INDEPENDENT NEWS & MEDIA PLC

ANNUAL REPORT 2008

CORPORATE PROFILE & CONTENTS

Corporate Profile 2008: Global Vision Local Focus

Over the past 36 years Independent News & Media PLC (INM) has grown to become a leading international newspaper and communications group through a combination of sustained organic growth and a series of strategic investments in rapidly developing markets around the world. With origins dating back over 100 years in the Irish newspaper industry, the Group now has interests in Australia, India, Indonesia, Ireland, New Zealand, South Africa and the United Kingdom.

INM currently publishes over 200 newspaper and magazine titles, delivering a combined weekly circulation of over 32 million copies with a weekly audience of over 100 million consumers. A more recent focus on emerging markets such as India – with the world's largest read newspaper *Dainik Jagran* – and South Africa – where readership also remains buoyant – has delivered enhanced value to the Group.

The Group has established a robust and growing online presence, with over 100 editorial, classified and transactional sites and continues to identify online opportunities in all markets. The Group's vision for sustained growth is underpinned by highly successful investments in outdoor advertising and radio assets in several markets. INM is the largest radio operator – over 130 stations and an audience of almost six million people in Australasia – and the largest outdoor advertising operator in Australasia and Africa and also has leading outdoor advertising positions in Hong Kong, Malaysia, India and Indonesia.

INM's geographic diversity offers several advantages, including the ability to leverage the assets, expertise and reach of globally recognised brands such as *The Independent*, *The New Zealand Herald* and *Dainik Jagran* in local markets.

Consistent and sustained growth, geographically as well as through investment in market-leading brands and online assets, has been the hallmark of the Group's success in the past two decades. Today, INM manages gross assets of €2.1 billion, revenue of €1.6 billion and employs approximately 9,600 people worldwide.

Further information is available on the Group website www.inmplc.com.

INTERNATIONAL PROFILE

AUSTRALASIA

- No.1 Daily Newspaper (New Zealand)
- No.1 Regional Newspaper Publisher
- No.1 Radio Operator
- No.1 Outdoor Advertising Operator
- No.1 News Website (New Zealand)
- Leading Commercial Printer (New Zealand)
- Leading Magazine & Specialist Publisher
- Online

IRELAND

- No.1 Newspaper Publisher
- No.2 Regional Publisher
- No.2 Directory Publisher
- Leading Wholesaler & Distributor of Newspapers & Magazines
- Leading News Website
- No.1 Property Website (Island of Ireland)
- Online

SOUTH AFRICA

- No.1 Newspaper Publisher
- Leading Community Newspapers
- Leading Commercial Printer
- No.1 Outdoor Advertising Operator
- No.1 News Website
- Leading Magazine Publisher
- Online

UNITED KINGDOM

- Leading National Newspaper Publisher (UK)
- No.1 Newspaper Publisher (Northern Ireland)
- No.1 Commercial Printer (Northern Ireland)
- No.1 Wholesaler & Distributor of Newspapers & Magazines (Northern Ireland)
- No.1 Property Website (Northern Ireland)
- Online

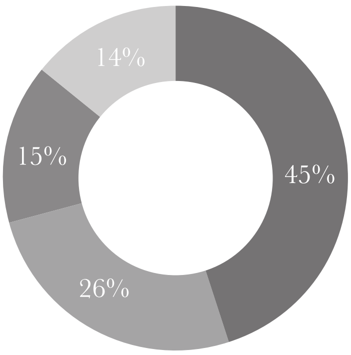
INDIA

- No.1 Daily Newspaper – *Dainik Jagran*
- No.1 Read Newspaper Worldwide (55.7 Million readers weekly)
- Strategic Investment in Radio
- No.1 Hindi News Website
- Online

WHAT WE HAVE COMBINED

- 100+ Million Consumers Weekly
- 100+ Online Sites
- 200+ Newspaper & Magazine Titles
- 75,000+ Outdoor Panels
- 130+ Radio Stations

KEY PERFORMANCE INDICATORS



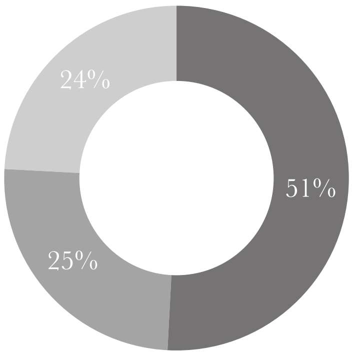
REVENUE BY MARKET

AUSTRALASIA 45%

IRELAND 26%

SOUTH AFRICA 14%

UNITED KINGDOM 15%

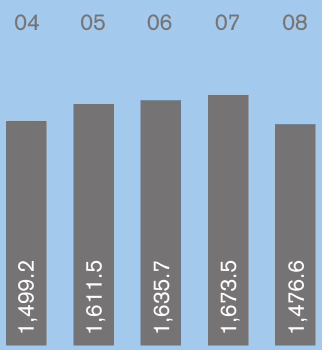


OPERATING PROFIT BY MARKET

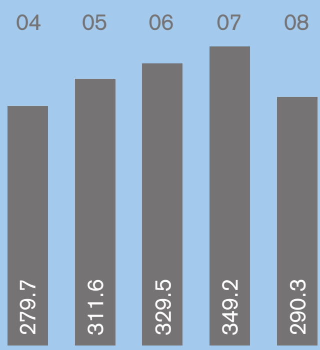
AUSTRALASIA 51%

IRELAND 25%

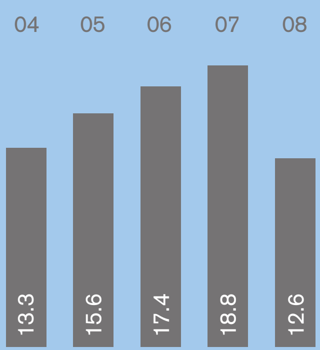
SOUTH AFRICA 24%



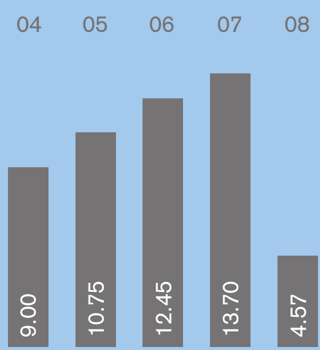
REVENUE (€M)



OPERATING PROFIT* (€M)



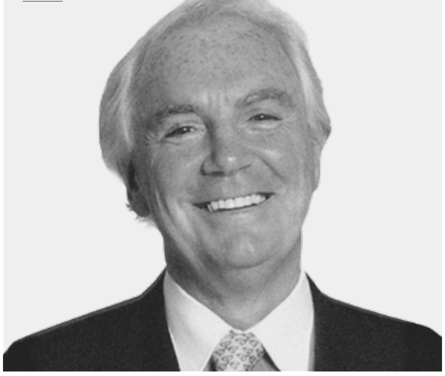
DILUTED EARNINGS* PER SHARE (CENT)



DIVIDEND PER SHARE (CENT)

** Before exceptional items*

EXECUTIVE COMMITTEE

01

02

03

04

05

06


01 Sir Anthony O'Reilly
Chief Executive
Independent News & Media PLC

02 Gavin O'Reilly
Chief Operating Officer
Independent News & Media PLC

03 Donal Buggy
Chief Financial Officer
Independent News & Media PLC

04 Vincent Crowley
Chief Executive
Independent News & Media (Ireland)

05 Ivan Fallon
Chief Executive
Independent News & Media (UK)

06 Tony Howard
Chief Executive
Independent News & Media (South Africa)

CHAIRMAN'S STATEMENT

'2008 was a watershed year for media and for the global economy. As a geographically diverse organisation operating across multiple media platforms, Independent News & Media PLC (INM) delivered a resilient performance. This performance was assisted by the Group's market leading positions in many of its key markets, and by the fact that over one third of its revenues are not reliant on advertising markets.'

I am acutely aware of the disappointing valuations currently attaching to all publicly quoted companies, including media organisations, as a result of the unprecedented global credit squeeze and its impact on advertising and consumer confidence. This Board and this Company are determined to tackle these issues head on. In our market update in January 2009, INM set out a clear strategy focused on deleveraging our Balance Sheet, maximising cash flow and tightly managing costs.

Looking at INM's performance in 2008, Group revenue at €1.48 billion was down 2.6%, in constant currency, on the record performance in the prior year. Operating profit was €290 million and diluted earnings per share (excluding exceptionals) was 12.6 cent. The Group's tight cost management of recent years, its introduction of innovative newspaper production techniques and the quality and flexibility of its enhanced presses around the globe will boost competitiveness and revenue generating prospects over the challenging years ahead.

In 2008, online revenues in constant currency increased by 16.3%. The Group's online strategy delivers over 157 million page impressions each month across over 100 editorial, classified and transactional sites. As a global media operator, INM will continue to leverage its unrivalled content to deliver new users and new and sustainable revenue streams in each of our markets.

Mindful of the continuing challenges facing the Company, staff salaries across the Group have been impacted to varying degrees. In addition, on 1 January 2009 INM Directors agreed to a 10% reduction in their fees and in executive Director salaries, with no bonuses being paid in respect of 2008. In this context and in light of the Group's objective to maximize cashflow and to reduce leverage, the Board has agreed not to recommend a final dividend for 2008.

These measures, together with selective divestments, a reduction in capital expenditure and continuing tight cost management are designed to strengthen the Group's Balance Sheet and to facilitate resolution to short and medium term financing milestones. The Group's executive team is actively engaged in implementing this strategy and I am confident that they will achieve the optimum outcome for all shareholders.

In my statement in INM's 2007 Annual Report, I referred to the composition of the Board and to the support, unique insight and independent counsel offered by Group Directors. At last years Annual General Meeting in London, I reaffirmed the Group's ongoing commitment to resizing the board. Consistent with this and the Board's stated policy of achieving best practice in all matters relating to Corporate Governance, the Company announced in March 2009, certain Board retirements and appointments which will result in the Board of INM being reduced in membership from 17 to 10 Directors. These changes will take effect progressively in the months leading up to the Annual General Meeting on 12 June 2009.

Following these changes, the reduced 10-member Board will comprise, myself as Chairman, Gavin O'Reilly (Chief Executive Officer), Donal Buggy (Chief Financial Officer), and seven non-executive Directors: Ken Clarke, Baroness Margaret Jay, Brian Mulroney, Frank Murray and new appointees: Leslie Buckley, Paul Connolly and Lucy Gaffney, who were co-opted onto the Board in March.

On behalf of all of our shareholders I want to pay a special tribute to each of the Directors who will be retiring or not seeking re-election at the AGM and also to Liam Healy and Joseph Davy who retired in December and Brendan Hopkins who resigned in October of last year. They have each served with distinction, commitment and independence and it has been my honour to serve them as Chairman.

I also want to welcome our new Directors; their arrival signals a positive and constructive engagement in the affairs of the Company. I am gratified that Denis O'Brien – our second largest shareholder (c. 26%) – has written to me indicating his support both for these changes to the Board and the Company's plans to deleverage the business, as announced in our market update on January 26.

The Board, with the support of its two largest shareholders, is working towards a common goal which will enable us to better navigate the uncertainties of the current world economic turmoil and more successfully enhance the Group's future prospects, in the interest of all shareholders.

A most significant announcement last month was the decision of Sir Anthony O'Reilly to step down as Chief Executive on May 7, his 73rd birthday. Tony is the Group's largest shareholder (c. 28.5%) and has been the strategic driving force behind the Group for the past 36 years.

His retirement marks one of the most remarkable executive careers in Irish history. Tony has been a significant business leader for more than 45 years and a key figure in the making of modern Ireland. He can be immensely proud that from modest beginnings 36 years ago, he has helped to build a truly global communications business. When Tony first invested in a local Irish newspaper operation back in 1973, it had revenues of €12 million. From that starting point, he immediately applied – with his colleagues – his flair, vision and enormous energy to create a worldwide communications group with managed revenues of €1.6 billion.

Today, thanks to Tony's talents and efforts and with his collegiate-style of leadership, INM has operations across four continents, 22 countries and serves over 100 million consumers each and every week. Recognising his unique and continuing contribution and as the architect of the Group that we know today, the Board has deservedly and unanimously named him President Emeritus.

Tony will be succeeded by Gavin O'Reilly, who will be Chief Executive Officer-designate until May 7. Gavin has held the position of Chief Operating Officer for eight years, having joined the Group in 1993 and worked in various executive roles. Since joining the Group some 16 years ago, Gavin has immersed himself in the business and, as evidenced by his Presidency of the World Association of Newspapers, he is highly regarded in the international media industry. While we face economic conditions which are more challenging than at any time in 60 years, shareholders can be encouraged by the strength of our individual franchises and by the drive, energy and vision that Gavin will bring to his new role.

In addressing the undoubted challenges that lie ahead, I would like to acknowledge the continuing contribution of our 9,600 staff across the globe; the loyalty and support of the 100 million consumers who enjoy our products each week; our advertisers who despite ever tighter budgets see the merit of powerful media franchises and finally to our shareholders for their ongoing support and commitment as we seek to restore and maximise shareholder value.

To these and all our stakeholders I express my gratitude and that of the Board of INM.

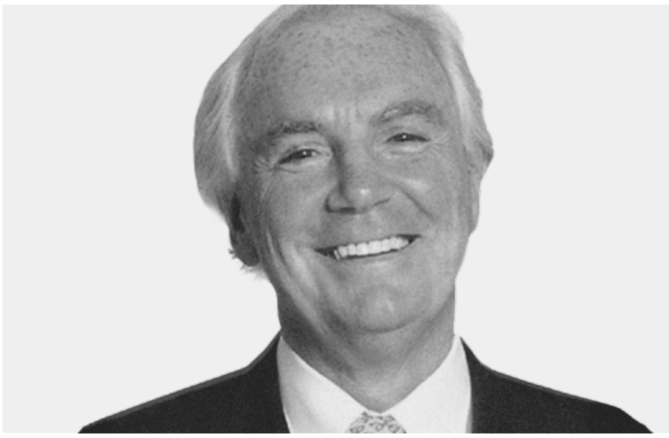
Thank you.

Brian Hillery

Dr. Brian Hillery
Chairman

CHIEF EXECUTIVE'S REVIEW

'To paraphrase the football cliché, 2008 was a year of three halves. The first half of the year is captured in our half-year accounts; the next two months continue that trend – a trend of uninterrupted progress and growth over three decades.'



In September, and from then on, the world changed dramatically from a banking point of view and, in particular, from an advertising and media point of view. As our statements have indicated since then, when read in conjunction with all other media companies virtually throughout the world, this constitutes the most extraordinary change in advertising revenues and, indeed, consumer behaviour and purchasing activity that has ever been experienced in the last four decades.

It is fair to say that the speed of the change was unprecedented and alarming, and allied to the banking crisis, constitutes trading conditions which no one has ever previously experienced.

There are a thousand theories as to how this economic change has happened with such blinding speed and also a thousand theories and changed practices which attempt to wrestle with this change. Suffice to say that no clear model of stimulus, bad bank/good bank, government intervention, or quantitative easing by central banks, i.e. the printing of new money, has restored any increased level of liquidity to companies – our own included – which depend for their future on the provision of credit.

The DMGT Group announced in March, in conjunction with a notice of major redundancy within their organisation, that they nevertheless discerned that perhaps the market had bottomed out. If this be the case, then it will be much relief to workers, journalists, shareholders, banks and all the many components involved in this complex and complicated world.

From your Group's perspective, it is worth acknowledging that despite the difficulties that we are presently going through, Independent News & Media remains a magnificent organisation in all its iterations around the world – in Australia, New Zealand, India, South Africa, United Kingdom and Ireland.

As a global media group, INM has distinct advantages – geographic diversity, complementary and synergistic media platforms across publishing, radio, online and outdoor, and innovative production techniques – all of which enable us to deliver market leading products more competitively than most of our peers.

In July 2008, our reach was further extended to Indonesia, through our 20% investment in PT Abdi Bangsa, publisher of *Republika* one of Indonesia's largest selling national newspapers. PT Abdi Bangsa is highly complementary to our Group given its interests in online publishing, radio, magazine publishing and outdoor advertising. This investment follows a familiar and successful template of expansion adopted in Australia and South Africa and more recently for our investment in India (in 2005), where we now hold a 20.8% stake in Jagran Prakshan Limited (JPL). JPL publishes *Dainik Jagran*, which remains the largest read publication in the world with a total readership of over 55.7 million readers weekly. *Dainik Jagran* also has the distinction of being voted the most credible newspaper in India (Globscan survey).

Common to all of INM's media operations around the world is our distinct and uncompromising emphasis on great journalism and editorial independence. It is instructive that even in these most challenging of times, the substance and quality of our publishing offering underpins our robust circulation performances around the world. In 2008, circulation accounted for 20% of Group revenues.

So, in reviewing the past year and the extraordinary present, our attention should not be diverted from what has been achieved nor from the men who have made this fine organisation possible. I refer particularly to Bartle Pitcher, John Meagher and Liam Healy, whose courage and tenacity, perspicacity, and frugality have produced an organisation of scale and independence that is a monument to their industry and that of their colleagues along the way.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

'Across the Group, all markets and all levels, from journalists to Board members, to senior executives are shouldering the burden of a tighter market.'

In addition, your Group is served by dedicated workers whose commitment is matched only by their anxiety about the course of future events on the world economic scene. I will not attempt to name the countless fine editors, journalists, broadcasters, printers and other workers who have achieved this status. It is sufficient to say that the integrity of our publications and our media systems throughout the world live up to the best aspirations of Henry John Heinz when he asked all workers to "do the common thing, uncommonly well."

Never has such distinction been more necessary. Media generally, and print media and TV in particular, are having a torrid time at present, particularly in the United States. Some of the most venerable names in American journalistic history have either been threatened with extinction or actually ceased publishing. From a circulation point of view, this has not been the case anywhere in the world for the INM Group. Our circulation in the past year, in all our main publications, has remained relatively stable.

For your Group, the most acute impact is in the area of advertising, and in particular in Ireland and the UK, where property, recruitment and motor sales have declined alarmingly. Much the same has occurred in New Zealand, and to a lesser extent in Australia, though South Africa appears to have been spared any significant downswing at this stage.

In mitigation, your Group continues to drive down costs and to innovate in everything that we do. In the UK, our national titles have taken full advantage of the latest editorial systems, sharing resources across our Group, sharing premises with DMGT and out-sourcing selected activities. These are not just cost-cutting exercises – they mark a step-change in using *The Independent's* unique pool of talent to produce great quality newspapers at the lowest possible cost. We have succeeded and remain committed to ensuring that readers will see no loss of value or quality.

In my statement to shareholders in 2007, I stated that as INM's needs change and our business evolves, our Board will change in tandem.

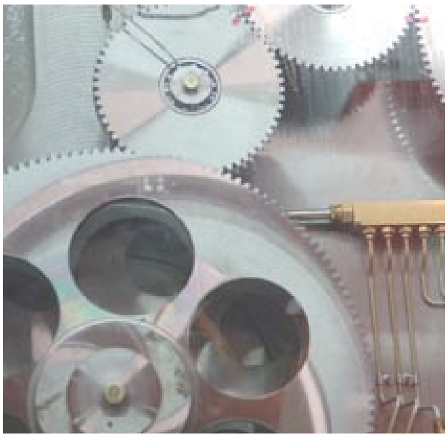
What I did not relay, though I have subsequently, was my decision to step down as Group CEO, on my 73rd birthday (7 May 2009). It is now almost four decades since my first involvement with this Group. During that time it has been my pleasure to have worked with a range of highly talented and hugely committed Directors and colleagues.

My appreciation of them is undiminished by time. Together, we have expanded this Irish newspaper Group and enshrined a fiercely independent editorial policy that is widely respected across the world. As the largest shareholder, I will continue to support their legacy and this wonderful Group in the furtherance of its strategy.

In the past year, Liam Healy and Joseph Davy stepped down from the Board. I have recorded my appreciation of their endeavors elsewhere, but I do so here again. By the time of our next AGM – and consistent with undertakings at last year's shareholder meeting – we will have resized the Group's Board to ten directors. As INM's largest shareholder and a co-Director over many years I wish to convey my heartfelt appreciation to our retiring Directors. I particularly wish to thank the non executive Directors, including: Peter Cosgrove, Chuck Daly, Ivor Kenny, Maurice Hayes, Cameron O'Reilly, Tony O'Reilly Jnr. and Bernard Somers, whose collective inputs and contributions have been invaluable to your Group over many years. I would like to welcome Leslie Buckley, Paul Connolly and Lucy Gaffney as new members of the Board of the Company. I believe that their presence will add a further sense of commitment which will be to the benefit of all shareholders.

In signaling my intention to step down as Group Chief Executive, the Board has kindly asked me to continue as President Emeritus for life, which I do with a mixture of pride and humility. The Independent name, and its editorial policies and general product range, stands for the best of the best in all those countries in which it operates, and thus far, with distinction in every country.

The new Chief Executive Officer will be my son, Gavin, and the phrase, "Cometh the hour; cometh the man," could not be more appropriate.



Dainik Jagran
No.1
INDIA'S LARGEST READ DAILY

He has spent eight years as Chief Operating Officer of this Company. He works unrelentingly and creatively, but most importantly, good humouredly with his colleagues. He faces the present challenge of extraordinary and unique change and a huge reduction in media expenditure with the knowledge that he has a profitable organisation, extremely impressive colleagues and a structure that throughout the world is dedicated to being the "low-cost operator," producing the best products in their fields.

He is assisted by the Chief Financial Officer, Donal Buggy, and an executive committee of Vincent Crowley, Ivan Fallon and Tony Howard, who, in my view, are superb managers of their individual entities.

This will be one of the toughest years ever in the history of the Group, and I am satisfied that its successful navigation will owe greatly to Gavin's skills, purposefulness and the dedicated commitment of his colleagues and Board.

Lastly, can I record my appreciation to our Chairman, Dr. Brian Hillery, whose unfailing courtesy and deft diplomatic skills have added greatly to the effectiveness of the Board and of the Company.

Sir Anthony O'Reilly
Group Chief Executive

OPERATING AND FINANCIAL REVIEW

'2008 represented a period of very challenging market conditions in which your Group has delivered a resilient performance driven by geographic and product diversity and by strong, effective and ongoing cost management.'

2008 A RESILIENT PERFORMANCE

2008 represented a period of very challenging market conditions in which your Group has delivered a resilient and creditable performance. This performance was driven by the Group's geographic and product diversity and by strong, effective and ongoing cost management across all markets and business divisions. This period also represents another out-performance by INM compared to its peer group. INM continues to deliver a best-in-class industry performance through market leading positions, strong brand franchises, a diversified asset base, a continuing focus on product and platform innovation, increased online activities and continuing cost control. These key attributes should position INM for continued out-performance in 2009.

2008 STRATEGIC DEVELOPMENTS

In 2008, the Group completed a number of key acquisitions, continuing to deliver on INM's objective of growing, not only organically, but also through select, strategic investments. With a primary focus on further developing the scale and breadth of your Group, INM made some notable investments during 2008, across its business divisions, including:

Publishing

In March 2008, INM acquired the Irish regional title, *The Sligo Champion*, complementing INM's portfolio of leading regional titles in Ireland. In July 2008, INM completed its 20% investment in PT Abdi Bangsa Tbk., publisher of *Republika*, one of Indonesia's largest circulating national daily newspapers.

Online

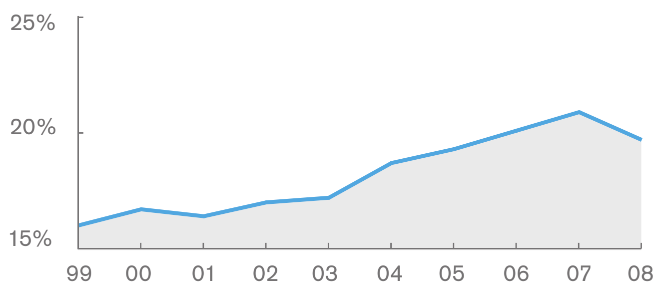
INM continued to rapidly expand its existing online presence. In 2008, INM formed a new joint venture with Carside Ltd (Australia) to launch *yourlocal.ie* – a dedicated online search directory for Ireland.

HEADLINE PERFORMANCE METRICS

By Business Segment	**Growth***
Publishing & Online	-5.2%
Outdoor Advertising	+24.5%
Radio	-7.2%
Total	**-2.6%**
By Revenue Category	
Circulation	+0.5%
Publishing Advertising (incl. Online)	-8.5%
Outdoor Advertising	+24.5%
Radio	-7.2%
Other (incl. Distribution & Contract Printing)	-1.2%
Total	**-2.6%**

** Year-on-year growth in constant currency*

OPERATING MARGIN PROGRESSION (%)



Outdoor

In March 2008, INM acquired Clear Channel Outdoor's 50% interest in Clear Channel Independent, Africa's largest outdoor advertising company, taking its ownership to 100%. Clear Channel Independent has since been re-branded INM Outdoor.

2008 FINANCIAL REVIEW

For 2008, INM reported total Group Revenue of €1,476.6 million, which represents a 2.6% decline on 2007 in constant currency terms. Operating Profit (before exceptional items) was €290.3 million for 2008, which represented a 9.8% decline on 2007 in constant currency terms. In a challenging operating environment this is a creditable performance and again highlights both the diversity of INM's operations and the effectiveness of your Group's ongoing cost reduction programme.

INM continued to manage its operations, in a weakening global advertising climate, through aggressive advertising yield management, selective cover price increases and an unrelenting focus on operating cost reduction and business process improvement initiatives. Strong, effective and ongoing cost management across all geographies and all divisions partially offset the pronounced advertising contraction experienced from September 2008 onwards.

INM's relentless focus on active cost management resulted in a reduction in operating costs of €138 million or 10.4%. This cost reduction delivered an industry-leading operating margin of 19.7% for 2008 and this outcome also illustrates the substantial operating margin improvements INM has delivered over the past ten years.

EXCEPTIONAL CHARGES

For 2008, INM incurred a total exceptional charge of €373.1 million. Of this total, €290.9 million was a non-cash impairment charge arising on the Group's assets (primarily intangible assets) as a consequence of the economic downturn. A further €58.0 million relates to restructuring costs incurred as part of the Group's cost reduction programme. The remaining €24.2 million primarily relates to online and education start-up and other development costs and exceptional finance charges incurred in 2008.

While the Group has reported a €290.9 million non-cash impairment charge on (primarily intangible) assets in 2008, as a consequence of the current economic downturn, the Directors believe that when the economic climate recovers the fair value of these intangible assets' valuations will appreciate. While impairment charges have been recorded during the year on certain of the Group's intangible assets, the Group has many other intangible assets which have substantial value that is not reflected on the Group's Balance Sheet because IFRS does not allow any value to be recognised for internally generated mastheads (such as the *Irish Independent*, the *Evening Herald* and the *Sunday Independent*) nor for any value created post acquisition (e.g. South African mastheads).

Restructuring costs totalling €58.0 million were incurred to enable the Group to significantly re-engineer its payroll and internal workflows across each of its main publishing divisions, with headcount reducing by over 630 during the year, with a further 160 headcount reduction to take place in early 2009 in relation to restructuring charges booked in 2008.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PROFIT AFTER TAX AND EARNINGS PER SHARE

Including exceptional items, INM reported a 2008 operating loss of €75.6 million. Net finance charges, for 2008, excluding exceptional finance charges, were €91.5 million, an increase of 11.0% on 2007 due mainly to the higher interest rates in place for most of 2008. The taxation charge (excluding exceptional items) was €41.4 million and represents an effective tax rate of 19.6% down marginally from 20.0% in 2007. The exceptional tax credit of €43.4 million in 2008 arose mainly on the impairment charges booked in relation to intangible assets.

INM reported an after tax and minority interest loss of €164.4 million, including exceptional items. However, excluding exceptional items, the result was a profit of €104.0 million. This translates to a Diluted Earnings Per Share (excluding exceptional items) of 12.6 cent.

NET DEBT POSITION

Net debt as at 31 December 2008 was €1,310.2 million, a reduction of €5.5 million year on year, with cash generated from operations increasing by 3% to €287.3 million. In 2008, INM completed a new four year bank facility for €105 million to fund the redemption of the €112.6 million outstanding under the Group's €125 million Bond, which matured in December 2008.

FINANCING UPDATE

As a result of the current difficult credit markets, the Group has been unable to raise new debt to fund the maturity of the €200 million 5.75% bond which is due to mature on 18 May 2009. The Group currently does not have sufficient financial headroom available under its existing facilities in order to meet this maturity and service its debt obligations.

While the Group was compliant with its banking covenants as at 31 December 2008 and it remains both profitable and cash generative, the continued difficult trading conditions within which the Group is currently operating means 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 appointed Rothschild and Davy Stockbrokers to advise it in relation to its refinancing requirements and the Group has entered into constructive discussions with an ad-hoc committee of the Bondholders, its Banks and the two major shareholders. Discussions to date have indicated a willingness from all parties to seek agreement and, while subject to material uncertainty, the Directors remain confident that an agreement will be reached with them which is acceptable to the Group. Agreement to a financial standstill period is being sought from Bondholders and Banks in order to afford a period beyond 18 May 2009 in which an agreement can be reached.

OUTLOOK

INM's resilient performance in 2008 compared well to its peer group which is mainly attributable to the Group's market leading positions, its strong brand franchises, the diversity of its geography and asset base, a continuing focus on product and platform innovation, increased online activities and continuing cost control. These key attributes should continue to benefit INM in 2009.

Trading in the first quarter of 2009 has been tougher than expected. Although earnings visibility is still limited, assuming advertising and credit markets do not deteriorate further, INM currently expects operating profits for 2009 to be within a €200 million - €230 million range and EBITDA within a €240 million - €270 million range.

THANKS

We would like to thank each of our 9,600 colleagues across the Group for their exceptional efforts in these tough economic conditions. Their dedication leaves your Group well positioned for the future.

	2008	2007	2006	2005	2004 as restated	2003 as restated	2002 as restated	2001 as restated	2000 as restated	1999 as restated
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Revenue	1,476.6	1,673.5	1,635.7	1,611.5	1,499.2	1,388.2	1,310.3	1,341.4	1,342.5	1,168.4
Operating Profit before Exceptional Items	290.3	349.2	329.5	311.6	279.7	238.7	223.2	219.9	224.1	187.4
(Loss)/Profit before Taxation	(161.4)	248.4	250.1	272.5	192.4	122.0	22.2	61.8	155.3	137.7
(Loss)/Profit after Taxation	(159.4)	195.7	198.4	229.2	163.2	107.4	12.5	38.0	128.2	103.9
(Loss)/Earnings per share (cent)	(19.9)	14.6	15.7	20.3	11.4	6.8	(6.6)	0.5	14.2	11.7
Diluted Earnings per Share before Exceptional Items (cent)**	12.6	18.8	17.4	15.6	13.3	12.6	11.4	11.3	14.4	13.1
Dividend per Share (cent)	4.57	13.70	12.45	10.75	9.00	7.90	7.34	6.98	6.76	6.01

** Figures are reported under previously applied Irish GAAP for the years 1999-2003, and are under IFRS for 2004-2008.*
***For years 1999-2003, figures quoted also exclude amortisation.*

Gavin O'Reilly
Group Chief Operating Officer

Donal Buggy
Group Chief Financial Officer

OPERATIONS REVIEW
AUSTRALASIA

APN News & Media Ltd (APN), in which INM has a 39.1% shareholding, recorded revenues of €671.8m in 2008, compared with €769.4m in the previous year and operating profit before exceptional items of €155.5m compared with €192.7m in the previous year. Despite a significantly challenging trading environment, all of APN's divisions either grew or maintained market share in 2008. 2008 also saw the completion of a three-year restructuring programme which will improve APN's operating leverage facilitating greater cost reductions in 2009.

