# THE IRISH TIMES LIMITED

# DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE YEAR ENDED

# 31 DECEMBER 2007

**DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007**

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## COMPANY INFORMATION

| | |
|---|---|
| DIRECTORS | Ruth Barrington<br>Maeve Donovan<br>John Fanning<br>Liam Kavanagh<br>Geraldine Kennedy<br>David McConnell<br>Eoin O'Driscoll<br>Paul O'Neill<br>Gregory Sparks<br>David Went |
| SECRETARY | Liam Kavanagh |
| REGISTERED OFFICE | The Irish Times Building,<br>24/28 Tara Street,<br>Dublin 2. |
| REGISTERED NUMBER OF INCORPORATION | 2514 |
| SOLICITORS | William Fry,<br>Fitzwilton House,<br>Wilton Place,<br>Dublin 2.<br><br>Hayes,<br>Lavery House,<br>Earlsfort Terrace,<br>Dublin 2. |
| BANKERS | Bank of Ireland,<br>College Green,<br>Dublin 2. |
| AUDITORS | Ernst & Young,<br>Chartered Accountants,<br>Ernst & Young Building,<br>Harcourt Centre,<br>Harcourt Street,<br>Dublin 2. |

**DIRECTORS' REPORT**
**for the year ended 31 December 2007**

The directors present herewith their annual report and audited consolidated financial statements for the year ended 31 December 2007.

*PRINCIPAL ACTIVITY, BUSINESS REVIEW AND LIKELY FUTURE DEVELOPMENTS*
The principal activities of the group are the printing, publishing, marketing and sale of newspapers and the operation of associated websites and other online activities.

Turnover increased by 6% to €137M including a full year's contribution from MyHome.ie. Newspaper advertising revenue reduced by 3.9%, primarily as a result of the slowdown in the property market. The ABC audited circulation of The Irish Times over the year grew by 1.4% compared with 2006. The overall increase in costs of 8.5% was due partly to increases in employment costs, marketing spend and facility costs and partly to the inclusion of the MyHome.ie costs and amortisation charge for a full year.

Group operating profit, before exceptional items, at €21.9M was 3.3% lower than 2006. The Board continues to review all aspects of the group's activities so as to ensure that it operates to best practice across all activities and operations. The exceptional items comprise a provision of €1.1M for costs of re-organisation made in 2006 and a further provision of €1.6M in 2007.

The deficit on the defined benefit pension schemes as calculated under Financial Reporting Standard No.17 "Retirement Benefits" decreased by €13.3M during the year. This was due primarily to an improvement in bond yields, which reduced the actuarial value of future liabilities.

*PRINCIPAL RISKS AND UNCERTAINTIES*
It is the policy of The Irish Times Limited to identify the key risks facing the group, to assess (with appropriate professional advice) the level of risk and to manage those risks so as to ensure the continuing publication of The Irish Times. The risk management process was established by the Board's audit committee. Key risks identified include:

- An interruption or failure of production or information systems resulting in the potential loss of a publication.
- A deterioration in general economic conditions or in advertising markets leading to reductions in revenue.
- Unusually high changes in costs particularly newsprint and salary costs.
- Competitive changes in the marketplace and the ability to respond to those changes.
- Certain financial risks including risk of bad debts.

**DIRECTORS' REPORT**
**for the year ended 31 December 2007 (Continued)**

*RESULTS FOR THE YEAR AND STATE OF AFFAIRS AT 31 DECEMBER 2007*
The consolidated profit and loss account for the year ended 31 December 2007 and the consolidated balance sheet at that date are set out on pages 10 and 12 respectively. The results for the year and the financial position at the year end were considered satisfactory. The economic climate remains uncertain and is impacting negatively on advertising revenues in particular key sectors.

*IMPORTANT EVENTS SINCE YEAR END*
A subsidiary undertaking, D'Olier Investments limited, acquired on 25 April 2008 a further 8.15% of the share capital of Relevance Publishing Limited, publisher of the Gazette titles.

*BOOKS OF ACCOUNT*
The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990, with regard to books of account. To achieve this, the directors have appointed appropriate accounting personnel who report to the Board in order to ensure that those requirements are complied with. Those books are maintained at the company's registered office at The Irish Times Building, 24/28 Tara Street, Dublin 2.

*REMUNERATION AND NOMINATIONS COMMITTEE*
The responsibilities of the committee, delegated to it by the Board, include entering into contracts and setting remuneration levels for the Managing Director, Editor and other Executive Directors.

The members of the committee during the year were Alex Burns, Gerard Burns, John Fanning, David McConnell, Eoin O'Driscoll, Brian Patterson and David Went. The objective of the committee is to recruit, motivate and retain management and staff of the highest calibre in a competitive market. It seeks external and independent professional advice, when required, to ensure that payment levels are set with proper regard to market conditions and internal relativities. All payments to Executive Directors are determined by the Remuneration and Nominations Committee independently of the executives concerned.

**DIRECTORS' REPORT**
**for the year ended 31 December 2007 (Continued)**

*REMUNERATION AND NOMINATIONS COMMITTEE (Continued)*
The schedule below provides the detail of each continuing director's service during the year.

| Director | Position | Months in office | Remune-ration | Fees |
|---|---|---|---|---|
| Alex Burns | Non-Executive | 9 | N | Y |
| Gerard Burns | Non-Executive & Governor of The Irish Times Trust Limited | 9 | N | Y |
| Maeve Donovan | Managing Director | 12 | Y | Y |
| John Fanning | Non-Executive | 12 | N | Y |
| Liam Kavanagh | Deputy Managing Director | 12 | Y | Y |
| Geraldine Kennedy | Editor | 12 | Y | Y |
| David McConnell | Non-Executive & Chairman of The Irish Times Trust Limited | 12 | (Note 1) | Y |
| Eoin McVey | Managing Editor | 9 | Y | Y |
| Paul O'Neill | Deputy Editor | 12 | Y | Y |
| Brian Patterson | Non-Executive Chairman | 3 | (Note 1) | Y |
| Gregory Sparks | Non-Executive | 12 | N | Y |
| David Went | Non-Executive Chairman | 12 | (Note1) | (Note 2) |

Note 1 The chairmen of The Irish Times Limited and The Irish Times Trust Limited each receive an annual salary for their respective positions. David Went replaced Brian Patterson as Chairman of The Irish Times Limited on 31 March 2007.

Note 2 David Went receives directors fees since 1 April 2007. Prior to that date he was a Governor of The Irish Times Trust Limited and a Non-Executive Director of The Irish Times Limited and waived fees payable to him.

The average number of directors who held office during the year was 10.5 (2006: 12).
The average number who received executive remuneration was 5 (2006: 5).

*Directors' Fees:* The basis for the payment of directors' fees in 2007 was as follows:

Chairman of The Irish Times Limited, chairman of The Irish Times Trust Limited and executive directors – €10,513 per annum (2006: €9,953).

Non-executive directors – €13,700 (2006: €12,700) per annum plus €11,400 (2006: €10,600) for service on Board sub-committees.

The average fee per director in 2007 was €15,099 (2006: €13,666).

