Company Registration Number 22796

THE WESTERN GAZETTE COMPANY LIMITED

Report and Financial Statements

28 September 2008

REPORT AND FINANCIAL STATEMENTS 2008

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Anderson-Dixon	(appointed 24 October 2008)
J Dean	
S Irvine	(appointed 5 January 2009)
M P Pelosi	

SECRETARY

P S Collins

REGISTERED OFFICE

Northcliffe Accounting Centre
PO Box 6795
St George Street
Leicester
LE1 1ZP

SOLICITORS

Foot Anstey
21 Derry's Cross
Plymouth
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BANKERS

The Royal Bank of Scotland plc
PO Box 34
15 Bishopsgate
London
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AUDITORS

Deloitte LLP
London

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, the audited financial statements and auditors' report for the year ended 28 September 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company is a wholly owned subsidiary of Daily Mail and General Trust plc and operates as part of the group's Northcliffe Media division.

The company's principal activities are the publishing of newspapers in Somerset and Dorset. The directors are not aware, at the date of this report, of any likely changes in the company's activities in the forthcoming financial year.

The performance of the Northcliffe Media division of Daily Mail and General Trust plc, which includes the company, is discussed in the group's Annual Report (available on www.dmgt.co.uk) which does not form part of this Report.

As shown in the company's profit and loss account on page 7, the company's operating profit has decreased by £890,000 (44.1%). This reduction is largely attributable to lower advertising revenues, which were £678,000 (12.7%) lower this year, with property (down 30%) and motors (down 24%) revenues both performing particularly poorly. In addition, staff costs and promotional costs were higher than last year.

The profit of the company for the financial year after taxation amounted to £801,000 (2007: £1,389,000). In addition to this, an amount due to a fellow subsidiary undertaking of £1,200,000 (2007: £nil) was waived during the year, which went through reserves.

The directors have not paid a dividend for the year (2007: £45.00 per share).

The Board monitors the company's performance in a number of ways, including key performance indicators. The key performance indicators, together with the information for 2008 and 2007, are as follows:

	2008	2007	% movement
Advertising revenues	£4,646,000	£5,324,000	(12.7%)
Circulation revenues	£884,000	£863,000	2.4%
Other revenues	£296,000	£293,000	1.0%
Total turnover	£5,826,000	£6,480,000	(10.1%)
Operating profit	£1,126,000	£2,016,000	(44.1%)
% operating profit margin	19.3%	31.1%	(11.8%)
Employees (average number)	80	79	1.3%
Net assets	£3,026,000	£1,025,000	195.2%

The balance sheet on page 8 of the financial statements shows that the company's financial position at the year-end has improved by £2,001,000 in net asset terms, compared to the prior year. This was due to the profit for the year not being paid as dividends and the aforementioned loan waiver.

The company is financed by Sterling inter company accounts and equity share capital under Daily Mail and General Trust plc group arrangements. The Daily Mail and General Trust plc group has a centralised treasury function.

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Our business operates in highly competitive environments that can be subject to rapid change. Our products and services, and their means of delivery, may be affected by technological innovations, changing legislation, competitor activity or changing customer behaviour. A structural change in the advertising market, resulting in significant advertising moving away from our traditional products to the internet, could significantly affect our results. We will continue to develop new opportunities and respond to threats, and will continue to invest in core brands and products and adapt in order to remain competitive.

General economic conditions and the financial health of our customers affect the performance of our business. A significant proportion of our revenue is derived from advertising spending which has historically been cyclical, with companies spending less on advertising in times of economic slowdown. We are also exposed to the risk that consumer and business spending patterns change. This may affect the demand for our products and services. Increasing unemployment levels, reducing house prices and a general lack of consumer confidence are all impacting adversely on our business. The directors are actively looking to generate new revenue streams and to reduce costs to offset the impact of the economic downturn.

ENVIRONMENT

The Daily Mail and General Trust plc group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group Annual Report. Initiatives designed to minimise the company's net impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

DIRECTORS AND THEIR INTERESTS

The names of the current directors of the company, all of whom held office throughout the year, except where stated, are set out on page 1. In addition, M J Hindley resigned as director on 24 October 2008 and A J Hazell resigned as a director on 5 January 2009.

No director of the company has or had a disclosable interest in any contract of significance at any time during the year or the prior year.

EMPLOYEES

Details of the number of employees and related costs can be found in note 4 to the financial statements.

