<u>(9,527,085)</u>	<u>(9,608,229)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>1,022,915</u>	<u>941,771</u>

Approved by the Board on 13 July 2006.



A J Round
Director

The notes on pages 7 to 11 form part of these accounts.

INDEPENDENT NEWSPAPERS (FINANCE) PLC
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Year ended 31 December 2005	Year ended 31 December 2004
Profit /(loss) for the financial year	81,144	(1,748,047)
Capital contribution	<u>-</u>	<u>10,500,000</u>
NET MOVEMENT IN SHAREHOLDERS' FUNDS	81,144	8,751,953
OPENING SHAREHOLDERS' FUNDS	<u>941,771</u>	<u>(7,810,182)</u>
CLOSING SHAREHOLDERS' FUNDS	<u>1,022,915</u>	<u>941,771</u>

The notes on pages 7 to 11 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 Companies Act 1985 and applicable accounting standards. The financial statements are prepared on the going concern basis because the company's ultimate parent company has committed to provide financial support to the company to enable it to meet its liabilities as they fall due, for the foreseeable future. The principal accounting policies are set out below:

a) **Deferred taxation**

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profit and its results as stated in the financial statements that arise *from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements*. A net deferred tax asset is only recognised when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Amounts relating to deferred taxation are undiscounted.

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.

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS (Continued)

1 ACCOUNTING POLICIES (continued)

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.

2 OPERATING LOSS

Operating loss is stated after charging (crediting):

	2005 £	2004 £
Amortisation of debt issue costs	92,812	434,658
Reversal of a prior year over-accrual of costs	<u>(25,457)</u>	<u>-</u>

Auditors' remuneration was borne by the parent company.

3 EXCEPTIONAL ITEM

	2005 £	2004 £
Exceptional item	<u>-</u>	<u>1,940,049</u>

Exceptional item represents costs incurred in 2004 as a result of the early redemption of a portion of the 9.25% Guaranteed Bonds.

4 DIRECTORS' EMOLUMENTS AND EMPLOYEES

No director received any emoluments in respect of services to the company during the year. (2004: £nil). The company had no employees during the year (2004: nil).

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 and Independent News & Media PLC.

5 TAXATION

(a) Analysis of tax charge / (credit) for the year

	2005 £	2004 £
<i>Current Tax</i>		
Adjustment in respect of prior years	<u>-</u>	<u>(203,893)</u>
Tax on profit / (loss) on ordinary activities	<u>-</u>	<u>(203,893)</u>

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS (Continued)

5 TAXATION (continued)

(b) Factors affecting the tax charge for the year

The current tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £	2004 £
Profit / (loss) on ordinary activities before tax	81,144	(1,951,940)
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	24,343	(585,582)
Effects of:		
Losses not utilised/surrendered in the period	(24,343)	585,582
Adjustments to tax charge in respect of previous periods	-	(203,893)
Current tax charge / (credit) for period	-	(203,893)

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.

(c) Deferred Tax

No deferred tax was recognised at 31 December 2005 (31 December 2004: £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:

	2005 £	2004 £
Tax losses carried forward	561,239	585,582
	561,239	585,582

The potential deferred tax asset is measured on a non-discounted basis at the current corporation tax rate of 30% (2004:30%)

6 INTEREST RECEIVABLE / (PAYABLE)

	2005 £	2004 £
Interest income - fellow subsidiary undertakings	734,845	7,181,586
Bank interest	-	6,099
Interest receivable and similar income	734,845	7,187,685
Interest payable on loans	(585,972)	(6,764,864)

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS (Continued)

7 DEBTORS (amounts receivable in less than one year)

	2005	2004
	£	£
Amounts owed by parent undertaking	-	22,252,483
Amounts owed by fellow subsidiary undertakings	<u>10,642,212</u>	<u>10,972,500</u>
	<u>10,642,212</u>	<u>33,224,983</u>

The amount owed by the fellow subsidiary undertakings relates to a loan of principal £10,500,000 which is unsecured, bears interest at 6% per annum and is repayable on demand.

8 CREDITORS (amounts falling due within one year)

	2005	2004
	£	£
Accruals and deferred income	-	2,122,218
Loans	-	30,184,187
Amounts owed to parent undertaking	<u>(9,619,490)</u>	<u>-</u>
	<u>(9,619,490)</u>	<u>32,306,405</u>

On 15 June 1995 the company issued 9.25% Guaranteed Bonds. The bonds were unsecured and were repaid in June 2005.

9 CALLED UP SHARE CAPITAL

	Authorised		Allotted and Fully Paid	
	2005	2004	2005	2004
	£	£	£	£
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>50,000</u>	<u>50,000</u>

10 CAPITAL CONTRIBUTION RESERVE

	2005	2004
	£	£
Reserve	<u>10,500,000</u>	<u>10,500,000</u>

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS (Continued)

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.