*Consultancy:* Alex Burns provided professional services to the group during the year for which he was paid consultancy fees.

*Remuneration:* The schedule below provides an analysis of directors' remuneration (exclusive of fees) which is disclosed in note 7 to the consolidated financial statements. Remuneration is before all taxes and is inclusive of salary, performance related pay, benefit-in-kind and pension costs.

**DIRECTORS' REPORT**
**for the year ended 31 December 2007 (Continued)**

*REMUNERATION AND NOMINATIONS COMMITTEE (Continued)*

| | Note | *2007* *€'000* | *2006* *€'000* |
|---|---|---|---|
| Salary | | 1,515 | 1,476 |
| Performance related pay | (i) | 611 | 600 |
| Benefits-in-kind | (ii) | 111 | 113 |
| Subtotal | | 2,237 | 2,189 |
| Pension current service cost | | 786 | 754 |
| Total | | 3,023 | 2,943 |

(i) Performance related pay is set and approved by the Remuneration and Nominations Committee on the basis of the achievement of individual specific targets and objectives. All remuneration is paid in full compliance with tax legislation and all payments are included in the group's annual returns to the Revenue Commissioners.

(ii) The benefit-in-kind arrangements for executive directors relate primarily to company cars. There are no loans to directors.

The annual salaries at 31 December 2007 for the continuing executive director positions and the non-executive chairmen were as follows:

| | *2007* *€'000* | *2006* *€'000* |
|---|---|---|
| **Continuing Executive Directors** | | |
| Managing Director | 380 | 362 |
| Editor | 380 | 362 |
| Deputy Managing Director | 290 | 240 |
| Deputy Editor | 194 | 185 |
| **Non-Executive Chairmen** | | |
| The Irish Times Limited | 108 | 101 |
| The Irish Times Trust Limited | 52 | 48 |
| Total | 1,404 | 1,298 |

**DIRECTORS' REPORT**
**for the year ended 31 December 2007 (Continued)**

*STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS*

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and Accounting Standards issued by the Accounting Standards Board and promulgated by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; 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 are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2006. They are also responsible for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

*AUDITORS*

Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the directors

| | |
|---|---|
| David Went | Liam Kavanagh |
| Director | Director |

2 September 2008

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE IRISH TIMES LIMITED**

We have audited the consolidated and parent company financial statements of The Irish Times Limited for the year ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows, and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

***Respective responsibilities of directors and auditors***

The directors are responsible for the preparation of the financial statements in accordance with applicable Irish law and Accounting Standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts, 1963 to 2006. We also report to you our opinion as to: whether proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation which may require the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and other transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

***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. 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.

*Continued /…*

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE IRISH TIMES LIMITED (Continued)**

***Basis of audit opinion (continued)***

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

***Opinion***

In our opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the group and of the company at 31 December 2007 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

In our opinion, the company balance sheet does not disclose 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.

Ernst & Young
Chartered Accountants and Registered Auditors

Dublin

2 September 2008

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
**for the year ended 31 December 2007**

| | Note | 2007<br>€ | 2006<br>€ |
|---|---|---|---|
| Group turnover | 2 | 137,196,243 | 129,427,563 |
| Cost of sales | | (81,452,460) | (81,302,052) |
| Gross profit | | 55,743,783 | 48,125,511 |
| Distribution costs | | (12,151,239) | (10,951,367) |
| Administrative expenses | | (21,665,907) | (14,508,120) |
| Total operating expenses excluding exceptional item | | (33,817,146) | (25,459,487) |
| Group operating profit before exceptional item | | 21,926,637 | 22,666,024 |
| Administrative expenses - exceptional item | 3 | (1,603,000) | (1,100,000) |
| Group operating profit after exceptional item | | 20,323,637 | 21,566,024 |
| Share of operating loss of joint venture | | (1,220,506) | (2,228,412) |
| Share of operating loss of associates | | (319,271) | – |
| Amortisation of goodwill on investment in joint venture | | (70,363) | (70,363) |
| Amortisation of goodwill on investment in associates | | (117,159) | – |
| Total operating profit: group and share of joint venture and associates | | 18,596,338 | 19,267,249 |
| Profit on disposal of tangible fixed assets | | – | 22,332,538 |
| Profit on disposal of financial fixed assets | | 211,946 | – |
| Interest receivable and similar income | 4 | 1,922,745 | 1,256,460 |
| Interest payable and similar charges | 5 | (950,519) | (185,986) |
| Other finance income | 6 | 2,070,000 | 819,000 |
| Profit on ordinary activities before taxation | 7 | 21,850,510 | 43,489,261 |
| Tax on profit on ordinary activities | 9 | (3,089,279) | (6,190,180) |
| Profit for the financial year after taxation | 10 | 18,761,231 | 37,299,081 |
| Loss attributable to minority interest | | – | 100,000 |
| Profit for the year attributable to shareholders | | 18,761,231 | 37,399,081 |

Historical cost profit before and after taxation for the financial year does not differ materially from reported profits.

David Went
Director

Liam Kavanagh
Director

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
**for the year ended 31 December 2007**

| | *Note* | *2007* € | *2006* € |
|---|---|---|---|
| Profit for the financial year attributable to the shareholders | | 18,761,231 | 37,399,081 |
| Actuarial gain on defined benefit pension schemes | 20 | 11,666,000 | 23,252,000 |
| Deferred tax on defined benefit pension schemes | | (1,592,000) | (3,348,000) |
| Current tax on defined benefit pension schemes | | 349,000 | 823,000 |
| Total recognised gains and losses for the year | | 29,184,231 | 58,126,081 |

**CONSOLIDATED BALANCE SHEET**
**at 31 December 2007**

| | Note | *2007* € | *2006* € |
|---|---|---|---|
| FIXED ASSETS | | | |
| Intangible assets | 11 | 44,398,933 | 46,697,016 |
| Tangible assets | 12 | 67,453,260 | 70,347,522 |
| Financial assets | 13 | | |
| Joint venture | | | |
| - Share of gross assets | | 2,130,101 | 2,551,104 |
| - Share of gross liabilities | | (567,422) | (687,556) |
| Other investments | | 15,093,367 | 58,367 |
| Associates | | 3,460,418 | – |
| | | 131,968,657 | 118,966,453 |
| CURRENT ASSETS | | | |
| Stocks | 14 | 546,552 | 692,228 |
| Debtors | 15 | 14,247,547 | 14,582,001 |
| Cash at bank and in hand | | 33,530,909 | 34,467,259 |
| | | 48,325,008 | 49,741,488 |
| CREDITORS (amounts falling due within one year) | 16 | (26,627,394) | (25,991,674) |
| NET CURRENT ASSETS | | 21,697,614 | 23,749,814 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 153,666,271 | 142,716,267 |
| CREDITORS (amounts falling due after more than one year) | 17 | (13,434,633) | (17,351,035) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 19 | (2,475,923) | (3,447,748) |
| PENSION OBLIGATIONS | 20 | (9,279,000) | (22,625,000) |
| | | 128,476,715 | 99,292,484 |
| CAPITAL AND RESERVES | | | |
| Share capital | 21 | 625,138 | 625,138 |
| Capital conversion reserve fund | 22 | 9,871 | 9,871 |
| Profit and loss account | 22 | 127,841,706 | 98,657,475 |
| Shareholders' funds | 22 | 128,476,715 | 99,292,484 |

