

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

**ANNUAL REPORT**

**31 DECEMBER 2006**

**TUESDAY**



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**INDEPENDENT NEWSPAPERS (FINANCE) PLC**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**DIRECTORS' REPORT**

The directors submit their report and the accounts of the company for the year ended 31 December 2006

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and accordingly a full business review is not required

**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 £630,383 (2005 profit of £81,144) The directors do not recommend the payment of a dividend (2005 £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

Following changes to UK company law by the Companies Act 2006, which changes came into effect on 6 April 2007, the requirements to maintain a register of Directors' interests and to disclose these interests in the Company's statutory report and accounts have been repealed. Consequently the Company no longer makes a disclosure in this regard

**INDEPENDENT NEWSPAPERS (FINANCE) PLC**

**DIRECTORS' REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**DIRECTORS' REPORT (continued)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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). The financial statements are required by law to 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 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.

In the case of each of the persons who are directors at the time when the report is approved, the following applies:

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

**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 27 July 2007

**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 2006 which comprise the Profit and Loss Account, the Balance Sheet, 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



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

27 July

2007

**INDEPENDENT NEWSPAPERS (FINANCE) PLC**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Administrative expenses		<u>(615)</u>	<u>(67,729)</u>
<b>OPERATING LOSS</b>	2	(615)	(67,729)
Interest receivable and similar income	5	630,998	734,845
Interest payable and similar charges	5	<u>-</u>	<u>(585,972)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		630,383	81,144
Tax on profit on ordinary activities	4	<u>-</u>	<u>-</u>
<b>RETAINED PROFIT FOR THE YEAR</b>		630,383	81,144
<b>ACCUMULATED DEFICIT ON RESERVES BROUGHT FORWARD</b>		<u>(9,527,085)</u>	<u>(9,608,229)</u>
<b>ACCUMULATED DEFICIT ON RESERVES CARRIED FORWARD</b>		<u>(8 896,702)</u>	<u>(9,527,085)</u>

There is no difference between the profit 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 Company has no recognised gains or losses other than the loss for the period and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 6 to 10 form part of these accounts

**INDEPENDENT NEWSPAPERS (FINANCE) PLC**

**BALANCE SHEET**

**AS AT 31 DECEMBER 2006**

	Note	31 December 2006 £	31 December 2005 £
<b>CURRENT ASSETS</b>			
Cash at bank and in hand		1,191	193
Debtors amounts receivable in less than one year	6	<u>10,642,212</u>	<u>10,642,212</u>
		10,643,403	10,642,405
<b>CREDITORS</b>			
Amounts falling due within one year	7	<u>(8,990,105)</u>	<u>(9,619,490)</u>
<b>NET CURRENT ASSETS</b>		1,653,298	1,022,915
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,653,298	1,022,915
<b>NET ASSETS</b>		<u>1,653,298</u>	<u>1,022,915</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	50,000	50,000
Capital Contribution reserve	9	10,500,000	10,500,000
Profit and loss account		<u>(8,896,702)</u>	<u>(9,527,085)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>1,653,298</u>	<u>1,022,915</u>

Approved by the Board on 27 July 2007

*A. J. Round*

A J Round  
Director

The notes on pages 6 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 Companies Act 1985 and applicable accounting standards. The financial statements are prepared on the going concern basis. 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) 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.

# INDEPENDENT NEWSPAPERS (FINANCE) PLC

## NOTES TO THE ACCOUNTS (Continued)

### 2 OPERATING LOSS

Operating loss is stated after charging (crediting)

	2006 £	2005 £
Amortisation of debt issue costs	-	92,812
Reversal of a prior year over-accrual of costs	-	(25,457)
	<u>-</u>	<u>(25,457)</u>

Auditors' remuneration was borne by another group company

### 3 DIRECTORS' EMOLUMENTS AND EMPLOYEES

No director received any emoluments in respect of services to the company during the year (2005 £nil) The company had no employees during the year (2005 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

### 4 TAXATION

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

	2006 £	2005 £
<i>Current Tax</i>		
Adjustment in respect of prior years	-	-
Tax on profit / (loss) on ordinary activities	<u>-</u>	<u>-</u>



# INDEPENDENT NEWSPAPERS (FINANCE) PLC

## NOTES TO THE ACCOUNTS (Continued)

### 4 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

	2006 £	2005 £
Profit on ordinary activities before tax	630,383	81,144
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	189,115	24,343
<i>Effects of</i> Losses utilised in the period	(189,185)	(24,343)
Current tax charge / (credit) for period	-	-

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

#### (c) Deferred Tax

No deferred tax was recognised at 31 December 2006 (31 December 2005 £nil) on the basis of group relief tax arrangements that are available

The total unrecognised deferred tax asset is analysed as follows

	2006 £	2005 £
Tax losses carried forward	372,054	561,239
	372,054	561,239

The unrecognised deferred tax asset is measured on a non-discounted basis at the current corporation tax rate of 30% (2005 30%)

### 5 INTEREST RECEIVABLE / (PAYABLE)

	2006 £	2005 £
Interest income - fellow subsidiary undertakings	630,000	734,845
Bank interest	998	-
Interest receivable and similar income	630,998	734,845
Interest payable on loans	-	(585,972)

# INDEPENDENT NEWSPAPERS (FINANCE) PLC

## NOTES TO THE ACCOUNTS (Continued)

### 6 DEBTORS (amounts receivable in less than one year)

	2006 £	2005 £
Amounts owed by parent undertaking	-	-
Amounts owed by fellow subsidiary undertakings	<u>10,642,212</u>	<u>10,642,212</u>
	<u>10,642,212</u>	<u>10,642,212</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

### 7 CREDITORS (amounts falling due within one year)

	2006 £	2005 £
Accruals and deferred income	-	-
Loans	-	-
Amounts owed to parent undertaking	<u>(8,990,105)</u>	<u>(9,619,490)</u>
	<u>(8,990,105)</u>	<u>(9,619,490)</u>

### 8 CALLED UP SHARE CAPITAL

	Authorised		Allotted and Fully Paid	
	2006 £	2005 £	2006 £	2005 £
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>50,000</u>	<u>50,000</u>

### 9 CAPITAL CONTRIBUTION RESERVE

	2006 £	2005 £
Reserve	<u>10,500,000</u>	<u>10,500,000</u>

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS (Continued)

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

£'000

Opening Shareholders Funds at 1 January 2006	1,022,915
Profit for the year	<u>630,383</u>
Closing Shareholders Funds at 31 December 2006	<u>1,653,298</u>

11 POST BALANCE SHEET EVENTS

Subsequent to the year end, the UK Chancellor of the Exchequer has announced that the corporation tax rate will be reduced from 30% to 28% with effect from 1 April 2008. In accordance with UK GAAP, the rate of 30% has still been used as the basis for the calculation of the deferred taxation balances stated in Note 4 as the change was not substantively enacted at the balance sheet date.

12 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.