NATIONAL PUBLISHING

APN publishes *The New Zealand Herald*, *Herald on Sunday* and four market leading magazines. The division continued to lead the Auckland market in 2008, with 8 out of 10 Aucklanders aged 15+ reading at least one APN title each week.

In line with the overall New Zealand economy, trading conditions were challenging last year. Advertising was stronger in the fourth quarter as a result of innovative advertising packages across newspapers and magazines.

Efficiencies continue to be achieved through the outsourcing of production to a central facility in Auckland, with about 1,000 pages a week now produced across all titles.

Following two years of consistent readership growth, *The New Zealand Herald* added a further 10,000 readers in the most recent readership survey (Nielsen National Readership Survey Jan-Dec 2008) to reach an average of 583,000 readers each day. The *Herald on Sunday* also continued to win significant market share, achieving a record total of 382,000 readers in 2008, an increase of 37,000 readers on the prior year.

New Zealand Magazines continued to grow market share in 2008. The New Zealand *Woman's Weekly* remained the most read mass market magazine in the country. *The Listener* retained its position as New Zealand's number one selling current affairs magazine, whilst *Crème* secured its position as the best selling teen title. Circulation of the *Simply You* fashion title was an impressive 42% higher than its nearest competitor. The magazines also benefited from strong subscriber support last year, for example 67% of the circulation of *The Listener* is subscriber-based.

REGIONAL PUBLISHING

APN Australian publishing operates 14 regional daily newspapers and more than 60 non-daily and community titles across Queensland and northern New South Wales.

Readership gains across the regional network produced solid advertising bookings from national clients, who are emerging as an increasingly important category, which, together with retail, now represents almost 60% of total advertising revenue for this division. Despite the impact of the global financial crisis, the real estate and employment pillars again recorded growth over the prior period.

Efficiency programmes are producing good cost savings and improved leverage, whilst upgraded press facilities are producing high quality gloss and cold set colour publications that are being well supported by advertisers.

In New Zealand, where APN publishes nine regional daily titles and more than 30 community titles, economic conditions in regional markets were subdued throughout the year. The lower New Zealand dollar provided an offset to weakening international demand for New Zealand exports and offered some relief for the agricultural sector in APN markets.

Cost management remains a key focus for the division. Editorial production of individual regional titles was transferred to a single outsourced facility in Auckland, which has improved quality as well as reducing costs. Equally, marketing and logistics have been centralised to make better use of resources. The regional newspapers remain well placed to take advantage of any improvements in local economic conditions.

RADIO

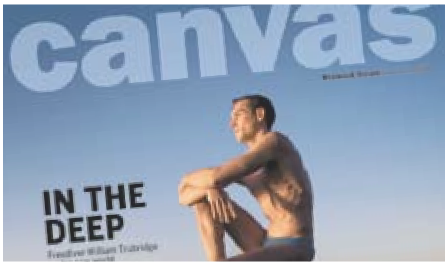
The Australian Radio Network (ARN) broadcasts across 12 metropolitan FM and AM stations on two networks: *Classic Hits and Mix*. ARN ended 2008 strongly, being the top network for the 25-54 demographic in the combined markets of Sydney and Melbourne – Australia's two largest radio centres.

Having lost some advertising share in the first half, ARN made good gains in the last quarter of 2008 particularly in the direct sales category. Planning for the launch of digital radio in Australia is now complete and will provide ARN with the opportunity to simulcast existing FM and AM stations on digital spectrum, as well as test new formats.

The Radio Network (TRN) in New Zealand broadcasts across more than 120 FM and AM frequencies around the country, reaching 1.5 million listeners each week. Despite a difficult year, TRN held its position as the market leader in New Zealand radio, (growing its total market leadership with a record 10+ audience share of 47.3% across the country). *NewstalkZB* is the number one national network, with a 12.9% audience share. It is now the top station in the three major metropolitan cities of Auckland, Wellington and Christchurch.

The New Zealand Herald
nzherald.co.nz

finda.



PUBLISHING

No.1 Daily Newspaper (New Zealand)

No.1 Regional Publisher

23 Regional Daily Titles

Over 100 Non-Daily Newspapers

4 Market Leading Magazines

Leading Websites

RADIO

No.1 Radio Broadcaster

6 Million Listeners Weekly

Australia

12 Radio Stations

New Zealand

120 Radio Stations

8 Networks

OUTDOOR

No. 1 Outdoor Advertising Operator

Assets in Australia, New Zealand, Indonesia, Malaysia and Hong Kong

In Auckland, TRN finished the year with four of the top five stations in the city.

OUTDOOR

APN Outdoor is the market leader in each of the main outdoor advertising categories in Australia. The division produced a strong result in 2008, maintaining revenue on a constant currency basis and growing operating profit. While the economic slowdown has impacted revenue, it has also facilitated the renegotiation of leases on more advantageous terms.

APN Outdoor launched the country's largest digital billboard which is now generating significantly greater revenue than a comparable static site and since year end is strongly booked for 2009.

The rationalisation of poster sites continued in 2008, with new formats and select locations upgrading the offering to advertisers. The Adshel street furniture business retained important contracts and rolled out a programme of new facings in Canberra.

In New Zealand, APN is the largest Outdoor operator, with market leading positions in all of the major Outdoor categories. Trading was challenging throughout 2008. During the year, APN acquired the operations of Media 1, the third largest billboard company in New Zealand. The acquisition added 130 premium sites to APN's existing national portfolio of 500 billboard sites across all major markets.

APN is also the leading transit advertising operator in Hong Kong and a major operator of premium billboards. It is also the leading operator of premium billboards in Malaysia and Indonesia. The south Asian economies performed relatively better than their northern counterparts and good revenues were achieved.

ONLINE

In Australia, APN's commitment to becoming the leader in Online in each of its local markets was underpinned by the development of an APN Regional News Network. The sites are being developed in tandem with a suite of *finda*-branded online businesses, which provide local communities with extensive listings and directory information for their specific region. Sites have been launched in Toowoomba and the Sunshine Coast, with a strong response from local advertisers and audiences.

APN continued its online investment in New Zealand in 2008, which recorded strong organic growth. *The New Zealand Herald* website, *nzherald.co.nz*, remained the most popular news website in New Zealand and has generated a near 300% increase in revenue and traffic in the past two years. The site now averages 730,000 unique browsers and 11.8 million page impressions per week. Subsequent to year end, APN sold its online business directory *finda.co.nz* to the New Zealand Yellow Pages Group. APN has retained the separate *finda* brand name for Australia and has plans to develop this through locally targeted community portals.

OPERATIONS REVIEW
SOUTH AFRICA

The South African operation traded satisfactorily, despite a challenging economic and trading environment which saw a marked slowdown in advertising volumes from July 2008 onwards. Revenues in the core Publishing and Online operations were significantly impacted by reduced consumer spending, by the effect of the upward interest rate cycle – which peaked mid-year at 15.5% – as well as rising inflationary pressures and adverse currency shifts.

Revenue at €212.5 million was down 9.5% on 2007 but up 15.1% in constant currency. Operating profit was €72.2 million and grew by 41.1% in constant currency. This growth was driven by the acquisition of INM Outdoor and by the ongoing focus on business improvement initiatives leveraged off new operating structures and upgraded newspaper production technology. This performance, and the benefit of a good foreign exchange hedge on the Rand, lifted the operating profit margin to 34.0%.

2008 saw circulation revenue grow by 4.9% due to aggressive cover price increases on certain titles, generally firmer core copy sales and ongoing sales growth by the daily *Isolezwe* and its extension in November 2008 into the Sunday market.

Publishing advertising revenue declined by 2.4% in 2008. However, despite aggressive competition from the highly challenging trading climate, display and classified advertising market shares were maintained.

NEWSPAPERS

In 2008, Group titles maintained their strong market positions in both circulation and advertising.

In Cape Town, the Group publishes mainstream titles in the morning (*The Cape Times*), the afternoon (*The Cape Argus*) and over weekends (*The Weekend Argus Saturday* and *The Weekend Argus Sunday*) as well as weekly community newspapers. The "red-top" tabloid, *Daily Voice*, which was launched in 2005 and appeals to the popular end of the mass market in Cape Town, has now successfully entrenched itself in its niche market.

The Group's flagship title, *The Star*, is published in Gauteng, along with the *Saturday Star* in Johannesburg, the *Pretoria News* (which includes a weekend edition) in Pretoria and *The Diamond Fields Advertiser* in Kimberley. The Gauteng operation also publishes *The Sunday Independent* nationally and holds a 25% interest in 12 free/community newspapers in Pretoria.

In Kwazulu Natal, the Group publishes the *Daily News*, *The Mercury*, *the Post*, *The Independent on Saturday*, the *Sunday Tribune* and *Isolezwe*. It also has a 33% interest in a number of free/community newspapers which are distributed in and around Durban. A stand-alone Sunday edition of *Izolezwe* (*Izolezwe ngeSonto*) was successfully launched in March and has exceeded launch expectations, breaking even within the financial year, with weekly sales of just under 50,000.

Despite very competitive market conditions and the removal – in the second half of 2008 – of costly bulk sales (such as copies going to Zimbabwe), actively purchased copy sales levels have been maintained. Circulation copy sales of the Group's five-year old Zulu newspaper, *Isolezwe*, showed good growth, averaging daily sales of 98,448.

OUTDOOR

Full control of the Group's Outdoor advertising business, Clear Channel Independent, was acquired with effect from 27 March 2008 and has been rebranded as INM Outdoor. Since acquisition, the business has expanded into Madagascar with further opportunities being considered. This division now operates in 12 countries outside of South Africa – including higher growth economies – and this has underpinned its profit contribution given the more challenging trading conditions experienced in South Africa.

The South African operation, which commands a dominant share of the outdoor advertising market, benefited from a diverse product offering, with the higher yielding Citilite and its revitalised Citipod range receiving strong support.

Tight cost management across the other 12 African markets has resulted in positive bottom-line contributions from each market as well as improvement on the prior year.

A solid market presence sets the base for further growth and the South African operation is well placed to take advantage of the revenue opportunities arising from its role as host nation for the 2010 Soccer World Cup.

MAGAZINES

The wholly-owned Magazine division (Condé Nast Independent Magazines) produced a good trading profit improvement in a very competitive trading environment. Condé Nast *House & Garden* celebrated its 10th anniversary in March 2008 and continues to be the number one publication in the South African home décor market. *Glamour* remains the second largest selling fashion and beauty magazine in South Africa and is the largest contributor to the division's bottom-line.

PUBLISHING

- No.1 Newspaper Publisher
- 16 Daily/Weekly Titles
- Leading Community Newspapers
- No.1 Décor & Lifestyle Magazine
- No.2 Fashion & Beauty Magazine
- Leading Commercial Printer
- No.1 News Portal
- Launch of South Africa's Largest Property Website - *iolproperty.co.za*

OUTDOOR

- No.1 Outdoor Advertising Operator
- Operations in 12 African Countries
- Strong Innovation through Citilite and Citipod Formats

ONLINE

The online and newspaper divisions have been integrated to better leverage the Group's content. The *iol.co.za* portal, South Africa's leading news, current affairs and classified site, together with the Group's individual newspaper titles and other niche sites, now comfortably deliver well in excess of two million unique visitors per month.

Development of the Group's online presence remains on course with the launch of South Africa's largest property website, *iolproperty.co.za*. With over 270,000 homes listed on the site, *iolproperty.co.za* is both the leader in terms of search capability and listings for sale and to let properties. Additional development opportunities designed to establish strong market positions through enhanced cars and recruitment offerings are underway.

OPERATIONS REVIEW
UNITED KINGDOM

The UK division has reacted to the global economic downturn by effecting major restructuring and cost-efficiencies in London and Belfast and the closure of the loss-making magazine division. New, much-improved websites have been launched with greater functionality and content, resulting in significant uplifts in page impressions and unique users as well as revenues. The tight cost control and restructuring meant that a reduction in revenues of €53.1m (19.8%) reduced profit by €15.3m to €0.2m in 2008.

NATIONALS DIVISION

The Nationals division, comprising *The Independent* and *Independent on Sunday*, which reported advertising revenues down 14.3% on 2007, announced a major restructuring programme at the end of 2008, aimed at producing substantial savings and greater efficiencies while protecting the core values of the titles. The Group has entered into a service-sharing agreement with Daily Mail & General Trust (DMGT) under which the division will move from its existing premises in London's Docklands to the Daily Mail offices in Kensington. DMGT will provide office space and services including information technology, production services, picture correction and all building services with additional services to be shared going forward.

The restructuring, combined with the initial phase of savings from the DMGT deal, will reduce costs further by over £10 million in 2009 and put the titles in a strong position to capitalise on any future economic uplift. The Group believes this is a pioneering and innovative arrangement which will become widespread in the newspaper industry across the world.

Both titles also saw the appointment of new editors during the year: Roger Alton, the award-winning former editor of the Observer, took over as editor of *The Independent* in July, and John Mullin, following a distinguished career on *The Independent* daily, moved to the *Independent on Sunday* as editor. Simon Kelner, who had edited the daily title for 10 years, was appointed to the position of Managing Director and Editor-in-Chief, with overall responsibility for all commercial and editorial aspects of the papers. He has reconstructed his senior team with a number of appointments, including the recruitment of Daryl Fielding from the advertising industry as Commercial Director. With a UK readership of 688,000 adults including 588,000 in the ABC1 profile, *The Independent* remains an integral part of the UK quality newspaper market. In the quality Sunday market the *Independent on Sunday* had 720,000 readers, of which 600,000 were ABC1 (National Readership Survey, December 2008), providing a strong platform for targeted advertising in a difficult market.

BELFAST DIVISION

The Belfast Telegraph remains the number one newspaper serving the Northern Ireland community. Advertising revenue remained weak and was down 14.9% on 2007 reflecting lower government spend, recruitment and property advertising.

The Group's interests in Northern Ireland now comprise the biggest publishing operation (*The Belfast Telegraph* and *Sunday Life*), the biggest commercial printing operation with two modern plants in Belfast and Newry, the number one property website (*PropertyNews.com*) and the biggest newspaper distributor, Wholesale Newspaper Services Limited (WNS).

All aspects of the Northern Ireland operation have undergone considerable change during 2008, taking maximum advantage of synergies, copy-sharing and print opportunities with other Group operations and sister titles in Dublin and London.

The Belfast Telegraph remains the number one newspaper serving the Northern Irish community. Its continued commitment to the editorial product saw an overhaul of the structure of the paper and the introduction of a new advertising-led Saturday magazine. *Sunday Life* was also re-designed to reflect the changing environment and requirements of the Northern Ireland market.

The success of the morning compact edition led to a review of the ageing broadsheet format for the paper and the decision to move to a fully compact format from March 2009.

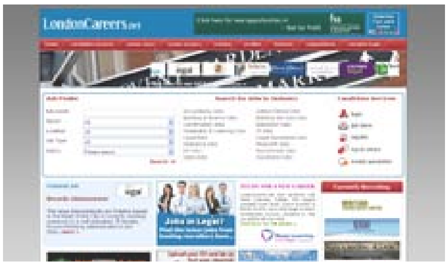
The Belfast titles have continued to impress critics in the industry with the quality of their journalism. At the Northern Ireland Press & Broadcast Awards 2008 Group writers won 'Daily Print Journalist of the Year', 'Print Newcomer of the Year' and 'Sports Print Journalist of the Year'. In addition *24/7*, the Saturday arts and entertainment supplement, won 'Entertainment Magazine of the Year'. *Community Telegraph* won the award for 'Website of the Year'.

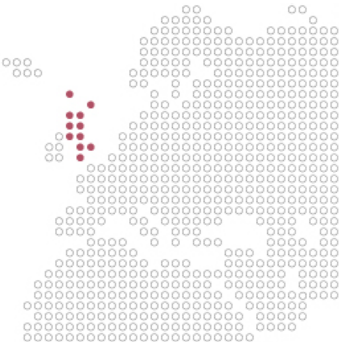
The Group now has three modern, fully-equipped print plants on the island-of-Ireland, allowing maximum efficiencies in terms of distribution and trunking routes.

The new printing plant in Newry, which was commissioned in 2007, is now fully operational, producing both newsprint titles and glossy magazine titles as a result of the revolutionary new dual heatset/coldest press installed by Goss. The Newry plant is now printing the entire island-of-Ireland print run for the *Irish Star* and *Sunday World*. Between the Belfast and Newry

THE INDEPENDENT ON SUNDAY

nicarfinder.co.uk





PUBLISHING

Publisher of Quality Nationals

The Independent

The Independent on Sunday

NORTHERN IRELAND

No.1 Newspaper Publisher & Commercial Printer

No.1 News Website

No.1 Wholesaler / Distributor

No.1 Property Portal

ONLINE

Investments in Cashcade (18.7%), Verivox (49%), and Truphone (13%)

Expansion of *Propertynews.com* and *LoadzaJobs.co.uk*

Launch of new classified portal, *Nicarfinder.co.uk* and *Nijobfinder.co.uk*

plants, the Group also prints most of the UK newspapers for the Northern Irish market. It also prints the magazine section of the *Saturday Independent* in London, as well as other Group publications.

WHOLESALE & DISTRIBUTION

Wholesale Newspaper Services Limited (WNS) is the largest newspaper and magazine distributor in Northern Ireland. WNS has been integrated into Newspread – the Group's distribution network in the Republic of Ireland – to provide an all-Ireland distribution capability which is increasingly what publishers are demanding. Efficiencies achieved through the integration enabled WNS to achieve another year of record operating profits.

ONLINE

The UK Online division continued to build on the new structure implemented in 2007. *Independent.co.uk* has seen significant growth with January 2009 page impressions for the site at 49.3 million, an increase of 179% over January 2008. Unique users were also significantly up at 10.2 million a 108% increase on the same month in 2008.

The investment in the site, which is rich in content and now includes video, blogs and podcasts, is attracting users worldwide but also has a strong (over 40%) UK bias which is highly attractive to advertisers. A presence in the London recruitment market is still maintained through *Londoncareers.net* and more specifically through *canarywharfcareers.co.uk* and *citycareers.co.uk* while *netlondon.org* provides a London listings directory.

In line with Group strategy, the Belfast division has focussed on developing strong online platforms to provide a marketplace for the key classified areas of jobs, cars and property. *PropertyNews.com* has continued to expand and improve its functionality and website services to the property industry, strengthening its already dominant position in the online property market.

A new car site, *Nicarfinder.co.uk*, was launched in February 2008 along with a new classified print product, providing an ideal dual marketing tool for retailers as well as private car-buyers and sellers. It has performed exceptionally well, providing incremental classified motoring revenues in an otherwise difficult market. *Nicarfinder.co.uk* has achieved peak page impressions of 516,000 per month and unique users of 15,300 per month, strong figures for this local market.

Since year end, a new jobs website, *Nijobfinder.co.uk*, was launched in early 2009 based on the same model. These websites and associated print products strengthen the Group's dominant position in these critical classified markets.

In addition to these classified platforms, *Belfasttelegraph.co.uk*, which is the news website of the titles, was re-launched with significantly improved functionality and content, including video, blogs and podcasts. This has resulted in an over three-fold increase in unique users and page impressions, delivering a rise in online revenues of 78% in the second half of 2008.

OPERATIONS REVIEW
IRELAND

2008 marked a sudden and sharp end to a decade of unprecedented economic growth in Ireland. Notwithstanding, the Group's market leading positions enabled it to grow circulation and distribution revenues by 2.8% and 0.5% respectively.

The economic contraction had a very direct impact on advertising which declined by 15.0%, whilst total revenues declined by 6% to €377.3 million and operating profits declined by 22.9% to €75.8 million. The year on year decline in advertising revenues was mainly due to significantly reduced property and recruitment revenues, whilst ROP and retail showed marginal growth on 2007.

In what continues to be one of the most competitive market places in the world for newspaper sales, circulation revenues delivered an impressive 2.8% increase on the prior year. This excellent performance was underpinned by selective cover price increases, together with solid circulation volumes. The dominant market positions of all titles were maintained during the course of 2008.

PUBLISHING

The *Irish Independent* remains the clear number one quality daily newspaper in the Irish market, with a 47.9% market share and an ABC of 154,610 copies in the July to December 2008 ABC period. Attracting an average daily readership of 520,000 readers (JNRS 2008), it now reaches more readers each day than its two leading competitors combined. Its number one market position continues to be underpinned by ongoing strengthening of the product across the key areas of news, business, magazines and sport, coupled with innovative promotional initiatives.

Ireland's largest selling Sunday quality newspaper, the *Sunday Independent* delivered a solid performance during 2008, recording a July to December ABC figure of 270,362 copies. It continues to be the Republic of Ireland's most read newspaper, maintaining its unique position of attracting over 941,000 readers each and every Sunday.

Despite the difficult economic conditions, the *Sunday World* delivered another extremely strong performance in 2008, continuing the trend of recent years. It consolidated its position as Ireland's largest selling newspaper. Attracting 919,000 readers (JNRS 2008), it also maintained its position as Ireland's most read and biggest selling tabloid newspaper. It delivered an average sale of 288,669 copies across the two ABC periods in 2008, which represented an increase of 5,385 copies, or 1.9% on 2007. This excellent performance was driven by added value editorial products, excellent sports coverage and exclusive investigative crime stories.

Despite the continued significant volume of freesheets in the market place and the challenges facing all evening newspapers, the *Evening Herald* – with 317,000 readers (JNRS 2008) – delivered readership growth for the fourth successive year. The resilience of the brand was also evident in delivering an ABC in the July to December 2008 period of 74,927 copies. This performance was delivered through continued improvement in the editorial product and impactful and timely front pages around breaking news stories.

The Group's joint venture publication, the *Irish Daily Star*, consolidated its position as a market leader in the tabloid sector and delivered an ABC in the July to December 2008 period of 105,031 copies – marginally down on its 2007 volumes. Its sister publication, *the Irish Daily Star Sunday*, is now firmly established in the Sunday market after only five years in existence, achieving an ABC in the July to December 2008 period of 59,898 copies.

The Group's daily free newspaper, *herald am*, continued to outperform the competition and remains the largest free circulating newspaper in the country, with recent audited figures confirming a verified free distribution of 73,992 copies per day (ABC March 2009). The strength of the brand was borne out by the recently released results from the 2008 JNRS readership survey, in which *herald am* recorded a readership of 100,000, a clear 10,000 (10%) readers ahead of *Metro*.

During 2008, the Group further extended its geographical presence in the important regional newspaper market through the acquisition of *The Sligo Champion* which has a weekly circulation of 11,353 copies (July to December ABC). The Group now publishes 13 paid-for regional titles in counties Cork, Kerry, Dublin, Louth, Wexford, Wicklow, Carlow and Sligo with a combined weekly circulation of approximately 117,000 copies.

Following the launch of regional directories throughout 2006 and 2007 and of the new Galway Directory in 2008, the *Independent Directory* is now available in 72% of the homes and businesses throughout Ireland. The business now has a strong national and regional platform to drive additional advertising opportunities.

Independent Colleges

learn to succeed

PUBLISHING

- No.1 Newspaper Publisher
- 5 Market Leading Titles
- No.2 Regional Publisher with 13 Paid-For Titles
- No.1 'Free Daily' (Dublin)
- No.2 Directory Publisher

WHOLESALE/ DISTRIBUTION

- Leading Wholesaler / Distributor of Newspapers and Magazines

EDUCATION

- Independent College

ONLINE

- One of Ireland's Largest News Websites
- No.1 Property Website (Island of Ireland)
- Leading Recruitment Website
- Launch of *yourlocal.ie*

WHOLESALE & DISTRIBUTION

Newspread, INM's wholly owned distribution and wholesaling company, continued the roll-out of full copy returns during 2008, thereby providing newsagents with a more environmentally friendly solution to newspaper returns. This service will be further expanded during 2009. The ongoing market-leading strength of the Group's distribution business has been further underpinned by the installation of a new state-of-the-art SAP distribution system, which went live in March 2009.

Wholesale Newspaper Services Limited (WNS), the largest newspaper and magazine distributor in Northern Ireland, was integrated into Newspread during 2008 to provide an all-Ireland distribution capability.

INDEPENDENT COLLEGE

Independent College made excellent progress throughout 2008 in only its first full year in existence and has now attracted over 5,000 students for its professional, academic and continuous professional development courses. The College now has the largest student body for professional law courses in Ireland, with six first place prize winners in the 2008 Law Society of Ireland entrance examinations. In a highly competitive market, the professional accountancy school has become one of the market leaders with a reputation for the best lecturers, as borne out by its seven ACCA prize winners last year. *Independent College* successfully validated two Bachelor of Arts and two Master of Arts degrees with the Higher Education and Training Awards Council (HETAC) in 2008, and is also validated by the University of the West of England, one of the UK's most popular universities.

ONLINE

INM's suite of online offerings continued to perform well in 2008, with significant revenue growth in its publishing platform (up 38% on 2007), more than compensating for marginal revenue reductions in its property (*PropertyNews.ie*) and jobs (*Loadzajobs.ie*) platforms, due to reduced economic activity.

The core publishing site (*Independent.ie*), which was re-launched midway through 2007, continued to deliver new and enhanced editorial sections. This scalable platform helped to underpin revenue growth and positions the site for ongoing expansion. In addition, the ABCe survey (October 2008), showed that in October 2008, the site attracted 23.1 million page impressions and 1.8 million unique users – increases of 27% and 87% respectively on the last audited statistics. The Group's publishing platform was further expanded in 2008 by the launch of *Herald.ie* and a suite of regional sites.

Loadzajobs.ie continues its innovative approach to the online jobs market, with its online recruitment fairs proving extremely popular with both advertisers and candidates.

The Group's online footprint in Ireland was further expanded in early 2008 with the launch of the *yourlocal.ie* website, an online directory website, which now boasts over 2,300 customers from a standing start in February 2008.

OPERATIONS REVIEW
INDIA

INM owns 20.8% of Jagran Prakashan Limited (JPL), publisher of *Dainik Jagran*, India's largest selling and most read daily newspaper. With a total readership of 55.7 million readers (IRS 2008 R2) *Dainik Jagran* is now the most read daily newspaper in the world according to the World Association of Newspapers.

JPL, which is listed on the Mumbai and National Stock Exchanges in India, recorded revenues of €130.5 million (an increase of 11.2% in constant currency) and operating profits of €20.5 million for the four quarters ended 31 December 2008.

PUBLISHING

Selling 2.7 million copies each day, Hindi language newspaper, *Dainik Jagran* is the most read daily newspaper in the world. In recent years, it was voted the most credible and trusted newspaper in India, according to a survey by Globscan conducted in 10 of the world's leading countries. In early 2008, a further six new editions of *Dainik Jagran* were launched, taking the total number of daily editions to 37 across 11 states from 30 different facilities.

The Company also publishes two youth oriented newspaper brands, *I-next* and *City Plus*. Launched in December 2006 as the first ever bilingual newspaper in the country, *I-next* targets urban youths. In 2008, a further two editions of *I-next* were launched in Patna and Ranchi taking the total number of daily editions to nine across nine cities. With a circulation of 300,000 copies each day *I-next* has already become the most circulated newspaper after *Dainik Jagran*, ahead of other mainline dailies in the cities of Kanpur and Varanasi.

City Plus is an English infotainment weekly compact circulated in key urban upmarket regions of India, with its roots in the outskirts of New Delhi. During 2008, *City Plus* expanded its presence to Pune and Bangalore and now circulates 14 weekly editions.

During the year, JPL launched *Jagran Josh,* a new monthly news magazine targeted at students and the wider youth audience. It currently boasts a circulation of over 250,000 copies and is already the number one magazine in this market segment.

The Group also publishes *Sakhi*, a monthly premium, women's magazine and *Jagran Varshiki*, an annual general knowledge digest, and various national and state statistical compilations.

OUTDOOR

JPL's outdoor operation, Jagran Engage, has a pan-India presence and an extensive mix of Out Of Home (OOH) formats. Jagran Engage now has in excess of 500 sites as well as exclusive advertising rights for three railway stations and over 500 buses.

JPL also offers below the line services through its Jagran Solutions operation. In 2008, Jagran Solutions received the Gold Dragon accolade at the Promotional Marketing Awards of Asia 2008, bringing the total number of national and international promotional marketing awards it has received to 17.

RADIO

INM's strategic investment in the fast growing radio sector in India, which amounted to a 20% stake in Radio Mantra (the maximum allowable for foreign investors), continues to perform well. The other shareholders are the Gupta family who are the major shareholders in JPL. Following the launch of *Radio Mantra* in the Hissar market, the division now operates a total of eight radio stations under this brand.

ONLINE

JPL's *Jagran.com* is the largest Hindi news website in the world. The site has gone from strength to strength following the recent joint venture agreement with Yahoo!. *Jagran.com* delivers nearly 1.5 million page views per day. With over 669,000 unique users, it is the number one news website within its category.

J9, the value added services division of JPL, is currently operating in the field of mobile value added services and home shopping. 2008 saw the launch of *Khojle.in,* which is a new online digital classified platform also accessible through mobile.

PUBLISHING

No.1 Daily Newspaper – *Dainik Jagran*

No.1 Read Newspaper Worldwide

First Bilingual Newspaper in India – *I-next*

Innovative Infotainment Newspaper – *Cityplus*

Launch of *Jagran Josh* news magazine

RADIO

8 Radio Stations

ONLINE

No.1 Hindi News Website *Jagran.com*

Launch of online digital classified platform *Khojle.in*

OUTDOOR

Pan-Indian presence with over 500 outdoor advertising sites

CORPORATE SOCIAL RESPONSIBILITY

From the outset your Group has always been acutely aware that no organisation can survive, let alone flourish, in a vacuum, without reaching beyond itself to make a deeper contribution to the well being of society. This commitment is at the heart of our Group's ethos. On our path to sustainable growth and development, our corporate, social and environmental responsibilities underpin how we conduct our business.

As a global multi-media company that reaches in excess of 100 million consumers each week, your Group is in a unique position to make a real difference to the global communities in which we operate. This principle of combining 'good business with good citizenship' is one which extends across all our markets and one in which we take immense pride.

INM has an extensive track record of supporting large-scale humanitarian causes on both a global and local basis. Recent years have seen your Group support (directly or through increased awareness) over 200 major causes ranging from global catastrophes such as the Tsunami crisis in South East Asia, the HIV/AIDS pandemic in Africa, the Bihar floods in North East India and the Victoria Bush fires in Australia.

Across all markets, our divisions are committed to a vast range of local causes and initiatives, a cross section of which are presented in this statement.

IRELAND

In the Republic of Ireland, INM is actively involved in supporting literacy programmes, social awareness and knowledge across all segments of the population. Through magazines such as *Eureka* and *Intuition*, which are circulated in primary and secondary schools and exam preparation supplements, INM focuses particularly on the needs of students. The division also supports academic excellence and achievement through targeted sponsorships such as the Royal Irish Academy's Gold Medal Awards and the Veronica Guerin Memorial Scholarship.

In Ireland, INM has supported charitable organisations through a combination of media partnerships, fundraising and employee volunteer support. Such causes include the Irish Hospice Foundation, Focus, Junior Achievement and Crumlin's Children's Hospital. Through its support of the Ireland Funds the Group has also promoted the process of peace and reconciliation on the island of Ireland.