David Went
Director

Liam Kavanagh
Director

**COMPANY BALANCE SHEET**
**at 31 December 2007**

| | Note | *2007* € | *2006* € |
|---|---|---|---|
| FIXED ASSETS | | | |
| Tangible assets | 12 | 65,124,369 | 69,373,127 |
| Financial assets | 13 | 21,405,340 | 4,718,565 |
| | | 86,529,709 | 74,091,692 |
| CURRENT ASSETS | | | |
| Stocks | 14 | 546,552 | 692,228 |
| Debtors | 15 | 57,527,162 | 48,793,558 |
| Cash at bank and in hand | | 33,098,754 | 33,828,850 |
| | | 91,172,468 | 83,314,636 |
| CREDITORS (amounts falling due within one year) | 16 | (30,696,900) | (28,414,084) |
| NET CURRENT ASSETS | | 60,475,568 | 54,900,552 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 147,005,277 | 128,992,244 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 19 | (2,475,923) | (3,447,748) |
| PENSION OBLIGATIONS | 20 | (9,010,000) | (21,980,000) |
| | | 135,519,354 | 103,564,496 |
| CAPITAL AND RESERVES | | | |
| Share capital | 21 | 625,138 | 625,138 |
| Capital conversion reserve fund | 22 | 9,871 | 9,871 |
| Profit and loss account | 22 | 134,884,345 | 102,929,487 |
| Shareholders’ funds | 22 | 135,519,354 | 103,564,496 |

David Went
Director

Liam Kavanagh
Director

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**for the year ended 31 December 2007**

| | Note | 2007 € | 2006 € |
|---|---|---|---|
| Net cash inflow from operating activities | 23 | 29,323,119 | 19,418,929 |
| *Returns on investments and servicing of finance* | | | |
| Income from financial fixed assets received | | 15,542 | 26,480 |
| Interest received | | 1,896,666 | 1,183,340 |
| Interest paid | | (491,992) | (185,986) |
| Interest element of finance lease payments | | (2,527) | (2,220) |
| | | 1,417,689 | 1,021,614 |
| *Taxation* | | | |
| Corporation taxation refund | | – | 192,224 |
| Corporation taxation paid | | (3,041,714) | (4,599,226) |
| | | (3,041,714) | (4,407,002) |
| *Capital expenditure and financial investment* | | | |
| Purchase of tangible fixed assets | | (4,414,935) | (8,611,370) |
| Proceeds on disposal of tangible fixed assets | | 21,531 | 28,854,037 |
| Other investments | | (15,035,000) | (40,000) |
| | | (19,428,404) | 20,202,667 |
| *Acquisitions and disposals* | | | |
| Investment in joint venture | | (990,000) | (2,915,600) |
| Investment in associates | | (3,896,848) | – |
| Acquisition of subsidiary | | – | (38,398,250) |
| Disposal of subsidiary | | 150,120 | – |
| | | (4,736,728) | (41,313,850) |
| *Net cash inflow (outflow) before financing* | | 3,533,962 | (5,077,642) |
| *Financing* | | | |
| Bank loans | | (4,260,000) | 10,000,000 |
| Capital element of finance lease repaid | | (25,300) | (2,610) |
| New finance leases | | – | 44,728 |
| Net cash (outflow) inflow from financing | | (4,285,300) | 10,042,118 |
| (Decrease) increase in cash | 24 | (751,338) | 4,964,476 |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007**

1. ACCOUNTING POLICIES

(a) *Basis of preparation*

The consolidated financial statements are prepared in accordance with applicable Irish law and Accounting Standards issued by the Accounting Standards Board and promulgated by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

(b) *Basis of consolidation*

The consolidated financial statements include the financial statements of The Irish Times Limited and all its subsidiaries, joint venture and associate undertakings made up to the balance sheet date.

The group's share of results of its joint venture, which is an entity in which the group holds an interest on a long term basis and which is jointly controlled by the group and one or more other venturers under a contractual arrangement, is gross equity-accounted from the date on which the joint venture agreement is finalised.

The group's share of results of its associates, which are entities in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are equity-accounted from the date on which the investments are finalised.

(c) *Currency*

Transactions denominated in foreign currencies are translated to euro at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to euro at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

(d) *Turnover*

Turnover represents the invoiced value of goods and services, exclusive of value added tax, to third parties, after deduction of rebates and allowances.

(e) *Advertising and promotional expenditure*

Advertising and promotional expenditure is written off in full in the year in which the costs are incurred.

(f) *Taxation*

The charge for taxation is based on the profit or loss for the year and takes into account taxation advanced and/or deferred because of timing differences.

Deferred tax is calculated on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

1. ACCOUNTING POLICIES (Continued)

*(f) Taxation (continued)*

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax liabilities are recognised in full in respect of net unfavourable timing differences. Deferred tax assets in respect of net favourable timing differences, including taxation losses available for carry forward, are recognised only when it is considered more probable than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is not discounted.

*(g) Goodwill*

Goodwill arising on acquisitions, being the excess of the consideration over the fair value of the net assets at the date of acquisition, is capitalised and related amortisation based on its estimated useful economic life up to a presumed maximum of 20 years is charged against operating profit on a straight line basis.

*(h) Tangible fixed assets and depreciation*

Tangible fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is provided at annual rates calculated to write off the cost or valuation, less estimated residual value, of the assets as follows:

| | |
|---|---|
| Freehold and long leasehold land | nil |
| Freehold and long leasehold premises | 2% to 10% straight line |
| Plant and machinery | 8⅓% to 33⅓% straight line |
| Motor vehicles | 20% straight line |
| Office equipment | 20% to 33⅓% straight line |

Depreciation is provided on additions with effect from the first day of the month of commissioning and on disposals up to the end of the month prior to retiral.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

1. ACCOUNTING POLICIES (Continued)

*(i)* *Leased assets*

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

*(j)* *Financial fixed assets*

The investments by the company in subsidiary, joint venture and associate undertakings are shown at cost less provisions for any impairment in value.

Trade investments are valued at cost less provisions for any impairment in value.

*(k)* *Stocks*

Stocks are valued at the lower of cost and net realisable value, on the first-in, first-out basis, cost being invoice price including duty and freight. Due provision is made to reduce any obsolete stock to its net realisable value. Net realisable value is the estimated selling price of stock on hand less all further costs to completion and all costs expected to be incurred in marketing, distribution and selling.

(*l*) *Pension*

The group operates a number of defined benefit and defined contribution pension schemes some of which are multi-employer pension schemes.

Defined benefit scheme assets are valued at fair value and liabilities are measured using the projected unit method. Net scheme assets and liabilities, reduced by deferred tax amounts, are shown on the balance sheet as a pension surplus or deficit as appropriate.

