

**THE WESTERN GAZETTE COMPANY
LIMITED**

Report and Financial Statements

1 October 2006



REPORT AND FINANCIAL STATEMENTS 2006

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Dean
A J Hazell (appointed 6 April 2006)
M J Hindley (appointed 3 April 2006)
M P Pelosi (appointed 3 April 2006)

SECRETARY

P S Collins

REGISTERED OFFICE

Northcliffe Accounting Centre
PO Box 6795
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Leicester
LE1 1ZP

SOLICITORS

Foot Anstey
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Plymouth
Devon
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BANKERS

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

Deloitte & Touche 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 1 October 2006

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 Newspapers division

The company's principal activities are the publishing of newspapers in Somerset. 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 Newspapers division of Daily Mail and General Trust plc, which includes the company, is discussed in the group's annual report which does not form part of this report

As shown in the company's profit and loss account on page 7, the company's sales have decreased by £108,000 (1.6%) over the prior year but operating profit has increased by £793,000 (62.1%). Operating profit was adversely affected by a 1.7% decrease in advertising revenues, together with increased newsprint and energy prices, more than offset, however, by headcount reductions and other cost savings. In addition, a special payment of £395,000 was made in 2005 into the Harmsworth Senior Executive Pension Fund (2006 - £nil)

The profit of the company for the financial year after taxation amounted to £1,440,000 (2005 - restated £885,000)

The directors paid a dividend of £50.30 (2005 - £25.00) 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 2006 and 2005, are as follows

	2006	2005 (restated)	% movement
Advertising revenues	£5,343,000	£5,436,000	(1.7%)
Other revenues	£1,193,000	£1,208,000	(1.2%)
Total turnover	£6,536,000	£6,644,000	(1.6%)
Operating profit	£2,069,000	£1,276,000	62.1%
% operating profit margin	31.7%	19.2%	12.5%
Employees (average number)	87	102	(14.7%)
Net assets	£1,436,000	£2,008,000	(28.5%)

The balance sheet on page 8 of the financial statements shows that the company's financial position at the year-end has deteriorated in net asset terms, compared to the prior year. This was due to dividends being declared and paid during the year, partly out of reserves built up in prior financial years

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

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

DIRECTORS' REPORT (continued)

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 current directors of the company, with dates of appointment, are set out on page 1. In addition, A R J Calvert resigned on 6 April 2006, C L O'Donnell resigned on 19 May 2006 and M J Heal resigned on 20 October 2006.

Options to subscribe for 'A' ordinary non-voting shares of Daily Mail and General Trust plc are as follows:

	At 6 Apr 2006	Options granted	Options exercised	At 1 Oct 2006	Exercise price	Date at which exercisable	Expiry date
A J Hazell	8,000	-	-	8,000	£6.45	14 Dec 2004	14 Dec 2011
A J Hazell	10,000	-	-	10,000	£5.73	16 Dec 2005	16 Dec 2012
A J Hazell	3,500	-	-	3,500	£6.07	08 Dec 2006	08 Dec 2013
A J Hazell	3,000	-	-	3,000	£7.23	06 Dec 2007	06 Dec 2014
	<u>24,500</u>	<u>-</u>	<u>-</u>	<u>24,500</u>			

The interests of M J Hindley in Daily Mail and General Trust plc are disclosed in the annual report of Northcliffe Newspapers Group Limited.

The interests of M P Pelosi in Daily Mail and General Trust plc are disclosed in the annual report of Daily Mail and General Holdings Limited.

No other director of the company at 1 October 2006 had any interests in the shares of any group companies at any time during the year.

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

DIRECTORS' REPORT (continued)

SUPPLIER PAYMENT POLICY

The company'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 the company as at 1 October 2006 were equivalent to 18 days (2005 - 15 days) purchases, based on the average daily amount invoiced by suppliers during the year.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made by the company in the year amounted to £2,120 (2005 - £1,747). There were no political donations made by the company in the year (2005 - £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 & Touche 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

18th December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report including the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP)

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the profit or loss of the company for that period. The financial statements should also comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed, and
- (d) 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 1 October 2006 which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses, the reconciliation of movement in shareholders' funds, the statement of total recognised gains and losses and the related notes 1 to 19. 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 1 October 2006 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 & Touche LLP.

