

Notes to the Company balance sheet – U.K. GAAP

1 Basis of preparation

The separate financial statements of the Company are prepared under the historical cost convention, modified to include the revaluation to fair value of certain financial instruments as described below, in accordance with the Companies Act 2006 and U.K. Generally Accepted Accounting Principles (U.K. GAAP). The following paragraphs describe the main accounting policies under U.K. GAAP, which have been applied consistently in both the current and prior year.

Profit for the financial year

As permitted by section 480 of the Companies Act 2006, a separate profit and loss account for the Company has not been included in these accounts. The Company's loss after tax for the year, calculated on a U.K. GAAP basis, was £198.5 million (2008 loss £141.8 million).

Impact of amendments to accounting standards

In the current year certain minor amendments to U.K. financial reporting standards were issued by the U.K. Accounting Standards Board. The adoption of these amendments has not had any impact on the Company's accounting policies.

2 Significant accounting policies

Intangible fixed assets

Intangible assets principally comprise purchase trademarks and are capitalised and amortised through the profit and loss account over the lower of their useful economic lives and a period of 20 years.

Impairment reviews of intangible fixed assets are carried out at the end of the first financial year after acquisition and where there is any indication of impairment.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life. All of the Company's tangible fixed assets are artworks with a residual value at least equal to cost and therefore no depreciation has been applied in either the current or prior period on the basis that any change would not be material.

Foreign exchange

Transactions in currencies other than the entity's reporting currency are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

Investments

Investments in subsidiaries are stated at cost, less any provision for impairment, where appropriate.

Other investments are classified as either held for trading or available-for-sale and are measured at either fair value or at cost less provision for impairment where fair value cannot be reliably determined.

Where investments are classified as held for trading, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Impairment charges are recorded in the profit and loss account when they occur.

Investments and financial assets are recognised and de-recognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are measured at fair value, including transaction costs.

Taxation

Current tax, including U.K. corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Financial instruments

Financial assets

– Trade debtors

Trade debtors do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

– Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, short-term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Notes to the Company balance sheet – U.K. GAAP

Continued

2 Significant accounting policies – Continued

Financial instruments – Continued

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

– Trade creditors

Trade creditors are not interest bearing and are stated at their nominal value.

– Capital market and bank borrowings

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to net proceeds at inception), and are subsequently measured at amortised cost, using the effective interest rate method. A portion of the Company's bonds are subject to fair value hedge accounting and this portion of the carrying value is adjusted for the movement in the hedged risk to the extent hedge effectiveness is achieved. Any difference between the proceeds, net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing.

– Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to settle on a net basis, or realise the asset and liability simultaneously.

Derivative financial instruments and hedge accounting

The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The Company uses various derivative financial instruments to manage its exposure to these risks.

The use of financial derivatives is governed by the Group's policies, which are set out on pages 36 and 41 of the Financial and Treasury Review and approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

The Company does not apply hedge accounting except for fair value hedges. Gains and losses arising on derivatives that form part of net investment hedge or cash flow hedge relationships in the consolidated financial statements are recorded in the profit and loss account in the Company.

– Fair value hedges

The Company's policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk to the extent that the hedge relationship is effective. When the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting, hedge accounting is discontinued.

Financial instruments – disclosures

The Company has taken advantage of the exemption provided in FRS 29 (IFRS 7) Financial Instruments: Disclosures which states that disclosure in respect of financial instruments is not required in parent company financial statements where such disclosures are included in publicly available consolidated financial statements.

Cash flow statement

The Company has utilised the exemptions provided under FRS 1 (Revised) and has not presented a cash flow statement. A consolidated cash flow statement has been presented in the Group's Annual Report.

Related party transactions

The Company has taken advantage of the exemptions of FRS 8 which states that disclosure of related party transactions is not required in the parent company financial statements when those statements are presented together with its consolidated financial statements.

Share-based payments

The Company operates the Group's LTIP and other Group share-based payment schemes, details of which can be found in note 39 of the Group's Annual Report.

3 Employees

| | 2009 Number | 2008 Number |
|--|----------------|----------------|
| Average number of persons employed by the Group by activity including Directors: | 10 | 11 |

| | 2009 £m | 2008 £m |
|------------------------------|------------|------------|
| Total staff costs comprised: | | |
| Wages and salaries | 6.9 | 5.6 |
| Share-based payments | 0.6 | 1.4 |
| Social security costs | 0.7 | 0.8 |
| Pension costs | 0.8 | 0.9 |
| | 9.0 | 8.7 |

4 Intangible Assets

| | Trademarks £m |
|--|------------------|
| Cost | |
| At 28th September, 2008 and 4th October, 2009 | 136.0 |
| Accumulated amortisation and impairment | |
| At 28th September, 2008 | 45.9 |
| Charge for the year | 5.3 |
| Impairment | 31.6 |
| At 4th October, 2009 | 82.8 |
| Net book value – 2008 | 90.1 |
| Net book value – 2009 | 53.2 |

The Company tests intangible assets at the end of the first financial year after acquisition and where there is any indication of impairment, or more frequently if there are indicators that the intangibles assets might be impaired. When testing for impairment, the recoverable amounts for all the Company's income generating units (IGUs) are measured at their value in use by discounting future expected cash flows. These calculations use cash flow projections based on management approved budgets and projections which reflect management's current experience and future expectations of the markets in which the IGU operates.