The profit and loss account charge consists of two elements: - the current and past service cost recorded in operating costs and the net of expected return on pension assets and the interest costs of the pension liabilities, recorded in other finance income.

Actuarial gains or losses are recognised through the consolidated statement of total recognised gains and losses.

Defined contribution scheme costs are charged to the profit and loss account in the accounting period in which they are incurred.

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

1. ACCOUNTING POLICIES (Continued)

(*l*) *Pension (continued)*
Provision is made for the actuarial valuation of ex-gratia pensions at the time the commitment is made. Subsequent adjustments to the computation of the outstanding commitment are dealt with annually in the profit and loss account.

2. SEGMENTAL INFORMATION

Turnover, profit before tax and net operating assets by class of business and geographical market are not provided as the directors are of the opinion that the provision of such information would be seriously prejudicial to the interests of the group.

3. ADMINISTRATIVE EXPENSES − EXCEPTIONAL ITEM

| | *2007* | *2006* |
|---|---|---|
| | € | € |
| Costs of re-organisation | 1,603,000 | 1,100,000 |
| | ========= | ========= |

The costs of re-organisation substantially comprise redundancy costs related to the building on success restructuring programme. The tax effect of this for the year ended 31 December 2007 was a credit of €160,300 (2006: €110,000).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

| | *2007* | *2006* |
|---|---|---|
| | € | € |
| Interest receivable | 1,907,203 | 1,229,980 |
| Income from financial fixed assets other than shares in group undertakings | 15,542 | 26,480 |
| | 1,922,745 | 1,256,460 |
| | ========== | ======== |

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | *2007* | *2006* |
|---|---|---|
| | € | € |
| Finance lease interest | 2,527 | 2,220 |
| Interest on bank loans and overdrafts repayable wholly within five years | | |
| - by instalment | 468,885 | 162,980 |
| - not by instalments | 23,107 | 20,786 |
| Unwinding of discount applicable to deferred consideration | 456,000 | − |
| | 950,519 | 185,986 |
| | ======== | ======== |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

6. OTHER FINANCE INCOME

| | *2007* | *2006* |
|---|---|---|
| | € | € |
| Expected return on pension scheme assets | 12,608,000 | 10,126,000 |
| Interest on pension scheme liabilities | (10,538,000) | (9,307,000) |
| Net income | 2,070,000 | 819,000 |

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging (crediting):

| | *2007* | *2006* |
|---|---|---|
| | € | € |
| *Directors' emoluments* | | |
| Fees | 158,539 | 163,993 |
| Remuneration: | | |
| Executive directors | 2,076,891 | 2,040,448 |
| Pension costs | 786,000 | 754,000 |
| Chairmen's salaries | 159,928 | 148,738 |
| | 3,022,819 | 2,943,186 |
| Ex-gratia payment | – | 130,000 |

Details of directors' remuneration are included in the Directors' Report.

| | *2007* | *2006* |
|---|---|---|
| | € | € |
| Pension paid to former director | 11,776 | 11,776 |
| Auditors' remuneration | 167,633 | 134,895 |
| Amortisation of goodwill | 2,547,432 | 571,526 |
| Depreciation of tangible fixed assets | 7,287,666 | 6,746,199 |
| Profit on disposal of fixed assets | – | (22,332,538) |
| Operating lease rentals – plant and machinery | 458,629 | 495,759 |
| – other | 1,552,197 | 1,355,352 |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

8. STAFF NUMBERS AND COSTS

The average number of employees, including executive directors, who worked in the group during the year was as follows:

| | *2007* | *2006* |
|---|---|---|
| | *Number* | *Number* |
| Printing, publishing and distribution | 571 | 558 |

The aggregate payroll costs comprise:

| | € | € |
|---|---|---|
| Wages and salaries | 40,959,489 | 38,792,702 |
| Social welfare costs | 3,916,124 | 3,693,429 |
| Pension and other related costs | 7,054,888 | 7,169,982 |
| | 51,930,501 | 49,656,113 |

| 9. TAX ON PROFIT ON ORDINARY ACTIVITIES | *2007* | *2006* |
|---|---|---|
| | € | € |
| *(a) Analysis of profit and loss account charge:* | | |
| Current tax: | | |
| Tax on profit for the year | 2,948,826 | 4,723,195 |
| Overprovision in respect of prior years | (243,205) | (8,452) |
| | 2,705,621 | 4,714,743 |
| Transfer from statement of total recognised gains and losses | 349,000 | 823,000 |
| | 3,054,621 | 5,537,743 |
| Deferred tax: | | |
| Origination and reversal of timing differences | 34,658 | 652,437 |
| Tax on profit on ordinary activities | 3,089,279 | 6,190,180 |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

*(b)* *Factors affecting the current tax charge for the year:*
The current tax charge for the year differs from the amount computed by applying the standard rate of corporation tax in the Republic of Ireland to the profit on ordinary activities before taxation. The sources and tax effects of the differences are explained below:

| | *2007* € | *2006* € |
|---|---|---|
| Profit on ordinary activities | 21,850,510 | 43,489,261 |
| Profit on ordinary activities multiplied by the standard tax rate 12.5% | 2,731,314 | 5,436,158 |
| *Effect of:* | | |
| Expenses not deductible and non-taxable income | 268,030 | 196,847 |
| Other timing differences including differences between capital allowances and depreciation and movement in restructuring provision | 550,902 | (704,739) |
| Indexation on capital gains | – | (1,128,114) |
| Higher tax on capital gains | – | 1,564,181 |
| Losses arising in the year not relievable against current tax | 39,880 | 343,169 |
| Higher tax rates on investment income | 238,733 | 156,166 |
| Manufacturing relief | (531,033) | (317,473) |
| Overprovision in respect of previous years | (243,205) | (8,452) |
| Current tax charge for the year | 3,054,621 | 5,537,743 |

*(c)* *Factors that may affect future taxation increases*
Under present legislation, the company is subject to Irish corporation tax at a rate of 10% on profits arising from the manufacture of goods in Ireland. Manufacturing relief is due to expire in 2010.

10. PROFIT FOR THE FINANCIAL YEAR

The company has availed of exemptions set out in section 148(8) of the Companies Act, 1963 and in section 7(1A) of the Companies (Amendment) Act, 1986 from laying the company's individual profit and loss account before the annual general meeting and from filing it with the Registrar of Companies. The profit for the financial year accounted for by the company dealt with in the consolidated profit and loss account was €21,850,858 (2006: €40,564,816).

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

11. INTANGIBLE ASSETS

| | |
|---|---|
| *Goodwill* | € |
| *Cost* | |
| At 31 December 2006 | 47,198,179 |
| Adjustment for disposal of Newaddress.ie limited | 61,826 |
| At 31 December 2007 | 47,260,005 |
| *Amortisation* | |
| At 31 December 2006 | 501,163 |
| Provided during the year | 2,359,909 |
| At 31 December 2007 | 2,861,072 |
| *Net book value at* | |
| At 31 December 2007 | 44,398,933 |
| At 31 December 2006 | 46,697,016 |

Newaddress.ie Limited was disposed of on 11 July 2007. Negative goodwill which was recorded on the acquisition of this investment has been released to the profit and loss account.

