

REPORT AND ACCOUNTS

Coventry Newspapers
Limited

DECEMBER 31, 1990

ERNST & YOUNG

(Company number : 47310)



Coventry Newspapers Limited

DIRECTORS

FT Bunting
A G Crabtree
R P R Iliffe
J R Nicholson
C J Oakley
E R Petrie
J F Plugh

SECRETARY

R Mander

AUDITORS

Ernst & Young
Windsor House
3 Temple Row
Birmingham
B2 5LA

BANKERS

Barclays Bank PLC
25 High Street
Coventry

SOLICITORS

Lovell White Durrant
65 Holborn Viaduct
London
EC1A 2DY

REGISTERED OFFICE

Corporation Street
Coventry
CV1 1PT

ERNST & YOUNG

Coventry Newspapers Limited

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1990.

RESULTS AND DIVIDENDS FOR THE YEAR

The trading profit for the year, after taxation, amounted to £1,561,000. During the period a preference dividend of £6,000 was paid.

The directors recommend that no final dividend be paid on the ordinary or deferred shares, leaving a profit of £1,555,000 which has been transferred to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The company's principal activity continued to be that of newspaper publishing.

The company has continued to trade profitably.

FUTURE DEVELOPMENTS

The company will continue to serve the market needs of the communities in Coventry and Warwickshire. In an area of intense media competition every opportunity will be taken to use new technology and marketing to the full.

FUTURE FINANCE

Although the Ingersoll Publications Limited group's main trading divisions have performed profitably and are expected to continue to do so, additional finance is required to fund the group's ongoing commitments.

The directors understand that negotiations to provide that finance are at an advanced stage and believe they will be successfully completed in the near future.

FIXED ASSETS

The movements in fixed assets are detailed in notes 8 and 9.

The significant movements relate to the acquisition and installation of a printing press.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

F T Bunting	(appointed Chairman February 8, 1990)
T D Morris	(Chairman - resigned February 8, 1990)
A G Crabtree	
R P R Iliffe	
R M Ingersoll II	(resigned March 7, 1990)
J R Nicholson	(appointed March 15, 1990)
C J Oakley	(appointed March 15, 1990)
E R Petrie	(appointed Managing Director December 1, 1990)
J F Plugh	

R P R Iliffe, J F Plugh and J R Nicholson are directors of the ultimate holding company, Ingersoll Publications Limited, and their interests are shown in the directors report of that company.

F T Bunting, E R Petrie, A G Crabtree and C J Oakley had no interest in the share capital of the company or any other group company.

Coventry Newspapers Limited

DIRECTORS' REPORT

CHARITABLE CONTRIBUTIONS

During the year the company made charitable contributions amounting to £7,000 (1989: £15,000).

EMPLOYEE CONSULTATION AND INVOLVEMENT

The company has always recognised the importance of good communication in relationships with its staff. This is pursued in a number of ways, including regular meetings between management, staff and their representatives, and through newsletters.

DISABLED PERSONS

The company gives a full and fair consideration to applications for employment from disabled persons and has an established policy to encourage their employment whenever it is practicable, bearing in mind the requirements of the job and having regard to their particular aptitudes and abilities.

Where an employee becomes disabled during the course of his or her employment, every effort is made to find suitable alternative employment within the company and re-training is given if this is necessary.

The company continues to train and encourage the career development of disabled persons in its employment.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the Board



R Mander

Secretary

October 30, 1991

ERNST & YOUNG

REPORT OF THE AUDITORS
to the members of Coventry Newspapers Limited

We have audited the accounts on pages 5 to 15 in accordance with Auditing Standards.

As stated in note 1, the accounts have been prepared on a going concern basis. The company has provided cross guarantees on the banking facilities of Midland Newspapers Limited, its parent company (see note 20). The validity of the going concern basis depends on the bank's continuing support of the group by providing adequate loan facilities or on the group obtaining an alternative source of finance. The group will only be able to meet its commitments by obtaining additional borrowing facilities, or through the sale of assets, or through raising additional equity. In the absence of such financing the going concern basis would be invalid.

