Audited Consolidated Financial Statements

MediaHouse Limited and Subsidiaries

September 30, 2007

ERNST & YOUNG

DIRECTOR'S REPORT

MEDIAHOUSE LIMITED

Fiscal 2007 was another positive year for MediaHouse Limited ("MHL"), showing an annual profit of $2,529,091, or $4.78 per common share. This is a milestone profit for the Group and your Board and Management foresee further growth in the future.

During the year the Group had an increase in total revenue. Management are pleased to have successfully transitioned directories from management service agreements to full directory outsourcing. This integration has resulted in additional economies of scale, further contributing to the Group's improved profitability.

Caribbean Publishing Company Limited ("CPC") continues to pursue new opportunities throughout the Caribbean, Latin America, and South America, striving to be the premier directory provider throughout the region. CPC, publisher of the Cayman Islands Yellow Pages, was recently awarded first place for Overall Excellence in Directory Publishing by the Association of Directory Publishers (ADP) in recognition of the 2007-8 Cayman Islands Telephone Directory. ADP is an international trade organization for directory publishers and companies that serve the directory industry.

During the year under review MediaHouse ASP Limited ("ASP") completed the source coding for YP2GO, a product which enables yellow page directories to be accessible via mobile phones. This product was developed to compliment CPC's traditional print and e-directories. In addition, ASP continued to develop Micromaps, an interactive mapping system. Micromaps is now being launched into the market with your Board's full support for this e-business venture.

Commercial printer Island Press Limited ("IPL") has, in the year under review, recorded its best earnings since 1990. The Company, driven by first-rate customer service and superior product quality, won an unprecedented 3rd consecutive "Best of Bermuda" award for commercial printing. IPL continues to diversify its products, which now include traditional commercial printing, variable data processing and digital print.

In publishing both the Bermuda Sun and Preview of Bermuda recorded positive returns, despite the very competitive Bermuda market. It is anticipated that this sector will continue to be highly competitive as Bermuda's retail industry continues to decline, thereby challenging advertising-dependent companies to reach for excellence in order to maintain their market position.

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Consistent with the March 31, 2007 Director's report, the majority of the Group's directory revenue has been recognized in the opening six months of the fiscal year. The cyclical nature of directory production and the Group's revenue recognition policy produces this result.

MHL's continued revenue growth, product diversification, improved cash flow, and increased profits all reflect both the Board's and Management's continued commitment to its shareholders. The Group's focus on superior products and customer service has helped the company position itself as a market leader.

The Board would like to thank its investors for their confidence and continued support.

As a public company listed on the Bermuda Stock Exchange, it should be noted that the directors and the officers of MHL held 354,745 common shares and 53,752 preference shares. No rights to subscribe for shares in MHL have been granted to any director or officer and there are no service contracts with any director or officer. No dividend is proposed on the common shares for the period under review.

In closing, I would like most especially to thank our Management team and all Company Members for their extraordinary effort on behalf of the Group.

R. French

Randy French, President and Chief Executive Officer
MediaHouse Limited

ERNST & YOUNG

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AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS

MEDIAHOUSE LIMITED AND SUBSIDIARIES

We have audited the consolidated balance sheet of MediaHouse Limited (the "Company") as at September 30, 2007 and the consolidated statements of operations and retained earnings, changes in shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of MediaHouse Limited as at September 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young Ltd.

March 31, 2008

Chartered Accountants

MEDIAHOUSE LIMITED AND SUBSIDIARIES
(Incorporated in Bermuda)

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 2007
(expressed in Bermuda dollars)