Applications for employment by disabled people are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

SUPPLIER PAYMENT POLICY

As stated in note 10 to these financial statements, the company's purchase ledger is operated by Northcliffe Media Limited ("Northcliffe"), the parent company. Northcliffe's policy on supplier payments is to agree to terms of payment at the time of placing an order for goods or services. Unless different terms have been negotiated at the outset, the normal payment terms of the supplier will be accepted. The company makes every effort to abide by the terms agreed with each supplier.

Trade creditors for Northcliffe as at 28 September 2008 were equivalent to 19 days (2007: 16 days) purchases, based on the average daily amount invoiced by suppliers during the year.

DIRECTORS' REPORT (continued)

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made by the company in the year amounted to £2,523 (2007: £2,389). There were no political donations made by the company in the year (2007: £nil).

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

P S Collins
Secretary

Date 23rd January 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. 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 whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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 Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE WESTERN GAZETTE COMPANY LIMITED

We have audited the financial statements of The Western Gazette Company Limited for the year ended 28 September 2008 which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses, the reconciliation of movements in shareholders' funds and the related notes 1 to 18. 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 235 of the Companies Act 1985. 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' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 September 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP.

DELOITTE LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

Date 9/2/09

PROFIT AND LOSS ACCOUNT
Year ended 28 September 2008

	Note	2008 £'000	2007 £'000
TURNOVER	2	5,826	6,480
OPERATING PROFIT	3	1,126	2,016
Tax on profit on ordinary activities	6	(325)	(627)
PROFIT FOR THE FINANCIAL YEAR	13	801	1,389

All activities relate to continuing operations.

The company has no recognised gains and losses other than the profit for the current and prior financial year above and, accordingly, no separate statement of total recognised gains and losses has been presented.

BALANCE SHEET
At 28 September 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
FIXED ASSETS					
Tangible assets	8		232		251
CURRENT ASSETS					
Debtors					
- amounts falling due within one year	9	16,729		11,810	
Cash at bank and in hand		-		7	
		16,729		11,817	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(13,935)		(11,043)	
NET CURRENT ASSETS			2,794		774
NET ASSETS			3,026		1,025
CAPITAL AND RESERVES					
Called up share capital	12		200		200
Other reserves	13		47		47
Revaluation reserve	13		5		10
Profit and loss account	13		2,774		768
SHAREHOLDERS' FUNDS			3,026		1,025

These financial statements were approved by the Board of Directors on 23 January 2009.

Signed on behalf of the Board of Directors

S Irvine
Director

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 28 September 2008

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	1,126	2,016
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on revalued amounts	5	5
Historical cost profit on ordinary activities before taxation	1,131	2,021
Historical cost profit on ordinary activities after taxation	806	1,394

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 28 September 2008

	2008 £'000	2007 £'000
Profit for the financial year	801	1,389
Dividends	-	(1,800)
Waiver of amounts due to fellow group undertakings (note 13)	1,200	-
Net increase/(decrease) in shareholders' funds	2,001	(411)
Opening shareholders' funds	1,025	1,436
Closing shareholders' funds	3,026	1,025

NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 September 2008

1. ACCOUNTING POLICIES

The company's financial year is the 52 week period ended 28 September 2008. The comparative figures are for the 52 week period ended 30 September 2007. The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom. A summary of accounting policies, which have been applied consistently throughout the current and the prior financial year, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain tangible fixed assets.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation, adjusted for the revaluation of certain properties.

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

The company has not adopted a policy of revaluation but, in line with FRS 15, 'Tangible fixed assets', is carrying certain tangible fixed assets at amounts reflecting revaluations made prior to the implementation of the standard.

Depreciation

Depreciation is calculated to amortise the cost of tangible assets by equal annual instalments over their estimated useful lives as follows:

Freehold buildings	10 to 50 years
Fixtures, plant, equipment, and motor vehicles	4 to 12 years

Freehold land is not depreciated.

Depreciation on freehold buildings and leasehold properties is based on cost or valuation where properties have been revalued.

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Taxation

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

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 September 2008

1. ACCOUNTING POLICIES (continued)

Pension costs

The company participates in a defined benefit pension scheme which includes members from other companies within the Daily Mail and General Trust plc group. The company is unable to identify its share of the underlying assets and liabilities within the scheme and accounts for the scheme as a defined contribution scheme. In the opinion of the directors, the company's membership of the scheme falls within the multi-employer provisions of FRS 17 "Retirement benefits" and will be accounted for as if it were a defined contribution scheme.

