

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

ANNUAL REPORT

31 DECEMBER 2008

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INDEPENDENT NEWSPAPERS (FINANCE) PLC

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2008

DIRECTORS' REPORT

The directors submit their report and the accounts of the company for the year ended 31 December 2008.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to the recoverability of the loans. As all loans are inter-group loans the risks are minimized.

KEY PERFORMANCE INDICATORS ('KPIs')

Given the straightforward nature of the business, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £630,000 (2007: profit of £630,000). The directors do not recommend the payment of a dividend (2007: £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of Directors' interests and to disclose these interests in the Company's statutory report and accounts have been repealed.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 2008

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.

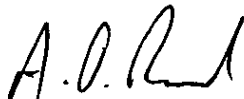
The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

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 2009

**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 2008 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 2008 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
INDEPENDENT NEWSPAPERS (FINANCE) PLC (Continued)

Emphasis of Matter - going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Directors' confidence in the Company's ability to continue as a going concern. The matters explained in note 1 indicate the existence of a material uncertainty which may cast significant doubt about this ability. The financial statements do not include any adjustments that would be necessary if the company were unable to continue as a going concern.

PricewaterhouseCoopers LLP

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

27 July 2009

INDEPENDENT NEWSPAPERS (FINANCE) PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Administrative expenses		-	-
OPERATING LOSS	2	-	-
Interest receivable and similar income	5	630,000	630,000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		630,000	630,000
Tax on profit on ordinary activities	4	-	-
RETAINED PROFIT FOR THE YEAR		630,000	630,000
ACCUMULATED DEFICIT ON RESERVES BROUGHT FORWARD		(8,266,702)	(8,896,702)
ACCUMULATED DEFICIT ON RESERVES CARRIED FORWARD		(7,636,702)	(8,266,702)

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 7 to 11 form part of these accounts.

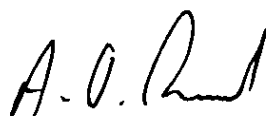
INDEPENDENT NEWSPAPERS (FINANCE) PLC

BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	31 December 2008 £	31 December 2007 £
CURRENT ASSETS			
Cash at bank and in hand		1,291	1,191
Debtors: amounts receivable in less than one year	6	<u>10,642,112</u>	<u>11,272,212</u>
		10,643,403	11,273,403
CREDITORS			
Amounts falling due within one year	7	<u>(7,730,105)</u>	<u>(8,990,105)</u>
NET CURRENT ASSETS		2,913,298	2,283,298
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,913,298</u>	<u>2,283,298</u>
NET ASSETS		<u>2,913,298</u>	<u>2,283,298</u>
CAPITAL AND RESERVES			
Called up share capital	8	50,000	50,000
Capital Contribution reserve	9	10,500,000	10,500,000
Profit and loss account		<u>(7,636,702)</u>	<u>(8,266,702)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>2,913,298</u>	<u>2,283,298</u>

Approved by the Board on 27 July 2009.



A J Round
Director

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 principal accounting policies are set out below:

(a) Basis of preparation and Liquidity

The financial statements are prepared on the going concern basis under the assumption that the company's ultimate parent company (the Group) will continue to provide financial support to the company to enable it to meet its liabilities as they fall due, for the foreseeable future. The ultimate parent company has committed to this. However as a result of the current difficult credit markets, the Group has been unable to raise new debt to fund the maturity of the €200million 5.75% bond ('Bonds') which were due to mature on 18 May 2009. The Group does not have sufficient headroom under its existing facilities in order to meet this maturity and service its debt obligations.

In addition the Group's banking facilities contain certain covenant tests relating to Net Debt to EBITDA and EBITDA to Net Interest. Failure of a covenant test would render the facilities in default and repayable on demand at the option of the lenders if an amendment or waiver is not granted by the lenders in advance. The Group reports on these covenants to the eight banks within the Group's bank group (the 'Banks') bi-annually as part of the facility agreements. While the Group was compliant with its banking covenants as at 31 December 2008, the covenants were due to be retested again as at 30 June 2009 and 31 December 2009. The Group remains both profitable and cash generative but, given the continued difficult trading conditions within which the Group is currently operating, there is now a strong likelihood of a breach of the financial covenants within the Group's borrowing facilities during 2009 if an amendment or waiver is not granted by the lenders in advance.