In this case adjustments may have to be made to reflect the value of assets to their recoverable amount, to provide for any further liabilities which might arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Subject to the matter referred to above, in our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1990 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young

Chartered Accountants

Registered Auditor

Birmingham

October 30, 1991

Coventry Newspapers Limited

PROFIT AND LOSS ACCOUNT

for the year ended December 31, 1990

	Notes	1990 £'000	1989 £'000
TURNOVER	2	18,563	18,174
Other operating income		17	33
		<u>18,580</u>	<u>18,207</u>
Raw materials and consumables		(2,695)	(2,920)
Other external charges		(5,747)	(5,171)
Staff costs	4	(7,152)	(7,448)
Depreciation	8	(596)	(720)
		<u>(16,190)</u>	<u>(16,259)</u>
OPERATING PROFIT	3	2,390	1,948
Interest receivable		66	155
Interest payable	5	(227)	(25)
		<u>(161)</u>	<u>130</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,229	2,078
Taxation on profit on ordinary activities	6	(668)	(734)
PROFIT FOR THE FINANCIAL YEAR		<u>1,561</u>	<u>1,344</u>
Dividends	7	(6)	(12)
PROFIT RETAINED FOR THE FINANCIAL YEAR		<u>1,555</u>	<u>1,332</u>

A statement of the movement on reserves can be found in note 17.

Coventry Newspapers Limited

BALANCE SHEET

at December 31, 1990

	Notes	1990 £'000	1989 £'000
FIXED ASSETS			
Tangible assets	8	9,792	5,168
Investments	9	3	10
		<u>9,795</u>	<u>5,178</u>
CURRENT ASSETS			
Stocks	10	155	299
Debtors	11	3,185	2,615
Cash at bank and in hand		-	368
		<u>3,340</u>	<u>3,282</u>
CREDITORS: amounts falling due within one year	12	<u>(6,002)</u>	<u>(2,945)</u>
NET CURRENT (LIABILITIES) / ASSETS		<u>(2,662)</u>	<u>337</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,133</u>	<u>5,515</u>
CREDITORS: amounts falling due after more than one year	13	(15)	(104)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	15	(714)	(562)
		<u>6,404</u>	<u>4,849</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,515	1,515
Revaluation reserve	17	1,453	1,453
Profit and loss account	17	3,436	1,881

F.T. Bunting

F T Bunting

Director

October 30, 1991

6,404

4,849

Coventry Newspapers Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS for the year ended December 31, 1990

	1990 £'000	1989 £'000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	2,229	2,078
Adjustment for items not involving the movement of funds:		
Depreciation	596	720
Profit on disposal of tangible assets	(15)	-
TOTAL GENERATED FROM OPERATIONS	2,810	2,798
FUNDS FROM OTHER SOURCES:		
Proceeds of disposal of tangible fixed assets	20	206
Group companies	3,095	-
Sale of investments	7	-
	5,932	3,004
APPLICATION OF FUNDS		
Dividends paid	6	18
Tax paid	204	783
Purchase of tangible fixed assets	5,225	2,245
Obligation under finance leases	90	96
Loan repayments	-	509
	5,525	3,651
INCREASE/(DECREASE) IN WORKING CAPITAL	407	(647)
COMPONENTS OF INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	(144)	48
Debtors	570	239
Creditors	396	(720)
	822	(433)
MOVEMENT IN NET LIQUID FUNDS		
Cash in hand	(368)	(214)
Bank overdraft	(47)	-
	(415)	(214)
	407	(647)

ERNST & YOUNG

Coventry Newspapers Limited

NOTES TO THE ACCOUNTS

at December 31, 1990

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention modified to include the revaluation of certain land and buildings.

The accounts have been prepared under the going concern concept on the basis that the group's principal bankers continue their support by providing adequate loan facilities to Midland Newspapers Limited or the group obtaining an alternative source of finance.