The impairment charge recognised in the year relates to the Company's interests in its local media IGUs. The risk adjusted discount rate used was 11.5%.

Notes to the Company
balance sheet – U.K. GAAP

Continued

5 Tangible Fixed Assets

| | Fixtures and fittings £m |
|---|-----------------------------|
| Cost | |
| At 28th September, 2008 | 0.6 |
| Additions | 0.1 |
| At 4th October, 2009 | 0.7 |
| Accumulated depreciation | |
| At 28th September, 2008 and 4th October, 2009 | 0.2 |
| Net book value – 2008 | 0.4 |
| Net book value – 2009 | 0.5 |

6 Investments in Group Undertakings (as listed on pages 147 to 148)

| | Cost £m | Provision £m | Net book value £m |
|-----------------------------|----------------|-----------------|----------------------|
| At 28th September, 2008 | 1,825.6 | – | 1,825.6 |
| Additions | 72.6 | (72.0) | 0.6 |
| At 4th October, 2009 | 1,898.2 | (72.0) | 1,826.2 |

7 Other Investments

| | £m |
|-----------------------------|------------|
| Cost | |
| At 28th September, 2008 | 1.0 |
| Additions | 0.3 |
| Disposals | (1.0) |
| At 4th October, 2009 | 0.3 |

Additions to other investments comprises the Company's investment in shares of Thomson Reuters.

8 Debtors

| | 2009 £m | 2008 £m |
|-------------------------------------|--------------|--------------|
| Amounts falling due within one year | | |
| Amounts owed by Group undertakings | 73.9 | 70.4 |
| Prepayments and accrued income | 7.0 | 8.5 |
| Corporation tax | 43.0 | 65.9 |
| Derivative financial assets | 25.0 | 3.0 |
| | 148.9 | 147.8 |

The Company's corporation tax debtor represents amounts due from subsidiaries for Group relief.

9 Creditors

| | 2009 £m | 2008 £m |
|-------------------------------------|--------------|--------------|
| Due within one year | | |
| Bank overdrafts | 6.0 | 4.0 |
| Loan notes | 2.3 | 2.5 |
| Interest payable | 32.6 | 32.4 |
| Amounts owing to Group undertakings | 185.6 | 163.8 |
| Accruals and deferred income | 3.2 | 0.6 |
| Derivative financial liabilities | – | 1.6 |
| | 229.7 | 204.9 |

Loan notes attract interest at approximately LIBOR minus 0.5% and were issued as part of the consideration for various acquisitions. The loan notes are repayable at the option of the loan note holder.

10 Creditors

| | 2009 £m | 2008 £m |
|-------------------------------------|----------------|--------------|
| Due after more than one year | | |
| 7.5% Bonds 2013 | 303.3 | 299.4 |
| 5.75% Bonds 2018 | 175.9 | 173.5 |
| 10% Bonds 2021 | 170.0 | 168.2 |
| 6.375% Bonds 2027 | 197.9 | 197.8 |
| Bank loans | 173.3 | 105.4 |
| Derivative financial liabilities | 73.5 | 31.1 |
| | 1,093.9 | 975.4 |

Notes to the Company
balance sheet – U.K. GAAP

Continued

10 Creditors – Continued

The nominal values of the bonds are as follows:

| | 2009 £m | 2008 £m |
|-------------------|--------------|--------------|
| 7.5% Bonds 2013 | 300.0 | 300.0 |
| 5.75% Bonds 2018 | 175.0 | 175.0 |
| 10% Bonds 2021 | 156.4 | 156.4 |
| 6.375% Bonds 2027 | 200.0 | 200.0 |
| | 831.4 | 831.4 |

The Company's bonds have been adjusted from their nominal values to offset the premia paid on settlement or redemption, direct issue costs and discounts. The issue costs, premia and discounts are being amortised over the expected lives of the bonds using the effective interest method. The unamortised issue costs amount to £3.1 million (2008 £3.4 million), the unamortised premia £13.9 million (2008 £15.2 million).

Details of the fair value of the Company's bonds are set out in note 30 of the Group's Annual Report and Accounts. The book value of the Company's other borrowings equates to fair value.