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$ 6,413,972	$ 1,868,299
Accounts receivable, net of allowance for doubtful amounts of $2,477,649 (2006 - $1,805,065)	5,460,624	7,000,593
Due from employees and agents	217,643	155,107
Inventories (Note 4)	654,473	596,212
Prepaid expenses and deferred expenses	9,337,597	10,210,543
	22,084,309	19,830,754
Capital assets (Notes 5 and 8)	3,586,218	3,553,883
Intangible assets (Note 6)	2,266,253	2,183,378
Future income tax asset (Note 9)	-	75,684
Goodwill (Note 7)	74,800	74,800
	$ 28,011,580	$ 25,718,499
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,293,222	$ 4,599,404
Income taxes payable (Note 9)	1,467,982	348,934
Deferred revenue	7,724,688	8,318,468
Current portion of bank loan (Note 8)	378,933	328,115
Dividends payable	43,538	43,538
	12,908,363	13,638,459
Future income tax liability (Note 9)	59,686	-
Long term portion of bank loan (Note 8)	6,328,510	6,211,729
	19,296,559	19,850,188
Minority interest (Note 12)	699,138	337,965
	19,995,697	20,188,153

MEDIAHOUSE LIMITED AND SUBSIDIARIES
(Incorporated in Bermuda)

CONSOLIDATED BALANCE SHEET, Cont'd.

SEPTEMBER 30, 2007
(expressed in Bermuda dollars)

	2007	2006
SHAREHOLDERS' EQUITY		
Preference shares (Note 10)	$ 544,410	$ 544,410
Common shares (Note 10)	1,185,362	1,185,362
Contributed surplus	546,849	546,849
Accumulated other comprehensive income (Note 11)	124,129	-
Retained earnings	5,615,133	3,253,725
	8,015,883	5,530,346
	$ 28,011,580	$ 25,718,499

See accompanying notes

On behalf of the Board:

R. French
Director

Director

MEDIAHOUSE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2007
(expressed in Bermuda dollars)

	2007	2006
Sales (Note 14)		
Printing	$ 29,277,028	$ 18,340,439
Publishing	4,003,664	3,874,661
Other	1,120,272	1,270,215
	34,400,964	23,485,315
Cost of sales	15,653,982	10,269,601
Gross profit - 54.54% (2006 - 56.27%)	18,746,982	13,215,714
General and administrative expenses (Note 13)	13,710,064	11,155,309
Foreign currency expense	91,328	58,070
Amortization	780,090	662,881
Profit from operations	4,165,500	1,339,454
Interest expense	(404,497)	(479,246)
Rental and other income	407,544	405,627
Net profit before taxation	4,168,547	1,265,835
Income tax expense (Note 9)	(1,402,412)	(7,502)
Net profit after taxation	2,766,135	1,258,333
Minority interest (Note 12)	(361,173)	(153,945)
Net profit for the year	2,404,962	1,104,388
Foreign currency translation	124,129	-
Comprehensive income	$ 2,529,091	$ 1,104,388
Net profit per common share	$ 4.78	$ 2.15

See accompanying notes

MEDIAHOUSE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2007
(expressed in Bermuda dollars)

	Preference Shares	Common Shares	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at September 30, 2005	$ 557,670	$ 1,185,362	$ 543,642	$ -	$ 2,192,891	$ 4,479,565
Net income	-	-	-	-	1,104,388	1,104,388
Repurchase of preference shares	(13,260)	-	-	-	-	(13,260)
Addition to contributed surplus	-	-	3,207	-	-	3,207
Preference dividends paid	-	-	-	-	(43,554)	(43,554)
Balance at September 30, 2006	$ 544,410	$ 1,185,362	$ 546,849	$ -	$ 3,253,725	$ 5,530,346
Net income	-	-	-	-	2,404,962	2,404,962
Other comprehensive income	-	-	-	124,129	-	124,129
Preference dividends paid	-	-	-	-	(43,554)	(43,554)
Balance at September 30, 2007	$ 544,410	$ 1,185,362	$ 546,849	$ 124,129	$ 5,615,133	$ 8,015,883

See accompanying notes

MEDIAHOUSE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2007
(expressed in Bermuda dollars)