In promoting the arts and culture in Ireland, INM proudly supports the National Concert Hall and the International Wexford Festival Opera. 2008 saw the launch of the inaugural *Sunday Independent* Books 2008 national literary festival.

UNITED KINGDOM

In Northern Ireland, the Group operates the Newspapers in Education (NIE) programme whereby *The Belfast Telegraph*, through a number of curriculum based initiatives, provides educational material to teachers for primary and post-primary school students.

In 2008, *The Independent* continued its support for the Longford Trust by sponsoring the annual Longford Lecture which tackles social and penal reform.

Our UK division is heavily involved in supporting arts and cultural initiatives through media partnerships on a national and regional level. The *Belfast Telegraph* supports Ireland's largest arts festival, the Belfast Festival, held annually at Queens University. 2008 saw an increase in the number of regional UK activities supported by *The Independent* including partnerships with The Manchester Comedy Festival, the MTV Liverpool Music Week Awards and In the City – a well-established music industry event founded by the late Tony Wilson. A major highlight of the arts sponsorships for 2008 was the introduction of The Independent Woodstock Literary Festival.

पहल
जागरण समूह की ओर से

AUSTRALASIA

Across New Zealand and Australia, our APN operation continues the Group's commitment to educational advancement through the Newspapers in Education (NIE) initiative.

In addition, our divisions in New Zealand and Australia are heavily involved in supporting a number of charitable causes through media partnerships and fundraising activity. The causes that benefit from APN's support include; the Salvation Army, the Cancer Council, Heart Kids New Zealand, Life Education Trust, the Leukemia and Blood Foundation and Oxfam.

APN operates a comprehensive sponsorship programme of the arts across Australia and New Zealand. Sponsorships include the Australian Chamber Orchestra, the Auckland Philharmonic, the New Zealand Symphony Orchestra, the Royal New Zealand Ballet and Sydney Festival. In addition, we play a vital role in the Auckland Writers and Readers Festival and the NZ Book Design Awards.

SOUTH AFRICA

In South Africa, a number of the Group's major titles produce and provide special curriculum based workbooks/study guides to both junior and senior school students, distributing over 13 million of these workbooks in the academic year. It also undertakes special direct deliveries to approximately 1,000 underprivileged rural schools in the three major metropolitan centres of Johannesburg, Cape Town and Durban.

In addition, the Group's titles *The Cape Times*, *Isolezwe* and the *Post* administer funds to provide secondary and third level education bursaries for underprivileged students.

The Group continues to be a long-standing supporter of the campaign to increase public awareness of the AIDS crisis across South Africa. It actively supports education programmes on preventative measures, as well as campaigning to secure lower cost medication for those suffering from HIV/AIDS.

INDIA

In India, Jagran Prakashan established and funds a not-for-profit charitable foundation called Jagran Pehel, which is involved in supporting a number of charitable and humanitarian causes and in generating awareness and advocacy of important social initiatives.

In 2008, important breakthroughs for Jagran Pehel include a campaign on the rights of women with HIV/AIDS, a HIV/AIDS awareness project with the Indian State Health Society, a Polio Campaign with UNICEF and a Diabetes awareness campaign with the World Diabetes Foundation. Following the devastating Bihar floods in 2008, Jagran Pehel also partnered with the Indian Government on an awareness campaign to source appropriate land to rebuild 13,000 primary schools.

FINANCIAL STATEMENTS

Contents

DIRECTORS AND OTHER INFORMATION

Board of Directors

Dr. BJ Hillery (Chairman)
Sir Anthony O'Reilly (Chief Executive)
L Buckley (appointed 13 March 2009)
DJ Buggy
K Clarke (UK)
P Connolly (appointed 13 March 2009)
PM Cosgrove (Australia)
VC Crowley
CU Daly (USA)
IG Fallon
L Gaffney (appointed 13 March 2009)
MN Hayes
Baroness M Jay (UK) (Senior Independent Director)
Dr. IE Kenny
B Mulroney (Canada)
F Murray
AC O'Reilly (Australia)
AJ O'Reilly Jr
GK O'Reilly
BE Somers

Board Committees & Company Secretary

Executive Committee
Sir Anthony O'Reilly
DJ Buggy
VC Crowley (Ireland)
IG Fallon (UK)
AL Howard (South Africa)
GK O'Reilly

Audit Committee
BE Somers (Chairman)
K Clarke
CU Daly

Remuneration Committee
Dr. IE Kenny (Chairman)
F Murray (appointed 31 December 2008)
MN Hayes

Corporate Social Responsibility Committee
Baroness M Jay (Chairman)
CU Daly

Nomination and Corporate Governance Committee
B Mulroney (Chairman)
Sir Anthony O'Reilly
Dr. BJ Hillery
CU Daly
F Murray (appointed 31 December 2008)
Baroness M Jay

Secretary and Registered Office
A Donagher
Independent House
2023 Bianconi Avenue
Citywest Business Campus
Naas Road
Dublin 24
Ireland

Advisors

Solicitors
Matheson Ormsby Prentice
McCann FitzGerald

Auditors
PricewaterhouseCoopers

Principal Bankers
Allied Irish Banks, p.l.c.
ANZ Banking Group Limited
Bank of Ireland
Barclays Bank Ireland PLC
BNP Paribas
KBC Bank Limited
Lloyds Banking Group PLC
Ulster Bank Ireland Limited

Registrars
Capita Registrars (Ireland) Limited
Unit 5
Manor Street Business Park
Dublin 7
Ireland

EXECUTIVE DIRECTORS

Sir Anthony O'Reilly (72), (PhD, B. Law)
Group Chief Executive

Re-elected: 2006
INM Committee: Member of the Nomination and Corporate Governance Committee
Directorships/Experience: Sir Anthony is a former Chairman, President and Chief Executive Officer of Fortune-500 company, HJ Heinz Company. He is also a former member of the boards of the New York Stock Exchange, Bankers Trust, General Electric PLC, Eircom Group PLC, Washington Post, Waterford Wedgwood PLC, and Mobil Oil Inc. among others. He has been a Director of Independent News & Media PLC since his initial investment in 1973 and became Executive Chairman in 2000. Following the decision of the Board in 2004 to separate the roles of Chairman and Chief Executive, Sir Anthony continued as Chief Executive of the Group. He is a Director of Jagran Prakashan Limited (India).

DJ Buggy (41), B Comm, FCA
Group Chief Financial Officer

Re-elected: 2006
Directorships/Experience: Donal is a chartered accountant and was appointed to the Board of Independent News & Media PLC in 2002 as Chief Financial Officer. He was appointed Group Financial Controller when he joined the Group in 1996 from PricewaterhouseCoopers in Dublin. He is also a Director of APN News & Media Limited.

VC Crowley (54), BA, FCA
Chief Executive, Independent News & Media (Ireland)

Re-elected: 2007
Directorships/Experience: Vincent was appointed Chief Executive of Independent News & Media (Ireland) in 2002. In the period 1996 – 2002, he was Chief Financial Officer, and later Chief Executive, of APN News & Media Limited. A chartered accountant at KPMG Dublin, he joined the Group in 1990 as Financial Controller and became a Director of the Group in 1997. He was appointed as non-executive Director of APN News & Media Limited on 5 March 2009.

IG Fallon (64), BBS
Chief Executive, Independent News & Media (UK) Limited

Re-elected: 2007
Directorships/Experience: Ivan was appointed Chief Executive of Independent News & Media (UK) Limited in 2002. Previously he was Chief Executive of Independent News & Media (South Africa) (Pty) Limited. He joined the Board of the Group in 1995 from News International, where he had been Deputy Editor of The Sunday Times in the UK, and previous to that, (City) Business Editor of The Sunday Telegraph in the UK.

GK O'Reilly (42), BsBA
Group Chief Operating Officer

Re-elected: 2007
Directorships/Experience: Gavin was appointed Chief Operating Officer of Independent News & Media PLC in 2001 and was previously Chief Executive of Independent News & Media (Ireland). He is Chairman of APN News & Media Limited, a Director of Jagran Prakashan Limited (India) and a Director of PT Abdi Bangsa (Indonesia). He joined the Board of the Group in 1997. He is President of the World Association of Newspapers.

NON-EXECUTIVE DIRECTORS

Dr. BJ Hillery, B Comm, MBA, PhD
Re-elected: 2007
INM Committee: Member of the Nomination and Corporate Governance Committee
Directorships/Experience: Dr. Hillery joined the Board of Independent News & Media PLC in 2003 and was appointed non-executive Chairman in 2004. He is also Chairman of Providence Resources P.l.c and a Director of the Central Bank of Ireland. Dr. Hillery is a commissioner of the National Pensions Reserve Fund Commission and is Professor Emeritus of the Graduate School of Business, UCD. He was an executive Director of the European Bank for Reconstruction and Development, London. He is a former member of Dáil Éireann and Seanad Éireann.

L Buckley, MSc
Appointed: 13 March 2009
Directorships/Experience: L Buckley is a founding Director of Digicel Group Limited, a Caribbean based telecommunications company. Previously he was involved in the start-up of Esat Telecom Group plc and Esat Digifone Limited and held the position of acting Chief Operating Officer of Esat Telecom during 1996 and 1997. He established his own consultancy business in 1990 and was retained on a number of key public and private sector appointments. These included the restructuring of Waterford Crystal plc, the restructuring and sale of Irish Steel plc, consulting work with Irish Rail and the restructuring of Aer Lingus. He was appointed to the Commission on Nursing by the Irish Minister for Health in 1997. He is currently the chairman of Saongroup India Pvt Ltd and Business Recovery Services Limited and is a Director and shareholder of a number of other Irish companies. He is also a Director of the Irish Medical Organisation Services Limited.

K Clarke, QC
Re-elected: 2008
INM Committee: Member of the Audit Committee
Directorships/Experience: K Clarke has been the Conservative Party Member of the UK Parliament for the constituency of Rushcliffe since 1970. He held Ministerial office as UK Secretary of State for Health, Secretary of State for Education and Science and Home Secretary. He was UK Chancellor of the Exchequer from 1993 to 1997. He is Chairman of the UK Conservative Party Democracy Task Force. He is a Director of the Group's UK subsidiary Independent News and Media Limited and was appointed a Director of Independent News & Media PLC in 2007.

P Connolly, B Comm, FCA
Appointed: 13 March 2009
Directorships/Experience: Since 1991 P Connolly has been Chairman of Connolly Corporate Finance Ltd., a Dublin and New York-based corporate finance advisory firm focused on the telecom, media and technology sectors. He was a Director of Esat Telecommunications Limited (Esat Telecom), an Irish telecommunications company, from 1997 to 2000 and a Director of Digicel Limited, a Caribbean based telecommunications company. He was Financial Controller of Hibernia Meats Limited from 1987 through 1991, and prior to that worked with KPMG as an accountant from 1981 to 1987. He holds a Bachelor of Commerce degree from University College Dublin, Ireland and is a fellow of the Institute of Chartered Accountants in Ireland.

PM Cosgrove
Re-elected: 2008
Directorships/Experience: PM Cosgrove is the founder and Chairman of the Buspak Outdoor advertising companies in Australia and Hong Kong and is a Director of several other companies, including APN News & Media Limited and Clear Media Limited (Hong Kong). He has been a Director of Independent News & Media PLC since 1988.

CU Daly
Re-elected: 2006
INM Committees: Member of the Audit Committee, the Nomination and Corporate Governance Committee and the Corporate Social Responsibility Committee
Directorships/Experience: CU Daly is Director Emeritus of the John F Kennedy Library Foundation. He is Vice Chairman and Investment Committee member of the Joyce Foundation. He is also a Director and Executive Committee member of the Ireland Funds. He served the White House on the Congressional Relations staff of Presidents Kennedy and Johnson, following which he was Vice President of Harvard University and the University of Chicago, where he was founding Director of The Centre for Policy Studies. He created the Children's Foundation. In the US Marine Corps, he received the Silver Star and Purple Heart combat medals. He has been a journalist and editor. He holds degrees from Yale and the Columbia University Graduate School of Journalism. He joined the Board of Independent News & Media PLC in 1999.

L Gaffney
Appointed: 13 March 2009
Directorships/Experience: L Gaffney is a founding Director of Digicel Group Limited, a Caribbean based telecommunications company. She was Chief Operating Officer at Esat Telecom in Ireland when it was acquired by British Telecom Group plc in January 2000. Her involvement with Esat Telecom spanned six years, during which time she held a number of senior positions. Prior to this she was managing Director of The Ideas Company. She has also held senior positions with the Irish Press Group plc and Bell Advertising. She is currently Chairperson of Communicorp Group Limited. She was appointed Chairperson of the steering committee of the National Action Plan Against Racism by the Government of Ireland. She is a former Director of Ulster Bank Limited (Irish subsidiary of Royal Bank of Scotland) and was also a Director of the 2003 Special Olympics World Games.

NON-EXECUTIVE DIRECTORS (CONTINUED)

MN Hayes
Re-elected: 2008
INM Committee: Member of the Remuneration Committee
Directorships/Experience: MN Hayes is a former member of Seanad Éireann, and the former Northern Ireland Ombudsman. He is Chairman of the National Forum on Europe. He is a member of the Advisory Committee of the Ireland Funds. He is a Director of Regtel (Holdings) Limited and Screen NI Limited. He is a Director of the Group's UK subsidiary, Independent News and Media Limited and has been a Director of Independent News & Media PLC since 1991.

Baroness M Jay, BA-Oxon
Re-elected: 2007
INM Committees: Member of the Nomination and Corporate Governance Committee and is Chairman of the Corporate Social Responsibility Committee
Directorships/Experience: After graduating from Oxford University, Baroness M Jay joined the BBC and began a twenty year career in broadcasting, primarily involved as a producer and journalist in news and current affairs. She was appointed to the House of Lords in 1992 and became a Minister of State in the Department of Health in 1997. She later became Leader of the House of Lords, Lord Privy Seal and Minister for Women. She was a founder Director of The National AIDS Trust and Chair of the independent research organisation, The Overseas Development Institute. She is a Director of the Group's UK subsidiary, Independent News and Media Limited. She was appointed to the Board of Independent News & Media PLC in 2003 and was appointed Senior Independent Director in June 2007.

Dr. IE Kenny
Re-elected: 2008
INM Committee: Chairman of the Remuneration Committee
Directorships/Experience: Dr. IE Kenny is Distinguished Professor of Public Policy at the International Management Centres, UK. He was Director General of the Irish Management Institute for 20 years, following which, as a Senior Research Fellow in UCD, he worked with international companies on their strategies and corporate governance. He served on the boards of both public and state companies, including the Kerry Group and IONA Technologies. He has written 13 books on business and management, for one of which he was awarded a Doctor of Letters and Outstanding Doctor of the Year. He was awarded the Gold Medal of Honor of the Comité International de l'Organisation Scientifique and was made a Knight Commander of the Order of St. Gregory by Pope John Paul II. He has been a Director of Independent News & Media PLC since 1986.

B Mulroney, P.C., C.C., LL.D.
Re-elected: 2008
INM Committee: Chairman of the Nomination and Corporate Governance Committee
Directorships/Experience: B Mulroney is a Senior Partner at the Montreal law firm of Ogilvy Renault. He was Prime Minister of Canada from September 1984 until June 1993. He is a Director of several leading companies including Barrick Gold Corporation, Archer Daniels Midland Company and Quebecor World Inc. and other educational and charitable organisations. He was appointed to the Board of Independent News & Media PLC in 2004.

F Murray, BA, DPA, LL.D, Hon. Causa (NUI)
Re-elected: 2007
INM Committees: Member of the Remuneration Committee and the Nomination and Corporate Governance Committee
Directorships/Experience: F Murray is a Commissioner of The Independent Commission for the Location of Victims' Remains. He is Chairman of the Department of Foreign Affairs Appointments Committee and Chairman of the Institute of Public Administration's Education Committee. He is a former Chairperson of the Public Appointments Service. He is an Independent Reviewer of Complaints for the Institute of Chartered Accountants in Ireland. He was appointed to the Board of Independent News & Media PLC in 2003.

AC O'Reilly, BA-Oxon
Re-elected: 2008
Directorships/Experience: AC O'Reilly is a Director and former Chief Executive of APN News & Media Limited. He is Founder and Managing Director of Bayard Group Pty Limited, owner of Landis+Gyr, and a former investment banker with Goldman Sachs. He joined the Board of Independent News & Media PLC in 1992.

AJ O'Reilly Jr, BA
Re-elected: 2006
Directorships/Experience: AJ O'Reilly Jr is Chief Executive and a Director of Providence Resources P.l.c. He is a Director of Lundin Mining Corporation and of Zenergy PLC. He is a Trustee of the O'Reilly Foundation as well as the Industrial Relations Research Trust. He became a Director of Independent News & Media PLC in 1999. He is a former Chief Executive of Wedgwood. A graduate of Brown University in Rhode Island, he worked in mergers and acquisitions at Dillon Read, the investment bank and in corporate finance at Coopers & Lybrand.

BE Somers, FCA
Re-elected: 2008
INM Committee: Chairman of the Audit Committee
Directorships/Experience: BE Somers is a chartered accountant and is Senior Partner in Somers and Associates and is also a Director of DCC plc and Irish Continental Group, plc. He was appointed to the Board of Independent News & Media PLC in 1997.

CORPORATE GOVERNANCE REPORT

The Board of Directors

General

The Directors of Independent News & Media PLC (INM) are committed to maintaining the highest standards of corporate governance and to ensuring the correct mix of experience at Board level, for the optimum strategic and operational governance of the Group – a geographically diverse media and communications group. That required diversity and experience at Board level has brought together a group of independent members of the Board from the worlds of Academia, Business (including media), Professional (law and accountancy), Politics and the Public Sector.

The following statement sets out how the full principles and provisions of The Combined Code on Corporate Governance, June 2006 were applied during the year ended 31 December 2008.

Board

The Board holds regular meetings, seven in 2008, and there is regular contact between meetings as required in order to progress the Group's business. The Chairman is responsible for the effective functioning of the Board and for ensuring that meetings are of sufficient duration to allow full discussion on all matters relevant to the Board, that all Directors are kept properly informed with timely and accurate information, and that all major decisions are subjected to rigorous scrutiny and constructive debate.

The Board has a formal schedule of matters specifically reserved to it for decision, including:

- approval of interim and final financial statements;
- approval of the Group's long-term objectives and strategy;
- changes relating to the Group's capital structure;
- material contracts;
- terms of reference of Chairman, Chief Executive and other executive Directors;
- terms of reference and membership of Board Committees;
- risk management strategy; and
- review of the Group's overall corporate governance arrangements.

Board Committees

There are four Board Committees with formal terms of reference:

- the Audit Committee;
- the Nomination and Corporate Governance Committee;
- the Remuneration Committee; and
- the Corporate Social Responsibility Committee.

Audit Committee

The Audit Committee comprised of four independent non-executive Directors for the full year. LP Healy retired from the Board and Committees on 31 December 2008. The members at 31 December 2008 were:

BE Somers (FCA);
K Clarke; and
CU Daly.

The role and responsibilities of the Committee are set out in the Committee's Terms of Reference, copies of which are available from the Company Secretary and on the Company's website at *www.inmplc.com*.

There were five meetings of the Committee during the year. BE Somers, LP Healy and CU Daly attended all meetings and K Clarke attended four meetings.

The report from the Audit Committee for the year ended 31 December 2008 is set out on pages 34 to 35 of this report.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee is responsible for making recommendations on Board appointments and for regularly reviewing the efficacy, efficiency, structure, size and composition of the Board with regard to the complexities of the media industry and the diversity of international markets in which the Group operates.

The Committee is also responsible for reviewing the Group's Corporate Governance policies and compliance. The full terms of reference of the Committee are available from the Company Secretary and also from the Company's website at *www.inmplc.com*.

The members of the Committee are:

B Mulroney (Chairman);
Sir Anthony O'Reilly;
Dr. BJ Hillery;
CU Daly;
F Murray (F Murray was appointed with effect from 31 December 2008 in place of LP Healy who retired); and
Baroness M Jay.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board of Directors (continued)

Nomination and Corporate Governance Committee (continued)

There was one meeting of the Committee during the year. Dr. BJ Hillery, Sir Anthony O'Reilly, CU Daly, LP Healy and Baroness M Jay attended the meeting.

Since the year end, the Nomination and Corporate Governance Committee recommended that L Buckley, L Gaffney and P Connolly be appointed as Directors with effect from 13 March 2009. The Committee did not consider it necessary to use an external search consultancy or open advertising in relation to these appointments.

Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of the Chief Executive and the Chairman and for determining, in consultation with the Chief Executive, the remuneration of the executive Directors. The terms of reference of the Committee are available from the Company Secretary and also from the Company's website at *www.inmplc.com*.

The Committee is made up entirely of independent non-executive Directors. The members of the Committee are:

Dr. IE Kenny (Chairman);
F Murray (F Murray was appointed with effect from 31 December 2008 in place of JC Davy who retired); and
MN Hayes.

The Remuneration Report for 2008 appears on pages 40 to 44.

There were three meetings of the Committee during the year and all members attended.

Directors

The Articles of Association require all Directors to submit themselves for re-election once every three years. Non-executive Directors are appointed for three-year terms, subject to re-election and to Companies Act provisions relating to the removal of a Director. Non-executive Directors with more than nine years service are subject to annual re-election in accordance with the provisions of the Combined Code.

Attendance at Board and Committee Meetings during the year ended 31 December 2008

	Board		*Audit Committee*		*Remuneration Committee*		*Nomination & Corporate Governance Committee*	
	A	*B*	*A*	*B*	*A*	*B*	*A*	*B*
Dr. BJ Hillery	7	7					1	1
Sir Anthony O'Reilly	7	7					1	1
LP Healy	7	7	5	5			1	1
DJ Buggy	7	7						
K Clarke	7	6	5	4				
PM Cosgrove	7	7						
VC Crowley	7	7						
CU Daly	7	7	5	5			1	1
JC Davy	7	7			3	3		
IG Fallon	7	7						
MN Hayes	7	6			3	3		
BMA Hopkins	6	6						
Baroness M Jay	7	6					1	1
Dr. IE Kenny	7	7			3	3		
B Mulroney	7	5					1	-
F Murray	7	6						
AC O'Reilly	7	6						
AJ O'Reilly Jr	7	7						
GK O'Reilly	7	7						
BE Somers	7	7	5	5				

Columns A indicate the number of meetings held during the period the Director was a member of the Board and/or Committee.

Columns B indicate the number of meetings attended during the period the Director was a member of the Board and/or Committee.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board of Directors (continued)

Independent Non-Executive Directors

Independent News & Media PLC aspires to the highest standard of corporate governance as a means of contributing to the continuing performance of the business.

The composition of the Board of INM, together with its sub-committees, is one of unique quality where experienced corporate executives, former international politicians and public servants combine to deliver independent counsel and support to one of the most globally diverse public companies in the media industry today.

INM has fostered a culture of independent thinking and counsel among its Board members, and has worked assiduously to create the balanced conditions of diversity of experience and tenure that have delivered sound judgement and direction to the executive Directors of the Company. The Board believes that the wide variety of skills and experience, across many disciplines, of the non-executive Directors, are of significant benefit to the Company and its shareholders.

Board Size and Membership

The Combined Code sets out that the Board should not be so large as to be "unwieldy". INM does not believe the Board is so large as to be unwieldy or that its size in any way compromises its effectiveness. INM has sought to reduce the overall size of its Board. The Board has reduced in size by 32% to 17 members over the last seven years.

During 2008 BMA Hopkins resigned as an executive Director. LP Healy and JC Davy retired from the Board after serving 35 years and 25 years respectively.

Since the year end, in keeping with the policy of reducing the Board size, a number of substantial changes to the composition of the Board have been announced. Sir Anthony O'Reilly has announced his intention to retire as a Director and as Chief Executive with effect from 7 May 2009. The Board has announced that GK O'Reilly, who is currently Chief Operating Officer, has been appointed as Chief Executive designate and will become Chief Executive on 7 May 2009.

Following a recommendation from the Nomination and Corporate Governance Committee, the Board appointed L Buckley, P Connolly and L Gaffney as Directors with effect from 13 March 2009. The Board is satisfied that the three new Directors bring a wide range of experience to the Board which will be of significant benefit to all shareholders. The biographical notes of all Directors appear on pages 27 to 29 of this report.

In addition, as part of a detailed restructuring of the Board, VC Crowley, Chief Executive, Independent News & Media (Ireland) and IG Fallon, Chief Executive, Independent News & Media (UK) will leave the Board with effect from 12 June 2009, but will remain as members of the Executive Committee. Going forward there will be two executive Directors on the Board: the Group Chief Executive and the Group Chief Financial Officer. In addition, BE Somers has advised the Board of his decision to retire from the Board with effect from 30 April 2009. The following non-executive Directors will not be seeking re-election to the Board at the Annual General Meeting on 12 June 2009: PM Cosgrove, CU Daly, MN Hayes, Dr. IE Kenny, AC O'Reilly and AJ O'Reilly Jr.

Assessment of Independence

The Combined Code states that the Board should identify each non-executive Director that it considers to be independent. This approach is supported by many of the international proxy/shareholder voting agencies. The principles for determining independence, set out by both the Combined Code and these voting agencies, form part of INM's annual review of corporate governance. While these principles highlight a number of factors which may affect the independence of Directors, it is also clear that Directors may be considered independent notwithstanding the presence of one or more of these factors. This position reflects INM's view of corporate governance in that independence is determined by a Director's character, objectivity, integrity and contribution to the Board and its decision making process.

As part of its annual review of corporate governance for 2008, the Board has, following careful consideration and detailed analysis, considered all of the relevant factors required by the Combined Code and determined that as at 31 December 2008 the following Directors were independent non-executive Directors; PM Cosgrove, CU Daly, K Clarke, JC Davy, MN Hayes, LP Healy, Baroness M Jay, Dr. IE Kenny, B Mulroney, F Murray and BE Somers.

Following the changes referred to above, the Board will comprise of 10 Directors in total. This will include the Chairman, Group Chief Executive, Group Chief Financial Officer and seven non-executive Directors, and having considered all of the relevant factors required by the Combined Code, the Board has determined that the following Directors are independent non-executive Directors: K Clarke, Baroness M Jay, B Mulroney and F Murray.

Remuneration to Non-Executive Directors Apart from Basic Director's Fees

In addition to the normal advice and guidance provided by its Directors, INM has sought to harness the breadth and depth of their experience by commissioning some of them to take on additional duties and responsibilities to enhance the Group's overall performance. Remuneration to Directors for additional duties and responsibilities varies and reflects the extent of time, contribution and travel involved in each of their respective roles. All work completed is paid and fully accounted for and subject to Board approval, and the Board is satisfied that such remuneration does not impact on a Director's independence.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board of Directors (continued)

Financial Independence

INM believes that financial independence enhances a Director's position and standing as an independent non-executive Director. As INM's non-executive Directors are not solely reliant on INM for their primary income, they are in a position to effectively discharge their obligations as independent non-executive Directors without compromise to their independence or integrity.

Other Relationships

A number of INM Directors may have working relationships through their participation in, or with, various non-profit institutions or foundations. INM has considered each of these relationships and has concluded that these relationships do not, in any way, compromise the independence of INM's non-executive Directors. This assessment is also supported by detailed analysis of INM's Board and governance.

Board Appointments and Succession Planning

Responsibility for Board appointments and succession planning falls within the scope of the full Board, with recommendations from the Group's Nomination and Corporate Governance Committee as appropriate.

Information and Professional Development

Newly appointed non-executive Directors are supplied with copies of the most recent annual report and half-year report, recent announcements and any other documentation required. Arrangements are made to meet with senior management and site visits are arranged. Non-executive Directors are entitled to obtain independent legal advice, if necessary, at the expense of the Company, provided this is discussed in advance with the Company Secretary.

Performance Evaluation

A sub-committee appointed by the Board carried out the evaluation of the Board and its Committees. The members of the sub-committee are:

Dr. BJ Hillery (Chairman);
Sir Anthony O'Reilly (Chief Executive); and
Baroness M Jay (Senior Independent Director).

In conducting the review of the Board and its Committees, the sub-committee considered a number of matters including:

- the role and effectiveness of the Board and Committees;
- Board procedures, including the frequency of meetings and preparation of the agenda;
- communications within the Board and Committees and with other parties;
- the composition of the Board and Committees; and
- the sufficiency of information provided to the members of the Board and Committees.

The evaluation of individual non-executive Directors included:

- attendance and contributions at meetings;
- the level of knowledge of the Group's business and industry; and
- the relationship with other Directors and with management.

The Chairman and the non-executive Directors met without the executive Directors present and reviewed the performance of the Chief Executive. The non-executive Directors, led by the Senior Independent Director, met separately to review the performance of the Chairman.

Re-election of Directors

The Company's Articles of Association require all Directors to submit themselves for re-election at least once every three years. Under the Articles of Association all Directors are subject to re-election by shareholders at the first AGM following their appointment. In addition, the Combined Code recommends that non-executive Directors with more than nine years service be re-elected annually. Accordingly, the Board has determined that any non-executive Director with more than nine years service should be subject to annual re-election.

At the AGM this year DJ Buggy retires by rotation in accordance with the Articles of Association, and, being eligible, offers himself for re-election. In addition L Buckley, P Connolly and L Gaffney, having been appointed since the last AGM, offer themselves for re-election.

Full biographical details of these Directors appear on pages 27 to 28 of this report.

The Board is fully satisfied that the Company greatly benefits from the diverse skill, broad commercial experience and independence that the above Directors bring to the Company and is very pleased to recommend their re-election to the Board.

Accountability and Audit

Under Irish company law, the Directors are responsible for the preparation of the financial statements and these responsibilities are outlined in detail under the heading Statement of Directors' Responsibilities on page 39.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Internal Control

The Directors acknowledge that they are responsible for the Group's systems of internal controls and for reviewing their effectiveness. This review is carried out with the assistance of the Audit Committee.

An ongoing process, in accordance with the guidance of the Turnbull Committee on Internal Control, has been established for identifying, evaluating and managing risks faced by the Group, and is reviewed regularly by the Board. This process was in place for the year ended 31 December 2008 and was also in place at the date of this report. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk assessment and evaluation take place as an integral part of the annual planning and budgeting process, the results of which are reviewed by senior management and the Board. A co-ordinated annual programme of risk and control self-assessment, which is supplemented by peer audits in part of the Group, is also carried out, and the results of these are reported to the Audit Committee. This process had regard to the material risks that could affect the Group's business. The Board's annual review of the effectiveness of internal control, advised by the Audit Committee, has been based on that programme.

Report from the Audit Committee

1. Members of the Committee

The Audit Committee was comprised of four independent non-executive Directors for the year ended 31 December 2008. LP Healy retired as a Director as of 31 December 2008.

The terms of reference of the Committee are available from the Company Secretary and on the Company's website at *www.inmplc.com*.

2. Role and Responsibilities

The Committee's functions include the following:

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to its financial performance;
- to review the consistency of, and any changes to, accounting policies;
- to review the methods used to account for significant or unusual transactions where different approaches are possible;
- to review the clarity of disclosure in the Company's financial reports;
- to review the effectiveness of the Company's internal controls and risk management systems and to review the statements to be included in the Annual Report concerning internal controls and risk management; and
- to monitor and review the external auditors' independence, objectivity and effectiveness, taking into account professional and regulatory requirements.

3. Meetings

The Committee held five meetings during the year. Members of management attended each meeting and the external auditors attended as appropriate. During one of these meetings, the Committee met separately with the external auditors, without members of management present.