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

Date *22 December 2006*

THE WESTERN GAZETTE COMPANY LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 1 October 2006

	Note	2006 £'000	2005 £'000 (as restated - see note 17)
TURNOVER	2	<u>6,536</u>	<u>6,644</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	2,069	1,276
Tax on profit on ordinary activities	6	<u>(629)</u>	<u>(391)</u>
PROFIT FOR THE FINANCIAL YEAR	13	<u>1,440</u>	<u>885</u>

All activities relate to continuing operations

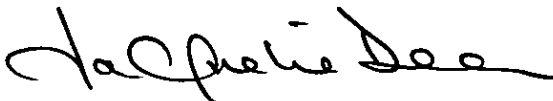
THE WESTERN GAZETTE COMPANY LIMITED

BALANCE SHEET
At 1 October 2006

	Note	2006		2005	
		£'000	£'000	£'000	£'000
				(as restated - see note 17)	
FIXED ASSETS					
Tangible assets	8		366		425
CURRENT ASSETS					
Debtors				18,838	
- amounts falling due within one year	9	8,182		30	
Cash at bank and in hand		-			
		<u>8,182</u>		<u>18,868</u>	
CREDITORS: amounts falling due within one year	10	<u>(7,112)</u>		<u>(17,285)</u>	
NET CURRENT ASSETS			1,070		1,583
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,436</u>		<u>2,008</u>
NET ASSETS			<u>1,436</u>		<u>2,008</u>
CAPITAL AND RESERVES					
Called up share capital	12		200		200
Other reserves	13		47		47
Revaluation reserve	13		15		25
Profit and loss account	13		1,174		1,736
TOTAL SHAREHOLDERS' FUNDS			<u>1,436</u>		<u>2,008</u>

These financial statements were approved by the Board of Directors on 18th December 2006

Signed on behalf of the Board of Directors



J Dean
Director

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 1 October 2006

	2006 £'000	2005 £'000 (as restated - see note 17)
Profit on ordinary activities before taxation	2,069	1,276
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	<u>2,074</u>	<u>1,281</u>
Historical cost profit for the year after taxation	<u>1,445</u>	<u>890</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
Year ended 1 October 2006

	2006 £'000	2005 £'000 (as restated - see note 17)
Profit on ordinary activities after taxation	1,440	885
Dividends	(2,012)	(1,000)
Net decrease in shareholders' funds	(572)	(115)
Opening shareholders' funds	<u>2,008</u>	<u>2,123</u>
Closing shareholders' funds	<u>1,436</u>	<u>2,008</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 1 October 2006

	2006 £'000	2005 £'000 (as restated - see note 17)
Profit on ordinary activities after taxation	1,440	885
Total recognised gains relating to the year	<u>1,440</u>	<u>885</u>
Prior year adjustment (as explained in note 17)	(276)	-
	<u>1,164</u>	<u>885</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 1 October 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described 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 1 October 2006

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.

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 publication of advertising or sale of newspapers. Other revenue is recognised as the goods or services are provided.

Turnover consists entirely of sales made in the United Kingdom.

3. OPERATING PROFIT	2006	2005
	£'000	£'000
	£'000	£'000
		(as restated – see note 17)
Turnover	6,536	6,644
Other operating charges	(2,546)	(2,885)
Auditors' remuneration - audit fees	(6)	(7)
Amounts paid under operating leases		
- plant and machinery	(14)	(14)
Total other operating charges	(2,566)	(2,906)
Staff costs	(1,780)	(2,337)
Depreciation - owned assets	(121)	(125)
	<u>(4,467)</u>	<u>(5,368)</u>
Operating profit	<u>2,069</u>	<u>1,276</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 1 October 2006

4. EMPLOYEES

	2006	2005
	No.	No.
The average number of persons employed by the company by activity		
Publishing	87	102
	<u> </u>	<u> </u>
	£'000	£'000
		(as restated - see note 17)
Total staff costs comprised		
Wages and salaries	1,516	1,626
Social security costs	107	121
Pension costs	157	590
	<u> </u>	<u> </u>
	<u>1,780</u>	<u>2,337</u>

Staff costs include directors, except as disclosed in note 5

5. DIRECTORS' EMOLUMENTS

	2006	2005
	£'000	£'000
The emoluments of the directors of the company were as follows		
Aggregate emoluments (including benefits)	177	159
	<u> </u>	<u> </u>

Included within the aggregate emoluments figure above are £27,000 (2005 - £nil) of performance related bonuses payable to certain directors by Northcliffe Newspapers Group Limited, the parent company

Of the directors at 1 October 2006 who received emoluments during the year, retirement benefits are accruing to two under a defined benefit scheme (2005 - three)

The emoluments of A R J Calvert, to the date of his resignation, were paid by Wessex Newspapers and are excluded from the details above. It is not practicable to split his remuneration between the services provided to Wessex Newspapers and fellow group companies. His remuneration is fully disclosed in the financial statements of Wessex Newspapers.

