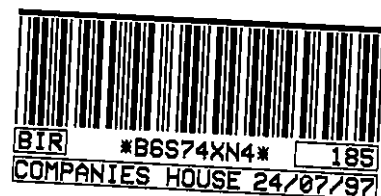


REPORT AND FINANCIAL STATEMENTS

FERNMIST LIMITED

FOR THE PERIOD ENDED 26 JULY 1996

Company Number : 3141237



FERNMIST LIMITED

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DIRECTORS' REPORT for the period ended 26 July 1996

The directors submit their report and financial statements for the period ended 26 July 1996.

Principal Activity

The company was incorporated on 22 December 1995. In February 1996 the company acquired 100% of the shares of RRN (Midlands North) Limited from its immediate parent company Newsquest Media Group Limited for £11.5 million, financed by an inter-company loan. The consideration reflected the directors valuation of RRN (Midlands North) Limited of £15 million less an inter-company loan of £3.5 million within that company.

On 26 July 1996 the valuation of RRN (Midlands North) Limited, now Newsquest (Midlands North) Limited was agreed to be £12 million. As a result Newsquest Media Group Limited agreed to waive £3 million of the loan to the company, leaving £8.5 million outstanding.

On 27 July 1996 the company was sold to Midland Independent Newspapers plc.

The company has not traded during the period.

Directors

The directors of the Company who served during the period ended 26 July 1996 are listed below.

M.E. Richards	-	Resigned 31 January 1996
P.J. Charlton	-	Resigned 31 January 1996
I.W. Aiken	-	Appointed 7 February 1996; resigned 26 July 1996
J.T. Brown	-	Appointed 7 February 1996; resigned 26 July 1996
D.G. Christie	-	Appointed 7 February 1996; resigned 26 July 1996
P. Davidson	-	Appointed 7 February 1996; resigned 26 July 1996
J.C. Pfeil	-	Appointed 7 February 1996; resigned 26 July 1996
P.A. Radburn	-	Appointed 7 February 1996; resigned 26 July 1996
E.R. Petrie	-	Appointed 26 July 1996
J. Whitehouse	-	Appointed 26 July 1996

Directors' interests

None of the directors had any interest in the share capital of the Company.

E.R. Petrie and J. Whitehouse are directors of the ultimate parent undertaking, Midland Independent Newspapers plc and their interests in the share capital of that company are shown in the Directors' Report of that company.

**DIRECTORS' REPORT (continued)
for the period ended 26 July 1996**

Auditors

Coopers & Lybrand have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company as at the end of the financial period and of its profit or loss of that group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 26 July 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board.

A handwritten signature in black ink, appearing to read 'J. Whitehouse', with a stylized flourish at the end.

J. Whitehouse
Secretary

22 July 1997

REPORT OF THE AUDITORS

To the members of Fernmist Limited

We have audited the financial statements on pages 4 to 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

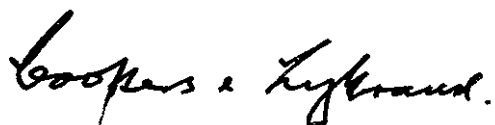
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards 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 of the state of the company's affairs at 26 July 1996, and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham

22 July 1997

FERNMIST LIMITED

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**PROFIT AND LOSS ACCOUNT
for the period ended 26 July 1996**

	Note	1996 £
Operating Income	2	3,000,000
		<hr/>
Retained profit on ordinary activities		3,000,000
		<hr/>

The company has no recognised gains or losses other than those included in the profits above, and therefore no separate statement of recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

The company commenced business on 22 December 1995 and therefore there are no comparative figures.

FERNMIST LIMITED

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BALANCE SHEET
as at 26 July 1996

	Notes	1996 £
Fixed assets		
Investments	3	11,500,000
Creditors:-		
Amounts falling due within one year	4	(8,499,999)
Equity Shareholders' Funds		<u>3,000,001</u>
Share Capital	5	1
Reserves		<u>3,000,000</u>
Equity Shareholders' Funds		<u>3,000,001</u>

The financial statements on pages 4 to 7 were approved by the board of directors on 22 July 1997 and signed on their behalf by:



E.R. Petrie
Director

22 July 1997

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 26 July 1996**1. Principal Accounting Policies**

The financial statements are prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets. The company by virtue of section 228.1(a) of the Companies Act 1985, is exempt from preparing group financial statements.

Deferred taxation

Deferred taxation is provided using the liability method on all material timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable. Full provision is made for deferred tax on timing differences arising from the provision of employee pensions.

Cash flow statement

The company is a wholly-owned subsidiary of Midland Independent Newspapers plc and the cash flow of the company is included in the consolidated cash flow statement of Midland Independent Newspapers plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities and is stated net of value added tax and sales discounts.

2. Profit and loss account

The credit to the profit and loss account relates to the waiver of a loan from Newsquest Media Group Limited.

3. Investments

	£
Investment in group undertaking	11,500,000

4. Creditors: amounts falling due within one year

	£
Amount due to parent undertaking	8,499,999

**NOTES TO THE FINANCIAL STATEMENTS
for the period ended 26 July 1996 (continued)****5. Share capital**

	Ordinary shares of £1 each
Authorised	1,000
Allotted, called up and fully paid	1

6. Directors' Emoluments

None of the directors received any emoluments in respect of their services as directors of the company in the period.

7. Ultimate parent company

The directors regard Midland Independent Newspapers plc, a company registered in England and Wales, as the ultimate parent company. A copy of the parent undertaking's financial statements may be obtained from the Secretary, Midland Independent Newspapers plc, 28 Colmore Circus, Queensway, Birmingham, B4 6AX.