4. Financial Statements

The Committee reviewed the annual and condensed interim financial statements and the Stock Exchange announcements with management. The Committee received and discussed in detail reports from the external auditors on the annual and condensed interim financial statements and any accounting or judgemental issues requiring audit committee attention. The Committee reviewed the Annual Audit Plan with both management and the external auditors.

5. Internal Control and Internal Audit

The Committee reviewed the Group's systems of internal control and the ongoing process for identifying, evaluating and managing risks faced by the Group. The Committee reviewed and approved the statement to be issued in the Annual Report concerning internal control and risk management.

Following the recommendation from the Audit Committee a Group Internal Auditor was appointed on 22 September 2008. The Group Internal Auditor will report to the Audit Committee.

At an Audit Committee meeting in December 2008 the Group Internal Auditor presented an Internal Audit Plan for 2009 which was approved by the Committee. Therefore during most of 2008, there was no formal Group internal audit function – however, the Audit Committee is satisfied that an adequate alternative exists as follows. Management provided details of how the Group currently reviews internal controls. This includes a system of self-assessment of risks and controls carried out for all regional and Group head offices and a rotating sample of business units. This process, which has been in place for a number of years, was reviewed and updated during the prior year. In 2008 the Group Internal Auditor assisted in this process. The results are collated at Group head office and presented for review to the Committee. In Australasia, APN News & Media Limited has an internal audit function which reports to its Audit Committee.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Report from the Audit Committee (continued)

5. Internal Control and Internal Audit (continued)

In addition, management reported on the detailed weekly financial reporting requirements for each region to Group head office. These reports, which are reviewed in detail at Group head office, include a comparison of actual results against budget and against last year with detailed explanation of significant variances.

Management confirmed that the Group Chief Operating Officer and the Group Chief Financial Officer regularly visit each regional head office and conduct detailed reviews with local executives. In addition, quarterly Executive Committee meetings, chaired by the Group Chief Executive, are conducted with regional management to assess business and operational performances and market conditions.

6. External Auditor Objectivity and Independence

The Committee is required to explain how, if the auditors provide non-audit services, auditor objectivity and independence is safeguarded. The Committee reviewed the total fees paid (audit and non-audit) to the auditors in 2008 and assessed the fees paid for non-audit services.

The Committee discussed this with the auditors. The auditors have described how auditor independence is managed in their firm and also confirmed that they complied with all regulatory and ethical guidelines in this matter. The Committee was satisfied with the explanations received.

Relations with Shareholders

The Group attaches considerable importance to open and regular shareholder communications and has a well-established investor relations function. There is regular dialogue with institutional investors as well as detailed presentations and roadshows after the announcement of interim and final results. This dialogue is primarily with key executive Directors who meet institutional investors regularly throughout the year and participate in broker/investment conferences. The non-executive Directors are informed of any significant shareholder concerns. Annual and Interim Reports are sent to all shareholders and results announcements, together with detailed investor presentations, are published on the Company's website at *www.inmplc.com*. The website contains additional information for investors which is regularly updated.

At the Company's AGM, the Chairman and the Chief Executive make presentations and all Directors are available to answer questions on any aspect of the Group's strategy, business and performance during the prior year.

Arrangements have been made for the 2008 Annual Report and AGM notice to be sent to shareholders 20 working days before the Meeting and for the level of proxy votes cast on each resolution, and the numbers for and against, to be announced at the Meeting. This year's AGM will be held at Citywest Hotel, Saggart, Co. Dublin at 12:00 noon on 12 June 2009.

Corporate Social Responsibility

The Group is committed to acting in the best interests of all its stakeholders: customers; employees; suppliers; and shareholders (see Corporate Social Responsibility statement on pages 23 to 24).

The Board has a Committee with responsibility for corporate social responsibility. The terms of reference of the Committee are available from the Company Secretary and on the Company's website at *www.inmplc.com*.

The members of the Committee are:

Baroness M Jay (Chairman); and
CU Daly.

Employment

The Group is committed to equal opportunity of employment and all employment decisions are based on merit, qualifications and abilities. The Group is committed to providing a working environment that is free from all forms of discrimination and harassment. Many of the Group's employees are represented by trade unions and any such trade unions are recognised by the Group.

At a minimum, all Group companies are required to comply with all applicable local legislation in employment matters.

Health and Safety

The Group is committed to creating and maintaining a safe and healthy working environment for all employees. This includes providing appropriate training to enable employees perform their work safely and effectively.

All Group companies are required, at a minimum, to comply with all applicable local legislation in this area.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate Social Responsibility (continued)

Social, Community and Environmental

The Group supports a wide variety of charitable organisations by making financial contributions and by providing editorial coverage.

The Group provides significant editorial coverage and support for environmental and health issues, with the Group's South African company particularly supportive of campaigns to highlight the HIV/AIDS issues.

The Group is committed to supporting best practice and complying with all relevant legislation in relation to the production of its products and to environmental issues. The Group is in regular dialogue with suppliers in relation to new products and processes, and environmental issues are considered in the decision-making process.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and financial statements for the year ended 31 December 2008.

Principal Activities

The principal activities of the Group continue to be the printing and publishing of metropolitan, national, provincial and regional newspapers in all or some of Australia, India, Ireland, New Zealand, South Africa and the United Kingdom. The Group also has leading radio operations in Australia and New Zealand and leading outdoor advertising operations in Australia, New Zealand, South-East Asia and across Africa. The Group also has online operations across each of its principal markets.

Results and Dividends

	€m
Group results and dividends paid are as follows:	
The loss of the Group attributable to equity holders of the parent	**(164.4)**
Dividends:	
2007 final ordinary dividend paid of €0.0913 per share	**75.9**
2008 interim ordinary dividend paid of €0.0457 per share	**38.3**
Total dividend paid	**114.2**

As announced on 26 January 2009 the Directors are not proposing a final dividend in respect of the year ended 31 December 2008.

Research and Development

Certain of the Company's subsidiary undertakings are engaged in ongoing research and development aimed at improving production processes and expanding product ranges. Further information in relation to product development is contained in the Operations Review which appears on pages 14 to 22.

Review of the Business

The Chairman's Statement, the Group Chief Executive's Review, the Operating & Financial Review, the Operations Review and the Corporate Social Responsibility statement sections of the Annual Report provide a review of the Group's business for 2008, including comments on key performance and operational indicators, and a general outlook for 2009.

Risks and Uncertainties

There is an ongoing process for the identification, evaluation and management of the significant risks faced by the Group. See Corporate Governance Report on pages 34 to 35 which discusses the Group's systems of internal control and the ongoing process for identifying, evaluating and managing risks faced by the Group. The principal risks and uncertainties are set out below:

Exposure to Changes in the Economies in which we Operate and Changing Customer Spending Patterns

General economic conditions can positively or negatively affect the performance of the Group's businesses to some degree. The current global economic outlook represents a significant risk to the Group. A significant proportion of the Group's revenue is derived from advertising which has historically been cyclical, with companies spending less on advertising in times of economic slowdown.
The Group's commitment to investment in its core brands and products and the diverse nature of the Group's revenues helps to reduce the effect of these fluctuations.

The Impact of Technological and Market Changes

The Group operates in highly competitive environments that can be subject to rapid change. The Group's products and services, and their means of delivery, are affected by technological innovations, changing legislation, competitor activity or changing customer behaviour. A structural change in advertising markets resulting in significant advertising moving away from traditional products to the internet may affect the Group's results both positively and negatively. Also, print media operations have been facing declining circulation numbers for some time due to factors including, but not limited to, the proliferation of internet use. The Group continues to develop online strategies to compliment its products.

Newsprint Price Risk/Supply Risk

Newsprint represents a significant cost within the Group's publishing operations. Newsprint prices are subject to volatility arising from variations in supply and demand. Generally, these variations are not large, but from time to time increases may be significant. The Group's newsprint requirements are monitored closely and where deemed advantageous, long-term arrangements are agreed with suppliers to limit the potential for price volatility.

The Group has a number of newsprint suppliers to reduce dependency on any specific supplier.

DIRECTORS' REPORT (CONTINUED)

Risks and Uncertainties (continued)

Reliance on IT Infrastructure

The Group's businesses are dependent on technology. Information systems are critical for the effective management and provision of services around the Group. Disruption to the Group's information technology infrastructure could result in lost revenue. Business continuity plans are in place for all significant businesses.

Pensions

The Group operates a number of defined benefit pension schemes. Reported earnings may be adversely affected by changes in pension costs and funding requirements due to lower than expected investment returns, changes in demographics and particularly longer life expectancy. Although these are carefully monitored and there are regular reviews with trustees, there are a number of factors which are outside the Group's control, including interest rates, inflation rates, mortality and regulatory change.

Tax Risk

The Group operates within many jurisdictions and earnings are therefore subject to taxation at differing rates across these jurisdictions. Whilst endeavouring to manage its tax affairs in an efficient manner, due to an ever more complex international tax environment there will always be a level of uncertainty when provisioning for the Group's tax liabilities. There is also a risk of tax laws being amended by authorities in the different jurisdictions in which the Group operates which could have an adverse effect on the Group's results.
The Group continually takes the advice of external experts to help minimise this risk.

Potential Litigation

From time to time, by the nature of their business, newspapers are subject to libel or other types of litigation. Although the Group's newspaper titles have procedures in place to attempt to limit the nature and extent of any exposure in this area and the Group also makes provisions, where necessary, in this regard on an annual basis, there can be no assurance that litigation in the future will not have a material adverse effect on the Group's business.

Financial Risks

Details of financial risks are given in note 33 to the financial statements.

Events since the Year End

Information in respect of events since the year end as required by the Companies (Amendment) Act, 1986 is contained in the Operations Review which appears on pages 14 to 22 and in note 40 to the financial statements.

Related Party Transactions

There have not been any contracts or arrangements with the Company or any subsidiary undertaking during the year in which a Director of the Company was materially interested and which was significant in relation to the Company's business, except as detailed in note 35 to the financial statements.

Substantial Shareholdings

The Company has been notified by Clear Channel International Holdings BV that it held between 3% and 5%; by Marathon Asset Management Limited (on behalf of a range of clients) that it held between 5% and 10%; and by Denis O'Brien that he held between 25% and 27% of the issued ordinary share capital of the Company at 28 April 2009.

As far as the Board is aware, other than the Group Chief Executive Sir Anthony O'Reilly and the shareholdings set out above, no person or corporation held 3% or more of the ordinary share capital of the Company at 28 April 2009.

Subsidiary, Associate and Joint Venture Undertakings

Principal subsidiaries, associates and joint ventures are listed in note 37 to the financial statements.

European Communities (Takeover Bids (Directive 2004/25/EC))

Information required by this Directive is on page 112.

Treasury Shares

In March 2008, the Group re-issued 1,420,827 Ordinary Shares at an effective price of €1.7525 per share out of Treasury Shares.

The total number of shares held as Treasury Shares at 31 December 2008 was 39,179,536 (2007: 40,600,363).

Allotment of Shares

In March 2008, 39,000,000 Ordinary Shares at a nominal value of €0.30 each were issued as consideration for the acquisition of a 50% interest in Independent News & Media Outdoor (Pty) Limited (formerly called Clear Channel Independent).

DIRECTORS' REPORT (CONTINUED)

Going Concern

After making enquiries the Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. See note 1 of the financial statements for further information.

Compliance

The Group has complied, during the year ended 31 December 2008, with the Principles and Provisions of The Combined Code on Corporate Governance, June 2006. The Group's Corporate Governance Report is set out on pages 30 to 36 of this report.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group.

In preparing these 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 that the financial statements comply with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The Directors are also required by applicable law and the Listing Rules issued by the Irish Stock Exchange, to prepare a Directors' report and reports relating to Directors' remuneration and corporate governance. In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 ("the Transparency Regulations"), the Directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping proper books of account 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 Acts, 1963 to 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The measures taken by Directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and the employment of competent persons. The books of account are kept at the registered office of the Company.

A copy of these financial statements will be published on the Company's website at *www.inmplc.com*. The maintenance and integrity of the Independent News & Media PLC website is the responsibility of the Directors. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Statement Pursuant to the Transparency Regulations

Each of the Directors, whose names are listed on page 26, confirms that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Company and the Group and of the loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

Auditors

The Auditors, PricewaterhouseCoopers, will be re-appointed in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the Board

Sir Anthony O'Reilly
Donal J Buggy

29 April 2009

REMUNERATION REPORT

The Remuneration Committee is comprised of independent non-executive Directors. The members of the Committee throughout 2008 were:

Dr. IE Kenny (Chairman);
JC Davy; and
MN Hayes.

On 31 December 2008 JC Davy retired as a Director of the Company. F Murray was appointed to the Remuneration Committee in place of JC Davy with effect from 31 December 2008.

The Committee held three meetings during the year and all the members were present at each meeting.

The purpose of the Committee is to assist the Board in fulfilling its responsibilities to the Company and its shareholders by determining and agreeing with the Board the framework of Board policy for the remuneration of the Company's Chief Executive, Chairman of the Board, executive Directors and such other members of the executive management as it is designated to consider.

INM's record of long-term superior performance, operational consistency and a track record of executive retention are directly connected to how the Company compensates its executive management. The Remuneration Committee's ongoing work is designed to align fully the interests of executive Directors with all shareholders and to give executive Directors the appropriate incentive to perform at the highest levels, rewarding consistent, strong performance. A full copy of the terms of reference of the Committee is available from the Company Secretary and on the Company's website at *www.inmplc.com*.

The Committee's functions include:

- determining the remuneration of the Chief Executive and the Chairman of the Board;
- determining, in consultation with the Chief Executive, the remuneration of the executive Directors;
- satisfying itself that remuneration is competitive so as to attract, retain and incentivise key personnel; and
- advising on the share option scheme, determining eligibility to participate therein and the granting of options.

The remuneration of non-executive Directors is determined by the Chairman of the Board and the executive Directors.

Remuneration for executive Directors consists of basic salary, performance-related annual bonus, share option scheme, pension benefits and a company car.

1. *Basic Salary*

Salaries for executive Directors are reviewed annually. During 2008, basic salaries for all executive Directors were increased on average by 4.0%.

The Committee considers what comparable international companies are paying and takes into account relative and absolute performance compared to other media companies in its peer group. It is sensitive to the wider business environment and to pay and employment conditions elsewhere in the Group when determining executive Directors' salaries annually. At its December meeting the Committee noted that all executive Directors had voluntarily agreed to accept a 10% reduction in annual salary with effect from 1 January 2009.

2. *Performance-related Annual Bonus*

Annual incentive compensation – or performance-related annual bonus – is tied to clear performance objectives, both financial and operational, and is the primary mechanism by which the Company rewards performance. However, in view of the current uncertain economic outlook and given the Group's focus on reducing all costs particularly in the area of payroll costs, the Remuneration Committee, in consultation with the Chief Executive, agreed that there would be no bonus payments in respect of the year ended 31 December 2008.

3. *Share Option Scheme*

The Group operates a share option scheme for Directors and executives which was approved by the shareholders on 26 May 1999. The percentage of share capital which can be issued under the scheme and the individual grant limits comply with the guidelines published by the Irish Association of Investment Managers. Basic options cannot be exercised before the expiry of three years from the date of grant and super options cannot be exercised before the expiry of five years from the date of grant.

Options can be exercised only if certain performance conditions, primarily relating to growth in Earnings Per Share, are achieved.

Share options are granted to Directors and executives of the Group to encourage key management to build, over time, a shareholding in the Company, which is material to their net worth. The Committee believes that this long-standing incentive policy has been instrumental in motivating and retaining the quality of senior management required to run a successful business. Share options are offered on a phased basis and all employees are encouraged to hold their options beyond the earliest exercise date.

REMUNERATION REPORT (CONTINUED)

4. *Pension Benefits*

Pension benefits for executive Directors are based on basic salary only. The Company provides defined benefit or defined contribution plans for executive Directors.

The Finance Act 2006 effectively introduced a cap on pension provision by imposing a substantial tax charge on pension assets for individuals above a value of €5 million at 31 December 2005.

In view of this change, the Remuneration Committee reviewed the pension arrangements for executive Directors and the Committee agreed to offer the executives the option of (a) continuing with the existing arrangements, or, (b) entering a new arrangement by electing to accept that the pension fund would be limited to the cap and instead, receive a taxable non-pensionable payment in lieu of further pension benefits.

5. *Service Contracts*

There are no service contracts between Directors (executive and non-executive) and the Company with notice periods of more than 12 months.

6. *Directors' Emoluments*

	Fees €000	Salary €000	Bonus €000	Benefits in kind €000	Pension €000	2008 Audited Total €000	2007 Audited Total €000
Executive Directors							
Sir Anthony O'Reilly	25	1,019	–	–	450	**1,494**	2,205
DJ Buggy	25	468	–	27	189	**709**	1,153
VC Crowley Note 1	25	936	–	21	–	**982**	1,425
IG Fallon	26	546	–	29	199	**800**	1,661
GK O'Reilly	25	680	–	10	263	**978**	1,533
Total	126	3,649	–	87	1,101	**4,963**	7,977
Seconded Director							
BMA Hopkins Note 2	21	827	–	227	194	**1,269**	2,048
Total	21	827	–	227	194	**1,269**	2,048
Total for 2008	**147**	**4,476**	**–**	**314**	**1,295**	**6,232**	–
Total for 2007	**152**	**4,588**	**3,454**	**357**	**1,474**	**–**	**10,025**

Note 1
VC Crowley's salary includes an additional taxable, non-pensionable payment of €316,000 in lieu of further Company pension contributions.

Note 2
BMA Hopkins resigned as a Director with effect from 31 October 2008.

Note 3
Fees and salaries for all executive Directors have been reduced by 10% from 1 January 2009.

REMUNERATION REPORT (CONTINUED)

6. Directors' Emoluments (continued)

Pensions – Executive Directors

(i) Benefits Under Defined Benefit Schemes
Pension benefits attributable to existing executive Directors:

	Increase in accrued pension during the year €000	Transfer value of the increase in accrued pension €000	2008 Audited Total accrued pension €000	2007 Audited Total accrued pension €000
DJ Buggy	10	24	**120**	106
VC Crowley Note 1	–	–	**238**	238
GK O'Reilly	13	33	**200**	180
Total for 2008	**23**	**57**	**558**	**–**
Total for 2007	**23**	**86**	**–**	**524**

(ii) Benefits Under Defined Contribution Scheme
Pension contributions payable in respect of existing executive Directors and seconded Directors amounted to €842,814 (2007: €1,042,081).

Note 1
The Company did not make any pension contributions for VC Crowley in 2008.

	a €000	b €000	c €000	d €000	e €000	Benefits in kind €000	Pension €000	2008 Audited Total €000	2007 Audited Total €000
Non-Executive Directors									
Dr. BJ Hillery	50	125	–	–	–	6	–	**181**	154
LP Healy Note 1	50	75	157	37	–	10	–	**329**	325
K Clarke	50	–	31	32	–	–	–	**113**	65
PM Cosgrove	50	–	38	–	–	–	3	**91**	93
CU Daly	50	–	–	120	–	1	–	**171**	170
JC Davy Note 1	50	–	–	–	–	–	–	**50**	50
VA Ferguson	–	–	–	–	–	–	–	**–**	85
MN Hayes	50	–	–	22	9	6	–	**87**	84
Baroness M Jay	50	–	31	32	–	6	–	**119**	127
Dr. IE Kenny	50	25	–	–	–	–	–	**75**	63
B Mulroney Note 2	50	–	–	102	–	14	–	**166**	167
F Murray	50	–	–	–	–	–	–	**50**	50
AC O'Reilly	50	–	37	–	–	–	3	**90**	93
AJ O'Reilly Jr	50	–	–	–	–	–	–	**50**	50
BE Somers	50	25	–	–	–	–	–	**75**	50
Total for 2008	**700**	**250**	**294**	**345**	**9**	**43**	**6**	**1,647**	**–**
Total for 2007	**700**	**213**	**292**	**344**	**40**	**30**	**7**	**–**	**1,626**

a. Basic Directors' Fee
b. Chairman of the Board and Committees, Deputy Chairman of the Board
c. Director of Subsidiary Companies
d. Member of International Advisory Board/Special Advisor
e. Other Remuneration

REMUNERATION REPORT (CONTINUED)

6. *Directors' Emoluments (continued)*

Non-Executive Directors (continued)

Note 1
Retired from the Board on 31 December 2008.

Note 2
In addition, the Group paid €100,000 for consultancy services to Cansult Communications Inc., a company in which B Mulroney has a beneficial interest. Cansult Communications Inc. provides political advice and consultancy services, particularly in relation to the global media industry.

Note 3 Other Remuneration
Fees for non-executive Directors have been reduced by 10% from 1 January 2009.

Pensions – Non-Executive Directors

Pensions payable to past Directors during the current financial year amounted to €36,000 (2007: €36,000).

Further Information

Total Directors' remuneration for the year amounted to €7,879,000 (€1,097,000 for services as Directors of INM and €6,782,000 for other services) (2007: €11,651,000, €1,065,000 for services as Directors of INM and €10,586,000 for other services). Cash compensation paid to Directors for the year amounted to €6,221,000 (2007: €9,783,000).

The Remuneration Committee, which is comprised solely of non-executive Directors, has determined the basis of the executive Directors' remuneration.

7. *Directors and Company Secretary and their Interests*

The interests of the Directors and Company Secretary of Independent News & Media PLC in office at 31 December 2008 in the share capital of Independent News & Media PLC and APN News & Media Limited at the beginning (or date of appointment, if later) and end of the year were:

Interests in Share Capital:
Independent News & Media PLC
Ordinary Shares of €0.30 each

	At 31 December 2008	At 31 December 2007
Beneficial		
Dr. BJ Hillery	**50,419**	40,419
Sir Anthony O'Reilly	**235,141,030**	209,191,030
DJ Buggy	**318,950**	207,378
K Clarke	**9,389**	9,389
PM Cosgrove	**517,365**	442,365
VC Crowley	**531,870**	309,930
CU Daly	**45,379**	33,903
IG Fallon	**1,467,968**	1,447,968
MN Hayes	**40,407**	17,978
Baroness M Jay	**11,528**	10,836
Dr. IE Kenny	**80,687**	65,136
B Mulroney	**35,000**	–
F Murray	**10,000**	6,000
AC O'Reilly	**1,160,000**	1,000,000
AJ O'Reilly Jr	**322,000**	320,000
GK O'Reilly	**1,044,824**	982,822
BE Somers	**12,000**	–
	240,798,816	214,085,154
Company Secretary		
A Donagher	**81,215**	78,269

REMUNERATION REPORT (CONTINUED)

7. *Directors and Company Secretary and their Interests (continued)*

APN News & Media Limited
Ordinary Shares of A$0.40 each

	At 31 December 2008	At 31 December 2007
Beneficial		
VC Crowley	**760,404**	940,404
AC O'Reilly	**1,000,000**	1,000,000
GK O'Reilly	**20,000**	20,000
PM Cosgrove	**100,000**	100,000
	1,880,404	2,060,404

Interests in Share Options:
Independent News & Media PLC
Share Options over Ordinary Shares of €0.30 each

	At 31 December 2007	Granted During Year	Exercised During Year	**At 31 December 2008**	Weighted Average Exercise Price	Exercisable Up to
Sir Anthony O'Reilly	5,200,000	–	–	**5,200,000**	€2.44	18.12.2017
DJ Buggy	3,527,425	–	(100,000)	**3,427,425**	€2.42	18.12.2017
VC Crowley	3,654,850	–	(221,940)	**3,432,910**	€2.44	18.12.2017
IG Fallon	3,250,000	–	–	**3,250,000**	€2.44	18.12.2017
GK O'Reilly	3,860,335	–	–	**3,860,335**	€2.36	18.12.2017
	19,492,610	–	(321,940)	**19,170,670**		
Company Secretary						
A Donagher	497,131	–	–	**497,131**	€2.33	18.12.2017

The above mentioned options are exercisable at prices ranging from €1.41 to €2.95 per share.

Details of share options exercised during the year are as follows:

	No. of Options Exercised	Weighted Average Exercise Price	Weighted Average Share Price at Exercise Dates
DJ Buggy	100,000	€1.41	€1.84
VC Crowley	221,940	€1.41	€2.15

The market price of Ordinary Shares of €0.30 each was €0.42 at 31 December 2008 and €2.37 at 31 December 2007 and ranged from €0.41 to €2.41 during the year. Details of outstanding options in the Company are given in note 27 to the financial statements.

The Directors and Company Secretary and their families had no other beneficial interests in the shares of the Company or any subsidiary undertaking of the Company at 31 December 2008, other than interests in Independent News & Media PLC and APN News & Media Limited as noted above.

Full details of Directors' shareholdings and options are included in the Register of Directors' Interests.

Post Year End:

There have been no changes in any of the above interests between 31 December 2008 and 28 April 2009.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INDEPENDENT NEWS & MEDIA PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Independent News & Media PLC for the year ended 31 December 2008 on pages 47 to 111, which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out on pages 53 to 61. We have also audited certain information that is so described on pages 41 to 42 of the Remuneration Report.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Remuneration Report and the financial statements, in accordance with applicable Irish law and EU International Financial Reporting Standards (IFRSs) as adopted by the European Union, are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited 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 193 of the Companies Act, 1990 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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union. We report to you our opinion as to whether the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts, 1963 to 2006. We also report to you whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006, and Article 4 of the IAS Regulation. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the Parent Company Balance Sheet is in agreement with the books of account. We also report to you our opinion as to:

- whether the Company has kept proper books of account;
- whether the Directors' Report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the Company to convene an extraordinary general meeting of the Company; such a financial situation may exist if the net assets of the Company, as stated in the Parent Company Balance Sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement on page 39 reflects the Company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the Operating & Financial Review, the Operations Review, the Corporate Social Responsibility statement, the Corporate Governance Report, the Directors' Report and the unaudited part of the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 and the part of the Remuneration Report to be audited. 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 Group's and 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 and the part of the Remuneration Report to be audited 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INDEPENDENT NEWS & MEDIA PLC (CONTINUED)

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts, 1963 to 2006, of the state of the Parent Company's affairs as at 31 December 2008 and of its cash flows for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Acts, 1963 to 2006, and Article 4 of the IAS Regulation.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Parent Company Balance Sheet is in agreement with the books of account.

In our opinion the information given in the Directors' Report on pages 37 to 39 is consistent with the financial statements.

The net assets of the Company, as stated in the Parent Company Balance Sheet on page 50 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2008 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

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 Group'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 Group were unable to continue as a going concern.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

29 April 2009

GROUP INCOME STATEMENT

	notes	Year Ended 31 December 2008 Before Exceptional Items €m	Exceptional Items* €m	Total €m	Year Ended 31 December 2007 Before Exceptional Items €m	Exceptional Items* €m	Total €m
Revenue	5	**1,476.6**	**–**	**1,476.6**	1,673.5	–	1,673.5
Operating profit/(loss)	3	**290.3**	**(365.9)**	**(75.6)**	349.2	(37.7)	311.5
Share of results of associates and joint ventures	16	**12.9**	**–**	**12.9**	19.3	–	19.3
Finance income/costs:	4						
– Finance income		**8.9**	**–**	**8.9**	10.9	–	10.9
– Finance costs		**(100.4)**	**(7.2)**	**(107.6)**	(93.3)	–	(93.3)
Profit/(loss) before taxation		**211.7**	**(373.1)**	**(161.4)**	286.1	(37.7)	248.4
Taxation (charge)/credit	8	**(41.4)**	**43.4**	**2.0**	(57.2)	4.5	(52.7)
Profit/(loss) for the year		**170.3**	**(329.7)**	**(159.4)**	228.9	(33.2)	195.7
Attributable to:							
Minority interests		**66.3**	**(61.3)**	**5.0**	85.2	(0.2)	85.0
Equity holders of the parent		**104.0**	**(268.4)**	**(164.4)**	143.7	(33.0)	110.7
		170.3	**(329.7)**	**(159.4)**	228.9	(33.2)	195.7
(Loss)/earnings per ordinary share (cent)							
– Basic	13			**(19.9c)**			14.6c
– Diluted	13			**(19.9c)**			14.5c

* Note 7

On behalf of the Board

Sir Anthony O'Reilly
Donal J Buggy

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

	notes	Year Ended 31 December 2008 €m	Year Ended 31 December 2007 €m
Items of (expense)/income recognised directly in equity			
Currency translation adjustments	26	**(297.4)**	(63.1)
Retirement benefit obligations:			
– Actuarial (losses)/gains	36	**(64.9)**	15.1
– Movement on deferred tax asset	23	**7.0**	(2.0)
Losses relating to cash flow hedges		**(5.1)**	(0.7)
Net expense recognised directly in equity		**(360.4)**	(50.7)
(Loss)/profit for the year		**(159.4)**	195.7
Total recognised income and expense for the year		**(519.8)**	145.0
Attributable to:			
Minority interests		**(91.6)**	82.9
Equity holders of the parent		**(428.2)**	62.1
		(519.8)	145.0

COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Year Ended 31 December 2008 €m	Year Ended 31 December 2007 €m
Items of income/(expense) recognised directly in equity	**–**	–
(Loss)/profit for the year	**(120.7)**	82.4
Total recognised income and expense for the year	**(120.7)**	82.4
Attributable to:		
Equity holders of the parent	**(120.7)**	82.4
	(120.7)	82.4

On behalf of the Board

Sir Anthony O'Reilly
Donal J Buggy

GROUP BALANCE SHEET

	notes	**31 December 2008 €m**	31 December 2007 €m
Assets			
Non-Current Assets			
Intangible assets	14	**1,330.5**	1,805.4
Property, plant and equipment	15	**334.9**	376.5
Investments in associates and joint ventures	16	**69.6**	90.0
Deferred taxation assets	23	**19.3**	54.7
Available-for-sale financial assets	17	**16.7**	37.0
Trade and other receivables	20	**21.8**	45.9
		1,792.8	2,409.5
Current Assets			
Inventories	19	**14.9**	16.7
Trade and other receivables	20	**210.6**	298.1
Current income tax assets		**0.5**	3.5
Derivative financial instruments	18	**–**	0.9
Cash and cash equivalents	30	**80.7**	147.5
		306.7	466.7
Total Assets		**2,099.5**	2,876.2
Liabilities			
Current Liabilities			
Trade and other payables	21	**238.5**	274.3
Current income tax liabilities	21	**12.0**	20.1
Borrowings	24	**336.3**	221.7
Derivative financial instruments	18	**5.5**	3.3
Provisions for other liabilities and charges	22	**36.8**	27.1
		629.1	546.5
Non-Current Liabilities			
Borrowings	24	**1,054.6**	1,241.5
Retirement benefit obligations	36	**148.8**	100.4
Deferred taxation liabilities	23	**125.6**	233.5
Other payables		**5.0**	6.4
Provisions for other liabilities and charges	22	**3.4**	0.8
		1,337.4	1,582.6
Total Liabilities		**1,966.5**	2,129.1
Net Assets		**133.0**	747.1
Equity			
Capital and Reserves Attributable to Company's Equity Holders			
Share capital	25	**263.6**	249.2
Other reserves	26	**196.9**	377.9
Retained losses	26	**(738.5)**	(454.9)
		(278.0)	172.2
Minority Interests	26	**411.0**	574.9
Total Equity		**133.0**	747.1