	2007	2006
Operating activities:		
Net profit for the year	$ 2,404,962	$ 1,104,388
Foreign currency translation	124,129	-
	2,529,091	1,104,388
Add items not involving cash movement:		
Amortization of capital assets	723,164	591,660
Amortization of intangible assets	133,100	71,221
Minority interest	361,173	153,945
Loss on capital asset disposal	-	24,419
Unrealized foreign exchange loss on fixed assets	29,257	-
Add (deduct) net changes in assets and liabilities:		
Accounts receivable	1,477,433	(1,229,987)
Inventories	(58,261)	(87,468)
Prepaid expenses and deferred expenses	872,946	(5,477,650)
Future income tax asset	75,684	(75,684)
Accounts payable and accrued liabilities	(1,306,182)	872,235
Income tax payable	1,119,048	187,764
Future income tax liability	59,686	-
Deferred revenue	(593,780)	6,094,169
Net cash flows from (applied) to operating activities	5,422,359	2,229,012
Financing activities:		
Preference dividends paid	(43,554)	(44,630)
Repurchase of preference shares	-	(10,053)
Increase in bank financing	500,000	-
Repayment of bank loan	(332,401)	(307,520)
Net cash flows from financing activities	124,045	(362,203)
Investing activities:		
Purchase of capital assets	(784,756)	(1,033,222)
Purchase of intangible assets	(215,975)	(156,903)
Disposal of capital assets	-	3,757
Net cash flows applied to investing activities	(1,000,731)	(1,186,368)
Net increase in cash and cash equivalents	4,545,673	680,441
Cash and cash equivalents, beginning of year	1,868,299	1,187,858
Cash and cash equivalents, end of year	$ 6,413,972	$ 1,868,299
Other cash flow information:		
Taxes paid	$ 280,771	$ 20,279
Interest paid	$ 542,240	$ 470,409

See accompanying notes

(expressed in Bermuda dollars)

1. Operations

MediaHouse Limited (the "Company") is a Bermuda company formed as a result of an amalgamation and restructuring effective October 1, 1994, and is traded on the Bermuda Stock Exchange. The Company is in the business of high quality commercial printing and is the publisher of a newspaper "The Bermuda Sun", a tourist guide "Preview of Bermuda", telephone directories and other publications. In addition, the Company maintains various internet portals which focus on e-business and it operates an electrician business.

2. Significant accounting policies

The Company follows Canadian generally accepted accounting principles which have general application in Bermuda. Significant accounting policies are as follows:

(a) Basis of consolidation
The consolidated financial statements include the accounts of MediaHouse Limited and its subsidiaries, Island Press Limited, Bermuda Sun Limited, Preview of Bermuda Limited, Global Directories Limited, MediaHouse ASP Ltd., Industrial Electrics and Controls Limited, Crow House Limited, and Bermuda.com Limited. All significant inter-company transactions have been eliminated.

As explained in Note 12, the effective interest of the Company in the voting common shares of Global Directories Limited and MediaHouse ASP Ltd are 85% and 60% respectfully. In the prior year MediaHouse ASP Ltd. was owned and consolidated at 100%. Minority interest represents the interest of external parties in respect of net income and shareholders' equity of Global Directories Limited and MediaHouse ASP Ltd.

These subsidiaries of Global Directories Limited include the following entities:

Subsidiary	% of Ownership in 2007	% of Ownership in 2006
Global Directories (USA) Inc.	100%	100%
Global Directories (Caribbean) Ltd.	100%	100%
Global Directories (Bermuda) Ltd.	100%	100%
Global Directories (Costa Rica) S.A.	100%	100%
Caribbean Publishing Company Limited	100%	100%
Caribbean Publishing Company (Cayman) Limited	100%	100%
Caribbean Publishing Company Limited (St. Lucia)	100%	100%
Litwin N.V. (St. Maarten)	100%	100%
Caribbean Publishing Company N.V. (Aruba)	100%	100%
Caribbean Publishing Company (St. Kitts) Limited	100%	100%
Caribbean Publishing Company (B.V.I.) Limited	100%	100%
Caribbean Publishing Inc. (Florida)	100%	100%
Caicos Publishing Company Limited (Turks & Caicos)	100%	100%

(expressed in Bermuda dollars)

2. Significant accounting policies, cont'd.

(a) Basis of consolidation, cont'd.