The amount charged to the profit and loss account in respect of pension costs is the contribution payable for the year.

Cash flow statement

The company is a wholly owned subsidiary of Daily Mail and General Trust plc and the cash flows of the company are included in the consolidated cash flows of Daily Mail and General Trust plc.

Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

2. TURNOVER

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied and is stated after the deduction of trade discounts. Revenue is recognised on the publication of advertising or on the sale of newspapers and other publications. Other revenue is recognised as the goods or services are provided.

Turnover consists entirely of sales made in the United Kingdom and is attributable to the principal activity of the company.

3. OPERATING PROFIT

	2008		2007	
	£'000	£'000	£'000	£'000
Turnover		5,826		6,480
Other operating charges	(2,857)		(2,592)	
Auditors' remuneration - audit fees	(8)		(7)	
Amounts paid under operating leases:				
- plant and machinery	(15)		(10)	
Total other operating charges	(2,880)		(2,609)	
Staff costs	(1,736)		(1,632)	
Depreciation - owned assets	(84)		(119)	
Staff severance costs	-		(104)	
		(4,700)		(4,464)
Operating profit		1,126		2,016

NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 September 2008

4. EMPLOYEES

The average number of persons employed by the company by activity:	2008 No.	2007 No.
Publishing	80	79

Total staff costs comprised:	£'000	£'000
Wages and salaries	1,494	1,403
Social security costs	109	100
Pension costs	133	129
	1,736	1,632

Staff costs and numbers include directors, except as disclosed in note 5.

5. DIRECTORS' EMOLUMENTS

The emoluments of the directors of the company were as follows:	2008 £'000	2007 £'000
Aggregate emoluments (including benefits)	84	98
Compensation for loss of office	-	70
	84	168

Included within the aggregate emoluments figure above are £15,000 (2007: £26,000) of performance related bonuses payable to certain directors by Northcliffe Media Limited, the parent company. These costs are not recharged to the company.

Of the directors at 28 September 2008 who received emoluments during the year, retirement benefits are accruing to one under a defined benefit scheme (2007: one).

The emoluments of A J Hazell are paid by Cornwall & Devon Media Limited and are excluded from the details above. It is not practicable to split his remuneration between the services provided to Cornwall & Devon Media Limited and fellow group companies. His remuneration is fully disclosed in the financial statements of Cornwall & Devon Media Limited.

The emoluments of M P Pelosi and M J Hindley are paid by Northcliffe Media Limited and are excluded from the details above. It is not practicable to split their remuneration between the services provided to Northcliffe Media Limited and its subsidiary companies. Their remuneration is fully disclosed in the financial statements of Northcliffe Media Limited.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 September 2008

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £'000	2007 £'000
Corporation tax		
Corporation tax charge for the year	336	633
Over provision from prior years	(10)	-
	326	633
Deferred tax		
Timing differences, origination and reversal (see note 11)	(1)	(6)
Tax on profit on ordinary activities	325	627

The current tax rate for the year is 29% (2007: 30%). This is calculated at a blended rate, based on UK standard rates of corporation tax, of 30% to 31 March 2008 and 28% from 1 April 2008. The current tax charge for the year is less than 29% (2007: more than 30%) for the reasons set out in the following reconciliation:

	£'000	£'000
Profit on ordinary activities before taxation	1,126	2,016
Tax on profit on ordinary activities at standard rate	327	605
Factors affecting the charge:		
Disallowable expenses	2	2
Capital allowances - timing differences	(20)	12
Other short-term timing differences	27	14
Over provision from prior years	(10)	-
	326	633

7. DIVIDENDS

	2008 £'000	2007 £'000
Ordinary dividend paid of £nil (2007: £45.00) per share	-	1,800

NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 September 2008

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Fixtures, plant, equipment, and motor vehicles £'000	Total £'000
Cost or valuation			
At 1 October 2007	368	789	1,157
Additions	-	65	65
Disposals	-	(452)	(452)
At 28 September 2008	368	402	770
Accumulated depreciation			
At 1 October 2007	280	626	906
Charge for the year	19	65	84
Disposals	-	(452)	(452)
At 28 September 2008	299	239	538
Net book value			
At 28 September 2008	69	163	232
At 30 September 2007	88	163	251

Cost or valuation at 28 September 2008 is represented by:

	£'000	£'000	£'000
Cost	32	402	434
Valuation	336	-	336
	368	402	770

Land and buildings at Sherborne Road, Yeovil, were revalued at March 1998 by the directors at open market value for existing use. The company has taken advantage of the transitional provisions of FRS 15 and retained the book amounts of certain freehold properties which were revalued prior to the implementation of the standard.