On behalf of the Board

Sir Anthony O'Reilly
Donal J Buggy

COMPANY BALANCE SHEET

	notes	31 December 2008 €m	31 December 2007 €m
Assets			
Non-Current Assets			
Investments in subsidiary undertakings		**588.5**	588.8
Current Assets			
Trade and other receivables	20	**732.3**	854.0
Cash and cash equivalents	30	**3.8**	4.7
		736.1	858.7
Total Assets		**1,324.6**	1,447.5
Liabilities			
Current Liabilities			
Trade and other payables	21	**422.7**	421.2
Non-Current Liabilities			
Borrowings	24	**160.2**	142.2
Total Liabilities		**582.9**	563.4
Net Assets		**741.7**	884.1
Equity			
Capital and Reserves Attributable to Company's Equity Holders			
Share capital	25	**263.6**	249.2
Other reserves	26	**599.5**	533.0
Retained (losses)/earnings	26	**(121.4)**	101.9
Total Equity		**741.7**	884.1

On behalf of the Board

Sir Anthony O'Reilly
Donal J Buggy

GROUP CASH FLOW STATEMENT

	notes	**Year Ended 31 December 2008 €m**	Year Ended 31 December 2007 €m
Cash generated from operations		**287.3**	278.8
Income tax paid		**(34.9)**	(33.9)
Cash generated by operating activities	29	**252.4**	244.9
Cash flows from investing activities			
Purchases of property, plant and equipment		**(55.8)**	(65.0)
Proceeds from sale of property, plant and equipment		**17.7**	18.0
Purchases of intangible assets		**(18.7)**	(70.5)
Purchases of subsidiary undertakings	28	**(25.3)**	–
Cash acquired with subsidiary undertakings	28	**21.4**	–
Purchases of associates and joint ventures	16	**(5.9)**	(1.4)
Advances to associates and joint ventures		**(4.3)**	(3.4)
Loans repaid by associates and joint ventures		**3.0**	3.6
Purchases of available-for-sale financial assets	17	**(1.4)**	(11.1)
Proceeds from sale of available-for-sale financial assets		**3.9**	0.3
Interest received		**8.2**	11.4
Dividends received	16	**4.9**	7.8
Net cash used in investing activities		**(52.3)**	(110.3)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**0.1**	13.5
Debt issue costs		**(1.0)**	(1.5)
Interest paid		**(94.0)**	(89.5)
Proceeds from borrowings		**323.3**	535.7
Repayment of borrowings		**(263.7)**	(172.6)
Repayment of compound financial instruments		**–**	(9.9)
Dividends paid to shareholders of the parent		**(97.7)**	(72.6)
Payment of finance lease liabilities		**(45.6)**	(43.6)
Purchases of treasury shares		**–**	(138.3)
Issue of minority interests by subsidiary undertaking		**0.9**	6.8
Dividends paid to minority interests		**(72.8)**	(77.3)
Purchases of minority interests		**–**	(35.8)
Net cash used in financing activities		**(250.5)**	(85.1)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts in the year		**(50.4)**	49.5
Balance at beginning of the year		**145.9**	100.7
Exchange losses		**(23.9)**	(4.3)
Cash and cash equivalents and bank overdrafts at end of the year	30	**71.6**	145.9

On behalf of the Board

Sir Anthony O'Reilly
Donal J Buggy

COMPANY CASH FLOW STATEMENT

	notes	**Year Ended 31 December 2008 €m**	Year Ended 31 December 2007 €m
Net cash generated by/(used in) operating activities	29	**0.1**	(1.1)
Cash flows from investing activities			
Investment in subsidiary undertaking		**(10.0)**	(14.5)
Interest received		**0.9**	0.2
Dividends received		**191.4**	102.4
Net cash received from investing activities		**182.3**	88.1
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**0.1**	13.5
Debt issue costs		**–**	(1.2)
Interest paid		**(6.5)**	(1.7)
Proceeds from borrowings		**98.0**	171.2
Repayment of borrowings		**(80.5)**	(27.8)
Movement on loans due to/from Group companies		**(96.7)**	(32.6)
Purchases of treasury shares		**–**	(138.3)
Dividends paid to Company's shareholders		**(97.7)**	(72.6)
Net cash used in financing activities		**(183.3)**	(89.5)
Net decrease in cash and cash equivalents and bank overdrafts in the year		**(0.9)**	(2.5)
Balance at beginning of the year		**4.7**	7.2
Cash and cash equivalents and bank overdrafts at end of the year	30	**3.8**	4.7

On behalf of the Board

Sir Anthony O'Reilly
Donal J Buggy

NOTES TO THE FINANCIAL STATEMENTS

1. *Accounting Policies*

The significant accounting policies adopted by the Group are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation and Liquidity

In accordance with EU Regulations, the Group financial statements for the year ended 31 December 2008 have been prepared in accordance with EU adopted International Financial Reporting Standards ("IFRS") and IFRIC interpretations, and with those parts of the Companies Acts, 1963 to 2006, and Article 4 of the IAS Regulation, applicable to companies reporting under IFRS.

The Group's consolidated financial statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future. 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 €200m 5.75% bond ("Bonds") which is due to mature on 18 May 2009. The Group currently does not have sufficient financial headroom available under its existing facilities in order to meet this maturity and service its debt obligations.

In addition, the Group's bank 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 are due to be tested 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 appointed Rothschild and Davy Stockbrokers 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 sufficient 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.

In order to amend the terms of the Bonds (including the maturity date of the Bonds) a meeting of the Bondholders must be convened. Such a meeting requires 21 clear days notice to the Bondholders and requires 75% of those voting at such a meeting to approve any amendment to the terms. Given the time available does not permit the holding of a Bondholders meeting by 18 May 2009, the Company will seek a financial standstill with the Bondholders and Banks, whereby no party will take any action to enforce any claim for any payment during the financial standstill period.

Given the current economic circumstances and the difficulties in raising finance, the Directors have had detailed and ongoing discussions as a Board. Following these discussions, although the Directors remain confident of a satisfactory outcome, they have concluded that as the combination and timing of these circumstances is not entirely within their control, they 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 Group and Company may be unable to continue to realise assets and discharge liabilities in the normal course of business.

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 Group and 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.

Historical Cost Convention

This financial information has been prepared on the historical cost basis and the measurement at fair value of certain financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. *Accounting Policies (continued)*

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(i) Subsidiary undertakings are included in the financial statements from the date on which control over the operating and financial policies is obtained and cease to be consolidated from the date on which control is transferred out of the Group. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

(ii) Minority interests represent the proportion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Parent Company.

(iii) Share issue programmes by subsidiaries in which the Group does not participate can give rise to changes in the Group's shareholding. Gains or losses arising from a dilution in the Group's shareholding from such transactions are recognised in the Income Statement. Purchases from minority interests may result in goodwill, being the difference between any consideration paid and the relevant share of net assets acquired.

Associates and Joint Ventures

Associates are entities, not being subsidiary undertakings or joint ventures, over which the Group has the ability to exercise significant influence over the operating and financial policies. Joint ventures are entities which the Group jointly controls with one or more entities/companies.

The Group's share of the results and net assets of associates and joint ventures are included based on the equity method of accounting. The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the Income Statement and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss. The results of associates and joint ventures are included from the effective date on which the Group obtains significant influence/joint control and are excluded from the effective date on which the Group ceases to have significant influence/joint control.

Exceptional Items

The Group has adopted an Income Statement format which highlights significant items within the Group's results for the year. Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that their separate disclosure is relevant to a better understanding of the Group's financial performance. Judgement is used by the Group in assessing the particular items, which by virtue of their materiality and/or nature, are disclosed in the Group Income Statement and related notes as exceptional items.

Segment Reporting

A geographical segment is engaged in providing products and services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments. The Group's primary format for segment reporting is geographical segments and the secondary format is business segments. The risks and returns of the Group's operations are primarily determined by the different geographical locations of the Group's operations rather than the different business segments that the Group operates in. This is reflected by the Group's management and organisational structure and the Group's internal financial reporting systems. The Group's subsidiaries operate in four geographical segments: Ireland; United Kingdom; South Africa; and Australasia. The Group has three business segments: Printing, publishing, online, distribution of newspapers and magazines and commercial printing; Radio; and Outdoor advertising.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, returns and Value Added Tax.

Circulation and printing revenue is recognised when control of the goods passes to the buyer. Advertising revenue (net of agency commission) from publishing is recognised when a newspaper or magazine is published, from radio when the advertisement is broadcast and from outdoor over the period that the advertisement is displayed. Online advertising revenue is recognised over the period that the advertisement is displayed. Distribution revenue is recognised when the newspaper or magazine has been delivered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate over the period to expected maturity.

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. *Accounting Policies (continued)*

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any recognised impairment loss. Historical cost includes all expenditure that is directly attributable to the acquisition of the items. Cost will also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method as follows:

Buildings	40-100 years
Plant and equipment	3-25 years
Vehicles	4-6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial year in which they are incurred.

Borrowing costs directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets.

Leases

Leases of property, plant and equipment where the Group has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the outset of the lease at the fair value of the leased property, plant and equipment, or if lower, at the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the balance of the liability outstanding. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over a useful economic life consistent with that for depreciable assets that are owned. If there is no reasonable certainty that title to the asset will transfer to the lessee at the end of the lease period the asset shall be depreciated over the shorter of the lease term and its useful life.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, excluding contingent payments, are charged to the Income Statement on a straight-line basis over the period of the lease.

Intangible Assets

(i) Goodwill

Goodwill arising in respect of acquisitions completed prior to 1 January 2004 is included at its carrying amount as recorded under Irish GAAP. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets/liabilities of the acquired subsidiary/associate/joint venture at the date of acquisition. Goodwill acquired in a business combination is recognised as an asset and is allocated, from the acquisition date, to the respective cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is reviewed for impairment at least annually. Any impairment is recognised immediately in the Income Statement and is not subsequently reversed. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures. When calculating gains and losses on the disposal of an entity, the carrying value of goodwill relating to that entity is included in the carrying amount of the entity sold. If tax losses of a company acquired in a business combination are recognised in a period subsequent to the period in which the business combination took place, then the carrying amount of goodwill shall be reduced to the amount that would have been recognised if the deferred tax asset had been recognised from the acquisition date with a consequent charge to the Income Statement.

(ii) Mastheads, Radio Licences, Transit and Electronic Systems and Brands

An intangible asset shall be recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Mastheads, radio licences, transit and electronic systems and brands are initially recorded at cost. Where these assets have been acquired through a business combination, cost will be the fair value allocated in acquisition accounting.

An intangible asset shall be regarded by the Group as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Based on an analysis of relevant factors (such as the stability of the industry, actions of competitors and typical product life cycles), most of the Group's mastheads, radio licences, transit and electronic systems and brands are regarded as having an indefinite useful life. This is supported by a range of factors, including, their proven value over long periods, their sustainable position in the market and durability, because they are expected to maintain market share and profitability over a long period. This is also supported by the barriers to entry that exist, the nature of competition in these industries, the intellectual property rights and the quality of branding associated with these mastheads, radio licences, transit and electronic systems and brands.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. *Accounting Policies (continued)*

Intangible Assets (continued)

(ii) Mastheads, Radio Licences, Transit and Electronic Systems and Brands (continued)
These mastheads, radio licences, transit and electronic systems and brands are subject to an annual impairment review at cash generating unit level to identify whether the carrying amount exceeds the recoverable amount.

A number of the Group's New Zealand radio licences are considered to have a finite economic life. These radio licences expire on 31 March 2011. Ownership of these frequencies reverts to the New Zealand Government at this time. However, the New Zealand Government has agreed that incumbents will have first right of refusal in renewing the licences to 2031 based on an agreed maximum price. Therefore, after making allowance for the cost of renewal, such licences are being amortised on a straight line basis to 31 March 2031.

Internally generated mastheads, radio licences, transit and electronic systems and brands are not capitalised and any expenditure on such assets is charged to the Income Statement in the year in which the expenditure is incurred.

(iii) Computer Software
Acquired computer software licences are capitalised as intangible assets on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly attributable to the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Directly attributable costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software costs are amortised over their estimated useful lives (ranging in most cases from three to five years).

Other costs in respect of computer software are recognised as an expense as incurred.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are included within equity as a deduction from the proceeds.

Where any Group company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's equity holders.

Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually and whenever there is an indication that the asset may be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The impairment loss recognised is the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. A cash generating unit is the lowest level for which there are separately identifiable cash flows.

If an impairment loss is recognised for a cash generating unit, it is allocated to reduce the carrying amount of the assets of the unit in the following order:

(i) first, to reduce the carrying amount of any goodwill allocated to the cash generating unit; and
(ii) then, to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Business Combinations

The Group applies the purchase method of accounting for all business combinations. The Group has availed of the IFRS 1 exemption in relation to business combinations and has not restated business combinations prior to the date of transition to IFRS on 1 January 2004. IFRS 3 has been applied prospectively by the Group from 1 January 2004 and goodwill amortisation ceased from that date.

The cost of a business combination is the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, equity instruments issued by the acquirer and any directly attributable costs. Adjustments to the business combination's cost that are contingent on future events are included in the combination's cost at the acquisition date if the adjustment is probable and has been reliably measured.

At the date of acquisition, the acquiree's identifiable net assets and contingent liabilities are measured at their fair values. Adjustments to the initial accounting for a business combination are recognised within 12 months of the acquisition date. The interest of minority shareholders is calculated based on fair values of assets and liabilities at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. *Accounting Policies (continued)*

Business Combinations (continued)

A business combination may involve more than one exchange transaction when it occurs in stages by successive share purchases. Under such a combination each exchange transaction is treated separately by the Group, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction. This results in a step-by-step comparison of the cost of the individual investments with the acquirer's interest in the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities at each step.

Employee Benefits

(i) Pension Obligations

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee administered funds.

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense in the Income Statement as incurred.

Defined Benefit Plans

The pension costs relating to the Group's defined benefit pension schemes are assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method.

In applying IAS 19 Employee Benefits, the Group has chosen the option to recognise all actuarial gains and losses in the period that they occur. Such gains and losses are recognised in the Statement of Recognised Income and Expense.

The amount recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets.

The pension obligations are measured at the present value of the estimated future cash outflows, discounted using interest rates of high quality corporate bonds in the currency in which the obligation is measured, which have terms to maturity approximating the terms of the related liability. Plan assets are measured at bid values.

The amounts charged to the Income Statement in respect of defined benefit plans consist of current service cost, interest cost (charged to operating profit), the expected return on any plan assets, the effect of any curtailments or settlements and past service costs.

Past service costs are recognised as an expense over the average period until the benefits vest, unless they are already vested, in which case the past service costs are recognised as an expense immediately.

Post-Retirement Medical Aid

The Group also has post-retirement medical aid obligations in respect of certain employees. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans and determined by independent qualified actuaries.

(ii) Share Based Compensation

The Group operates an equity-settled share based compensation plan for Directors and executives.

In accordance with IFRS 1, the Group has elected to implement the measurement requirements of IFRS 2 in respect of only those equity-settled share options that were granted after 7 November 2002 and that had not vested as at 1 January 2005.

The fair value of the employee services received in exchange for the grant of options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date. At each balance sheet date, the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The fair value of share options has been assessed using the Binomial Model.

(iii) Termination Benefits

Termination benefits are payable when employment is terminated before normal retirement date, or whenever an employee is expected to accept voluntary redundancy in exchange for these benefits. The Group recognises these benefits when it is demonstrably committed to terminating the employment of current employees in line with a formal plan, or providing termination benefits as a result of the expected take up of an offer for voluntary redundancy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. *Accounting Policies (continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Cost comprises cost of purchase, i.e. supplier's invoice price (net of discounts), with the addition of charges such as freight, or duty, where appropriate.

Net realisable value comprises the actual or estimated selling price (net of discounts), less all costs to be incurred in marketing, selling and distribution.

Dividends

Dividends are recognised as a liability in the financial statements in the period in which the dividends are approved. Proposed dividends that are approved after the balance sheet date are not recognised as a liability at that balance sheet date, but are disclosed in a note to the financial statements.

Taxation

The tax expense represents the sum of current and deferred tax.

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences that exist at the balance sheet date. A temporary difference is a difference arising between the tax base of all assets (except goodwill) and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax income or expense is reported in the Income Statement if it relates to items that are reported in the Income Statement. For items that are recognised in equity, the related tax is also recognised in equity.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assumptions of the time value of money and the risks specific to the obligation.

Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. Financial assets that meet the criteria to be designated as financial assets at fair value through profit or loss, or loans and receivables, as listed below, are so designated, with all other financial assets classified as available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

(i) Financial Assets at Fair Value through Profit or Loss
Financial assets at fair value through profit or loss are financial assets that are classified as held-for-trading, or financial assets that the Group designates as at fair value through profit or loss on initial recognition. Derivative financial instruments are always categorised as held-for-trading financial assets at fair value through profit or loss, unless they are accounted for as effective hedging instruments. The Group has not chosen to designate any other financial assets within this category.

(ii) Loans and Receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are initially recognised at fair value and subsequently recorded at amortised cost. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Those loans and receivables with a maturity greater than 12 months are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (continued)

Financial Assets (continued)

(iii) Available-for-Sale Financial Assets
Available-for-sale financial assets are non-derivative assets. They mainly include investments in equity securities in which the Group does not have significant influence or control. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of available-for-sale financial assets are recognised on trade-date; the date on which the Group commits to purchase or sell the asset. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are derecognised when the rights to receive cash flows from the available-for-sale financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments, previously recognised in equity, are included in the Income Statement as gains and losses. The fair values of quoted available-for-sale financial assets are based on current bid prices.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant and prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists on available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement, is recognised in the Income Statement.

Accounting for Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are mainly used to manage exposures to foreign exchange and interest rate risks.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Group designates certain derivatives as hedges of the variability in cash flow attributable to a particular risk associated with assets and/or liabilities or highly probable forecast transactions (cash flow hedges). The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of the effectiveness of the hedge in offsetting changes in cash flows of hedged items. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash Flow Hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in equity are recycled to the Income Statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is recognised in the Income Statement when the forecast transaction to which it relates occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(ii) Derivatives at Fair Value Through Profit or Loss
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of such derivative instruments are recognised immediately in the Income Statement.

(iii) Net Investment Hedges
Where foreign currency borrowings provide a hedge against a net investment in a foreign operation, foreign exchange differences are taken directly to the currency translation reserve (being a separate component of equity). Cumulative gains and losses remain in equity until disposal of the net investment in the foreign operation at which point the related foreign exchange differences are transferred to the Group Income Statement as part of the overall gain or loss on sale.

Borrowings

Interest bearing loans and overdrafts are recognised initially at fair value, which is the proceeds received, net of transaction costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less at inception and bank overdrafts where a legal right of set-off exists. Bank overdrafts where no legal right of set-off exists are shown within borrowings in current liabilities on the Balance Sheet.

Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The carrying amount of trade receivables is reduced through the use of a provision for impairment when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the Income Statement.

Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Foreign Currency Translation

(i) Functional and Presentation Currency
The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency that reflects the primary economic environment in which the entity operates ("the functional currency").

(ii) Transactions and Balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges or hedges of net investments in foreign entities.

(iii) Group Companies
The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;

(b) goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate;

(c) income and expenses for each Income Statement are translated at average exchange rates; and

(d) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity.

Subsidiary Undertakings and Intercompany Loans

Shares in subsidiary undertakings are stated in the Parent Company's Balance Sheet at cost less provision for impairment. Intercompany loans are payable on demand and are stated at cost less provision for impairment.

Earnings Per Share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

For diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all potential dilutive options over ordinary shares once the adjustment does not reduce a loss per share.

Basic and diluted earnings per share before exceptional items are presented in order to give a better understanding of the Group's financial performance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (continued)

Critical Judgements in Applying the Group's Accounting Policies

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, relate primarily to accounting for income taxes, deferred income tax, retirement benefit obligations, indefinite life intangible assets and exceptional items.

(i) Income Tax
The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the estimates in relation to the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Deferred Income Tax
Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income in the relevant tax jurisdiction.

(iii) Retirement Benefits
The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes, and its post-retirement medical aid obligation, depends on the selection of certain assumptions, which include, inter alia, the discount rate, inflation rate, salary growth, longevity and expected return on scheme assets, all of which are key judgements. Advice is sourced from independent actuaries in selecting suitable assumptions.

(iv) Determination of Useful Lives and Assessment for Impairment – Intangible and Other Assets
Estimates of value in use or fair value are key judgemental estimates in the financial statements. A number of key assumptions have been made as a basis for the impairment tests. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information (see note 14 for further information).

An intangible asset shall be regarded by the Group as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Based on an analysis of relevant factors (such as the stability of the industry, actions of competitors and typical product life cycles), most of the Group's mastheads, radio licences, transit and electronic systems and brands are regarded as having an indefinite useful life. These mastheads, radio licences, transit and electronic systems and brands are subject to an annual impairment review at cash generating unit level to identify whether the carrying amount exceeds the recoverable amount.

(v) Exceptional Items
The Group has adopted an Income Statement format which highlights significant items within the Group's results for the year. Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that their separate disclosure is relevant to a better understanding of the Group's financial performance. Judgement is used by the Group in assessing the particular items, which by virtue of their materiality and/or nature, are disclosed in the Group Income Statement and related notes as exceptional items.

2. Group Financial Statements

The audited financial statements of the Parent Company and its subsidiary undertakings, for the year to 31 December 2008, are incorporated in the Group financial statements. The Group's share of results of joint ventures and associates is based on their financial statements for the year/period to the end of December 2008.

The presentation currency of the Group financial statements is Euro and the functional and presentation currency of the Parent Company, Independent News & Media PLC, is Euro. The Group financial statements are rounded to hundreds of thousands.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. *Analysis of Operating Profit/(Loss)*

2008	**Before exceptional items €m**	**Exceptional items €m**	**Total €m**
Revenue	1,476.6	–	1,476.6
Cost of sales	(754.1)	(30.5)	(784.6)
Gross profit/(loss)	722.5	(30.5)	692.0
Distribution expenses	(109.3)	(2.4)	(111.7)
Administration expenses	(136.8)	(18.4)	(155.2)
Other operating expenses*	(186.1)	(314.6)	(500.7)
Operating profit/(loss)	**290.3**	**(365.9)**	**(75.6)**
2007			
Revenue	1,673.5	–	1,673.5
Cost of sales	(844.9)	(37.9)	(882.8)
Gross profit/(loss)	828.6	(37.9)	790.7
Distribution expenses	(116.1)	(0.8)	(116.9)
Administration expenses	(149.5)	(3.2)	(152.7)
Other operating expenses	(213.8)	(11.2)	(225.0)
Other income (net)	–	15.4	15.4
Operating profit/(loss)	**349.2**	**(37.7)**	**311.5**

* Exceptional items include impairment charges of €290.9m as per note 7.

4. *Net Finance Costs*

	2008 €m	2007 €m
Finance income	**(8.9)**	(10.9)
Finance costs	**100.4**	93.3
Net finance costs (before exceptional finance costs)	**91.5**	82.4
Exceptional finance costs (note 7)	**7.2**	–
Net finance costs	**98.7**	82.4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. *Revenue*

An analysis of the Group's revenue for the year is as follows:

	2008 €m	2007 €m
Revenue from operating activities		
Advertising revenues	**970.5**	1,118.6
Revenue from sale of newspapers and magazines	**293.8**	320.9
Revenue from distribution/commercial printing activities	**212.3**	234.0
	1,476.6	1,673.5

6. *(Loss)/Profit Before Taxation*

	2008 €m	2007 €m
(Loss)/profit before taxation has been arrived at after charging:		
Depreciation, amortisation and impairment		
Depreciation (note 15)	**33.8**	31.3
Amortisation (note 14)	**6.3**	4.8
Impairment (note 14 & note 15)	**270.4**	–
	310.5	36.1
Operating lease rentals		
Minimum lease payments*	**85.5**	86.4
Contingent rentals	**8.7**	11.7
	94.2	98.1

* Includes €0.3m of sublease payments in 2008 (2007: €0.4m).

	2008 €m	2007 €m
During the year the Group obtained the following services from the Group's auditors:		
Auditors' remuneration		
Audit services		
PricewaterhouseCoopers	**1.7**	1.9
Other than PricewaterhouseCoopers	**0.3**	0.2
Audit related services PricewaterhouseCoopers	**0.6**	0.6
	2.6	2.7
Tax services – PricewaterhouseCoopers	**1.3**	1.5

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Exceptional Items

Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that their separate disclosure is relevant to a better understanding of the Group's financial performance.

		2008 €m	2007 €m
Included in (loss)/profit before taxation are the following:			
Impairment of assets and gains/(losses) on sale of assets, net of transaction costs	(i)	**(295.8)**	15.4
Restructuring charges	(ii)	**(58.0)**	(45.9)
Online and education start-up and other development costs	(iii)	**(12.1)**	(7.2)
		(365.9)	(37.7)
Exceptional finance costs	(iv)	**(7.2)**	–
Total exceptional items		**(373.1)**	(37.7)
Net exceptional tax credit		**43.4**	4.5
Minority interest share of exceptional items (net of tax)		**61.3**	0.2
Exceptional items net of taxation and minority interests		**(268.4)**	(33.0)

(i) Primarily relates to non-cash impairment charges of €290.9m. These arose on intangible assets €258.7m (note 14), investments in associates and joint ventures €3.4m (note 16), loans to associates and joint ventures €6.7m, property, plant and equipment €11.7m (note 15) and available-for-sale financial assets €10.4m (note 17) in respect of the Group's operations in Ireland, United Kingdom and in Australasia. It also includes gains on the sale of properties in Australasia. (2007: Relates to the gain on disposal of investments and properties in Australasia and the United Kingdom net of costs associated with the unsuccessful APN Scheme of Arrangement and charges relating to the decommissioning of certain property, plant and equipment across the Group.)

(ii) Relates to the restructuring of operations in Ireland €6.0m, United Kingdom €15.1m, South Africa €3.1m and in Australasia €19.0m. It also includes onerous contracts arising in the publishing businesses in Australasia and the United Kingdom. (2007: Relates to the restructuring of operations in Ireland, United Kingdom, South Africa and in Australasia.)

(iii) Relates to start-up and other development costs in respect of online in Australasia, United Kingdom and Ireland and education in Ireland. It also includes other launch costs incurred in Ireland. (2007: Relates to start-up and other development costs in respect of online in Australasia and Ireland and education in Ireland.)

(iv) The exceptional finance costs relate to costs incurred by the Group as part of the re-negotiation of financing arrangements during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Taxation

	2008 €m	2007 €m
Current tax	**36.5**	59.0
Deferred tax		
Origination and reversal of timing differences	**(57.4)**	(1.6)
Charge/(credit) in respect of tax losses	**24.3**	3.9
Changes in tax rates (primarily in the UK in 2007)	**0.5**	(6.9)
Over provision of current corporation tax in prior years	**(5.9)**	(1.7)
Taxation (credit)/charge	**(2.0)**	52.7

The current tax charge is reduced by €0.7m (2007: €0.5m) due to Irish manufacturing relief. The total tax charge for the year is different from the standard rate of corporation tax in Ireland of 12.5% (2007: 12.5%). The differences are explained below:

	2008 €m	2007 €m
(Loss)/profit before taxation	**(161.4)**	248.4
(Loss)/profit before taxation multiplied by standard rate of Corporation Tax in Ireland of 12.5% (2007: 12.5%)	**(20.2)**	31.1
Effects of:		
Income/expense subject to higher rate of tax than Irish statutory rate	**15.8**	20.0
Exceptional items with a higher/lower tax effect than Irish statutory rate	**6.4**	0.2
Income/expense subject to lower rate of tax than Irish statutory rate	**(0.3)**	1.1
Adjustments to tax in respect of previous years	**(5.9)**	(1.7)
Other	**2.2**	2.0
	(2.0)	52.7

Deferred tax includes a credit of €57.4m in relation to the impairment charges with respect to intangible assets and a net charge of €24.3m mainly in respect of the expensing of previously recognised tax losses. Within the total tax credit of €2.0m in 2008, a net credit of €43.4m is classified as exceptional tax and reflected as such in note 13.

In previous annual reports, under contingent liabilities, the Group disclosed details of a tax audit that the New Zealand Inland Revenue Department (NZIRD) were carrying out in APN News & Media Limited (APN) in regard to the tax treatment of certain aspects of the Masthead Licensing Agreement (MLA). On 20 March 2009, the NZIRD advised that it has decided to discontinue the dispute in relation to the tax treatment of the MLA. The decision confirms the taxation and accounting treatment adopted by both INM and APN in relation to the MLA and means that no additional tax is payable. The decision is final and binding on the NZIRD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Employees

The average number of persons employed by the Group (including executive Directors) during the year was as follows:

	2008	2007
Printing, publishing, online, distribution and commercial printing	**7,686**	8,141
Radio	**1,044**	1,073
Outdoor advertising	**833**	499
	9,563	9,713

	2008 €m	2007 €m
Staff costs (excluding termination payments – see note 22) are comprised of:		
Wages and salaries	**342.3**	384.7
Social welfare costs	**12.9**	15.3
Retirement benefit costs	**19.8**	20.0
Share based payment	**0.9**	2.2
	375.9	422.2

10. Segmental Reporting

For management purposes, the Group is primarily organised into four geographical regions. These regions are Ireland, United Kingdom, South Africa and Australasia. These regions are the basis on which the Group reports its primary segment information.