Subsidiary	% of Ownership in 2007	% of Ownership in 2006
Caribbean Publishing Company (Anguilla) Limited	100%	100%
Caribbean Publishing Company (St. Vincent) Limited	100%	100%
Caribbean Publishing Company (Montserrat) Limited	100%	100%
Caribbean Publishing Company (Grenada) Limited	100%	100%
Global Directories (St. Lucia) Limited ("GD(SL)L")	100%	100%
Global Directories (Barbados) Limited (through GD(SL)L)	100%	100%
Global Directories (Jamaica) Limited (through GD(SL)L)	100%	100%
Global Directories (Trinidad & Tobago) Limited (through GD(SL)L)	100%	N/A

Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to conform any dissimilar material accounting policies that may exist.

(b) Inventories
Raw materials are valued on a first-in, first-out basis at the lower of cost or net realizable value. Work in process and finished products consist of direct material and attributable direct labour costs and are valued at the lower of cost and net realizable value.

(c) Goodwill
Goodwill arising on the purchase of an incorporated business is measured at unamortized cost less any accumulated impairment losses. The Company has determined that there is no impairment in the unamortized portion of goodwill at the end of the current fiscal year. Its ultimate recoverability is assessed by management on an annual basis and is presently deemed realizable.

(d) Intangible assets
Internet portals and domains arising on the purchase of assets are not subject to amortization. Customer contracts arising on the purchase of assets are being amortized on a straight line basis over three years, commencing in the year subsequent to acquisition. Customer lists purchased are amortized over five years. Website redesign costs are amortized on a straight-line basis over three years.

Bermuda.com purchased an online directory from mbermuda for $50,000. The online directory is not being amortized as it is not yet in use.

(expressed in Bermuda dollars)

2. Significant accounting policies, cont'd.

(d) Intangible assets, cont'd.
Management, on an annual basis, tests for asset impairment. The Company has determined that there is no impairment in the intangible assets at the end of the current fiscal year.

(e) Capital assets
Capital assets are being amortized on a straight-line basis over their estimated useful lives. The following annual rates are being used for amortization:

Buildings	-	2.5%
Building improvements	-	10 - 20%
Machinery and equipment	-	10 - 33.3%
Computers and typesetting equipment	-	20 - 33.3%
Furniture and fixtures	-	10%
Vehicles and warehouse equipment	-	20%

Capital assets are reviewed annually for impairment by management. The Company has determined that there is no impairment in the capital assets at the end of the current fiscal year.

(f) Revenue recognition
Revenue is recognized when contracts are completed or when the product and service is delivered.

The Company has entered into a number of contracts with customers, some of which have terms extending over a number of years, and, in aggregate, represent a material portion of the Company's revenues.

For directory publishing, sales are recorded at the date the majority of directories are delivered to the local telephone provider (the "Telco") in each country. Costs of directory publication, commissions, and overhead on unpublished directory advertising orders are expensed when the related revenue is recognized. Deferred publication costs include all direct printing, selling costs, and distribution costs associated with the publication of directories not yet delivered to the Telco. Deferred publication charges are released in full (100%) when the directory is delivered, matching with revenue recognition. Directory cycles are usually one year long. Timing of release of deferred costs after September 30 will vary depending on when each directory is delivered. For deferred costs at 2006 and 2007, this was between one month and six months after the year end, respectively.

(g) Deposits for future advertising
Collections of sales revenue from advertisers for future publications and services are recorded as deferred revenue until the contracts are completed, the product and services are delivered, or publication is recognized.

2. Significant accounting policies, cont'd.

(h) Cash and cash equivalents
Effective October 1, 2006, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, Financial Instruments - Recognition and Measurement, Section 3861, Financial Instruments - Disclosure and Presentation, and Section 1530, Comprehensive Income.

Cash and cash equivalents consist of cash balances with banks, highly liquid money market instruments, and bank overdraft. The Company maintains accounts in a number of banks throughout the Caribbean, United States of America and South America. All cash and cash equivalents are classified as held for trading. These instruments are accounted for at fair value.

(i) Due from employees and agents
This relates to advances given to employees for travel and expense advances and are expensed in the same period as their matching revenue.

(j) Earnings per common share
Earnings per common share has been computed on the basis of net profit after minority interest and preference dividends, divided by the weighted average number of common shares outstanding during the year.