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 1 October 2006

6. TAX ON PROFIT ON ORDINARY ACTIVITIES	2006 £'000	2005 £'000 (as restated - see note 17)
Corporation tax		
Corporation tax charge for the year	617	382
Over-provision from previous year	(3)	-
	<u>614</u>	<u>382</u>
Deferred tax		
Timing differences, origination and reversal	15	9
	<u>629</u>	<u>391</u>

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 30% (2005 - 30%) The current tax charge for the year is less than 30% (2005 - restated equal to 30%) for the reasons set out in the following reconciliation

	£'000	£'000 (as restated - see note 17)
Profit on ordinary activities before tax	<u>2,069</u>	<u>1,276</u>
Tax on profit on ordinary activities at standard rate	621	382
Factors affecting the charge		
Disallowable expenses	10	7
Capital allowances - timing differences	(4)	(8)
Other short-term timing differences	(10)	1
Over-provision from previous year	(3)	-
	<u>614</u>	<u>382</u>

The company is not aware of any factors, other than the above timing differences, that may materially affect the future tax charge

7. DIVIDENDS	2006 £'000	2005 £'000
Ordinary paid of £50 30 (2005 - £25 00) per share	<u>2,012</u>	<u>1,000</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 1 October 2006

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Fixtures, plant, equipment, and motor vehicles £'000	Total £'000
Cost or valuation			
At 3 October 2005	368	826	1,194
Additions	-	68	68
Disposals	-	(109)	(109)
At 1 October 2006	368	785	1,153
Accumulated depreciation			
At 3 October 2005	217	552	769
Charge for the year	31	90	121
Disposals	-	(103)	(103)
At 1 October 2006	248	539	787
Net book value			
At 1 October 2006	120	246	366
At 2 October 2005	151	274	425

Cost or valuation at 1 October 2006 is represented by

	£'000	£'000	£'000
Cost	32	785	817
Valuation	336	-	336
	368	785	1,153

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

	2006 £'000	2005 £'000
Historical cost	305	305
Depreciation based on cost	(200)	(174)
Net book value	105	131

NOTES TO THE FINANCIAL STATEMENTS
Year ended 1 October 2006

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2006 £'000	2005 £'000 (as restated - see note 17)
Trade debtors	956	1,188
Amounts owed by group undertakings	7,116	17,495
Deferred tax asset (note 12)	12	27
Prepayments and accrued income	98	128
	<u>8,182</u>	<u>18,838</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2006 £'000	2005 £'000
Trade creditors	9	1
Amounts owed to group undertakings	6,067	15,677
Corporation tax	617	997
Other taxation and social security	339	340
Accruals and deferred income	80	270
	<u>7,112</u>	<u>17,285</u>

The purchase ledger is operated by Northcliffe Newspapers Group Limited, a parent company

11. DEFERRED TAXATION ASSET	£'000
At 3 October 2005 (as restated – see note 17)	27
Movement for the year (note 6)	(15)
	<u>12</u>
At 1 October 2006 (see note 9)	<u>12</u>

Deferred taxation provided in the financial statements is analysed as follows

	2006 £'000	2005 £'000 (as restated - see note 17)
Accelerated capital allowances	22	26
Other timing differences	(10)	1
	<u>12</u>	<u>27</u>

There is no unprovided deferred taxation. A deferred tax asset of £12,000 has been recognised at 1 October 2006 (2005 - £27,000 restated). 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 1 October 2006

12. CALLED UP SHARE CAPITAL

	2006	2005
	£'000	£'000
Authorised, allotted, called up and fully paid		
40,000 ordinary shares of £5 each	200	200
	<u>200</u>	<u>200</u>

13. STATEMENT OF MOVEMENTS ON RESERVES

	Profit and loss account	Revaluation reserve	Other reserves
	£'000	£'000	£'000
At 3 October 2005 as previously stated	2,012	25	47
Prior year adjustment (see note 17)	(276)	-	-
	<u>1,736</u>	<u>25</u>	<u>47</u>
At 3 October 2005 as restated	1,736	25	47
Profit for the financial year	1,440	-	-
Dividends paid (note 7)	(2,012)	-	-
Transfer re depreciation	10	(10)	-
	<u>1,174</u>	<u>15</u>	<u>47</u>
At 1 October 2006	1,174	15	47

