

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

DIRECTORS' REPORT AND ACCOUNTS

26 DECEMBER 1997



INDEPENDENT NEWSPAPERS (FINANCE) PLC
DIRECTORS' REPORT AND ACCOUNTS
FOR THE 52 WEEKS ENDED 26 DECEMBER 1997

DIRECTORS' REPORT

The directors submit their report and the accounts of the company for the 52 weeks ended 26 December 1997.

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.

REVIEW OF THE BUSINESS

The principal activity during the year was servicing of loans.

RESULTS AND DIVIDENDS

The loss on ordinary activities for the year after taxation was £247,776 (1996: profit of £47,799). The directors do not recommend the payment of a dividend (1996: £nil).

INDEPENDENT NEWSPAPERS (FINANCE) PLC
DIRECTORS' REPORT AND ACCOUNTS
FOR THE 52 WEEKS ENDED 26 DECEMBER 1997

DIRECTORS' REPORT (continued)

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.

The auditors have reported to the Board that in their opinion the directors' statement on going concern above has provided the disclosures required by the Listing Rules and is consistent with the information which came to the auditors' attention as a result of their audit work on the accounts. The auditors were not required to perform the additional work necessary to, and did not, express any opinion on the ability of the company to continue in operational existence.

DIRECTORS

The following directors served during the year:

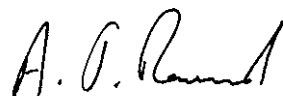
L P Healy	
B M A Hopkins	
J J Parkinson	
J J McCormack	(resigned 12 May 1997)
A J Round	(appointed 1 May 1997)

No director had any beneficial interest in the share capital of the company during the year. The interests of those directors who have shares or share options in the ultimate holding company are disclosed in the accounts of that company or the accounts of Independent Newspapers Holdings Limited.

AUDITORS

The auditors, Price Waterhouse, have expressed their willingness to be reappointed.

By order of the Board



A J Round
Company Secretary

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

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 as at 26 December 1997 and of its loss for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse,

24 June 1998.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London SE1 9SY

INDEPENDENT NEWSPAPERS (FINANCE) PLC

PROFIT AND LOSS ACCOUNT

FOR THE 52 WEEKS ENDED 26 DECEMBER 1997

	Note	52 Weeks ended 26 December 1997	52 Weeks ended 27 December 1996
TURNOVER		-	-
COST OF SALES		-	-
GROSS PROFIT		-	-
Administrative expenses - Continuing operations		(231,109)	(212,946)
OPERATING LOSS	2	(231,109)	(212,946)
Interest receivable and similar income	5	6,984,272	6,963,744
Interest payable and similar charges	5	(6,937,500)	(6,766,438)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(184,337)	(15,640)
Tax on loss on ordinary activities	4	(63,439)	63,439
RETAINED (LOSS)/PROFIT FOR THE PERIOD		(247,776)	47,799
ACCUMULATED DEFICIT ON RESERVES BROUGHT FORWARD		(184,558)	(232,357)
ACCUMULATED DEFICIT ON RESERVES CARRIED FORWARD		(432,334)	(184,558)

There were no recognised gains or losses other than the loss for the year. There is no difference between the results reported above and the results on an unmodified historical cost basis.

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

The notes on pages 7 to 9 form part of these accounts.

INDEPENDENT NEWSPAPERS (FINANCE) PLC

BALANCE SHEET

AS AT 26 DECEMBER 1997

	Note	26 December 1997 £	27 December 1996 £
CURRENTS ASSETS			
Amounts receivable after more than one year	6	76,307,545	80,987,922
Other debtors		9	5
Cash at bank and in hand		5,711	56,135
		<u>76,313,265</u>	<u>81,044,062</u>
CREDITORS			
Amounts falling due within one year	7	<u>(4,314,416)</u>	<u>(8,653,267)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		71,998,849	72,390,795
CREDITORS			
Amounts falling due after more than one year	8	(72,381,183)	(72,150,153)
Provision for liabilities and charges	9	-	(375,200)
		<u>(72,381,183)</u>	<u>(72,525,353)</u>
NET LIABILITIES		<u>(382,334)</u>	<u>(134,558)</u>
CAPITAL AND RESERVES			
Called up share capital	10	50,000	50,000
Profit and loss account		<u>(432,334)</u>	<u>(184,558)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>(382,334)</u>	<u>(134,558)</u>

Approved by the Board on 22/6/98

A. J. Round

A J Round - Director

The notes on pages 7 to 9 form part of these accounts.