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

12. TANGIBLE FIXED ASSETS

| | *Freehold and long leasehold land and premises* | *Plant & machinery* | *Motor vehicles* | *Office equipment* | *Total* |
|---|---|---|---|---|---|
| *GROUP* | € | € | € | € | € |
| *Cost* | | | | | |
| At 31 December 2006 | 46,693,286 | 54,860,723 | 401,029 | 6,124,549 | 108,079,587 |
| Additions during year | 136,024 | 3,935,140 | – | 343,771 | 4,414,935 |
| Disposals during year | – | (347,219) | (121,223) | (6,205) | (474,647) |
| At 31 December 2007 | 46,829,310 | 58,448,644 | 279,806 | 6,462,115 | 112,019,875 |
| *Depreciation* | | | | | |
| At 31 December 2006 | 6,721,618 | 25,565,078 | 357,028 | 5,088,341 | 37,732,065 |
| Charged during year | 1,934,973 | 4,983,749 | 16,001 | 352,943 | 7,287,666 |
| Disposals during year | – | (328,827) | (121,223) | (3,066) | (453,116) |
| At 31 December 2007 | 8,656,591 | 30,220,000 | 251,806 | 5,438,218 | 44,566,615 |
| *Net book value at* | | | | | |
| At 31 December 2007 | 38,172,719 | 28,228,644 | 28,000 | 1,023,897 | 67,453,260 |
| At 31 December 2006 | 39,971,668 | 29,295,645 | 44,001 | 1,036,208 | 70,347,522 |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

12. TANGIBLE FIXED ASSETS (Continued)

| *COMPANY* | *Freehold and long leasehold land and premises* € | *Plant & machinery* € | *Motor vehicles* € | *Office equipment* € | *Total* € |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 31 December 2006 | 46,691,458 | 52,041,323 | 353,029 | 1,009,171 | 100,094,981 |
| Additions during year | 136,024 | 2,081,402 | – | 308,881 | 2,526,307 |
| Disposals during year | – | (295,885) | (121,223) | – | (417,108) |
| At 31 December 2007 | 46,827,482 | 53,826,840 | 231,806 | 1,318,052 | 102,204,180 |
| *Depreciation* | | | | | |
| At 31 December 2006 | 6,721,324 | 23,391,836 | 353,029 | 255,665 | 30,721,854 |
| Charged during year | 1,934,364 | 4,624,251 | – | 216,450 | 6,775,065 |
| Disposals during year | – | (295,885) | (121,223) | – | (417,108) |
| At 31 December 2007 | 8,655,688 | 27,720,202 | 231,806 | 472,115 | 37,079,811 |
| *Net book value at* | | | | | |
| At 31 December 2007 | 38,171,794 | 26,106,638 | – | 845,937 | 65,124,369 |
| At 31 December 2006 | 39,970,134 | 28,649,487 | – | 753,506 | 69,373,127 |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

12. TANGIBLE FIXED ASSETS (Continued)

*Capitalised leased assets – group*
Included in the cost of plant and machinery is an amount of capitalised leased assets of €1,822,945 (2006: €1,841,805). The depreciation charge in respect of capitalised leased assets for the year ended 31 December 2007 amounted to €157,186 (2006: €153,811) and accumulated depreciation was €761,801 (2006: €604,856).

*Assets under construction − group*
Included in plant and machinery additions are amounts of €2,411,181 (2006: €1,164,673) for assets under construction.

*Capitalised leased assets – company*
Included in the cost of plant and machinery is an amount of capitalised leased assets of €1,777,539 (2006: €1,841,805). The depreciation charge in respect of capitalised leased assets for the year ended 31 December 2007 amounted to €142,203 (2006: €153,811) and accumulated depreciation was €741,134 (2006: €604,856).

*Assets under construction − company*
Included in plant and machinery additions are amounts of €1,339,274 (2006: €1,164,673) for assets under construction.

13. FINANCIAL FIXED ASSETS

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | € | € | € | € |
| Investment in subsidiary undertakings *(a)* | – | – | 1,056,373 | 394,598 |
| Investment in joint venture undertaking *(b)* | 1,562,679 | 1,863,548 | 5,255,600 | 4,265,600 |
| Investment in associates *(c)* | 3,460,418 | – | – | – |
| Other investments *(d)* | 15,093,367 | 58,367 | 15,093,367 | 58,367 |
| | 20,116,464 | 1,921,915 | 21,405,340 | 4,718,565 |

*(a)* *Investment in subsidiary undertakings - company*

| | *Shares at cost* | *Loans to subsidiary* | *Total* |
|---|---|---|---|
| | € | € | € |
| At beginning of year | 104 | 394,494 | 394,598 |
| Movement during year | 100 | 661,675 | 661,775 |
| At end of year | 204 | 1,056,169 | 1,056,373 |

In the opinion of the directors, the value of the shares, none of which are listed, is not less than cost.

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

13. FINANCIAL FIXED ASSETS (Continued)

*Subsidiary undertakings:*

| *Name* | *Registered office* | *Proportion held by: company* | *subsidiary* | *Nature of business* |
|---|---|---|---|---|
| Itronics Limited | The Irish Times Building 24/28 Tara Street Dublin 2 | 100% | – | Electronic information and electronic publishing, training and related services |
| Irish Racing Services Limited | The Irish Times Building 24/28 Tara Street Dublin 2 | – | 100% | Non-trading |
| Sharmal Limited | The Irish Times Building 24/28 Tara Street Dublin 2 | 100% | – | Holding Company |
| MyHome Limited | Prospect House 2-3 Prospect Road Glasnevin Dublin 9 | – | 100% | Property website |
| D'Olier Investments Limited | The Irish Times Building 24/28 Tara Street Dublin 2 | 100% | – | Holding company |
| Gloss Publications Limited | The Courtyard 40 Main Street Blackrock Co. Dublin | – | 50% | Magazine publisher |
| DigitalworX Limited | The Irish Times Building 24/28 Tara Street Dublin 2 | 100% | – | Website publisher |

Unless otherwise stated, all shareholdings represent interests in ordinary share capital.

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

13. FINANCIAL FIXED ASSETS (Continued)

b) *Investment in Joint Venture undertaking*

| | *2007* |
|---|---|
| | € |
| *GROUP* | |
| Cost | |
| At 31 December 2006 | 1,863,548 |
| Share of retained losses | (1,220,506) |
| Goodwill amortisation | (70,363) |
| Loans | 990,000 |
| At 31 December 2007 | 1,562,679 |

Investment in the joint venture comprises of The Irish Times Limited's share of the assets and liabilities of Fortunegreen Limited together with the goodwill, less amortisation to date, that arose on the investment.

*COMPANY*

| | *Shares at cost* | *Loans to joint venture* | *Total* |
|---|---|---|---|
| | € | € | € |
| At beginning of year | 900,000 | 3,365,600 | 4,265,600 |
| Additions during year | – | 990,000 | 990,000 |
| At end of year | 900,000 | 4,355,600 | 5,255,600 |

*Joint Venture:*

| *Name* | *Registered office* | *Proportion held by company* | *Nature of business* |
|---|---|---|---|
| Fortunegreen Limited | Embassy House Ballsbridge Dublin 4 | 45% | Newspaper publishing |

Unless otherwise stated, all shareholdings represent interests in ordinary share capital.