The accounts are prepared in accordance with applicable Accounting Standards.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold property	- 50 years
Long leasehold property	- 50 years
Short leasehold property	- over the period of the lease
Plant and machinery	- 10 to 15 years
Motor vehicles	- 4 years
Computers and electronic equipment	- 4 to 5 years

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Foreign Currency

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the actual rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pension costs

The expected cost of pensions in respect of the group's defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from regular cost are spread over the expected remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of a qualified actuary.

Coventry Newspapers Limited

NOTES TO THE ACCOUNTS

at December 31, 1990

2. TURNOVER

Turnover represents the amounts derived from newspaper publishing and is stated net of value added tax.

The turnover and pre-tax profit is attributable to the company's principal activity and is derived solely within the United Kingdom.

3. OPERATING PROFIT

(a) This is stated after charging the following:

	1990 £'000	1989 £'000
Directors' remuneration (see below)	186	163
Auditors' remuneration	17	16
Depreciation of owned assets	507	621
Depreciation of leased assets	89	99
Operating lease rentals - land and buildings	5	5

(b) Directors' remuneration

Fees	-	-
Other emoluments (including pension contributions)	186	163

The emoluments, excluding pension contributions, of the chairmen were £95,800 (1989: £NIL) as follows:

	1990 £	1989 £
Chairman (period to February 8, 1990)	-	-
Chairman (period February 8 to December 31, 1990)	95,800	-

In 1990 the chairman was the highest paid director. In 1989 the emoluments of the highest paid director, excluding pension contributions, were £90,143.

Other directors' emoluments, excluding pension contributions, fell within the following ranges:

	1990 No	1989 No
£ Nil - £5,000	6	4
£45,001 - £50,000	-	1
£50,001 - £55,000	1	-

Coventry Newspapers Limited

NOTES TO THE ACCOUNTS

at December 31, 1990

4. STAFF COSTS

	1990 £'000	1989 £'000
Wages and salaries	5,467	5,770
Social security costs	423	445
Other pension costs (see note 18)	547	-
	<u>6,437</u>	<u>6,215</u>
Redundancy costs	715	1,233
	<u>7,152</u>	<u>7,448</u>

The average weekly number of employees during the year was made up as follows:

	1990 No	1989 No
Full time	360	397
Part time	90	103
	<u>450</u>	<u>500</u>

5. INTEREST PAYABLE

	1990 £'000	1989 £'000
Loans from group companies	214	-
Finance charges payable under finance leases	13	25
	<u>227</u>	<u>25</u>

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1990 £'000	1989 £'000
Corporation tax at 34.25% (1989 35%) - group relief	625	748
Deferred tax	133	32
	<u>758</u>	<u>780</u>
Adjustment in respect of prior years :		
Corporation tax - group relief	(109)	-
Deferred tax	19	(46)
	<u>668</u>	<u>734</u>

Group relief is available and is used in the most tax efficient way with an inter-company charge being made at the appropriate rate of tax.

Coventry Newspapers Limited

NOTES TO THE ACCOUNTS

at December 31, 1990

7. DIVIDENDS

	1990 £'000	1989 £'000
Preference - paid	6	12

The holders of the cumulative preference shares have waived their rights to the second instalment of the current year's dividend of £6,000.

8. TANGIBLE FIXED ASSETS

	Freehold property £'000	Short leasehold property £'000	Long leasehold property £'000	Plant and machinery £'000	Total £'000
Cost or valuation:					
At December 31, 1989	276	95	2,896	6,039	9,306
Additions during the year	-	-	1,787	3,438	5,225
Disposals during the year	-	-	-	(129)	(129)
At December 31, 1990	276	95	4,683	9,348	14,402
Depreciation:					
At December 31, 1989	24	75	252	3,787	4,138
Provided during the year	7	6	76	507	596
Disposals during the year	-	-	-	(124)	(124)
At December 31, 1990	31	81	328	4,170	4,610
Net book value:					
At December 31, 1990	245	14	4,355	5,178	9,792
At December 31, 1989	252	20	2,644	2,252	5,168

The net book value of plant and machinery includes £86,000 (1989 - £176,000) in respect of leased assets.