INDEPENDENT NEWSPAPERS (FINANCE) PLC
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE 52 WEEKS ENDED 26 DECEMBER 1997

	52 weeks ended 26 December 1997	52 weeks ended 27 December 1996
(Loss)/Profit for the financial period	(247,776)	47,799
NET MOVEMENT IN SHAREHOLDERS' FUNDS	(247,776)	47,799
SHAREHOLDERS' FUNDS AT 27 DECEMBER 1996	(134,558)	(182,357)
SHAREHOLDERS' FUNDS AT 26 DECEMBER 1997	(382,334)	(134,558)

The notes on pages 7 to 9 form part of these accounts

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS FOR THE 52 WEEKS ENDED 26 DECEMBER 1997

1 ACCOUNTING POLICIES

a) Historical cost convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Deferred taxation

Deferred taxation is provided at the anticipated rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts to the extent that it is probable that a liability or asset will crystallise in the future.

c) 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.

d) Foreign currencies

Transactions designated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary assets and liabilities designated in foreign currencies are re-translated at the rates ruling at the balance sheet date (closing rate) with the resulting profit or loss included in the profit for the year.

e) Financial Year

The financial year ends on the last Friday nearest 31 December. Periodically this results in a fifty-three week year.

2 OPERATING LOSS

Operating loss is stated after charging:

	1997 £	1996 £
Amortisation of issue costs	<u>231,030</u>	<u>209,836</u>

Auditors' remuneration was borne by the parent company.

3 DIRECTORS' EMOLUMENTS AND EMPLOYEES

Full details of the directors emoluments in respect of their services to the group can be found in the financial statements of Independent Newspapers Holdings Limited and Independent Newspapers Plc. None of the directors received emoluments in respect of their services to this company.

The company had no employees during the period.

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS (Continued)

4 TAXATION

	1997 £	1996 £
Group relief surrendered at 33%	(438,639)	438,639
Deferred taxation	<u>375,200</u>	<u>(375,200)</u>
	<u>(63,439)</u>	<u>63,439</u>

The prior year adjustment has arisen due to the decision not to surrender the 1996 losses as group relief. They have been used to offset current year income.

5 INTEREST RECEIVABLE/PAYABLE

	1997 £	1996 £
Interest income - fellow subsidiary undertaking	6,980,822	6,962,104
- other	<u>3,450</u>	<u>1,640</u>
	<u>6,984,272</u>	<u>6,963,744</u>
Interest payable on long-term loan	<u>6,937,500</u>	<u>6,766,438</u>

6 DEBTORS (amounts receivable after more than one year)

	1997 £	1996 £
Amounts owed by parent undertaking	2,874,668	-
Amounts owed by fellow subsidiary undertaking	<u>73,432,877</u>	<u>80,987,922</u>
	<u>76,307,545</u>	<u>80,987,922</u>

The amounts owed by fellow subsidiary understating is unsecured, bears interest at 10% per annum and is repayable on 16 June 2005.

7 CREDITORS (amounts falling due within one year)

	1997 £	1996 £
Amounts owed to parent undertaking	-	5,057,973
Amounts owed to fellow subsidiary undertakings	719,122	-
Accruals and deferred income	<u>3,595,294</u>	<u>3,595,294</u>
	<u>4,314,416</u>	<u>8,653,267</u>

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

	1997 £	1996 £
Loans (falling due after five years)	<u>72,381,183</u>	<u>72,150,153</u>

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

INDEPENDENT NEWSPAPERS (FINANCE) PLC

NOTES TO THE ACCOUNTS (Continued)

9 PROVISION FOR LIABILITIES AND CHARGES

	Deferred Taxation
At 27 December 1996	375,200
Provided in the year	<u>(375,200)</u>
At 26 December 1997	<u>-</u>

Full provision had been made for deferred taxation that arose in 1996 on timing differences on interest accruals. The provision was written back in 1997. This is as a result of the decision not to surrender the 1996 losses as group relief.

10 CALLED UP SHARE CAPITAL

	1997	Authorised 1996 £	Allocated and Fully Paid 1997	1996 £
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>50,000</u>	<u>50,000</u>

11 CASH FLOW STATEMENT

The company is exempt from producing a cash flow statement under Financial Reporting Standard 1 as it is wholly owned by a parent undertaking established under the law of a member state of the European Community. The parent undertaking prepares consolidated financial statements, including a consolidated cash flow statement, which includes all subsidiary undertakings. These financial statements are drawn up in accordance with companies legislation promulgated within the Republic of Ireland.

12 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Independent Newspapers Holdings Limited, a company incorporated in Great Britain and registered in England. The ultimate holding company is Independent Newspapers Plc, a company incorporated in the Republic of Ireland.

As permitted by paragraph 3(c) of FRS8 - Related Party Disclosures, transactions with other entities in the group are not disclosed.

The only accounts produced that include the results of the company are those of Independent Newspapers Plc. A copy of those accounts can be obtained from 1/2 Upper Hatch Street, Dublin 2.

13 FINANCIAL SUPPORT

The ultimate parent company, Independent Newspapers Plc, has undertaken to provide such additional funds as may be required to enable the company to meet its obligations as they fall due.