(i) Geographical Segment

	Revenue		Operating Profit (Before Exceptionals)	
	2008 €m	2007 €m	2008 €m	2007 €m
Ireland	**377.3**	401.3	**75.8**	98.3
United Kingdom	**215.0**	268.1	**0.2**	15.5
South Africa	**212.5**	234.7	**72.2**	59.1
Australasia	**671.8**	769.4	**155.5**	192.7
Common costs			**(13.4)**	(16.4)
	1,476.6	1,673.5	**290.3**	349.2

	Exceptional Items	
	2008 €m	2007 €m
Ireland	**(25.0)**	(32.1)
United Kingdom	**(205.6)**	0.8
South Africa	**(3.1)**	(1.2)
Australasia	**(114.3)**	(5.2)
Common/Unallocated	**(17.9)**	–
	(365.9)	(37.7)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Segmental Reporting (continued)

(i) Geographical Segment (continued)

	2008 €m	2007 €m
Operating (loss)/profit after exceptional items		
Ireland	**50.8**	66.2
United Kingdom	**(205.4)**	16.3
South Africa	**69.1**	57.9
Australasia	**41.2**	187.5
Common costs	**(31.3)**	(16.4)
	(75.6)	311.5
Share of results of associates and joint ventures	**12.9**	19.3
Net finance costs (excluding exceptional finance costs)	**(91.5)**	(82.4)
Exceptional finance costs	**(7.2)**	–
(Loss)/profit before taxation	**(161.4)**	248.4
Taxation credit/(charge)	**2.0**	(52.7)
(Loss)/profit for the year	**(159.4)**	195.7

Assets/Liabilities	**Assets**		**Liabilities**	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Ireland	**154.2**	147.0	**(159.6)**	(116.8)
United Kingdom	**342.9**	645.7	**(56.2)**	(48.9)
South Africa	**193.6**	154.7	**(64.7)**	(91.6)
Australasia	**1,216.3**	1,589.3	**(91.3)**	(116.8)
Associates and joint ventures	**69.6**	90.0	**–**	–
Common/Unallocated	**122.9**	249.5	**(1,594.7)**	(1,755.0)
	2,099.5	2,876.2	**(1,966.5)**	(2,129.1)

Other Segment Information	**Capital Additions (Property, Plant, Equipment and Intangible Assets)**	
	2008 €m	2007 €m
Ireland	**31.0**	6.9
United Kingdom	**14.0**	20.0
South Africa	**93.7**	3.0
Australasia	**41.7**	106.3
Common/Unallocated	**0.1**	0.1
	180.5	136.3

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. *Segmental Reporting (continued)*

(i) Geographical Segment (continued)

Other Segment Information (continued)

	Depreciation 2008 €m	Amortisation 2008 €m	Impairment 2008 €m	Total 2008 €m	Total 2007 €m
Ireland	**5.0**	**1.6**	**3.9**	**10.5**	5.9
United Kingdom	**4.2**	**1.3**	**184.5**	**190.0**	5.0
South Africa	**3.9**	**1.1**	**–**	**5.0**	2.4
Australasia	**20.6**	**2.3**	**82.0**	**104.9**	22.6
Common/Unallocated	**0.1**	**–**	**–**	**0.1**	0.2
	33.8	**6.3**	**270.4**	**310.5**	36.1

(ii) Business Segment

	Revenue		Operating Profit (Before Exceptionals)	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Printing, publishing, online, distribution and commercial printing	**1,176.7**	1,370.2	**235.3**	295.8
Radio	**127.6**	149.5	**39.5**	51.9
Outdoor advertising	**172.3**	153.8	**28.9**	17.9
Common costs			**(13.4)**	(16.4)
	1,476.6	1,673.5	**290.3**	349.2

Other Segment Information

	Assets		Capital Additions (Property, Plant, Equipment and Intangible Assets)	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Printing, publishing, online, distribution and commercial printing	**1,282.6**	1,903.6	**77.4**	124.4
Radio	**301.3**	374.1	**5.2**	4.5
Outdoor advertising	**323.1**	259.0	**97.8**	7.3
Associates and joint ventures	**69.6**	90.0	**–**	–
Common/Unallocated	**122.9**	249.5	**0.1**	0.1
	2,099.5	2,876.2	**180.5**	136.3

11. *(Loss)/Profit Dealt with in the Parent Company*

Losses of €120.7m (2007: profits of €82.4m) have been dealt with in the financial statements of Independent News & Media PLC, whose Income Statement, which as permitted by Section 148(8) of the Companies Act, 1963 is not presented in these financial statements and as permitted by Section 7(1A) of the Companies (Amendment) Act, 1986 is not filed with the Registrar of Companies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Dividends – Approved and Paid

	2008 €m	2007 €m
Group and Company		
Final dividend for the year ended 31 December 2007 of €0.0913 (2006: €0.083) per share	**75.9**	63.7
Interim dividend for the year ended 31 December 2008 of €0.0457 (2007: €0.0457) per share	**38.3**	34.0
	114.2	97.7

As announced in the market update on 26 January 2009 the Directors are not proposing a final dividend in respect of the year ended 31 December 2008.

13. (Loss)/Earnings Per Share

	2008 €m	2007 €m
(Loss)/profit attributable to the parent	**(164.4)**	110.7
Exceptional items (note 7)	**373.1**	37.7
Net exceptional tax credit (note 8)	**(43.4)**	(4.5)
Minority interest share of exceptional items (net of tax)	**(61.3)**	(0.2)
Profit before exceptional items	**104.0**	143.7
Weighted average number of shares outstanding during the year (excluding treasury shares)	**825,927,562**	759,836,469
Effect of:		
Conversion of options	**130,495**	5,185,655
Diluted number of shares	**826,058,057**	765,022,124
Basic (loss)/earnings per share	**(19.9c)**	14.6c
Basic earnings per share before exceptional items	**12.6c**	18.9c
Diluted (loss)/earnings per share	**(19.9c)**	14.5c
Diluted earnings per share before exceptional items	**12.6c**	18.8c

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all potential dilutive options over ordinary shares once the adjustment does not reduce a loss per share.

Basic and diluted earnings per share before exceptional items are presented in order to give a better understanding of the Group's financial performance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Intangible Assets

2008	Mastheads €m	Radio Licences and Brands €m	Transit and Electronic Systems €m	Goodwill €m	Software €m	Total €m
Group						
Cost						
At 1 January 2008	1,268.2	232.1	32.5	331.8	43.2	1,907.8
Additions	0.5	1.5	–	5.1	11.4	18.5
Arising on acquisitions (note 28)	20.8	11.7	–	66.4	–	98.9
Disposals	–	–	–	–	(11.2)	(11.2)
Exchange movements	(273.5)	(40.1)	(5.2)	(50.4)	(4.7)	(373.9)
At 31 December 2008	1,016.0	205.2	27.3	352.9	38.7	1,640.1
Accumulated Amortisation and Impairment						
At 1 January 2008	(10.2)	(7.1)	–	(59.5)	(25.6)	(102.4)
Disposals	–	–	–	–	10.5	10.5
Amortisation*	–	(1.7)	–	–	(4.6)	(6.3)
Impairment**	(199.2)	(1.0)	–	(58.5)	–	(258.7)
Exchange movements	32.0	1.5	–	10.7	3.1	47.3
At 31 December 2008	(177.4)	(8.3)	–	(107.3)	(16.6)	(309.6)
Net Book Amount						
At 1 January 2008	1,258.0	225.0	32.5	272.3	17.6	1,805.4
At 31 December 2008	**838.6**	**196.9**	**27.3**	**245.6**	**22.1**	**1,330.5**

2007	Mastheads €m	Radio Licences and Brands €m	Transit and Electronic Systems €m	Goodwill €m	Software €m	Total €m
Group						
Cost						
At 1 January 2007	1,319.7	231.7	32.9	278.5	34.8	1,897.6
Additions	5.0	0.9	–	59.7	9.8	75.4
Disposals	–	–	–	–	(1.0)	(1.0)
Exchange movements	(56.5)	(0.5)	(0.4)	(6.4)	(0.4)	(64.2)
At 31 December 2007	1,268.2	232.1	32.5	331.8	43.2	1,907.8
Accumulated Amortisation and Impairment						
At 1 January 2007	(10.2)	(5.8)	–	(59.3)	(21.8)	(97.1)
Disposals	–	–	–	–	(1.0)	(1.0)
Amortisation*	–	(1.3)	–	–	(3.5)	(4.8)
Exchange movements	–	–	–	(0.2)	0.7	0.5
At 31 December 2007	(10.2)	(7.1)	–	(59.5)	(25.6)	(102.4)
Net Book Amount						
At 1 January 2007	1,309.5	225.9	32.9	219.2	13.0	1,800.5
At 31 December 2007	**1,258.0**	**225.0**	**32.5**	**272.3**	**17.6**	**1,805.4**

* Charged to cost of sales.
** Charged to other operating expenses.

Included in Mastheads is €nil (2007: €270.4m) in respect of assets held under a finance lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. *Intangible Assets (continued)*

Impairment testing of Cash Generating Units (CGUs) containing Goodwill or other Intangible Assets with an Indefinite Useful Life

The Group tests goodwill and other indefinite life intangible assets for impairment on an annual basis or whenever there is an indication that the intangible assets may be impaired. Goodwill and other indefinite life intangible assets have been allocated to the Group's CGUs on the basis of geographical regions. These CGUs are the lowest level of asset for which there are separately identifiable cash flows, having carrying amounts of goodwill, or other intangible assets with an indefinite useful life, that are considered significant in comparison with the Group's total goodwill and indefinite useful life intangible assets.

This testing involves determining the CGU's value in use and comparing this to the carrying amount of the CGU. Where the value in use exceeds the carrying value of the CGU, the asset is not impaired, but where the carrying amount exceeds the value in use, a provision for impairment is raised to reduce the carrying amount of the CGU to its value in use. Estimates of value in use are key judgemental estimates in the financial statements. A number of key assumptions have been made as a basis for the impairment tests. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information. These are set out below:

	Mastheads, Radio Licences, Transit and Electronic Systems and Brands	Goodwill	Total
Australasia (net book amount)	€742.4m	€168.8m	€911.2m
– Basis of recoverable amount	Value in use	Value in use	
– Discount rate applied	11% - 13%	11% - 13%	
– Long term growth rate	2% - 3%	2% - 3%	
United Kingdom (net book amount)	€221.7m	€5.6m	€227.3m
– Basis of recoverable amount	Value in use	Value in use	
– Discount rate applied	11.0%	11.0%	
– Long term growth rate	1.9%	1.9%	
South Africa (net book amount)	€62.9m	€61.4m	€124.3m
– Basis of recoverable amount	Value in use	Value in use	
– Discount rate applied	16.4%	16.4%	
– Long term growth rate	3.6%	3.6%	
Ireland (net book amount)	€20.3m	€9.8m	€30.1m
– Basis of recoverable amount	Value in use	Value in use	
– Discount rate applied	9.5%	9.5%	
– Long term growth rate	3.9%	3.9%	
At 31 December 2008	**€1,047.3m**	**€245.6m**	**€1,292.9m**

The indefinite life intangibles of €1,047.3m above are included in total mastheads, radio licences, transit and electronic systems and brands, in the intangible assets of €1,062.8m. The remaining intangible assets included within this category, are amortising radio licences and brands of €15.5m. The net book amounts above are after booking impairment provisions of €258.7m (2007: €nil) which have been included in exceptional items in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. *Intangible Assets (continued)*

Impairment testing of Cash Generating Units (CGUs) containing Goodwill or other Intangible Assets with an Indefinite Useful Life (continued)

Value in Use Calculations

Where a value in use approach is used to assess the recoverable amount of the CGU, calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated above. The growth rate does not exceed the long term average growth rate for the country in which the CGU operates.

The key assumptions used in determining the value in use are:

Forecasted cash flows
Forecasted cash flows are based on budgeted EBITDA as adjusted for expenditure necessary to maintain the asset or CGU at its current standard of performance. The budgeted EBITDA results are based on the approved 2009 budget and projections for 2010 to 2013.

Long-term growth rates
Cash flow projections beyond 2013 are extrapolated by applying estimated growth rates reflecting the expected average long term growth in GDP in the market in which the CGU operates.

Discount rates
The discount rate applied to the cash flows of each of the Group's operations is based on the pre-tax risk adjusted Weighted Average Cost of Capital which is calculated based on the cost of equity and the cost of debt.

Inputs required to calculate the cost of equity include the risk free rate and adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating CGU. In making this adjustment inputs required include the equity market risk premium (that is the increased return required over and above a risk free rate by an investor who is investing in the market as a whole), and the risk adjustment 'beta' applied to reflect the risk specific to the Group relative to the market as a whole.

The equity market risk premium used in the calculation has been based on credit default spreads and relative volatility of the equity index specific to the region in which the CGU operates. The risk adjusted 'beta' has been based on betas of comparable companies in the newspaper publishing industry.

The cost of debt is calculated based on the margin over the risk free rate and is based on market rates and not specific individual company rates.

Risk adjusted discount rates used for each CGU tested for impairment are set out in the table above.

Impairments
As a result of the foregoing impairment tests, the carrying amount of certain intangible assets has been reduced to their recoverable amount through the recognition of an impairment provision of €258.7m (2007: €nil). This impairment provision arose in Mastheads €199.2m, Radio Licences and Brands €1.0m and Goodwill €58.5m.

The amounts of the impairment loss recognised by major class of intangible asset and by geographical regions were as follows:

	Mastheads/Radio Licences and Brands €m	Goodwill €m	Total €m
Australasia	**14.4**	**58.5**	**72.9**
United Kingdom	**181.9**	**–**	**181.9**
Ireland	**3.9**	**–**	**3.9**
Total	**200.2**	**58.5**	**258.7**

This impairment provision is a result of the deterioration in advertising and capital market conditions resulting from a combination of weakening in the UK, Australasian and Irish economic environment and the impact of the global financial crisis. Trading in the first quarter of 2009 has been tougher than expected and the Group will closely monitor the carrying value of its intangible assets during 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. *Intangible Assets (continued)*

Impairment testing of Cash Generating Units (CGUs) containing Goodwill or other Intangible Assets with an Indefinite Useful Life (continued)

Sensitivity
The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. A decrease in the long term growth rate of 0.5% would result in a further impairment for the Group of €7m, an increase in the discount rate of 0.5% would result in a further impairment of €10m and a reduction of 5% in the terminal value multiples used would result in a further impairment of €3m. If management's estimate of future profitability was adjusted over a range of +/- 5% per annum over the five year forecast, this would result in a lower impairment charge of €12m or a higher impairment charge of €12m respectively.

Intangible Assets – Supplementary Non-IFRS Information

The Balance Sheet reports the carrying value of newspaper mastheads at their acquired cost; where these assets have been acquired through a business combination, cost will be the fair value allocated in acquisition accounting. The value of internally generated newspaper mastheads or post-acquisition revaluations are not permitted to be recognised in the Balance Sheet in accordance with IFRS and, as a result, no value for certain of the Group's internally generated newspaper mastheads (e.g. the three main Irish titles, the *Irish Independent*, the *Evening Herald* and the *Sunday Independent*) is reflected in the Balance Sheet.

While impairment charges have been recorded during the year on certain of the Group's intangible assets, the Group has many other intangible assets which have substantial value that is not reflected on the Group's Balance Sheet. This is because these intangible assets are carried in the Group's Balance Sheet at either a nil value or a value which is much less than their recoverable amount. IFRS does not allow the offsetting of this excess value on the total of the Group's mastheads against the impairment charge recorded in the year.

15. *Property, Plant and Equipment*

2008	**Land & Buildings €m**	**Plant & Equipment €m**	**Vehicles €m**	**Total €m**
Group				
Cost				
At 1 January 2008	129.5	525.8	4.3	659.6
Exchange movements	(17.6)	(101.5)	(1.1)	(120.2)
Additions	1.2	48.7	0.7	50.6
Arising on acquisitions* (note 28)	0.2	27.8	1.0	29.0
Reclassification	3.2	(3.2)	–	–
Disposals	(3.3)	(11.3)	(1.1)	(15.7)
At 31 December 2008	113.2	486.3	3.8	603.3
Accumulated Depreciation and Impairment				
At 1 January 2008	(22.7)	(257.4)	(3.0)	(283.1)
Disposals	1.1	10.5	0.9	12.5
Arising on acquisitions* (note 28)	(0.1)	(15.9)	(0.5)	(16.5)
Depreciation	(3.0)	(30.2)	(0.6)	(33.8)
Impairment**	(2.2)	(9.5)	–	(11.7)
Exchange movements	4.6	58.6	1.0	64.2
At 31 December 2008	(22.3)	(243.9)	(2.2)	(268.4)
Net Book Amount				
At 1 January 2008	106.8	268.4	1.3	376.5
At 31 December 2008	**90.9**	**242.4**	**1.6**	**334.9**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, Plant and Equipment (continued)

2007	**Land & Buildings €m**	**Plant & Equipment €m**	**Vehicles €m**	**Total €m**
Group				
Cost				
At 1 January 2007	146.7	501.2	4.8	652.7
Exchange movements	(4.4)	(19.2)	(0.4)	(24.0)
Additions	4.1	56.3	0.5	60.9
Reclassification	(4.5)	4.5	–	–
Disposals	(12.4)	(17.0)	(0.6)	(30.0)
At 31 December 2007	129.5	525.8	4.3	659.6
Accumulated Depreciation and Impairment				
At 1 January 2007	(23.9)	(254.0)	(3.4)	(281.3)
Disposals	3.0	15.5	0.6	19.1
Depreciation	(3.0)	(27.8)	(0.5)	(31.3)
Exchange movements	1.2	8.9	0.3	10.4
At 31 December 2007	(22.7)	(257.4)	(3.0)	(283.1)
Net Book Amount				
At 1 January 2007	122.8	247.2	1.4	371.4
At 31 December 2007	**106.8**	**268.4**	**1.3**	**376.5**

* Net €12.5m

** The Directors continually review the carrying value of property, plant and equipment and in 2008 wrote down €11.7m (2007: €nil) of certain plant and equipment to its recoverable amount within other operating expenses. The impairment mainly arose in respect of land and buildings in the United Kingdom as a result of a reduction in the recoverable amount of leasehold improvements and in plant and equipment in Australasia relating to printing operations as a result of a combination of contracting demand and increased production capacity. Impairments to property, plant and equipment have been determined using the same methodology described in note 14 Intangible Assets.

(i) Included in plant and equipment are amounts in respect of computer equipment and plant and machinery held under finance leases by Group companies as follows:

	2008 €m	2007 €m
Net Book Amount		
Plant and equipment	**0.6**	0.9

(ii) Finance costs of €1.3m (2007: €0.7m) were capitalised within plant and equipment during the year using an interest rate of 6.2% (2007: 6.6%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. *Investments in Associates and Joint Ventures*

	2008 €m	2007 €m
Group		
At 1 January	**90.0**	83.0
Reclassification to trade and other receivables	**–**	(3.9)
Converted to subsidiary undertakings (note 28)	**(16.8)**	–
Acquisitions (note 28)	**5.9**	1.4
Share of results	**12.9**	19.3
Impairment*	**(3.4)**	–
Dividends	**(4.9)**	(7.8)
Exchange movements	**(14.1)**	(2.0)
At 31 December	**69.6**	90.0

* The carrying amount of certain investments in associates and joint ventures have been reduced to their recoverable amount through the recognition of an impairment provision of €3.4m (2007: €nil). The impairment provision is as a result of the deterioration in capital market conditions and the impact of the global financial crisis.

(i) Carrying Value

	2008 €m	2007 €m
Associates	**62.8**	65.5
Joint ventures	**6.8**	24.5
	69.6	90.0

(ii) Associates

The Group's significant associates are listed in note 37 to the financial statements.

	2008 €m	2007 €m
Cost of investment in associates	**41.6**	49.9
Share of post-acquisition results, net of dividends received	**21.2**	15.6
	62.8	65.5

Summarised financial information in respect of the Group's associates is set out below:

	2008 €m	2007 €m
Total gross assets	**244.9**	258.1
Total gross liabilities	**(117.9)**	(134.7)
Net assets	**127.0**	123.4
Group's share of associates' net assets (including goodwill arising on acquisition)	**62.8**	65.5
Group's share of associates' revenues	**85.3**	86.0
Group's share of associates' profits after tax	**7.8**	8.9

The fair value of the Group's interests in associates which are stock exchange quoted as at 31 December 2008 was €56.8m (2007: €174.3m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. *Investments in Associates and Joint Ventures (continued)*

(iii) Joint Ventures

The Group's significant joint ventures are listed in note 37 to the financial statements. Summarised financial information in respect of the Group's share of its joint ventures is set out below:

	2008 €m	2007 €m
Group share of:		
Income	**42.8**	63.6
Expenses (including interest and tax)	**(37.7)**	(53.2)
Profits after tax	**5.1**	10.4
Group share of:		
Current assets	**9.8**	28.4
Non-current assets	**6.6**	23.1
Current liabilities	**(14.7)**	(17.8)
Non-current liabilities	**(0.4)**	(16.1)

17. *Available-for-Sale Financial Assets*

	€m
Group	
At 1 January 2007	26.2
Additions	11.1
Disposals	(0.3)
At 31 December 2007	**37.0**
Additions	1.4
Disposals	(3.9)
Fair value movement	(3.7)
Impairment	(10.4)
Exchange movements	(3.7)
At 31 December 2008	**16.7**

The Group has not designated any financial assets as held to maturity. The investments included above represent investments in listed and unlisted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values are based on quoted market prices where available. While these investments are classified as available-for-sale financial assets in accordance with IFRS, it is not currently the intention of management to sell these assets.

Certain of the Group's available-for-sale financial assets comprise of equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Such unquoted instruments are measured at cost less provision for impairment where required. The carrying value of such investments amounts to €13.4m at 31 December 2008 (2007: €9.8m).

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other things, the duration and extent to which the fair value of an investment is less than cost. In 2008, the financial position of a number of the Group's unquoted investments deteriorated arising from a continued and accelerated decline in operating performance of the investee and resulted in an impairment loss of €10.4m being recorded in the Group Income Statement within other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. *Derivative Financial Instruments*

2008	**Assets €m**	**Liabilities €m**
Group		
Forward foreign exchange contracts	–	**3.4**
Interest rate swaps	–	**2.1**
	–	**5.5**
Analysed as:		
Current	–	**5.5**

2007		
Group		
Forward foreign exchange contracts	0.9	3.3
Analysed as:		
Current	0.9	3.3

Forward foreign exchange contracts

The currency derivatives above have been used to hedge certain significant future transactions and cash flows. These currency forward contracts have been designated as hedging instruments and, where effective as cash flow hedges, the fair value thereof is deferred in equity. Gains and losses in equity as at 31 December 2008 will be released to the Income Statement at various dates up to one year from the balance sheet date.

Interest rate swaps

Floating to fixed interest rate swap contracts have been used to protect the Group against the risk of variability in interest payments arising from changes in interest rates. Swap contracts outstanding at 31 December 2008, with a fair value of €2.1m, have been designated and are effective as cash flow hedging instruments. Gains and losses deferred in equity at 31 December 2008 will be released to the Income Statement at various dates up to one year from the balance sheet date.

Hedges of net investment in foreign operations

The Group uses loans denominated in the functional currency of the foreign entity to hedge the foreign currency exposure associated with its net investment in certain of its foreign operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Inventories

	2008 €m	2007 €m
Group		
Raw materials	**13.1**	14.8
Work in progress	**0.2**	0.8
Finished goods	**1.6**	1.1
	14.9	16.7

The amount of inventories recognised as an expense in 2008 was €149.1m (2007: €181.8m).

20. Trade and Other Receivables

	2008 €m	2007 €m
Group		
Current		
Trade receivables	**183.6**	242.5
Provision for impairment of trade receivables	**(10.3)**	(10.5)
Trade balances owed by joint ventures	**1.9**	2.8
Trade balances owed by associates	**2.1**	1.1
Prepayments and accrued income	**32.3**	61.5
Value added tax recoverable	**1.0**	0.7
	210.6	298.1
Non-Current		
Loans to joint ventures	**5.4**	16.5
Loans to associates	**12.4**	23.5
Other	**4.0**	5.9
	21.8	45.9

Loans to associates and joint ventures includes a €6.7m impairment provision booked in 2008. The impairment provision is a result of the deterioration in advertising and capital market conditions.

	2008 €m	2007 €m
Company		
Current		
Loans owed by subsidiary undertakings	**732.3**	853.5
Prepayments and accrued income	**–**	0.5
	732.3	854.0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Trade and Other Payables

	2008 €m	2007 €m
Group		
Current		
Trade payables	**94.8**	127.8
Trade balances owed to joint ventures	**3.4**	4.7
Trade balances owed to associates	**1.3**	0.5
Payables for taxation and social welfare	**11.1**	15.7
Accrued liabilities	**127.9**	125.6
	238.5	274.3
Payables for taxation and social welfare included above are as follows:		
Income tax deducted under PAYE	**1.0**	1.7
Other income tax deducted at source	**1.9**	1.5
Pay related social insurance	**2.2**	2.0
Value added tax payable	**6.0**	10.5
	11.1	15.7
Company		
Current		
Loans owed to subsidiary undertakings	**417.5**	419.8
Payables for taxation and social welfare	**–**	0.2
Accrued liabilities	**5.2**	1.2
	422.7	421.2
Payables for taxation and social welfare included above are as follows:		
Income tax deducted under PAYE	**–**	0.2

The Group's current income tax liability as disclosed on the Balance Sheet at 31 December 2008 was €12.0m (2007: €20.1m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Provisions for Other Liabilities and Charges

	Restructuring Provision €m	Other Provisions €m	Total €m
Group			
At 1 January 2008	2.4	25.5	27.9
Acquisitions (note 28)	–	0.1	0.1
Income Statement charge	58.0	8.3	66.3
Utilised during year	(33.0)	(9.5)	(42.5)
Reclassification to trade and other payables	(5.6)	–	(5.6)
Exchange movements	(4.4)	(1.6)	(6.0)
At 31 December 2008	**17.4**	**22.8**	**40.2**

	2008 €m	2007 €m
Analysis of total provisions:		
Non-current provisions	**3.4**	0.8
Current provisions	**36.8**	27.1
	40.2	27.9

The restructuring provision (includes onerous contracts – see note 7) incurred during the year primarily relates to the restructuring of operations in Ireland, United Kingdom, South Africa and Australasia and includes €31.4m (2007: €28.1m) in termination payments. Other provisions primarily include provision for holiday entitlements. Provisions for Other Liabilities and Charges primarily represent current provisions and hence the effect of discounting is immaterial.

23. Analysis of Deferred Taxation Balances

	Accelerated Capital Allowances €m	Retirement Benefit Obligations €m	Tax Losses €m	Arising on Intangible Assets €m	Other €m	Total €m
At 1 January 2007	17.9	(19.6)	(54.9)	258.1	(9.7)	191.8
(Credit)/charge to Income Statement	(1.7)	0.6	6.5	(8.8)	(1.2)	(4.6)
Recognised directly in equity*	–	2.0	–	–	–	2.0
Exchange movements	0.1	1.2	3.3	(13.9)	(1.1)	(10.4)
At 31 December 2007	**16.3**	**(15.8)**	**(45.1)**	**235.4**	**(12.0)**	**178.8**
(Credit)/charge to Income Statement	(2.4)	(0.2)	26.5	(58.8)	2.3	(32.6)
Arising on acquisitions (note 28)	(0.5)	–	0.2	2.3	(0.3)	1.7
Recognised directly in equity*	–	(7.0)	–	–	–	(7.0)
Exchange movements	(1.7)	2.5	4.7	(41.3)	1.2	(34.6)
At 31 December 2008	**11.7**	**(20.5)**	**(13.7)**	**137.6**	**(8.8)**	**106.3**

* Tax effect of actuarial gains/(losses) on retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Analysis of Deferred Taxation Balances (continued)

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income in the relevant tax jurisdiction.

The recognition of the deferred tax asset in relation to the tax losses is supported by management's forecasts of the future profitability of the relevant business units.

The above net deferred tax balance is reflected in the Balance Sheet as follows:

	2008 €m	2007 €m
Deferred taxation liabilities	**125.6**	233.5
Deferred taxation assets	**(19.3)**	(54.7)
	106.3	178.8

Analysis of deferred taxation liabilities:

	2008 €m	2007 €m
Accelerated capital allowances	**14.3**	18.5
Arising on intangible assets	**134.5**	235.4
Tax losses	**(12.7)**	(9.9)
Other	**(10.5)**	(10.5)
	125.6	233.5

Analysis of deferred taxation assets:

	2008 €m	2007 €m
Accelerated capital allowances	**(2.6)**	(2.2)
Arising on intangible assets	**3.1**	–
Retirement benefit obligations	**(20.5)**	(15.8)
Tax losses	**(1.0)**	(35.2)
Other	**1.7**	(1.5)
	(19.3)	(54.7)

The Group has unrecognised deferred tax assets of €33m in respect of tax losses as at 31 December 2008.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred income tax has not been recognised for withholding and other taxes that may be payable on the unremitted earnings of certain subsidiaries as the timing of the reversal of these temporary differences is controlled by the Group and it is probable that these temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Borrowings

	2008 Loans & Overdrafts €m	2008 Finance Lease Liabilities €m	2008 Total €m	2007 Loans & Overdrafts €m	2007 Finance Lease Liabilities €m	2007 Total €m
Group						
Repayable as follows:						
Between one and two years	**606.9**	**1.6**	**608.5**	259.0	1.8	260.8
Between two and five years	**445.0**	**–**	**445.0**	948.6	1.1	949.7
More than five years	**1.1**	**–**	**1.1**	31.0	–	31.0
Total due after one year	**1,053.0**	**1.6**	**1,054.6**	1,238.6	2.9	1,241.5
Due within one year or on demand	**335.7**	**0.6**	**336.3**	174.4	47.3	221.7
Total borrowings	**1,388.7**	**2.2**	**1,390.9**	1,413.0	50.2	1,463.2
Split of total borrowings between:						
– Secured	**1.0**	**2.2**	**3.2**	1.4	3.5	4.9
– Unsecured	**1,387.7**	**–**	**1,387.7**	1,411.6	46.7	1,458.3
Total borrowings	**1,388.7**	**2.2**	**1,390.9**	1,413.0	50.2	1,463.2

The following are included in Loans & Overdrafts:

- – €200.0m representing 5.75% fixed rate bonds repayable in May 2009;
- *– €390.0m under a floating rate multicurrency bank facility of which €50.0m is repayable in September 2009 and €340.0m is repayable in September 2010;
- *– €200.0m under a floating rate revolving bank facility repayable in September 2010;
- *– €105.0m under a multicurrency revolving bank facility** repayable in August 2012; and
- – €486.5m (A$963.4m) representing floating rate syndicated bank loans repayable up to December 2012.

The interest rate on the €200.0m fixed rate bonds is not materially different from the effective interest rate.

* Since the year end, certain Group companies incorporated in Ireland and the UK have granted fixed and floating charges over assets located in Ireland and the UK in connection with the above facilities.

A subordination agreement also exists in relation to these facilities. This agreement provides that, in a liquidation situation, all intergroup debt within those companies which have signed up to the agreement is subordinated to these facilities until such time as this debt has been discharged in full. All material companies within the Group have signed up to this agreement, with the exception of any Group company incorporated in South Africa, Australia or New Zealand. As a result, a loan owed from the Group's South African group to the Group's Jersey subsidiary, Independent News & Media (Finance) Limited, amounting to €89.0m as at 31 December 2008 (2007: €106.5m) is not covered by this subordination agreement.

** New facility provided by certain banks within INM's existing bank group.

	Minimum Lease Payments 2008 €m	2007 €m
Group		
Repayable as follows:		
Between one and five years	**1.8**	3.3
Total due after one year	**1.8**	3.3
Due within one year	**0.7**	51.5
	2.5	54.8
Less future finance charges	**(0.3)**	(4.6)
	2.2	50.2

Finance lease liabilities above are secured over the related property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Borrowings (continued)

Undrawn Facilities

The Group has various borrowing facilities available to it. The undrawn facilities available to it at the year end in respect of which all conditions precedent have been met at that date were as follows:

	2008 €m	2007 €m
Expiring in less than one year	**42.4**	28.2
Expiring in more than one but less than two years	**14.8**	–
Expiring in more than two years	**32.7**	87.0
	89.9	115.2

	Loans & Overdrafts	
	2008 €m	2007 €m
Company		
Repayable as follows:		
Between one and two years	**160.2**	–
Between two and five years	**–**	142.2
Total borrowings (unsecured)	**160.2**	142.2

The borrowings are drawn under a floating rate €200.0m revolving bank facility* repayable in September 2010.