The Company's bank loans are denominated in U.S. dollars and Sterling. The interest rates on these borrowings ranged as follows:

| | 2009 High | 2009 Low | 2008 High | 2008 Low |
|-------------|--------------|-------------|--------------|-------------|
| Sterling | 6.77% | 0.90% | 7.35% | 5.23% |
| U.S. dollar | 5.40% | 0.56% | 6.23% | 2.50% |

The maturity profile of the Company's borrowings is as follows:

| | Overdrafts £m | Bank loans £m | Bonds £m | Loan notes £m | Total £m |
|----------------------------|------------------|------------------|-------------|------------------|-------------|
| 2009 | | | | | |
| Within one year | 6.0 | - | - | 2.3 | 8.3 |
| Between one and two years | - | 43.2 | - | - | 43.2 |
| Between two and five years | - | 130.1 | 303.3 | - | 433.4 |
| Over five years | - | - | 543.8 | - | 543.8 |
| | - | 173.3 | 847.1 | - | 1,020.4 |
| | 6.0 | 173.3 | 847.1 | 2.3 | 1,028.7 |
| 2008 | | | | | |
| Within one year | 4.0 | - | - | 2.5 | 6.5 |
| Between one and two years | - | - | - | - | - |
| Between two and five years | - | 28.2 | - | - | 28.2 |
| Over five years | - | 77.2 | 838.9 | - | 916.1 |
| | - | 105.4 | 838.9 | - | 944.3 |
| | 4.0 | 105.4 | 838.9 | 2.5 | 950.8 |

11 Provisions for liabilities

| | Note | 2009 £m | 2008 £m |
|-------------------|------|------------|------------|
| Deferred taxation | 12 | (0.6) | 0.2 |
| Other provisions | (i) | 0.6 | 0.6 |
| | | - | 0.8 |

(i) Movements on other provisions were as follows:

| | | |
|-----------------------|------------|------------|
| At beginning of year | 0.6 | 1.1 |
| Utilised during year | - | (0.5) |
| At end of year | 0.6 | 0.6 |

The provision relates to probable costs associated with subsidiary disposal commitments and is expected to be utilised within the next 12 months.

12 Deferred Taxation

| | 2009 £m | 2008 £m |
|--------------------------|------------|------------|
| Other timing differences | (0.6) | 0.2 |

Movements on the provision for deferred taxation were as follows:

| | 2009 £m | 2008 £m |
|---------------------------------------|--------------|------------|
| At beginning of year | 0.2 | 0.2 |
| LTIP charge | (0.1) | - |
| Net credit to profit and loss account | (0.7) | - |
| At end of year | (0.6) | 0.2 |

13 Reserves

Share premium account

| | 2009 £m | 2008 £m |
|------------------------------|------------|------------|
| At beginning and end of year | 12.4 | 12.4 |

Shares held in treasury

| | 2009 £m | 2008 £m |
|---|---------------|---------------|
| At beginning of year | (93.5) | (44.4) |
| Additions | (5.6) | (88.3) |
| Own shares released on vesting of share options | 52.3 | 21.0 |
| Own shares cancelled | - | 18.2 |
| At end of year | (46.8) | (93.5) |

The Company's investment in its own shares is classified within shareholders' funds as Shares held in treasury. At 4th October, 2009 this investment comprised the cost of 9,657,228 'A' Ordinary Non-Voting shares (2008 18,215,407 shares). The market value of these shares at 4th October, 2009 was £42.4 million (2008 £59.1 million). The treasury shares are considered to be a realised loss for the purposes of calculating distributable reserves.

Details of the Company's share capital can be found within note 35 of the Group's Annual Report and Accounts.

Notes to the Company balance sheet – U.K. GAAP

Continued

14 Capital redemption reserve

| | £m |
|------------------------------|-----|
| At beginning and end of year | 1.1 |

15 Profit and loss account

| | £m |
|---|--------------|
| At beginning of year | 914.7 |
| Net loss for the year | (149.9) |
| Dividends paid | (55.3) |
| Moved to hedging reserve | 2.4 |
| Other movements on share option schemes | (22.2) |
| At end of year | 689.7 |
| Total reserves – 2008 | 898.2 |
| Total reserves – 2009 | 656.4 |

The Company estimates that £620.6 million of the Company's profit and loss account reserve is not distributable (2008 £602.7 million).

16 Contingent liabilities

At 4th October, 2009 the Company had guaranteed borrowing facilities of subsidiaries under which Enil (2008 £60.0 million) were outstanding. The Company had also guaranteed a subsidiary's outstanding derivatives which have a mark to market asset valuation of £0.5 million (2008 liability of £5.4 million) and letters of credit with a principal value of £5.3 million (2008 £9.1 million). The Company has also issued stand by letters of credit in favour of the Trustees of the Group's defined benefit pension fund amounting to £37.8 million (2008 £64.3 million).

17 Controlling Party

The Company's ultimate controlling party is the Viscount Rothermere, the Company's Chairman. Transactions relating to the remuneration and shareholdings of the Viscount Rothermere are given in the Remuneration Report.