Included in freehold land and buildings is land valued at £41,400 which is not depreciated.

The historical cost of the freehold and leasehold properties which have been revalued is :

	Freehold £'000	Short Leasehold £'000	Long Leasehold £'000
Cost	54	86	3,461
Aggregate depreciation	12	73	315
Net book value	42	13	3,146

Coventry Newspapers Limited

NOTES TO THE ACCOUNTS

at December 31, 1990

8. TANGIBLE FIXED ASSETS (continued)

The cost or valuation of freehold and leasehold properties at December 31, 1990 comprises:

	<i>Freehold</i> £'000	<i>Short</i> <i>Leasehold</i> £'000	<i>Long</i> <i>Leasehold</i> £'000
Valuation 1988	276	95	2,282
Cost	-	-	2,401
	<u>276</u>	<u>95</u>	<u>4,683</u>

9. INVESTMENTS

£'000

At cost:	
At January 1, 1990	10
Disposals during the year	(7)
At December 31, 1990	<u>3</u>

10. STOCKS

	<i>1990</i> £'000	<i>1989</i> £'000
Raw materials and consumables	<u>155</u>	<u>299</u>

The difference between purchase price of stocks and their replacement cost is not material.

11. DEBTORS

	<i>1990</i> £'000	<i>1989</i> £'000
Trade debtors	2,784	2,076
Other debtors	231	416
Amounts owed by fellow subsidiary undertakings	-	1
Prepayments	<u>170</u>	<u>122</u>
	<u>3,185</u>	<u>2,615</u>

Coventry Newspapers Limited

NOTES TO THE ACCOUNTS

at December 31, 1990

12. CREDITORS: amounts falling due within one year

	1990 £'000	1989 £'000
Bank overdrafts	47	-
Amounts owed to fellow subsidiary undertakings	4,033	938
Trade creditors	484	1,089
Corporation tax	-	236
Obligations under finance leases (note 14)	89	90
Other taxes and social security	265	290
Other creditors and accruals	1,084	302
	<u>6,002</u>	<u>2,945</u>

13. CREDITORS: amounts falling due after more than one year

	1990 £'000	1989 £'000
Obligations under finance leases (see note 14)	<u>15</u>	<u>104</u>

14. OBLIGATIONS UNDER FINANCE LEASES

	1990 £'000	1989 £'000
Amounts payable:		
Within one year	97	106
In the second to fifth years inclusive	15	111
	<u>112</u>	<u>217</u>
Less: finance charges allocated to future period	(8)	(23)
	<u>104</u>	<u>194</u>
Finance leases are analysed as follows:		
Current obligations	89	90
Non current obligations	15	104
	<u>104</u>	<u>194</u>

15. DEFERRED TAXATION

	1990 £'000	1989 £'000
Accelerated capital allowances	759	466
Other timing differences	(45)	96
	<u>714</u>	<u>562</u>

Deferred taxation is fully provided on all timing differences at 33% (1989 : 35%). No deferred tax provision is considered necessary for the surplus arising on the revaluation of land and buildings.

Coventry Newspapers Limited

NOTES TO THE ACCOUNTS

at December 31, 1990

16. SHARE CAPITAL

	<i>Authorised called up and fully paid</i>	
	1990	1989
	£	£
A ordinary shares of £1 each	5,208	5,208
B ordinary shares of £1 each	15,625	15,625
6% cumulative preference shares of £1 each	200,000	200,000
B deferred shares of £1 each	79,167	79,167
Deferred shares of £1 each	1,215,000	1,215,000
	<u>1,515,000</u>	<u>1,515,000</u>