25. Share Capital

	2008 €m	2007 €m
Group and Company		
Authorised:		
1,000,000,000 ordinary shares of par value €0.30 each	**300.0**	300.0
Issued and fully paid	**263.6**	249.2

The movements in the number of issued and fully paid shares were as follows:

	2008	2007
At the beginning of the year	**830,818,650**	764,396,035
Exercise of share options	**327,766**	6,821,878
Issued in lieu of dividend payments	**8,629,023**	7,309,618
Issued on acquisition of subsidiary (note 28)	**39,000,000**	–
Issued on conversion of Cumulative Exchangeable Preference Shares	**–**	52,291,119
At the end of the year	**878,775,439**	830,818,650

During 2007, the Company acquired 40,600,363 of its own shares. On 27 March 2008, the Company reissued 1,420,827 of these shares as part consideration for the acquisition of *The Sligo Champion*. The remaining 39,179,536 shares continue to be held as 'treasury shares'. The Company has the right to reissue these shares at a later date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Analysis of Changes in Equity

	Share Capital €m	Share Premium €m	Share Option Reserve €m	Capital Conversion Reserve €m	Currency Translation Reserve €m	Other* €m	Retained Earnings €m	Equity Interest of Parent €m	Minority Interests €m	Total €m
Group										
At 1 January 2007	229.3	293.7	3.6	4.5	28.5	(0.4)	(360.2)	199.0	519.2	718.2
Issue of share capital	19.9	125.2	–	–	–	–	–	145.1	79.7	224.8
Share based payment	–	–	2.0	–	–	–	–	2.0	0.2	2.2
Dividends (including minority interests)	–	–	–	–	–	–	(97.7)	(97.7)	(77.3)	(175.0)
Buyback of shares held by minority	–	–	–	–	–	–	–	–	(27.8)	(27.8)
Treasury shares	–	–	–	–	–	–	(138.3)	(138.3)	–	(138.3)
Items of income/(expense) recognised directly in equity:										
Currency translation adjustments	–	–	–	–	(78.5)	–	17.5	(61.0)	(2.1)	(63.1)
Retirement benefit obligations:										
– Actuarial gains/(losses)	–	–	–	–	–	–	15.1	15.1	–	15.1
– Movement on deferred tax asset	–	–	–	–	–	–	(2.0)	(2.0)	–	(2.0)
Losses relating to cash flow hedges	–	–	–	–	–	(0.7)	–	(0.7)	–	(0.7)
Acquisition	–	–	–	–	–	–	–	–	(2.0)	(2.0)
Profit for the year	–	–	–	–	–	–	110.7	110.7	85.0	195.7
At 31 December 2007	**249.2**	**418.9**	**5.6**	**4.5**	**(50.0)**	**(1.1)**	**(454.9)**	**172.2**	**574.9**	**747.1**
Issue of share capital	14.4	74.0	–	–	–	–	–	88.4	1.9	90.3
Share based payment	–	–	1.3	–	–	–	–	1.3	(0.4)	0.9
Dividends (including minority interests)	–	–	–	–	–	–	(114.2)	(114.2)	(73.8)	(188.0)
Treasury shares	–	–	–	–	–	–	2.5	2.5	–	2.5
Items of income/(expense) recognised directly in equity:										
Currency translation adjustments	–	–	–	–	(251.2)	–	50.4	(200.8)	(96.6)	(297.4)
Retirement benefit obligations:										
– Actuarial (losses)/gains	–	–	–	–	–	–	(64.9)	(64.9)	–	(64.9)
– Movement on deferred tax asset	–	–	–	–	–	–	7.0	7.0	–	7.0
Losses relating to cash flow hedges	–	–	–	–	–	(5.1)	–	(5.1)	–	(5.1)
(Loss)/profit for the year	–	–	–	–	–	–	(164.4)	(164.4)	5.0	(159.4)
At 31 December 2008	**263.6**	**492.9**	**6.9**	**4.5**	**(301.2)**	**(6.2)**	**(738.5)**	**(278.0)**	**411.0**	**133.0**

* Other includes cashflow hedging, available-for-sale financial assets and IFRS 3 reserves.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. *Analysis of Changes in Equity (continued)*

The share premium reserve, share option reserve, capital conversion reserve, currency translation reserve and other reserves total €196.9m (2007: €377.9m). Net exchange losses of €0.2m on monetary items (2007: gains of €0.5m) have been dealt with in the Income Statement during the year.

	Share Capital €m	Share Premium €m	Share Option Reserve €m	Capital Conversion Reserve €m	Non-Distributable Reserve €m	Retained Earnings €m	Total €m
Company							
At 1 January 2007	229.3	287.0	2.0	4.5	124.7	243.3	890.8
Issue of share capital	19.9	125.2	–	–	–	–	145.1
Share based payment	–	–	1.8	–	–	–	1.8
Dividends	–	–	–	–	–	(97.7)	(97.7)
Treasury shares	–	–	–	–	–	(138.3)	(138.3)
Transfer from capital reserve	–	–	–	–	(12.2)	12.2	–
Profit for the year	–	–	–	–	–	82.4	82.4
At 31 December 2007	**249.2**	**412.2**	**3.8**	**4.5**	**112.5**	**101.9**	**884.1**
Issue of share capital	14.4	74.0	–	–	–	–	88.4
Share based payment	–	–	1.6	–	–	–	1.6
Dividends	–	–	–	–	–	(114.2)	(114.2)
Treasury shares	–	–	–	–	–	2.5	2.5
Transfer from capital reserve	–	–	–	–	(9.1)	9.1	–
Loss for the year	–	–	–	–	–	(120.7)	(120.7)
At 31 December 2008	**263.6**	**486.2**	**5.4**	**4.5**	**103.4**	**(121.4)**	**741.7**

The total of the share premium reserve, share option reserve, capital conversion reserve and non-distributable reserve amounts to €599.5m (2007: €533.0m). The non-distributable reserve primarily relates to profits arising on the sale of assets to a Group company.

27. *Share Based Payment*

The Group operates an equity-settled share option scheme which provides for basic and super share options to be granted to executive Directors and executives as follows:

– Basic options may be exercised between the third and tenth anniversary of grant, only if earnings per share growth has increased over a period of three years in excess of 5% compound per annum over the percentage increase in the Consumer Price Index; and

– Super options may be exercised between the fifth and tenth anniversary of grant, only if earnings per share growth has over a period of five years (i) increased in excess of 10% compound per annum over the percentage increase in the Consumer Price Index, and (ii) increased to a greater extent than the earnings per share in respect of corresponding periods of 75% of the companies quoted on the Irish Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Share Based Payment (continued)

The number of shares over which options may be granted may not exceed 10% of the ordinary shares of the Company in issue. Details of the movements in share options outstanding during the year are as follows:

	2008		2007	
	Number of share options	**Weighted average exercise price €**	Number of share options	Weighted average exercise price €
Outstanding at the beginning of the year	**40,519,649**	**2.409**	34,622,012	2.334
Granted during the year	**1,185,000**	**2.110**	12,775,000	2.390
Forfeited during the year	**(314,163)**	**2.125**	(55,485)	2.145
Exercised during the year	**(327,766)**	**1.415**	(6,821,878)	1.980
Outstanding at the end of the year	**41,062,720**	**2.411**	40,519,649	2.409
Exercisable at the end of the year	**13,410,220**	**2.226**	13,385,649	2.194

The weighted average share price at the dates of exercise for share options exercised during the year was €2.06 (2007: €3.30). The options outstanding at the end of the year have a weighted average remaining contractual life of 6.7 years (2007: 7.6 years). The options granted during the year had a weighted average fair value of €0.47 (2007: €0.52).

These fair values were calculated using the binomial option pricing model. The inputs into the model for options granted in 2008 and 2007 were as follows:

	2008 Weighted Average	2007 Weighted Average
Share price at date of grant (€)	**2.110**	2.390
Exercise price (€)	**2.110**	2.390
Expected volatility (%)	**31.5**	30.9
Expected life (years)	**6.5**	5.5
Risk free rate (%)	**4.4**	4.2
Expected dividend yield (%)	**5.4**	5.2

The Group recognised total expenses of €0.9m (2007: €2.2m) related to equity-settled share based payment transactions. Expected volatility is based on the weighted average historic volatility over a period equal to the weighted average expected life. The above mentioned options are exercisable at prices ranging from €1.41 to €3.87 per share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Acquisitions

(i) Subsidiary Undertakings

The Group acquired a number of subsidiaries during 2008, which resulted in them all becoming 100% owned subsidiaries. The main acquisitions were:

- Independent News & Media Outdoor (Pty) Limited (formerly called Clear Channel Independent) (27 March) – African based outdoor advertising company;
- *The Sligo Champion* (27 March) – Irish regional newspaper;
- *APN Finda* (8 January) – Online directory business; and
- *Sell-Me-Free* (16 March) – Online general classified business.

The Group previously held 50% interests in Independent News & Media Outdoor (Pty) Limited (INM Outdoor), *APN Finda* and *Sell-Me-Free*, which were equity accounted for up to their dates of acquisition.

The carrying amounts of the assets and liabilities acquired, determined in accordance with IFRS before completion of the business combinations, together with the fair value adjustments made to those carrying values were as follows:

	2008 €m INM Outdoor	2008 €m Other	2008 €m Total
Property, plant and equipment	12.0	0.8	12.8
Inventories	0.2	0.2	0.4
Trade and other receivables	8.5	1.5	10.0
Trade and other payables	(6.6)	(0.9)	(7.5)
Provisions for other liabilities and charges	–	(0.1)	(0.1)
Current taxation	(4.2)	–	(4.2)
Deferred taxation	0.6	1.0	1.6
Book value of assets acquired	10.5	2.5	13.0
Fair Value Adjustments			
Mastheads, radio licences, transit and electronic systems and brands	11.7	20.8	32.5
Deferred taxation	(3.3)	–	(3.3)
Property, plant and equipment	–	(0.3)	(0.3)
Net assets acquired at fair values	18.9	23.0	41.9
Conversion of associate and joint venture interests held (investment and share of profits)	(14.2)	(2.6)	(16.8)
Conversion of associate and joint venture loans (within non-current trade and other receivables)	(13.3)	–	(13.3)
IFRS 3 revaluation reserve	(0.1)	–	(0.1)
Goodwill arising on acquisition	63.6	2.8	66.4
Consideration	54.9	23.2	78.1
Satisfied by:			
Consideration paid in cash*	0.6	24.7	25.3
Cash and cash equivalents acquired on acquisition*	(17.4)	(4.0)	(21.4)
Shares in INM issued as consideration	71.7	2.5	74.2
	54.9	23.2	78.1

* Net cash outflow from acquisitions of €3.9m.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. *Acquisitions (continued)*

(i) Subsidiary Undertakings (continued)

Shares in INM Issued as Consideration

INM issued 40.4m ordinary shares with a fair value of €74.2m as part consideration for the acquisitions. The fair value of the shares was based on the closing price on the Irish Stock Exchange on the date of acquisition. Of these 40.4m shares, 39.0m were issued to Clear Channel Outdoor (CCO) to acquire the 50% interest in INM Outdoor owned by CCO. INM had owned INM Outdoor as a joint venture with CCO since 2001. The remaining 1.4m shares were treasury shares that were re-issued as part consideration for the acquisition of *The Sligo Champion*.

Recognition of Fair Value and Goodwill

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis with any amendments to these fair values to be finalised within the 12 month timeframe from the dates of acquisition as permitted under IFRS 3.

The principal factors contributing to the recognition of goodwill on the business combinations entered into by the Group are the highly profitable nature of the acquired businesses and the realisation of cost savings and synergies with existing Group entities.

Impact of Acquisitions

The acquisitions during the period contributed €35.7m to revenues and €11.2m to operating profit before exceptional items.

Had all business combinations effected during the year occurred at the beginning of the year, total Group revenue for the 12 months would be €1,487.0m and total Group operating profit before exceptional items would be €293.7m.

During 2007, the Group acquired the remaining 50% shareholding in Toowoomba Newspapers Pty Ltd that it did not already own and which in substance represented a purchase of the minority interest in the masthead. As Toowoomba Newspapers Pty Ltd had historically been consolidated as part of the Group, accounting standards did not permit the masthead to be restated to fair value as part of the transaction. Therefore the excess of consideration over the recorded minority interest was recognised as goodwill.

(ii) Associates

The Group made an investment in PT Abdi Bangsa Tbk and a further investment in Imprezzeo Pty Limited during the year. In 2007, the Group made an investment in Imprezzeo Pty Limited.

	2008 €m	2007 €m
Net assets acquired	**1.6**	1.0
Goodwill	**4.3**	0.4
Consideration paid in cash (note 16)	**5.9**	1.4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. Reconciliation of Operating Profit before Exceptional Items to Cash Generated by Operating Activities

	2008 €m	2007 €m
Group		
Operating profit before exceptional items	**290.3**	349.2
Depreciation/amortisation	**40.1**	36.1
Non-cash share option charge	**0.9**	2.2
Earnings Before Interest, Tax, Depreciation and Amortisation	**331.3**	387.5
Unrealised foreign exchange movements	**(7.9)**	(8.8)
Increase in inventories	**(0.4)**	(0.9)
Decrease/(increase) in short term and medium term receivables	**45.4**	(23.3)
Decrease in short term and long term payables	**(25.6)**	(5.9)
Decrease in provisions (excluding restructuring payments)	**(1.2)**	(3.6)
Retirement benefit obligations	**(6.1)**	(8.7)
Cash generated from operations (before cash exceptional items)	**335.5**	336.3
Exceptional expenditure (including restructuring payments)	**(48.2)**	(57.5)
Cash generated from operations	**287.3**	278.8
Income tax paid	**(34.9)**	(33.9)
Cash generated by operating activities	**252.4**	244.9

	2008 €m	2007 €m
Company		
Operating loss before exceptional items	**(19.6)**	(19.3)
Non-cash share option charge	**0.4**	1.7
Loss Before Interest, Tax, Depreciation and Amortisation	**(19.2)**	(17.6)
Unrealised foreign exchange movements	**–**	(4.8)
Decrease in short term receivables	**0.5**	–
Increase in short term payables	**18.8**	21.3
Net cash generated by/(used in) operating activities	**0.1**	(1.1)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. Cash and Cash Equivalents

	2008 €m	2007 €m
Group		
Cash at bank and in hand	**31.2**	19.1
Short term deposits	**49.5**	128.4
	80.7	147.5
Cash and cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:		
Cash and cash equivalents*	**80.7**	147.5
Bank overdrafts	**(9.1)**	(1.6)
	71.6	145.9

* Net of bank overdrafts where a legal right of set-off exists.

	2008 €m	2007 €m
Company		
Cash at bank and in hand	**3.8**	4.7
Short term deposits	**–**	–
	3.8	4.7
Cash and cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:		
Cash and cash equivalents	**3.8**	4.7
Bank overdrafts	**–**	–
	3.8	4.7

Significant Non-Cash Transactions

(i) During the year, €16.5m (2007: €25.1m) of dividends were settled by way of scrip dividend.

(ii) On 27 March 2008, 39,000,000 ordinary shares were issued as consideration for the acquisition of a 50% interest in Independent News & Media Outdoor (Pty) Limited (formerly called Clear Channel Independent). On 27 March 2008, the Company reissued 1,420,827 treasury shares as part consideration for the acquisition of *The Sligo Champion*.

(iii) During 2007, A$146.2m of the unsecured convertible notes issued by APN News & Media Limited (APN) converted into ordinary shares of APN.

(iv) During 2007, holders of 52,291,119 cumulative exchangeable preference shares (CEPS) exchanged their CEPS at a rate of one ordinary share in INM for each CEPS held.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Capital Commitments

	2008 €m	2007 €m
Group and share of joint ventures and associates		
Contracted but not provided for:		
– Group	**23.1**	8.7
– Associates	**–**	3.6
Authorised by Directors but not contracted for:		
– Group	**3.9**	0.4
At end of year	**27.0**	12.7

32. Operating Lease Commitments

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2008 €m	2007 €m
No later than one year	**63.6**	70.7
Later than one and no later than five years	**137.7**	176.2
Later than five years	**53.9**	75.6
	255.2	322.5

The majority of lease commitments relate to the outdoor operations of APN News & Media Limited. These rental commitments represent fixed portions of long-term rental contracts. The Directors believe that the associated future revenue streams will be sufficient to cover these commitments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. *Financial Risk and Capital Management*

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure which maximises the return to shareholders, while reducing the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or buy back existing shares, increase or reduce debt or sell assets.

The Group previously monitored capital on the basis of the gearing ratio, calculated as net debt divided by equity. Net debt consists of borrowings (as disclosed in note 24), net of cash and cash equivalents (as disclosed in note 30). Equity comprises equity attributable to equity holders of the parent and minority interests.

While the Group's overall strategy remains unchanged from 2007, consistent with others in the industry the Group has experienced a significant decline in the gearing ratio during 2008 as a result of the current adverse economic conditions and as a result of volatility in foreign exchange rates. These factors have caused a disproportionately large reduction in the value of the Group's equity, compared to a year end net debt position which has remained largely in line with the prior year.

Given the current environment which has significantly depressed equity values, the Group believes that current equity valuations do not fairly reflect the true value of the Group's underlying assets. The Group has therefore focused on the Net Debt to EBITDA* ratio as a more appropriate measurement in the current economic climate, with a stated medium-term target of specifically achieving a Net Debt to EBITDA* ratio of below 3.0 times. The net debt to EBITDA* ratios at 31 December 2008 and 31 December 2007 were as follows:

	2008 **€m**	2007 €m
Borrowings (note 24)	**1,390.9**	1,463.2
Cash and cash equivalents (note 30)	**(80.7)**	(147.5)
Net Debt	**1,310.2**	1,315.7
EBITDA* (note 29)	**331.3**	387.5
Net Debt/EBITDA* ratio	**3.95x**	3.40x

* Earnings Before Interest, Tax, Depreciation and Amortisation, before Exceptional Items.

In targeting a medium-term Net Debt to EBITDA* ratio of below 3.0 times, the Group expects a recovery in EBITDA* over the next few years. In addition, the Group has been actively pursuing strategies to secure sufficient capital to both de-risk its Balance Sheet and to reduce debt and to provide a more appropriate long-term capital structure.

As part of this strategy, the Group has formally announced its intention to deleverage its Balance Sheet by a number of means including the following:

- Certain assets have been targeted for disposal which represent non-strategic core assets and those assets whose disposal will not significantly impact on the existing operating divisions and, if successfully concluded, will allow the Group to retain the central ethos, global diversity and strong multi-media mix of the Group. These asset disposals are expected to be completed during 2009 and it is currently expected that the disposal proceeds will be in the range of €100m to €150m.
- The Board has determined that it will not recommend a final dividend for 2008.
- The Group has committed to a reduction in capital expenditure.

Further details on the Group's financing arrangements are contained in note 1.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial Risk and Capital Management (continued)

Financial Risk Management

The Group's financial risks are managed by the Group Finance Department within parameters defined formally by the Board. Group Treasury's activity is reported to the Audit Committee and the Board. The main financial risks faced by the Group relate to credit, interest, foreign exchange translation and liquidity. The Board agrees policies for managing these risks as summarised below.

Financial instruments, including derivatives, are permitted to be used to manage financial risk arising from the Group's operations.

Credit Risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, available-for-sale financial assets and trade and other receivables. The Board establishes the policy which Group Treasury follows in managing credit risk. Exposure is managed by distributing the credit risk, where possible, across banks or other institutions meeting required standards as assessed normally by reference to the major credit rating agencies. Deals are authorised only with banks with which dealing mandates have been agreed. These policies are regularly monitored to ensure credit exposure to any one financial institution is limited. Cash and cash equivalents and derivative financial instruments are held only with banks of an A+ rating or better with the exception of cash held in South Africa where banks of this rating are not generally available.

The Group's credit risk management policy in relation to trade receivables involves periodically assessing the financial reliability of customers, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, geographically dispersed. The maximum exposure to the top 5 receivables in any of the Group's geographical segments does not exceed €6.3m and the credit quality of such debtors in each case is excellent based on previous payment history. Average credit terms, where given, range from 7 days to 45 days. The carrying amount of financial assets included in the financial statements represents the Group's maximum exposure to credit risk in relation to these assets.

Included in the Group's trade and other receivables as at 31 December 2008, are balances of €88.7m (2007: €121.5m) which are past due at the reporting date but not impaired in the majority of cases. The aged analysis of these balances is as follows:

	2008	2007
	€m	€m
Less than 1 month	**51.1**	75.6
1 – 3 months	**30.7**	37.2
3 – 6 months	**4.4**	6.9
Over 6 months	**2.5**	1.8
	88.7	121.5

The impairment provision provides fully for all receivables that are past due by more than 90 days, together with any other individual balances where collection may be in doubt and there are no significant impairment provisions relating to any single debtor. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable and any collateral held, which in certain limited cases exists in the form of deposits, bank guarantees, sureties and agency security totalling €2.2m. Amounts charged to the impairment provision are written off when there is no expectation of recovery. Subsequent recoveries of amounts previously written off are credited to the Income Statement.

Movements in the provision for impairment of trade receivables during the year were as follows:

	2008	2007
	€m	€m
At 1 January	**10.5**	9.9
Provision for impairment recognised in year	**6.5**	4.8
Amounts recovered during the year	**(0.3)**	(1.4)
Amounts written off during the year	**(4.5)**	(2.3)
Exchange movements	**(1.9)**	(0.5)
At 31 December (note 20)	**10.3**	10.5

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial Risk and Capital Management (continued)

Financial Risk Management (continued)

Credit Risk (continued)

The Group's other classes of financial assets do not contain impaired assets and are not past due. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. Based on the credit history of these other assets, it is expected that these amounts will be received when due.

Company

There were no past due or impaired trade receivables in the Company Balance Sheet as at 31 December 2008 or 31 December 2007.

Liquidity Risk

Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management monitors the adequacy of the Group's liquidity reserve (comprising undrawn borrowing facilities as detailed in note 24 and cash and cash equivalents as detailed in note 30) against rolling cashflow forecasts. In addition the Group's liquidity risk management policy involves monitoring balance sheet liquidity ratios against internal requirements and maintaining debt financing plans. The influence of the global downturn has resulted in more restricted access to finance and credit markets are anticipated to remain tight as long as the current uncertain economic environment prevails.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2008	<1 Year €m	1-2 Years €m	2-5 Years €m	>5 Years €m	Total €m
Group					
Trade and other payables	238.5	–	–	–	238.5
Borrowings (principal repayments)	336.3	608.5	445.9	1.1	1,391.8
Derivative financial instruments (net-settled)	3.0	–	–	–	3.0
Future finance charges	70.9	49.4	33.0	–	153.3
Other payables	–	5.0	–	–	5.0
	648.7	662.9	478.9	1.1	1,791.6
Less future finance charges	(70.9)	(49.4)	(33.0)	–	(153.3)
	577.8	**613.5**	**445.9**	**1.1**	**1,638.3**

2007	<1 Year €m	1-2 Years €m	2-5 Years €m	>5 Years €m	Total €m
Group					
Trade and other payables	274.3	–	–	–	274.3
Borrowings (principal repayments)	221.7	260.8	949.7	31.0	1,463.2
Future finance charges	97.1	75.4	99.3	3.6	275.4
Other payables	–	6.4	–	–	6.4
	593.1	342.6	1,049.0	34.6	2,019.3
Less future finance charges	(97.1)	(75.4)	(99.3)	(3.6)	(275.4)
	496.0	**267.2**	**949.7**	**31.0**	**1,743.9**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. *Financial Risk and Capital Management (continued)*

Financial Risk Management (continued)

Liquidity Risk (continued)

2008	<1 Year €m	1-2 Years €m	2-5 Years €m	>5 Years €m	Total €m
Company					
Trade and other payables	422.7	–	–	–	422.7
Borrowings (principal repayments)	–	160.9	–	–	160.9
Future finance charges	8.7	5.8	–	–	14.5
	431.4	166.7	–	–	598.1
Less future finance charges	(8.7)	(5.8)	–	–	(14.5)
	422.7	**160.9**	**–**	**–**	**583.6**

2007	<1 Year €m	1-2 Years €m	2-5 Years €m	>5 Years €m	Total €m
Company					
Trade and other payables	421.2	–	–	–	421.2
Borrowings (principal repayments)	–	–	143.4	–	143.4
Future finance charges	8.3	8.3	5.5	–	22.1
	429.5	8.3	148.9	–	586.7
Less future finance charges	(8.3)	(8.3)	(5.5)	–	(22.1)
	421.2	**–**	**143.4**	**–**	**564.6**

The Board has undertaken a thorough review of the Group's forecasts and associated risks, for a period beyond one year from the date of approval of these financial statements. The extent of this review reflects the uncertain economic outlook and weakness in advertising revenues, which has continued into the early part of 2009. The forecasts reflect key assumptions, based on information available to the Directors at the time of approval of the financial statements, in respect of:

– Detailed monthly forecasting by business for FY09, updated to reflect weaker than anticipated trading results in early 2009;
– Future advertising revenues for FY10 based on regional management's assessment of trends across individual regions and principal operating units; and
– Further cost reduction measures resulting in additional cost savings to reflect the reduced revenues.

Further details on the Group's financing arrangements are contained in note 1.

Market Risk

(i) Foreign Exchange Risk
Foreign exchange risk arises from recognised assets and liabilities and forecast future commercial transactions that are denominated in a currency that is not the entity's functional currency. Foreign exchange risk arising from forecast future commercial transactions is managed by the use of forward foreign exchange contracts where deemed appropriate. Foreign exchange transaction exposure in the Group is limited due to the fact that trading companies in the Group tend to have the majority of their revenues and expenses in their functional currency.

Foreign currency translation exposure arises from the retranslation of overseas subsidiaries' Income Statements and Balance Sheets into Euro. The Group's net assets are spread across a number of different currencies in the countries in which it operates which limits its translation exposure to any individual currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. *Financial Risk and Capital Management (continued)*

Financial Risk Management (continued)

Market Risk (continued)

(i) Foreign Exchange Risk (continued)
In certain instances, where practicable and cost effective, the Group manages translation exposure through the use of foreign currency borrowings to hedge the impact of exchange rate movements on the Group's Balance Sheet. The Group uses forward rate contracts to mitigate the impact of exchange rate movements on the Group's Income Statement, when the Group considers it economically viable to do so. Further information on the Group's use of foreign exchange contracts is given in note 18. Based on the net forward contracts outstanding at 31 December 2008, if the Euro had moved by 10% against Sterling, and if the New Zealand Dollar had moved by 10% against the Australian Dollar, with all other variables being constant, net assets and total equity would have reduced by €3.0m (2007: €1.3m based on 5% move) if rates had strengthened, or increased by €2.9m (2007: €1.2m based on 5% move) if rates had weakened.

(ii) Interest Rate Risk
The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Interest rate risk arising from the Group's borrowings is managed by the issue of debt in a balanced portfolio which minimises the interest rate cost by the issue of fixed rate debt when circumstances are favourable, and also by the use of interest rate swaps when the Group considers this to be economically viable.

(iii) Price Risk
The Group is not exposed to significant price risk other than in respect of the Group's available-for-sale financial assets (see note 17).

(i) Currency and interest rate exposure of financial liabilities
The Group's financial liabilities comprise borrowings, derivative financial instruments, trade and other payables and other non-current payables.

					Fixed Rate Financial Liabilities	
	Floating Rate Financial Liabilities €m	Fixed Rate Financial Liabilities €m	Non-Interest Bearing Financial Liabilities €m	Total €m	Weighted Average Effective Interest Rate %	Weighted Average Time for which Rate is Fixed Years
Group						
At 31 December 2008						
Currency:						
Euro	699.9	198.0	99.6	997.5	5.8	0.4
Stg£	4.3	2.2	41.2	47.7	4.7	2.0
Aus$	317.4	–	36.3	353.7	–	–
NZ$	103.4	65.7	25.0	194.1	7.5	1.0
Other	–	–	46.9	46.9	–	–
Gross financial liabilities	**1,125.0**	**265.9**	**249.0**	**1,639.9**	**6.2**	**0.5**
At 31 December 2007						
Currency:						
Euro	583.5	310.6	84.5	978.6	6.6	1.2
Stg£	2.9	3.5	47.4	53.8	4.7	3.0
Aus$	331.9	–	30.9	362.8	–	–
NZ$	184.0	46.7	53.4	284.1	7.1	0.9
Other	0.1	–	67.8	67.9	–	–
Gross financial liabilities	**1,102.4**	**360.8**	**284.0**	**1,747.2**	**6.6**	**1.2**

Interest on floating rate securities is based on national inter-bank rates in the relevant countries. Based on the outstanding net floating rate debt at 31 December 2008, a change in interest rates of +/-1% with all other variables being constant would reduce/increase post-tax profits by €8.7m (2007: €7.8m). Non-interest bearing financial liabilities include trade and other payables, derivative financial instruments and other non-current payables, which do not have predetermined dates of repayment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial Risk and Capital Management (continued)

Financial Risk Management (continued)

(i) Currency and interest rate exposure of financial liabilities (continued)

Company

The Company's financial liabilities comprise floating rate borrowings denominated in Euro and loans from subsidiary undertakings which are denominated in Euro and are interest free. Based on the outstanding net floating rate debt at 31 December 2008, a change in interest rates of +/-1% with all other variables being constant would reduce/increase post-tax profits by €1.4m (2007: €1.2m).

(ii) Currency and interest rate analysis of financial assets

The Group's financial assets comprise available-for-sale financial assets, trade and other receivables, derivative financial instruments and cash and cash equivalents. A currency analysis of these financial assets is set out below:

	2008 €m	2007 €m
Group		
Currency:		
Euro	**68.3**	86.7
Stg£	**45.8**	63.9
Aus$	**83.0**	160.8
NZ$	**52.8**	73.2
ZAR	**53.7**	125.0
Other	**26.2**	19.8
	329.8	529.4

Cash and cash equivalents are placed on deposit at floating rates of interest with a maturity of 90 days or less. The effective interest rates earned during the year on short-term bank deposits ranged from 2% to 11%. The Group's other financial assets, including available-for-sale financial assets, trade and other receivables, loans to associates and joint ventures and derivative financial instruments are generally non-interest bearing; in certain cases interest is charged ranging from 0.7% to 1.5% per month on overdue trade receivable balances.

Company

The Company's closing cash and cash equivalents balance is denominated in Euro. The effective interest rates earned during the year on short-term bank deposits ranged from 2% to 5%. All loans to subsidiary undertakings are denominated in Euro and are interest free.

(iii) Currency exposures

The table below shows the Group's traded assets and liabilities (or non-structural exposures) that give rise to the net monetary gains and losses recognised in the Income Statement. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the unit involved. Whilst the Group as a whole has assets and liabilities in multiple currencies, individual entities in the Group do not have a significant foreign exchange exposure to currencies that are not their functional currency. At 31 December these exposures were as follows:

	Net foreign currency financial assets/(liabilities)				
	Stg£	**NZ$**	**Euro**	**Other**	**Total**
2008	**€m**	**€m**	**€m**	**€m**	**€m**
Functional currency of Group operations					
Euro	3.2	0.4	–	0.1	3.7
Stg£	–	–	0.2	0.1	0.3
	3.2	**0.4**	**0.2**	**0.2**	**4.0**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial Risk and Capital Management (continued)

Financial Risk Management (continued)

(iii) Currency exposures (continued)

	Net foreign currency financial assets/(liabilities)				
	Stg£	**NZ$**	**Euro**	**Other**	**Total**
2007	**€m**	**€m**	**€m**	**€m**	**€m**
Functional currency of Group operations					
Euro	(0.5)	0.5	–	0.1	0.1
Stg£	–	–	0.1	0.1	0.2
	(0.5)	**0.5**	**0.1**	**0.2**	**0.3**

(iv) Fair values of financial assets and financial liabilities

The fair values of listed debt, quoted available-for-sale financial assets and derivative financial instruments are measured using market values. The fair values of non-listed debt are measured by discounting cash flows at prevailing interest and exchange rates. Unquoted available-for-sale financial assets, whose fair values cannot be reliably measured, are carried at cost less provision for impairment where required. The carrying value of non-interest bearing financial assets and financial liabilities and cash and cash equivalents approximates their fair values. The following is a comparison by category of book values and fair values of the Group's and Company's financial assets and financial liabilities as at the year end.