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

13. FINANCIAL FIXED ASSETS (Continued)

| c) *Investment in associates* | *2007* |
|---|---|
| | € |
| *GROUP* | |
| Cost | |
| At 31 December 2006 | – |
| Share of net liabilities acquired | (706,888) |
| Goodwill | 4,472,216 |
| Share of losses during year | (319,271) |
| Goodwill amortisation | (117,159) |
| Loans | 131,520 |
| At 31 December 2007 | 3,460,418 |

Investment in associates comprises of The Irish Times Limited's share of the assets and liabilities of Relevance Publishing Limited and Entertainment Media Networks Limited together with the goodwill, less amortisation to date, that arose on the investments.

| *Name* | *Registered office* | *Proportion held by company* | *Nature of business* |
|---|---|---|---|
| Relevance Publishing Limited | Block 3A<br>Millbank Business park<br>Lucan<br>Co Dublin | 43.85% | Local newspaper publishing |
| Entertainment Media Networks Limited | 26 Great Strand Street<br>Dublin 1 | 31.70% | Online entertainment publishing |

Unless otherwise stated, all shareholdings represent interests in ordinary share capital.

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

13. FINANCIAL FIXED ASSETS (Continued)

*(d) Other investments – group and company*

| | *2007* | *2006* |
|---|---|---|
| | € | € |
| Listed investments | 6,017,757 | 17,757 |
| Unlisted investments | 9,075,610 | 40,610 |
| | 15,093,367 | 58,367 |

Listed investments consist of shares of quoted companies on recognised stock exchanges. The market value of the holdings at 31 December 2007 was €5,241,822 (2006: €49,660). No impairment has been recognised as in the opinion of the directors this does not represent a permanent diminution in the value of these investments.

The unlisted investments include €9,000,000 invested with an independent investment manager. The market value of this holding at 31 December 2007 was €9,005,245.

14. STOCKS

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | € | € | € | € |
| Newsprint and materials | 546,552 | 692,228 | 546,552 | 692,228 |

The replacement cost of the above categories of stock does not differ materially from their stated balance sheet values.

15. DEBTORS

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | € | € | € | € |
| Trade debtors | 11,536,582 | 12,297,038 | 9,006,266 | 10,683,493 |
| Amounts due from joint venture | 135,869 | 91,750 | 135,869 | 91,750 |
| Amounts due from group companies | – | – | 46,564,056 | 36,371,999 |
| Amounts due from associates | 653 | – | 653 | – |
| Other debtors | 102,926 | 59,508 | 41,471 | 47,655 |
| Corporation tax recoverable | 51,181 | – | – | – |
| Prepayments and accrued income | 2,420,336 | 2,133,705 | 1,778,847 | 1,598,661 |
| | 14,247,547 | 14,582,001 | 57,527,162 | 48,793,558 |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

16. CREDITORS (amounts falling due within one year)

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | € | € | € | € |
| Trade creditors | 5,199,942 | 4,273,391 | 4,399,985 | 3,598,380 |
| Tax and social welfare *(a)* | 3,568,206 | 4,171,780 | 3,251,782 | 3,805,844 |
| Accruals and deferred income | 15,415,529 | 15,506,588 | 13,068,234 | 13,969,007 |
| Amounts due to joint venture | 53,932 | 39,352 | 53,932 | 39,352 |
| Amounts due to associates | 471,466 | – | 471,466 | – |
| Amounts owed to group companies | – | – | 9,450,000 | 7,000,000 |
| Finance lease obligations *(note 26(b))* | 18,319 | 15,551 | 1,501 | 1,501 |
| Bank Loan | 1,900,000 | 1,800,000 | – | – |
| Bank overdraft | – | 185,012 | – | – |
| | 26,627,394 | 25,991,674 | 30,696,900 | 28,414,084 |

*(a)* *Tax and social welfare comprises:*

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | € | € | € | € |
| Value added tax | 2,258,341 | 1,633,812 | 2,095,303 | 2,010,576 |
| Employment taxes | 1,279,760 | 2,222,951 | 1,126,374 | 1,556,189 |
| Corporation tax | 30,105 | 315,017 | 30,105 | 239,079 |
| | 3,568,206 | 4,171,780 | 3,251,782 | 3,805,844 |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

| 17. | CREDITORS (amounts falling after more than one year) | *2007* € | *2006* € |
|---|---|---|---|
| | *GROUP* | | |
| | Other creditors | 122,850 | 122,850 |
| | Deferred consideration | 9,456,117 | 9,000,117 |
| | Finance lease obligations (note 26(b)) | 15,666 | 28,068 |
| | Bank Loan | 3,840,000 | 8,200,000 |
| | | 13,434,633 | 17,351,035 |

18. BANK FACILITIES

Certain of the group's bank facilities are secured by fixed and floating charges over certain assets and are subject to compliance with a number of general and financial covenants.

19. PROVISIONS FOR LIABILITIES AND CHARGES

*GROUP and COMPANY*

| | *Restructuring (i)* € | *Ex-Gratia pensions (ii)* € | *Deferred taxation (iii)* € | *Total* € |
|---|---|---|---|---|
| At 31 December 2006 | 2,038,623 | 580,142 | 828,983 | 3,447,748 |
| Provided during year | 1,603,000 | 22,328 | 34,658 | 1,659,986 |
| Utilised during year | (2,512,124) | (73,086) | – | (2,585,210) |
| Released during year | – | (46,601) | – | (46,601) |
| At 31 December 2007 | 1,129,499 | 482,783 | 863,641 | 2,475,923 |

*(i)* *Restructuring*
The provision relates primarily to redundancy costs.

*(ii)* *Ex-Gratia Pensions*
This provision relates to future payments to certain former employees of The Irish Times Limited. The principal actuarial assumptions used in determining the provision were a discount rate of 4% (2006: 4.6%) and that pension costs will increase by 4% (2006: 4%) per annum. The provision includes an amount of €161,156 (2006: €191,480), which relates to a former director of the company.

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

19. PROVISIONS FOR LIABILITIES AND CHARGES (Continued)

*(iii)* *Deferred taxation*
Represents the tax effect of timing differences between depreciation and capital allowances on fixed assets and other timing differences. The deferred tax liability consists of the following amounts:

| | *2007* | *2006* |
|---|---|---|
| | *€* | *€* |
| Accelerated capital allowances | 969,822 | 1,139,655 |
| Other timing differences | (106,181) | (310,672) |
| | 863,641 | 828,983 |

20. PENSION OBLIGATIONS

The company operates two defined benefit pension schemes. One of the pension schemes is specific to the company, while the other scheme is a multi-employer pension scheme, which is operated in conjunction with a subsidiary undertaking. The schemes are funded by the payment of contributions to separately administered trust funds.