17. RESERVES

	<i>Revaluation reserve £'000</i>	<i>Profit and loss account £'000</i>
At December 31, 1989	1,453	1,881
Retained profit for the year	-	1,555
At December 31, 1990	<u>1,453</u>	<u>3,436</u>

18. PENSIONS

Coventry Newspapers Limited participates in the schemes which are operated for the employees of Ingersoll Publications Limited and its subsidiaries. The group operates two defined benefit pension schemes, being the Ingersoll Executive Pension Plan ("IEPP") and Midlands Newspapers Pension Scheme ("MNPS"). The latter is a hybrid scheme (with both final salary and money purchase sections) and is for the majority of its permanent employees. The schemes are administered by Trustees and the assets are held separately from the group.

The schemes are subject to independent actuarial valuations at least every three years by a qualified actuary and annual contributions to the schemes are paid in accordance with his advice. The IEPP was set up on September 15, 1988 and at that date assets and liabilities were due from the YIT Executive Pension Fund ("YIT Fund"). An actuarial valuation of IEPP is due at April 5, 1990 but is not yet complete, and therefore the most recent actuarial valuation, which includes members of the IEPP, is that of the previous Fund which was completed at January 29, 1988. The most recent actuarial valuation of the MNPS was undertaken at April 5, 1989.

At the valuation date of January 29, 1988 the entire YIT Fund had scheme assets of £5.5m and these represented 107% of the benefits that had accrued to members, after allowing for the effect of future increases in their earnings. On the grounds of prudence no credit has been taken in the accounts for the amortisation of the surplus as an actuarial valuation on the IEPP is yet to be completed.

At the valuation date of April 5, 1989 the MNPS has scheme assets of £49.3m (after deduction of the refund to the group) and after various benefit improvements these represented 107% of the benefits that had accrued to members, including the effect of future increases in their earnings. The scheme's surplus which is based on calculations made by a qualified actuary using the projected unit method is being amortised over 15 years, being the average remaining service life of employees.

Coventry Newspapers Limited

NOTES TO THE ACCOUNTS

at December 31, 1990

18. PENSIONS (continued)

The assumptions which have the most significant effect on the results of the valuation are the rate at which salaries will increase and the return the schemes will earn on their assets over the long term. The assumptions made for the above valuations were that salaries would increase by 7.5% pa (MNPS) and 9% pa (YIT Fund) and that the schemes' investments will earn 9.5% pa (MNPS) and 9% pa (YIT Fund). Pensions were assumed to increase at 4.5% pa (MNPS) and 3% pa (YIT Fund).

The pension cost charged to the company's profit and loss account is £547,000 for the financial year ended December 31, 1990 (1989: £NIL). The pension cost for 1990 is significantly different to that for 1989 as the surplus in the MNPS, the estimated amount of which in 1989 was used to offset the regular cost, has been largely distributed in the form of a refund to the ultimate holding company and various improvements to the benefits provided by the MNPS. Included in other creditors and accruals at December 31, 1990 is a balance of £134,000 (in 1989 there was a balance included in other debtors of £194,000).

19. CAPITAL COMMITMENTS

Capital commitments not provided in the accounts are as follows:

	1990 £'000	1989 £'000
Contracted	1,441	3,375
Authorised by the directors but not contracted	567	3,293
	<u>2,008</u>	<u>6,668</u>

20. CONTINGENT LIABILITY

The company is party to Midland Newspapers Limited group banking arrangements. Standard Chartered Bank has a fixed and floating charge over the assets of the company as security for the group overdrafts and loans which at December 31, 1990 amounted to £65m.

21. OTHER FINANCIAL COMMITMENTS

The commitments under non-cancellable operating leases are as follows:

	1989 and 1990 Land and buildings £'000
Operating leases which expire: Over five years	<u>5</u>

22. ULTIMATE PARENT UNDERTAKING

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Ingersoll Publications Limited, a company registered in England, and the parent undertaking of the smallest group is Midlands Newspapers Limited, a company also registered in England