If the freehold land and buildings had not been revalued, they would have been included in the following amounts:

	2008 £'000	2007 £'000
Historical cost	305	305
Depreciation based on cost	(241)	(227)
Net book value	64	78

NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 September 2008

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Trade debtors	312	387
Amounts owed by group undertakings	16,288	11,325
Prepayments and accrued income	110	80
Deferred tax asset (note 11)	19	18
	16,729	11,810

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Trade creditors	10	-
Amounts owed to group undertakings	12,718	9,410
Corporation tax	969	1,250
Other taxation and social security	68	256
Accruals and deferred income	170	127
	13,935	11,043

The purchase ledger is operated by Northcliffe Media Limited, a parent company.

11. DEFERRED TAXATION ASSET

	£'000
At 1 October 2007 (note 9)	18
Movement for the year (note 6)	1
At 28 September 2008 (note 9)	19

Deferred taxation assets provided in the financial statements are analysed as follows:

	2008 £'000	2007 £'000
Accelerated capital allowances	21	23
Other timing differences	(2)	(5)
	19	18

A deferred tax asset of £19,000 has been recognised at 28 September 2008 (2007: £18,000). The directors are of the opinion, based on recent and forecast trading, that the level of profits in the current and future years make it more likely than not that the asset will be recovered. There is no unprovided deferred taxation.

Deferred taxation is expected to reverse at 28% (2007: 28%).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 September 2008

12. CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised, allotted, called up and fully paid		
40,000 ordinary shares of £5 each	200	200

13. STATEMENT OF MOVEMENTS IN RESERVES

	Profit and loss account £'000	Revaluation reserve £'000	Other reserves £'000
At 1 October 2007	768	10	47
Transfer	5	(5)	-
Profit for the financial year	801	-	-
Waiver of amounts due to fellow group undertakings	1,200	-	-
At 28 September 2008	2,774	5	47

At 1 October 2007, an amount of £1,200,000 was due to Ex BNM Limited, a fellow subsidiary undertaking. On 5 October 2007, £1,188,000 of the amount due was waived by that company and on 1 April 2008, a further £12,000 was waived, leaving £1 remaining at 28 September 2008 due to Ex BNM Limited.

14. FINANCIAL COMMITMENTS

At 28 September 2008 and 30 September 2007, the company had annual commitments under non-cancellable operating leases as follows:

	2008 Plant and machinery £'000	2007 Plant and machinery £'000
Expiring:		
- within two to five years	14	2

15. CONTINGENT LIABILITIES

Certain undertakings within the Northcliffe Media group are included in a group VAT registration. The contingent liability of The Western Gazette Company Limited under the group VAT registration at 28 September 2008 was £4,847,000 (2007: £12,785,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 September 2008

16. PENSION ARRANGEMENTS

The company operates pension schemes under which contributions are paid by the employer and employees.

The schemes for most employees are defined benefit pension arrangements, providing service-related benefits based on final pensionable salary. The assets of the schemes are held independently from the company's finances and are administered by trustee companies. The most recent actuarial valuation of the schemes, upon which the current contributions are based, was carried out as at 31 March 2007 using the projected unit credit method.

On 30 November 2007 the members, assets and liabilities of the Mail Newspapers Pension Scheme (MNPS) were merged into the Harmsworth Pension Scheme which is the principal scheme for the company. As a condition of the merger Daily Mail and General Trust plc, as the principal employer, has provided letters of credit for £40 million to cover the period to 1 December 2011. The Trustee would have a call on this contingent asset in the event that the newly combined scheme begins to be wound up before 1 December 2011 and the assets of the scheme are insufficient to provide benefits in full for all members.

During the year, the trustee companies amended their procedure for appointing company-appointed and member-nominated directors in compliance with revised trust documentation and new legislation. This has resulted, in the case of the trustee company of the principal scheme, in a trustee board comprising four member-nominated directors, four company-appointed directors who are employees of Daily Mail and General Trust plc, and an independent chairman who is company-appointed. The new arrangements have been communicated to scheme members.