For funding purposes the contributions are based on the advice of an independent professionally qualified actuary obtained at three yearly intervals. The latest full actuarial valuations of the plans were at 1 January 2007 and used the attained age method.

The actuarial reports are not available for public inspection but all relevant information is supplied to members of the plans.

The assumptions used for the purpose of FRS 17 are based on the valuation by the schemes' actuary at 1 January 2007 updated at the balance sheet date. The valuation of liabilities has been performed using the projected unit method.

The financial assumptions used to calculate schemes liabilities at 31 December are:

| | *2007* | *2006* | *2005* |
|---|---|---|---|
| Inflation rate | 2.25% | 2.25% | 2.25% |
| Rate of increase in pensionable salaries | 4.0% | 4.0% | 4.0% |
| Rate of increase of pensions in payment | 2.0%-2.25% | 2.0%-2.25% | 2.0%−2.25% |
| Discount rate | 5.5% | 4.6% | 4.1% |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

20. PENSION OBLIGATIONS (Continued)

*GROUP*

The market value of the assets in the schemes, the expected rate of return, and the scheme liabilities were:

| | *Long term rate of return 2007* | *Value at 2007 €'000* | *Long term rate of return 2006* | *Value at 2006 €'000* | *Long tem rate of return 2005* | *Value at 2005 €'000* |
|---|---|---|---|---|---|---|
| Equities | 7.70% | 123,726 | 7.10% | 148,437 | 6.60% | 129,394 |
| Property | 5.70% | 16,687 | 6.10% | 13,328 | 5.60% | 11,840 |
| Bonds | 4.70% | 49,922 | 3.90% | 35,101 | 3.10% | 22,327 |
| Other | 2.50% | 6,072 | 2.50% | 2,072 | 2.50% | 5,582 |
| Total market value of assets | | 196,407 | | 198,938 | | 169,143 |
| Actuarial value of liability | | (206,829) | | (224,298) | | (225,860) |
| Deficit | | (10,422) | | (25,360) | | (56,717) |
| Related deferred tax asset | | 1,143 | | 2,735 | | 6,083 |
| Net pension liability | | (9,279) | | (22,625) | | (50,634) |

Analysis of amount charged to operating profit:

| *Amounts charged into operating profit:* | *2007 €'000* | *2006 €'000* |
|---|---|---|
| Current service cost | 5,940 | 6,606 |
| Settlements and curtailments | (468) | (976) |
| | 5,472 | 5,630 |

An analysis of other finance income is provided in note 6.

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

20. PENSION OBLIGATIONS (Continued)

Analysis of amounts recognised in the Statement of Total Recognised Gains and Losses:

| | *2007* | *2006* |
|---|---|---|
| | *€'000* | *€'000* |
| Actual return less expected return on assets | (18,221) | 10,089 |
| Experience gains and losses on liabilities | (4,014) | (25) |
| Changes in assumptions underlying the present value of the scheme liabilities | 33,901 | 13,188 |
| Actuarial gain recognised in statement of total recognised gains and losses | 11,666 | 23,252 |

| *Movements in deficit during the year:* | *2007* | *2006* |
|---|---|---|
| | *€'000* | *€'000* |
| Deficit at the beginning of the year | (25,360) | (56,717) |
| Movement in year: | | |
| Current service cost | (5,940) | (6,605) |
| Contributions | 6,674 | 12,915 |
| Settlements | 468 | 976 |
| Other finance income | 2,070 | 819 |
| Actuarial gain | 11,666 | 23,252 |
| Deficit at end of year | (10,422) | (25,360) |
| Related deferred tax asset | 1,143 | 2,735 |
| Deficit at end of year | (9,279) | (22,625) |

| *History of experience gains and losses* | *2007* | *2006* | *2005* | *2004* | *2003* |
|---|---|---|---|---|---|
| *Difference between the expected and actual return on scheme assets:* | | | | | |
| Amount (€'000) | (18,221) | 10,089 | 17,731 | 4,777 | 4,348 |
| Percentage of year-end scheme assets | (9.3%) | 5.1% | 10.5% | 3.4% | 4% |
| *Experience gains and losses on scheme liabilities:* | | | | | |
| Amount (€'000) | (4,014) | (25) | (2,795) | (662) | 687 |
| Percentage of the present value of the scheme liabilities | 1.9% | 0.0% | 1.2% | 0.4% | 0.5% |
| *Total amount recognised in statement of total recognised gains and losses:* | | | | | |
| Amount (€'000) | 11,666 | 23,252 | (19,871) | (11,871) | (1,269) |
| Percentage of the present value of the scheme liabilities | 5.6% | 10.4% | 8.8% | 6.6% | 1% |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

20. PENSION OBLIGATIONS (Continued)

*COMPANY*

The market value of the assets in the schemes, the expected rate of return, and the scheme liabilities were:

| | *Long term rate of return 2007* | *Value at 2007 €'000* | *Long term rate of return 2006* | *Value at 2006 €'000* | *Long tem rate of return 2005* | *Value at 2005 €'000* |
|---|---|---|---|---|---|---|
| Equities | 7.70% | 121,623 | 7.10% | 145,904 | 6.60% | 127,313 |
| Property | 5.70% | 16,395 | 6.10% | 13,104 | 5.60% | 11,650 |
| Bonds | 4.70% | 49,015 | 3.90% | 34,489 | 3.10% | 21,968 |
| Other | 2.50% | 5,980 | 2.50% | 2,041 | 2.50% | 5,487 |
| Total market value of assets | | 193,013 | | 195,538 | | 166,418 |
| Actuarial value of liability | | (203,166) | | (220,253) | | (222,023) |
| Deficit | | (10,153) | | (24,715) | | (55,605) |
| Related deferred tax asset | | 1,143 | | 2,735 | | 6,083 |
| Net pension liability | | (9,010) | | (21,980) | | (49,522) |

| *Movements in deficit during the year:* | *2007 €'000* | *2006 €'000* |
|---|---|---|
| Deficit at the beginning of the year | (24,715) | (55,605) |
| Movement in year: | | |
| Current service cost | (5,616) | (6,212) |
| Contributions | 6,320 | 12,172 |
| Settlements and curtailments | 468 | 976 |
| Other finance income | 2,043 | 812 |
| Actuarial gain | 11,347 | 23,142 |
| | (10,153) | (24,715) |
| Related deferred tax asset | 1,143 | 2,735 |
| Deficit at end of year | (9,010) | 21,980 |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

21. SHARE CAPITAL

| | *2007* | *2006* |
|---|---|---|
| | € | € |
| *GROUP AND COMPANY* | | |
| *Authorised, allotted, called up and fully paid:* | | |
| 500,000 ordinary shares of €1.25 each | 625,000 | 625,000 |
| 110 preference shares of €1.25 each | 138 | 138 |
| | 625,138 | 625,138 |

In accordance with the memorandum of association of the company, no portion of the income and property of the company can be paid or transferred, directly or indirectly, by way of dividend, bonus or otherwise, to members of the company except that the holders of all the preference shares retain their entitlement to repayment at par of the amount of capital paid up thereon (€1.25 per share) in a winding up or dissolution of the company.