The Group has entered into a standstill agreement with the holders of the Bonds and the Banks for the period to 27 August 2009, during which period neither the holders of the Bonds nor the Banks can take any action to enforce any claim for any payment.

The Group has appointed advisers to advise it in relation to its refinancing requirements and the Group has entered into constructive discussions with an ad-hoc committee of the holders of the Bonds (the 'Bondholders'), its Banks and the two major shareholders, in relation to the Group's proposal to reschedule maturities on the Bonds and Bank debt and agree covenant amendments and the provision of working capital facilities. However there can be no certainty that these discussions with the Bondholders, the Banks and the two major shareholders will be successfully concluded or that banking facilities will continue to be available to the Group on commercially acceptable terms.

Given the current economic circumstances and the difficulties in raising finance, the Directors have had detailed and ongoing discussions as a Board and have been kept up to date on the discussions by the Group's Board of Directors. Although the Group's Board of Directors remain confident of a satisfactory outcome, they have concluded that the combination and timing of these circumstances is not entirely within their control, and accordingly the Directors have concluded these circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's and company's ability to continue as a going concern. If this is the case the company may be unable to continue to realize assets and discharge liabilities in the normal course of business.

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS (Continued)

1 ACCOUNTING POLICIES (Continued)

However discussions to date with the Group's Bondholders, Banks and two major shareholders have indicated a willingness to seek agreement and the Directors remain confident that an agreement will be reached with them which is acceptable to the Group. Consequently having made due enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the company has and will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements and these financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

(b) 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.

(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)

2 OPERATING LOSS

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. (2007: £nil). The company had no employees during the year (2007: 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

	2008 £	2007 £
<i>Current Tax</i>		
Adjustment in respect of prior years	-	-
Tax on profit on ordinary activities	-	-

(b) Factors affecting the tax charge for the year

The current tax assessed for the period is lower than (2007: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	630,000	630,000
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	179,550	189,000
<i>Effects of:</i>		
Losses utilised in the period	-	-
Tax credit on imputed interest charge	(122,641)	(147,989)
Adjustments to tax charge in respect of previous periods relating to imputed interest income	-	(250,781)
Utilisation of brought forward tax losses	(56,909)	209,770
Current tax credit for period	-	-

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 2008 (31 December 2007: £nil) on the basis that there was insufficient evidence of suitable taxable profits against which the tax losses can be utilised.

Total potential deferred tax asset is analysed as follows:

	2008 £	2007 £
Tax losses carried forward	461,502	543,036
	<u>461,502</u>	<u>543,036</u>

5 INTEREST RECEIVABLE / (PAYABLE)

	2008 £	2007 £
Interest income - fellow subsidiary undertakings	630,000	630,000
Bank interest	-	-
Interest receivable and similar income	<u>630,000</u>	<u>630,000</u>

6 DEBTORS (amounts receivable in less than one year)

	2008 £	2007 £
Amounts owed by fellow subsidiary undertakings	10,642,112	11,272,212
	<u>10,642,112</u>	<u>11,272,212</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)

	2008 £	2007 £
Amounts owed to parent undertaking	(7,730,105)	(8,990,105)
	<u>(7,730,105)</u>	<u>(8,990,105)</u>

Amounts owed to the parent undertaking are non-interest bearing, unsecured and repayable on demand.

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS (Continued)

8 CALLED UP SHARE CAPITAL

	Authorised		Allotted and Fully Paid	
	2008	2007	2008	2007
	£	£	£	£
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

	2008	2007
	£	£
Reserve	<u>10,500,000</u>	<u>10,500,000</u>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	£
Opening Shareholders Funds at 1 January 2008	2,283,298
Profit for the year	<u>630,000</u>
Closing Shareholders Funds at 31 December 2008	<u>2,913,298</u>

11 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

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.