	Book Value		Fair Value	
	2008	2007	**2008**	2007
	€m	€m	**€m**	€m
Group				
Financial Assets				
Available-for-sale financial assets	**16.7**	37.0	**16.7**	37.0
Derivative financial instruments				
– held for trading	**–**	0.9	**–**	0.9
Loans and receivables (non-current)	**21.8**	45.9	**21.8**	45.9
Loans and receivables (current)	**210.6**	298.1	**210.6**	298.1
Cash and cash equivalents	**80.7**	147.5	**80.7**	147.5
	329.8	529.4	**329.8**	529.4
Financial Liabilities				
Borrowings	**(1,390.9)**	(1,463.2)	**(1,366.3)**	(1,466.1)
Derivative financial instruments				
– held for trading	**(3.0)**	(1.3)	**(3.0)**	(1.3)
– cash flow hedges	**(2.5)**	(2.0)	**(2.5)**	(2.0)
Other payables	**(5.0)**	(6.4)	**(5.0)**	(6.4)
Trade and other payables	**(238.5)**	(274.3)	**(238.5)**	(274.3)
	(1,639.9)	(1,747.2)	**(1,615.3)**	(1,750.1)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial Risk and Capital Management (continued)

Financial Risk Management (continued)

(iv) Fair values of financial assets and financial liabilities (continued)

	Book Value		Fair Value	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Company				
Financial Assets				
Loans and receivables (current)	**732.3**	854.0	**732.3**	854.0
Cash and cash equivalents	**3.8**	4.7	**3.8**	4.7
	736.1	858.7	**736.1**	858.7
Financial Liabilities				
Trade and other payables	**(422.7)**	(421.2)	**(422.7)**	(421.2)
Borrowings	**(160.2)**	(142.2)	**(160.2)**	(142.2)
	(582.9)	(563.4)	**(582.9)**	(563.4)

(v) Foreign exchange contracts

Details of significant foreign exchange contracts outstanding (all with a maturity of less than one year) as at 31 December were as follows:

	2008 €m	2007 €m
Buy Australian Dollars/Sell New Zealand Dollars	**16.7**	22.4

The above foreign exchange contracts were entered into by the Australian operations in order to protect earnings in a foreign currency from adverse exchange movements.

	2008 €m	2007 €m
Buy US Dollars/Sell New Zealand Dollars	**1.7**	4.9

The New Zealand Print operations purchase paper in US$. In order to protect against adverse exchange rate movements the above foreign exchange contracts were entered into.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. *Financial Risk and Capital Management (continued)*

Financial Risk Management (continued)

(v) Foreign exchange contracts (continued)

	2008 €m	2007 €m
Buy Euro/Sell South African Rand	**–**	44.7

The above foreign exchange contracts were entered into by the Group in order to protect earnings in a foreign currency from adverse exchange movements.

	2008 €m	2007 €m
Buy Sterling Pounds/Sell Euro	**15.5**	44.2

The Irish operations purchase newsprint in Sterling. In order to protect against adverse exchange rate movements the above foreign exchange contracts were entered into.

The table below shows the contractual cash flows due under the Group's derivative financial instruments included above which will be settled on a gross basis. All balances are due within 1 year from the balance sheet date, thus the impact of discounting is not significant.

	2008 €m	2007 €m
Forward foreign exchange contracts – cash flow hedges		
Inflow	**14.7**	50.1
Outflow	**(17.0)**	(53.3)
Forward foreign exchange contracts – held for trading		
Inflow	**16.9**	22.4
Outflow	**(17.1)**	(22.7)

During the year ended 31 December 2008, a loss of €4.5m (2007: loss of €1.1m) was recognised directly in equity, and a loss of €2.0m (2007: gain of €0.4m) was transferred from equity and recognised in the Income Statement within operating profit in relation to cash flow hedges. Gains of €12.2m (2007: €0.8m) were recognised in the Income Statement within operating profit in relation to held for trading forward foreign exchange contracts.

34. *Contingent Liabilities*

(i) Guarantees

Independent News & Media PLC has guaranteed the bank advances, bond obligations and certain other obligations of subsidiary undertakings up to a maximum of €941.4m (2007: €832.7m).

(ii) Litigation

The Group, from time to time, is party to various legal proceedings. It is the opinion of the Directors that losses, if any, arising in connection with these matters will have no material adverse impact on the financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. *Related Party Transactions*

Group

Transactions between the Group and its joint ventures and associates include both trade and loan transactions. Details of the Group's principal joint ventures and associates are provided in note 37 to the financial statements.

Details of transactions and balances outstanding with associates and joint ventures are as follows:

	Sale of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	€m	€m	**€m**	€m	**€m**	€m	**€m**	€m
Associates	**10.9**	12.8	**12.1**	13.0	**14.5**	24.6	**1.3**	0.5
Joint ventures	**10.1**	9.2	**28.6**	27.1	**7.3**	19.3	**3.4**	4.7

Interest income from associates amounted to €0.4m (2007: €0.7m) during the year.

The Group owns a 44.9% stake in PrimeLearning Group Limited, a company in which the Chief Executive, Sir Anthony O'Reilly, has a 2.5% beneficial interest. During the year, €0.1m (2007: €0.3m) was advanced by the Group to PrimeLearning Group Limited.

During the year, the Group purchased €0.1m (2007: €0.1m) of consultancy services from Cansult Communications Inc., a company in which B Mulroney, a non-executive Director, has a beneficial interest. Cansult Communications Inc. provides political advice and consultancy services, particularly in relation to the global media industry.

Company

Details of Directors' remuneration are disclosed in section 6 of the Remuneration Report on pages 41 to 43. Details of shares held in the Company by Directors and of share options granted to Directors are disclosed in section 7 of the Remuneration Report on pages 43 to 44. During the year, the Company received €191.4m (2007: €102.4m) in dividends from its subsidiaries and paid €18.0m (2007: €21.3m) in management fees to its subsidiaries. The Company charged subsidiaries €1.8m (2007: €2.0m) for the surrender of tax losses during the year. Details of loan balances due to/from subsidiaries are provided in notes 20 and 21 and all such loans are on an interest free basis.

Key Management Personnel

Key management personnel comprises the Board of Directors which manages the business and affairs of the Company. The remuneration of key management personnel was as follows:

	2008	2007
	€m	€m
Short-term benefits	**6.6**	10.2
Post-retirement benefits	**1.3**	1.5
Share based payment	**0.9**	1.5
	8.8	13.2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. *Retirement Benefit Obligations*

Defined Contribution Pension Schemes

The Group operates a number of defined contribution pension schemes. Scheme assets are held in separate trustee administered funds. The defined contribution charge for the year was €13.7m (2007: €13.4m).

Defined Benefit Pension Schemes and Post-Retirement Medical Aid Scheme

The Group operates a number of defined benefit pension schemes. Scheme assets are held in separate trustee administered funds. In general, actuarial valuations are not available for public inspection, however, the results of valuations are available to members of the various schemes. The last actuarial valuation of the main defined benefit pension schemes was as at 1 January 2006. The deficit on the Group's defined benefit pension schemes arises mainly in the Irish operations. The Group also has a post-retirement medical aid scheme. The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes, and its post-retirement medical aid obligation, depends on the selection of certain assumptions, which include, inter alia, the discount rate, inflation rate, salary growth, longevity and expected return on scheme assets, all of which are key judgements. Differences arising from actual experience or changes in assumptions in both the defined benefit pension schemes and post-retirement medical aid scheme are reflected in the Statement of Recognised Income and Expense.

The amounts recognised in the Balance Sheet in respect of the defined benefit pension schemes and the post-retirement medical aid scheme as at 31 December were as follows:

	Defined benefit pension schemes			**Post-retirement medical aid scheme**		
	2008 €m	2007 €m	2006 €m	**2008 €m**	2007 €m	2006 €m
Present value of funded obligations	**310.7**	331.5	359.7	**–**	–	–
Fair value of plan assets	**(190.7)**	(271.5)	(271.9)	**–**	–	–
	120.0	60.0	87.8	**–**	–	–
Present value of unfunded obligations	**3.4**	4.8	4.8	**25.4**	35.6	34.3
Net liability in Balance Sheet	**123.4**	64.8	92.6	**25.4**	35.6	34.3

The combined net liability in the Balance Sheet for the Group's defined benefit pension schemes and the Group's post-retirement medical aid scheme was €148.8m (2007: €100.4m).

	Defined benefit pension schemes		**Post-retirement medical aid scheme**	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Defined Benefit/Post-Retirement Medical Aid Obligations				
At 1 January	**336.3**	364.5	**35.6**	34.3
Reclassified from provisions	**–**	1.1	**–**	–
Current service cost	**5.2**	6.8	**0.7**	1.0
Past service cost	**0.3**	0.3	**–**	–
Interest cost	**18.3**	17.2	**2.4**	2.8
Contributions by plan participants	**3.0**	3.5	**–**	–
Actuarial (gains)/losses	**(16.9)**	(29.3)	**(1.1)**	1.2
Benefits paid	**(16.0)**	(20.2)	**(0.6)**	(1.0)
Curtailments	**–**	(3.0)	**(3.2)**	–
Exchange movements	**(16.1)**	(4.6)	**(8.4)**	(2.7)
At 31 December	**314.1**	336.3	**25.4**	35.6

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. Retirement Benefit Obligations (continued)

Defined Benefit Pension Schemes and Post-Retirement Medical Aid Scheme (continued)

	Defined benefit pension schemes		Post-retirement medical aid scheme	
	2008	2007	**2008**	2007
	€m	€m	**€m**	€m
Fair Value of Plan Assets				
At 1 January	**271.5**	271.9	**–**	–
Expected return on assets	**17.6**	18.5	**–**	–
Actuarial losses	**(82.9)**	(13.0)	**–**	–
Contributions by plan participants	**3.0**	3.5	**–**	–
Contributions by employer	**10.1**	12.4	**–**	–
Benefits paid	**(14.6)**	(18.6)	**–**	–
Exchange movements	**(14.0)**	(3.2)	**–**	–
At 31 December	**190.7**	271.5	**–**	–
Actual return on plan assets	**(65.3)**	5.5	**–**	–

Total net actuarial losses of €64.9m were recognised in the Statement of Recognised Income and Expense in 2008 (2007: gains of €15.1m). Cumulatively since 1 January 2004, €76.7m has been recognised as a charge in the Statement of Recognised Income and Expense. The assets of the defined benefit pension schemes include ordinary shares of Independent News & Media PLC with a fair value of €0.3m (2007: €0.1m). Pension scheme assets do not include property occupied by Group companies.

The amounts recognised in the Income Statement in the year were as follows:

	Defined benefit pension schemes		Post-retirement medical aid scheme	
	2008	2007	**2008**	2007
	€m	€m	**€m**	€m
Current service cost	**5.2**	6.8	**0.7**	1.0
Past service cost	**0.3**	0.3	**–**	–
Interest on obligation	**18.3**	17.2	**2.4**	2.8
Expected return on plan assets	**(17.6)**	(18.5)	**–**	–
Gains on curtailments and settlements	**–**	(3.0)	**(3.2)**	–
	6.2	2.8	**(0.1)**	3.8

The total amount recognised in the Income Statement was charged as follows:

	Defined benefit pension schemes		Post-retirement medical aid scheme	
	2008	2007	**2008**	2007
	€m	€m	**€m**	€m
Cost of sales	**4.6**	1.4	**–**	–
Administration expenses	**1.5**	1.3	**–**	–
Distribution expenses	**0.1**	0.1	**–**	–
Other operating expenses	**–**	–	**(0.1)**	3.8
	6.2	2.8	**(0.1)**	3.8

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. Retirement Benefit Obligations (continued)

Defined Benefit Pension Schemes and Post-Retirement Medical Aid Scheme (continued)

The split of the fair value of the plan assets is as follows:

	Defined benefit pension schemes	
	2008	2007
	€m	€m
Equities	**119.9**	200.6
Bonds	**58.8**	55.0
Property/other	**12.0**	15.9
	190.7	271.5

The expected rate of return for equities has been calculated assuming that equities will outperform bonds by 3.1% per annum over the long term. The expected rate of return for bonds has been based on bond indices as at 31 December 2008, with due regard to the allocation of the schemes' bond portfolios.

Principal actuarial assumptions for the defined benefit pension schemes are as follows (expressed as weighted averages):

	2008	2007
Discount rate on scheme liabilities	**5.8%**	5.5%
Expected return on plan assets	**6.8%**	6.8%
Future salary increases	**3.6%**	3.6%

An increase of 1% in the discount rate would decrease the defined benefit pension schemes' obligation by €46m (2007: €48m). A decrease of 1% in the discount rate would increase the defined benefit pension schemes' obligation by €61m (2007: €61m).

The mortality assumptions used in the Irish schemes are based on standard tables published by the Institute of Actuaries which were adjusted in line with Irish experience. It is assumed that younger members will live longer in retirement than those retiring now reflecting the expectation that mortality rates will continue to fall over time.

The assumed life expectancy for a retired member aged 65 is 19 years (male) and 22 years (female). Life expectancy for future pensioners, retiring in 20 years time at age 65 is assumed to be 21.7 years (males) and 24.7 years (females).

The mortality assumptions used in the other schemes are based on local experience and are based on the advice of actuaries.

	Defined benefit pension schemes		
	2008	2007	2006
	€m	€m	€m
History of Experience Gains and Losses			
Difference between expected and actual return on scheme assets	**(82.9)**	(13.0)	9.5
Experience gains and losses on scheme liabilities	**(0.8)**	(2.0)	(4.9)

Principal actuarial assumptions for the post-retirement medical aid scheme are as follows:

	2008	2007
Discount rate on scheme liabilities	**7.8%**	8.5%
Medical cost inflation	**8.0%**	8.0%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. Retirement Benefit Obligations (continued)

Defined Benefit Pension Schemes and Post-Retirement Medical Aid Scheme (continued)

The mortality assumptions used for the post-retirement medical aid scheme were as follows:

Before Retirement:

Males	–	The S.A. 1985-90 table of mortality.
Females	–	The S.A. 1985-90 table of mortality rated down 3 years.

The PA(90) tables were used for post-retirement mortality rates.

An increase of 1% in medical cost inflation would increase the post-retirement medical aid liability by €4.0m as at 31 December 2008 (2007: €6.3m). A decrease of 1% in medical cost inflation would decrease the post-retirement medical aid liability by €3.4m as at 31 December 2008 (2007: €5.2m).

The estimated employer contributions to be paid in 2009 for the Group's defined benefit pension schemes and the Group's post-retirement medical aid scheme is €12.9m.

37. Principal Subsidiaries, Associates and Joint Ventures

The note below contains certain symbols which denote the following:

B = Borrower under Group Borrowing Facilities
G = Guarantor under Group Borrowing Facilities
D = Party to Irish, English or Northern Irish Debenture in connection with the Group Bank Facilities
S = Shares pledged as Security

Name	Principal Activity	Issued and Fully Paid Share Capital
Parent Company (as at 31 December 2008)		
Independent News & Media PLC [B, G, D]	Holding Company	878,775,439 ordinary shares of €0.30 each
Subsidiary Undertakings (as at 31 December 2008) (Wholly owned unless otherwise stated)		
Incorporated and operating principally in Ireland:		
Independent Newspapers (Ireland) Limited 27-32 Talbot Street Dublin 1 [G, D, S]	Newspaper Publishing	5,000,000 ordinary shares of €1.25 each
Independent Newspapers Marketing Limited 27-32 Talbot Street Dublin 1 [G, D, S]	Newspaper Publishing	100 ordinary shares of €1.25 each 10,000 "A" ordinary shares of €1 each
Sunday Newspapers Limited 27-32 Talbot Street Dublin 1 [G, D, S]	Newspaper Publishing	80,002 ordinary shares of €1.25 each
Newspread Limited 3050 Lake Drive Citywest Business Campus Naas Road Dublin 24 [G, D, S]	Newspaper and Magazine Distribution	3,600 ordinary shares of €1.25 each

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. Principal Subsidiaries, Associates and Joint Ventures (continued)

Name	Principal Activity	Issued and Fully Paid Share Capital
Subsidiary Undertakings (as at 31 December 2008) (continued) (Wholly owned unless otherwise stated)		
Incorporated and operating principally in Ireland (continued):		
Independent Communications (Ireland) Limited 2023 Bianconi Avenue Citywest Business Campus Naas Road Dublin 24 [G, D, S]	Holding Company	5,341,333 ordinary shares of €1.25 each
Independent News & Media Holdings (Ireland) Limited 2023 Bianconi Avenue Citywest Business Campus Naas Road Dublin 24 [G, D, S]	Holding Company	900 ordinary shares of €1.25 each
Independent News & Media Investments Limited 2023 Bianconi Avenue Citywest Business Campus Naas Road Dublin 24 [G, D, S]	Holding Company	1,249 ordinary shares of €1.25 each
Independent Communications (International) Limited 2023 Bianconi Avenue Citywest Business Campus Naas Road Dublin 24 [B, G, D, S]	Holding Company	100 ordinary shares of €1.25 each
Independent News & Media Finance (Ireland) plc 2023 Bianconi Avenue Citywest Business Campus Naas Road Dublin 24 [G, D, S]	Finance Company	40,000 ordinary shares of €1 each
Independent Newspapers Management Services 2023 Bianconi Avenue Citywest Business Campus Naas Road Dublin 24 [G, D]	Provision of Management Services	539,039,100 ordinary shares of €1.25 each
Independent Colleges Limited 60-63 Dawson Street Dublin 2	Third Level College	25,000 ordinary shares of €0.01 each (70% interest)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. *Principal Subsidiaries, Associates and Joint Ventures (continued)*

Name	Principal Activity	Issued and Fully Paid Share Capital
Subsidiary Undertakings (as at 31 December 2008) (continued) (Wholly owned unless otherwise stated)		
Incorporated and operating principally in the United Kingdom:		
Independent News and Media Limited Independent House 191 Marsh Wall London E14 9RS [G, D, S]	Newspaper and Magazine Publishing	35,942,899,875 ordinary shares of Stg£0.01 each 415,200 deferred shares of Stg£0.01 each
Independent News & Media (UK) Limited Independent House 191 Marsh Wall London E14 9RS [B, G, D, S]	Holding Company	328,900,000 ordinary shares of Stg£1 each
Belfast Telegraph Newspapers Limited Independent House 191 Marsh Wall London E14 9RS [G, D, S]	Dormant	116,877,000 ordinary shares of Stg£10 each
Incorporated and operating principally in South Africa:		
Independent Newspapers (Pty) Limited 47 Sauer Street Johannesburg	Newspaper Publishing	100 ordinary shares of ZAR1 each
Independent News & Media Outdoor (Pty) Limited 66 Peter Place Hurlingham Ext 5 Johannesburg	Outdoor Advertising	300 ordinary shares of ZAR1 each
Independent News & Media (South Africa) (Pty) Limited 47 Sauer Street Johannesburg	Holding Company	3,201 ordinary shares of ZAR1 each
Incorporated and operating principally in Belgium:		
Independent News & Media Belgium SA Avenue de Tervuren 13a Etterbeek 1040 Brussels [G]	Holding Company	61,500 ordinary shares of €1 each
Incorporated and operating principally in Jersey:		
Independent News & Media (Finance) Limited 8 Church Street St. Helier Jersey JE4 0SG [B, G]	Finance Company	10 ordinary shares of €1 each

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. Principal Subsidiaries, Associates and Joint Ventures (continued)

Name	Principal Activity	Issued and Fully Paid Share Capital
Subsidiary Undertakings (as at 31 December 2008) (continued) (Wholly owned unless otherwise stated)		
Incorporated and operating principally in The Netherlands:		
Abbey Communications (Netherlands) B.V. Locatellikade 1 Parnassustoren 1076 AZ Amsterdam [G]	Holding Company	42 ordinary shares of €453.78 each
Incorporated and operating principally in Luxembourg:		
INM Holdings Luxembourg SARL 6 rue Philippe II L-2340 Luxembourg [G]	Holding Company	73,399 ordinary shares of €100 each
Incorporated and operating principally in Australasia:		
APN News & Media Limited Level 4 100 William Street Sydney NSW 2011	Holding Company (Newspaper Publishing, Radio Broadcasting and Outdoor Advertising)	490,413,398 ordinary shares of A$0.40 each (39.1% interest)
APN News & Media Limited (APN) is accounted for as a subsidiary undertaking because the Group has the ability to cast the majority of votes at meetings of the Board of Directors of APN.		
Independent News & Media Holdings Pty Limited Level 11 1 York St. Sydney	Holding Company	264,500,002 ordinary shares of A$1 each
Independent News & Media (Australia) Limited Level 11 1 York St. Sydney	Holding Company	10,000,000 ordinary shares of A$1 each
Independent Trustee Limited 46 Albert Street PO Box 32 Auckland	Holding Company	100 ordinary shares of NZ$1 each
News & Media NZ Limited 46 Albert Street PO Box 32 Auckland	Holding Company	219,164,476 ordinary shares of NZ$1 each

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. Principal Subsidiaries, Associates and Joint Ventures (continued)

Name	Principal Activity	Issued and Fully Paid Share Capital
Associates (as at 31 December 2008)		
(The Group's interests noted below are wholly owned unless otherwise stated)		
Incorporated and operating principally in Ireland:		
Tribune Newspapers Plc 15 Lower Baggot Street Dublin 2	Newspaper Publishing	2,884,064 ordinary shares of €1.25 each (29.99% interest) 70,519,027 4% redeemable preference shares of €0.32 each
Incorporated and operating principally in India:		
Jagran Prakashan Limited Jagran Building 2 Sarvodaya Nagar Kanpur 208005	Newspaper Publishing	301,170,585 ordinary shares of INR2 each (20.8% interest)
Incorporated and operating principally in the United Kingdom:		
Cashcade Limited 6/10 Valentine Place London SE1 8HQ	Online Casinos and Software Services	84,325 ordinary shares of Stg£0.05 each (18.7% interest)
Joint Ventures (as at 31 December 2008)		
(The Group's interests noted below are wholly owned unless otherwise stated)		
Incorporated and operating principally in Ireland:		
Independent Star Limited Star House 62a Terenure Road North Dublin 6W	Newspaper Publishing	500 "E" ordinary shares of €1.27 each (0% interest) 500 "I" ordinary shares of €1.27 each 5,000 preference shares of €1.27 each
Incorporated and operating principally in Germany:		
Verivox GmbH Am Taubenfeld 10 D-69123 Heidelberg	Online Utility Price Comparator	653,060 ordinary shares of €0.10 each (49% interest)

The respective addresses are the companies' registered offices.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. *Companies (Amendment) Act, 1986 – Guarantees*

The Company has guaranteed the liabilities of certain of its Irish registered subsidiary undertakings for the purpose of Section 17 of the Companies (Amendment) Act, 1986, as listed below, and as a result such subsidiaries have been exempted from the filing provisions of Section 7, Companies (Amendment) Act, 1986.

Argus Newspapers Limited
Champion Printing Limited
Crespen Limited
Gabani Limited
Independent Colleges Limited
Independent Communications (Ireland) Limited
Independent Communications (International) Limited
Independent Communications Limited
Independent Digital Limited
Independent Directories Limited
Independent Newspapers (Ireland) Limited
Independent Newspapers Marketing Limited
Independent Newspapers Property Limited
Independent News & Media Holdings (Ireland) Limited
Independent News & Media Investments Limited
INM Overseas Limited
INM Securities (Ireland) Limited
Internet Interaction Limited
Newspread Limited
Nutley Investments Limited
Sunday Newspapers Limited
Terenure Printers Limited
The Drogheda Independent Company Limited
The Kerryman Limited
The People Newspapers Limited

39. *Standards, Interpretations and Amendments to Published Standards that are not yet effective*

(i) Certain new Standards, Interpretations and Amendments to Published Standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but which the Group has not early adopted are as follows:

- IFRS 8 Operating Segments (effective 1 January 2009);
- IFRS 2 Share Based Payments – Vesting Conditions and Cancellations (effective 1 January 2009);
- IAS 23 (Revised) Borrowing Costs (effective 1 January 2009);
- IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008*);
- IFRIC 15, Agreements for the Construction of Real Estate (effective 1 January 2009);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008*);
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective 1 July 2009);
- IFRIC 18, Transfers of Assets from Customers (effective 1 July 2009);
- IAS 1 (Revised) Presentation of Financial Statements (effective 1 January 2009);
- IAS 32 and IAS 1 (Amendment) Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009);
- IFRS 1 and IAS 27 (Amendment) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009);
- IAS 39 (Amendment) Eligible Hedged Items (effective 1 July 2009);
- IAS 39 and IFRS 7 (Amendment) Reclassification of Financial Assets (effective 1 July 2008*);
- IFRS 1 (Revised) First-time Adoption of International Financial Reporting Standards (effective 1 July 2009);
- IFRS 3 (Revised) Business Combinations (effective 1 July 2009);
- IAS 27 (Revised) Consolidated and Separate Financial Statements (effective 1 July 2009);
- IFRS 7 (Amendment) Improving Disclosures about Financial Instruments (effective 1 January 2009); and
- IFRIC 9 and IAS 39 (Amendment) Embedded Derivatives (effective 30 June 2009).

* Annual reporting periods beginning on or after that date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. *Standards, Interpretations and Amendments to Published Standards that are not yet effective (continued)*

Having carried out a preliminary review of the relevance of the above new Standards, Interpretations and Amendments to Published Standards, the Group believes that they will not have a material impact on the Group except for the following:

(i) IFRS 8 Operating Segments, which will introduce new disclosure requirements. IFRS 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes;

(ii) IAS 1 (Revised) Presentation of Financial Statements, which will introduce some presentational changes in the primary statements of the Group. The main aim of the revised version of IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics. Consequently changes in equity (net assets) of an entity arising from transactions with owners in their capacity as owners will be disclosed separately from other changes in equity;

(iii) IFRS 3 (Revised) Business Combinations, which will introduce some new accounting requirements for business combinations acquired subsequent to the adoption of this standard. The standard continues to apply the acquisition method to business combinations, with some significant changes. These changes include a requirement that all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to minority interest. All transaction costs relating to business combinations will be expensed; and

(iv) IAS 27 (Revised) Consolidated and Separate Financial Statements, which requires the effect of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Such transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in the Income Statement.

The Group is currently assessing the full impact on the Group financial statements of the above new Standards, Interpretations and Amendments to Published Standards.

(ii) Improvements to IFRS, (effective for financial periods beginning on or after 1 January 2009). The IASB has issued the 'Improvements to IFRS' standard which amends 20 standards, basis of conclusions and guidance based on the exposure draft issued in October 2007. The improvements include changes in presentation, recognition and measurement plus terminology and editorial changes. The Group is currently considering the impact of these amendments but does not anticipate that they will have a significant impact on the Group's financial statements.

40. *Subsequent Events*

In previous annual reports under contingent liabilities the Group disclosed details of a tax audit that the New Zealand Inland Revenue Department (NZIRD) were carrying out in APN News & Media Limited (APN) in regard to the tax treatment of certain aspects of the Masthead Licensing Agreement (MLA). On 20 March 2009, the NZIRD advised that it has decided to discontinue the dispute in relation to the tax treatment of the MLA. The decision confirms the taxation and accounting treatment adopted by both INM and APN in relation to the MLA and means that no additional tax is payable. The decision is final and binding on the NZIRD.

41. *Approval of Financial Statements*

The financial statements were approved by the Directors and authorised for issue on 29 April 2009.

SCHEDULE TO THE DIRECTORS' REPORT

As required by the European Communities (Takeover Bids (Directive 2004/25/EC)) 2006.

Particulars of the authorised and issued Ordinary Share capital of the Company are set out in note 25 to the financial statements.

Holders of Ordinary Shares are entitled:

- to receive duly declared dividends in cash or, when offered, additional Ordinary Shares;
- to receive notice of and to attend, speak and vote in person or by proxy, at general meetings having, on a show of hands, one vote, and, on a poll, a vote for each Ordinary Share held;
- to appoint a proxy to attend, speak and/or vote at general meetings;
- to receive, 21 days at least before the Annual General Meeting, a copy of the Annual Report and Financial Statements; and
- in a winding-up of the Company, and subject to payments of amounts due to creditors and to any holders of shares ranking in priority to the Ordinary Shares, repayment of the capital paid up on the Ordinary Shares and a proportionate part of any surplus of the Company.

When served with notice from the Directors, shareholders are required to inform the Company in writing, not more than 14 days thereafter, of the capacity in which the shareholder holds any Ordinary Shares and if the entire beneficial interest is not held, to furnish, so far as the shareholder is aware, the name and address of any person having any beneficial interest in the Ordinary Shares. Where there is a failure to furnish the information required the Directors are entitled to resolve that the shareholder shall not be entitled to attend general meetings nor to exercise voting rights attached to such Ordinary Shares and, if the shareholder holds 0.25 per cent or more of the issued Ordinary Shares, the Directors are entitled to withhold any dividends payable on such Ordinary Shares and no transfer of such shares can take place except through a Stock Exchange to a bona fide unconnected third party. Such sanctions will cease after not more than seven days from the earlier of receipt by the Company of notice that the member has sold the Ordinary Shares to an unconnected third party or satisfactory compliance with the notice served as provided for above.

There are no limitations in Irish law on the holding of the Ordinary Shares and transfers of Ordinary Shares require no approval save that the Directors may decline to register a transfer of Ordinary Shares on which the Company has a lien or, in the case of a single transfer of Ordinary Shares in favour of more than four persons jointly, upon notice to the transferee within two months after the lodgement of such transfer; Certificated Ordinary Shares are transferable upon production to the Company's Registrars of the original share certificate and the usual form of stock transfer duly executed by the holder of the Ordinary Shares; Uncertificated Ordinary Shares are transferable in accordance with the rules or conditions imposed by the operator of the relevant system which enables title to be evidenced and transferred without a written instrument and in accordance with the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996; Rights attaching to Ordinary Shares remain with the transferor until transferee's name is entered on the Register of Members of the Company.

Where a person is appointed as proxy, the instrument of appointment must be received by the Company not less than 48 hours, (or such lesser time as the Directors may from time to time decide), before the meeting or adjourned meeting, or, in the case of a poll, not less than 48 hours, (or such lesser time as the Directors may from time to time decide), before the taking of the poll.

The Articles may be amended by special resolution of the shareholders.

Directors are appointed by the shareholders in general meeting. No person, other than a Director retiring at a general meeting is eligible for appointment without a recommendation by the Directors unless, not less than 7 nor more than 21 days before the date of the general meeting, written notice by a shareholder, duly qualified to be present and vote at the meeting, of the intention to propose the person for election and notice in writing signed by the person of his willingness to act, shall have been given to the Company. The Directors may fill a casual vacancy and any Director so appointed holds office only to the next Annual General Meeting following his appointment, when the Director concerned shall retire, but shall be eligible for re-appointment at that meeting. One third of the Directors for the time being are obliged to retire from office at each Annual General Meeting on the basis of the Directors who have been longest in office since their last appointment.

The Board of Directors is responsible for the management of the business of the Company and may exercise all the power of the Company subject to the provisions of the Company's Memorandum and Articles of Association. The powers relating to the issuing, buying back and reissuing of Ordinary Shares are included in the Articles of Association. A copy of the Articles is available on request from the Company Secretary.

Produced by Murray Consultants Limited

INDEPENDENT NEWS & MEDIA PLC

Independent House,
2023 Bianconi Avenue,
Citywest Business Campus,
Naas Road, Dublin 24, Ireland.

Tel + 353 1 466 3200
Fax + 353 1 466 3222
Email mail@inplc.com
www.inmplc.com