The ordinary shares are non-voting shares.

22. RECONCILIATION OF SHAREHOLDERS' FUNDS

| *GROUP* | *Share capital* | *Capital conversion reserve fund* | *Profit and loss account* | *Total* |
|---|---|---|---|---|
| | € | € | € | € |
| At beginning of year | 625,138 | 9,871 | 98,657,475 | 99,292,484 |
| Profit for financial year | – | – | 18,761,231 | 18,761,231 |
| Net actuarial gain on defined benefit pension scheme | – | – | 10,074,000 | 10,074,000 |
| Current tax on defined benefit pension scheme | – | – | 349,000 | 349,000 |
| At end of year | 625,138 | 9,871 | 127,841,706 | 128,476,715 |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

22. RECONCILIATION OF SHAREHOLDERS' FUNDS (Continued)

| *COMPANY* | *Share capital* | *Capital conversion reserve fund* | *Profit and loss account* | *Total* |
|---|---|---|---|---|
| | € | € | € | € |
| At beginning of year | 625,138 | 9,871 | 102,929,487 | 103,564,496 |
| Profit for financial year | – | – | 21,850,858 | 21,850,858 |
| Net actuarial gain on defined benefit pension scheme | – | – | 9,755,000 | 9,755,000 |
| Current tax on defined benefit pension scheme | – | – | 349,000 | 349,000 |
| At end of year | 625,138 | 9,871 | 134,884,345 | 135,519,354 |

23. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

| | *2007* | *2006* |
|---|---|---|
| | € | € |
| Operating profit | 20,323,637 | 21,566,024 |
| Amortisation of intangible assets | 2,359,909 | 501,163 |
| Depreciation of tangible fixed assets | 7,287,666 | 6,746,199 |
| Decrease (increase) in stocks | 145,676 | (242,715) |
| Increase (decrease) in debtors | 396,173 | (1,318,599) |
| Increase in creditors | 1,018,541 | 2,459,791 |
| Decrease in operating provisions | (2,208,483) | (10,292,934) |
| Net cash inflow from operating activities | 29,323,119 | 19,418,929 |

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | *2007* | *2006* |
|---|---|---|
| | € | € |
| (Decrease) increase in cash | (936,350) | 5,149,488 |
| Decrease (increase) in overdraft | 185,012 | (185,012) |
| | (751,338) | 4,964,476 |
| Decrease (increase) in debt | 4,260,000 | (10,000,000) |
| Capital element of finance lease repaid | 9,634 | 2,610 |
| New finance lease | – | (44,728) |
| Movement in net funds in the year | 3,518,296 | (5,077,642) |
| Net funds at beginning of year | 24,238,628 | 29,316,270 |
| Net funds at end of year | 27,756,924 | 24,238,628 |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

25. ANALYSIS OF CHANGES IN NET FUNDS

| | *At 31 December 2006* | *Cash flow* | *At 31 December 2007* |
|---|---|---|---|
| | € | € | € |
| Cash | 34,467,259 | (936,350) | 33,530,909 |
| Bank overdraft | (185,012) | 185,012 | – |
| Bank Loan | (10,000,000) | 4,260,000 | (5,740,000) |
| Finance leases | (43,619) | 9,634 | (33,985) |
| | 24,238,628 | 3,518,296 | 27,756,924 |

26. COMMITMENTS

(a) *Capital commitments – group and company*

Capital commitments contracted for but not provided at 31 December 2007 amount to €3,938,000 (2006: €Nil). Capital commitments not contracted for and not provided at 31 December 2007 amounted to €Nil (2006: €Nil).

(b) *Finance leases – group and company*

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2007* | *2006* | *2007* | *2006* |
| | € | € | € | € |
| Finance lease obligations, net of interest, are due as follows: | | | | |
| Within one year | 18,319 | 15,551 | 1,501 | 1,501 |
| After one but within 5 years | 15,666 | 28,068 | – | – |
| | 33,985 | 43,619 | 1,501 | 1,501 |

(c) *Operating leases*

The group has operating lease commitments payable in the next twelve months of €2,491,402, which expire as follows:

| *GROUP* | *Land and buildings* | *Other* | *Total* |
|---|---|---|---|
| | € | € | € |
| Within one year | 960 | 76,646 | 77,606 |
| Between one and five years | 30,000 | 289,532 | 319,532 |
| In over five years | 2,094,264 | – | 2,094,264 |
| | 2,125,224 | 366,178 | 2,491,402 |

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

26. COMMITMENTS (Continued)

| *COMPANY* | *Land and buildings* | *Other* | *Total* |
|---|---|---|---|
| | *€* | *€* | *€* |
| Within one year | – | 65,872 | 65,872 |
| Between one and five years | – | 269,810 | 269,810 |
| In over five years | 1,700,000 | – | 1,700,000 |
| | 1,700,000 | 335,682 | 2,035,682 |

27. CONTINGENT LIABILITIES

There were no material contingent liabilities affecting the group or the company at 31 December 2007.

28. GUARANTEES

Pursuant to the provisions of Section 17, Companies (Amendment) Act, 1986, the Company guarantees the liabilities of the following subsidiaries for the financial year ended 31 December 2007 and, as a result, those subsidiaries will be exempted from the filing provisions of Section 7, Companies (Amendment) Act, 1986:

Itronics Limited
Sharmal Limited
MyHome Limited
D'Olier investments Limited
Irish Racing Services Limited
DigitalworX Limited

29. GROUP RELATIONSHIPS AND CONTROLLING PARTIES

The company is a wholly owned subsidiary of The Irish Times Holdings, a company incorporated in the Republic of Ireland that does not prepare consolidated financial statements. The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up, and of which the company is a member, is The Irish Times Trust Limited, a company incorporated in the Republic of Ireland. The ultimate controlling party is The Irish Times Trust Limited. The consolidated financial statements of The Irish Times Trust Limited are filed in the Companies Registration Office, Parnell House, Parnell Square, Dublin 1.

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**for the year ended 31 December 2007 (Continued)**

30. RELATED PARTY TRANSACTIONS

The company has availed of the exemption provided in FRS 8 “Related Party Transactions” for subsidiary undertakings 90% or more of whose voting rights are controlled within the group, from the requirements to give details of transactions with entities that are part of the group or investees of the group qualifying as related parties.

During the year the group entered into transactions in the ordinary course of business with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

| | *Sales to related party* € | *Purchases from related party* € | *Amounts owed to related party* € | *Amounts owed by related party* € |
|---|---|---|---|---|
| Fortunegreen Limited | 1,555,654 | – | 53,932 | 135,869 |
| Gloss Publications Limited | – | 45,180 | 9,534 | – |
| Entertainment Media Networks Limited | 23,582 | 6,372 | 471,466 | 653 |

31. SUBSEQUENT EVENTS

A subsidiary undertaking, D’Olier Investments limited, acquired on 25 April 2008 a further 8.15% of the share capital of Relevance Publishing Limited, publisher of the Gazette titles.

32. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved and authorised for issue the consolidated financial statements in respect of the financial year ended 31 December 2007 on 2 September 2008.