

Notes to the Company Balance Sheet

01

Accounting Policies

(a) Accounting convention

The financial statements are prepared in compliance with the Companies Act 2006 and in accordance with applicable United Kingdom law and accounting standards. The financial statements are prepared under the historical cost convention. The accounting policies have been applied consistently in the current and prior year.

In accordance with FRS 1 (Revised), a statement of cash flows has not been prepared.

(b) Investment in subsidiary undertakings

Investments in subsidiary undertakings are individually valued at historical cost less provision for impairment in value.

(c) Financial liabilities and equities

Financial liabilities and equity instruments 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 Group after deducting all of its liabilities.

(d) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

02

Loss for the year

The Company has not presented its own profit and loss account as permitted by section 230 of the Companies Act 2006. The loss for the year attributable to shareholders, which is stated on an historical cost basis, was £81.2m (2008: £11.8m). The £81.2m loss in the year comprises an impairment of investments in subsidiary undertakings of £149.2m offset by intercompany dividends received of £68.0m. There were no other recognised gains or losses.

03

Investments in subsidiary undertakings

| £m | 2009 | 2008 |
|---------------------------|--------------|--------------|
| Cost or valuation: | | |
| At 1 September | 669.2 | 669.2 |
| Impairment | (149.2) | - |
| At 31 August | 520.0 | 669.2 |

During the year the Company reviewed the carrying value of its investments. The outcome resulted in a £149.2m impairment in the value of the investments in Group companies.

04

Creditors: amounts falling due within one year

| £m | 2009 | 2008 |
|---------------------------------|------|------|
| Amounts owed to Group companies | - | 60.0 |

Notes to the Company Balance Sheet

05

Creditors: amounts falling due after more than one year

| £m | 2009 | 2008 |
|---------------------------------|-------|-------|
| Amounts owed to Group companies | 440.6 | 448.6 |

06

Called up share capital

| £ | 2009 | 2008 |
|--|------------|------------|
| Authorised: | | |
| 300.0m Ordinary Shares of 5p each | 15,000,000 | 15,000,000 |
| 40 Deferred shares of £1 each | 40 | 40 |
| 1 Redeemable preference share of £50,000 | 50,000 | 50,000 |

| £ | 2009 | 2008 |
|-------------------------------|-----------|-----------|
| Issued and fully paid: | | |
| Ordinary Shares of 5p each | 9,146,013 | 9,145,997 |

| (b) Movement in share capital | Ordinary shares of 5p each |
|--------------------------------------|-----------------------------------|
| At 1 September 2008 | 182,919,930 |
| Issued in the year | 329 |
| At 31 August 2009 | 182,920,259 |

The holders of ordinary shares are entitled to receive dividends as declared from time-to-time and are entitled to one vote per share at the meetings of the Company. The Company has one class of ordinary shares, which carry no right to fixed income.

07

Reserves

| £m | | | 2009 | 2008 |
|-----------------------------|---------------|-------------------------|---------------|--------------|
| | Share capital | Profit and loss account | Total | Total |
| Balance at 1 September | 9.1 | 151.5 | 160.6 | 172.4 |
| Dividend paid | - | (12.0) | (12.0) | (11.7) |
| Loss retained for the year | - | (69.2) | (69.2) | (0.1) |
| Balance at 31 August | 9.1 | 70.3 | 79.4 | 160.6 |

08

Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3(c) of FRS 8, Related Party Disclosures, not to disclose transactions with Smiths News Group companies and interests of the Group, which are related parties.