The funding strategy agreed with the trustee of the principal scheme made allowance for assumed future investment returns on the scheme's assets of 3.3% p.a. above price inflation, compared with the real return of some 2.6% p.a. implicit within the calculation of the Technical Provisions (i.e. the value of the scheme's benefit liabilities). Daily Mail and General Trust plc agreed with the Trustee that this margin would be covered by a contingent asset and Daily Mail and General Trust plc has put in place a letter of credit (to be updated annually) of an amount sufficient to cover any potential shortfall in this additional investment return arising prior to the next triennial valuation. As at 28 September 2008, the letter of credit had a value of £21.8 million (2007: £nil). In addition the company is paying annual cash contributions of 18% of members' scheme salaries (2007: 18%).

Other key financial assumptions adopted were as follows:

Long-term assumed rate of	
Price inflation	3.0% pa
Salary increases	4.3% pa
Pension increases (on excess over GMP)	3.0% pa
Discount rate for accrued liabilities	
Pre-retirement	6.4% pa
Post-retirement	4.8% pa

The financial assumptions shown above used in the most recent actuarial valuation were selected to provide a basis for funding the schemes and are not intended to reflect the company's experience or policy regarding pay in any one financial year.

The valuation of the principal scheme showed that the combined accumulated assets of the scheme as at 31 March 2007 represented 99% of the scheme's Technical Provisions in respect of past service benefits. The scheme remains open to eligible new employees.

Members are able to make additional voluntary contributions (AVCs) into unit-linked funds held within each scheme. No benefit obligation arises to the Daily Mail and General Trust plc, or the company, from these AVCs and the related unit-linked AVC assets have been excluded from the valuation of assets and liabilities reported below.

The pension charge for the year ended 28 September 2008 was £133,000 (2007: £129,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 September 2008

16. PENSION ARRANGEMENTS (continued)

Included in debtors in 2007 was an advance payment into the pension schemes amounting to £18,000. In accordance with the provisions of the contribution schedules for the schemes, the company has not made an advance payment in 2008, but will be making regular monthly contribution payments from October 2008.

FRS 17 'Retirement Benefits'

The Western Gazette Company Limited is unable to identify its share of the underlying assets and liabilities in the defined benefit schemes in which it participates. The schemes are operated on an aggregate basis with no segregation of the assets to individual participating employers and, therefore, the same contribution rate is charged to all participating employers (i.e. the contribution rate charged to each employer is affected by the experience of the schemes as a whole). The scheme is therefore accounted for as a defined contribution scheme by the company. This means that the pension charge reported in these financial statements is the same as the cash contributions due in the period.

The ultimate UK parent company, Daily Mail and General Trust plc, is required to account for the defined benefit scheme under International Accounting Standard 19 "Employee Benefits" ("IAS 19"). The IAS 19 disclosures in the Annual Report and Accounts of Daily Mail and General Trust plc have been based on calculations performed as part of the work carried out for the formal valuation of the main schemes as at 31 March 2007, and adjusted to 28 September 2008 by the actuary. The calculations are adjusted to allow for the assumptions and actuarial methodology required by IAS 19. These showed that the market value of the now merged principal scheme's assets was £1,322.5 million (2007: £650.0m) and that the actuarial value of these assets represented 99% (2007: 106%) of the benefits that had accrued to members (also calculated in accordance with IAS 19) resulting in a reported deficit of £16.5 million at 28 September 2008 (2007: £35.3m surplus). The size of the surplus or deficit in the scheme impacts on the calculations undertaken by the actuary to determine the cash funding (contributions) required from the companies that participate in the scheme. The valuations and disclosures required under IAS 19 for the financial statements of Daily Mail and General Trust plc are not materially different to the valuations and disclosures required under FRS 17.

Stakeholder Pensions

The company provides access to a stakeholder pension plan for relevant employees who are not eligible for other pension schemes operated by the group.

17. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under FRS 8, 'Related party disclosures', not to disclose related party transactions between companies which are 90% owned by the ultimate parent company.

18. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is 100% owned by Northcliffe Media Limited.

The directors regard the ultimate parent company as Rothermere Continuation Limited, a company incorporated in Bermuda. The ultimate controlling party is The Viscount Rothermere, the Chairman of Daily Mail and General Trust plc.

The largest and smallest group of which the company is a member and for which group financial statements are drawn up is that of Daily Mail and General Trust plc, registered in England and Wales. Copies of the report and financial statements are available from:

The Company Secretary
Daily Mail and General Trust plc
Northcliffe House
2 Derry Street
Kensington
London
W8 5TT