14. FINANCIAL COMMITMENTS

The company had annual commitments under non-cancellable operating leases as follows

	2006	2005
	Plant and machinery	Plant and machinery
	£'000	£'000
Expiring		
- within one year	1	3
- between one and two years	13	8
	<u>14</u>	<u>11</u>
	<u>14</u>	<u>11</u>

15. CONTINGENT LIABILITIES

Certain undertakings within the Northcliffe Newspapers Group are included in a group VAT registration. The contingent liability of The Western Gazette Company Limited under the group VAT registration at 1 October 2006 was £2,135,000 (2005 - £2,754,000)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 1 October 2006

16. PENSION ARRANGEMENTS

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

Harmsworth Pension Scheme

The Harmsworth Pension Scheme is the principal scheme for the company

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 contributions payable to the schemes are determined by the trustee companies after taking advice from an independent qualified actuary, and following agreement with the company. The most recent actuarial valuation of the schemes, upon which the current contributions are based, was carried out as at 31 March 2004 and the key financial assumptions adopted were as follows

Price inflation	2.75% p a
Salary increases	4.5% p a
Pension increases	2.75% p a
Investment return	7.0% p a
Discount rate for accrued liabilities	6.6% p a

The results of the actuarial valuations of the principal schemes as at 31 March 2004 indicated an aggregate deficit of £22.1 million (after taking account of certain events that took place shortly after the valuation date). Allowing for this deficit, and the changes to the benefits under the schemes effective from 1 April 2005, the trustee companies and the company agreed to increase the employers' contribution rate from 15% to 18% of pensionable salaries with effect from 1 October 2004.

The company cash contribution rate to the principal schemes during the current year was therefore 18% of pensionable salaries (2005 – 18%).

The principal scheme has a two-tiered benefit structure represented by a "Standard" section and a "Pension +" section. In the "Standard" section, employees pay contributions of 5% of pensionable salaries and have benefits based on a normal retirement age of 65. Under the "Pension +" section, employees currently pay contributions of 7%, rising to 7.5% on 1 July 2007, and enjoy a higher benefit accrual rate and lower normal retirement age than in the "Standard" section. The scheme remains open to eligible new employees who, after one year's service, can join the "Standard" section with an option to join the "Pension +" section after a further four years' service.

The pension charge for the year ended 1 October 2006 was £157,000 (2005 restated - £590,000)

A prepayment of £66,000 (2005 restated - £nil) is included under debtors, representing advance contributions paid for the financial year ending 30 September 2007, paid in accordance with the schedule of contributions currently in force.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 October 2006

16. PENSION ARRANGEMENTS (continued)

FRS 17 'Retirement benefits'

The company 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 financial statements of Daily Mail and General Trust plc have been based on the results of the actuarial valuation of the defined benefit scheme as at 31 March 2004 adjusted to allow for the assumptions and actuarial methodology required by IAS 19 and updated to 1 October 2006 by the scheme's actuary. These showed that the market value of the principal scheme's assets was £584.2 million (2005 - £531.9m) and that the actuarial value of these assets represented 87.6% (2005 - 84.9%) of the benefits that had accrued to members (also calculated in accordance with IAS 19). 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. PRIOR YEAR ADJUSTMENT

The prior year adjustment arises as the company adopts FRS 17, 'Accounting for retirement benefits', and, as such, has ceased to account for pension costs under SSAP 24. This has resulted in the pension prepayment previously accounted for as a debtor to be removed as a prior year adjustment. The comparative figures in the other primary statements and notes have been restated to reflect the new policy.

The effect of the change in policy is summarised below:

	2005 £'000
Profit and loss account	
(Increase) in staff costs	(395)
Decrease in deferred taxation charge for the year	119
	<hr/>
(Decrease) in profit on ordinary activities after tax for the year	(276)
	<hr/> <hr/>
Balance sheet	
(Decrease) in prepayments and accrued income falling due after one year	(395)
Decrease in deferred tax liability	119
	<hr/>
(Decrease) in net assets	(276)
	<hr/> <hr/>
(Decrease) in brought forward reserves	(276)
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 1 October 2006

18. 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

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is 100% owned by Western Newspapers Limited, a wholly owned subsidiary of Northcliffe Newspapers Group 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
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