(k) Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the date of the financial statements. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates of exchange. Transactions in foreign currencies are translated at the rates of exchange prevailing at the time of the transaction. Exchange gains and losses are included in the net profit for the consolidated statement of income and retained earnings. For self-sustaining operations, exchange gains or losses on assets and liabilities are included in other comprehensive income in the consolidated statement of operations and comprehensive income.

(l) Financial instruments
Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, income taxes payable, bank loan, dividends payable and minority interest. Fair value disclosures with respect to certain financial instruments are included separately where and if appropriate. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The carrying values of other financial instruments approximate their fair value due to the short-term nature of the balances.

2. Significant accounting policies, cont'd.

(l) Financial instruments, cont'd.

i. Fair values: Fair value is the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of short-term financial assets and liabilities are reasonable estimates of their fair values due to the short-term maturity of these instruments.

ii. Credit risk: Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has two customers whose share of total Company revenues are approximately 39% (2006 - 29%). Cash and cash equivalents are placed with reputable financial institutions. The primary concentration of the Company's credit risk is with its receivables, which is mitigated by ongoing reviews of these balances with the result that the Company's exposure to bad debts is not significant.

iii. Interest rate risk: Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the balance sheet date, the Company had no significant interest rate risk exposure.

iv. Currency risk: Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's largest exposure to potential currency risk is found in its assets denominated in Jamaica dollars. At the balance sheet date, the Company had no significant currency risk exposure.

(m) Use of estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. The areas involving the highest degree of judgment or estimation are:

i. Accruals: Amounts accrued for certain expenses are based on estimates and are included in accounts payable.

ii. Capital assets: Management exercises judgment in determining whether costs incurred can accrue significant future economic benefits to the Company to enable the value to be treated as a capital expense. Further judgment is applied in the annual review of the useful lives of all categories of capital assets and the resulting depreciation determined thereon.

2. Significant accounting policies, cont'd.

(m) Use of estimates, cont'd.

iii. Deferred publication costs: Amounts deferred are determined by applying a percentage ratio based on the percentage of the directory revenues which were completed after the period end.

(n) Taxation

There is currently no taxation imposed on income or capital gains by the Government of Bermuda. The only taxes payable by the Company are taxes applicable to certain income earned in other jurisdictions.

A future income tax charge is provided, using the liability method, on all temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Future income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is likely that future profits will be available against which these deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilized. The carrying amount of future income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future tax profits will be available to allow all or part of the future income tax asset to be utilized.

(o) Recent pronouncements

The CICA has issued Section 1535, Capital Disclosures and Section 3862, Financial Instrument - Disclosures. These new sections establish additional disclosure requirements including the significance of financial instruments to the Company's financial position and performance, discussion regarding the nature and extent of risks surrounding the Company's financial instruments, disclosures regarding the Company's objectives for managing capital and what the company regards as capital. The Company will adopt these standards on October 1, 2007.

CICA Handbook Section 1506, Accounting Changes, has been revised and is effective for annual and interim periods beginning on or after January 1, 2007. This new section prescribes the criteria for changing accounting policies and the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and correction of errors. The standard, to be applied prospectively for the Company's 2008 fiscal year, is not expected to have a material impact on the Company's financial statements.

2. Significant accounting policies, cont'd.

(o) Recent pronouncements, cont'd.
CICA Handbook Section 3031, Inventories, establishes that inventories should be measured at the lower of cost and net realizable value, with guidance on the determination of cost including the requirement to allocate overhead costs based on normal production levels. The standard is effective for annual and interim periods beginning on or after January 1, 2008 and will be applied prospectively for the Company's 2008 fiscal year. It is not expected to have a material impact on the Company's financial statements.

(p) Changes in accounting policies
Effective October 1, 2006, the Company adopted the CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement, Section 3861, Financial Instruments - Disclosure and Presentation, Section 3865, Hedges and Section 1530, Comprehensive Income. In accordance with the new accounting standards, the accounting policy changes were applied retroactively without restatement of prior years. Upon initial application, no adjustment was necessary to the Company's retained earnings.

CICA Handbook Section 3855 and 3861 establishes standards for the recognition and measurement of all financial instruments, provides a characteristic-based definition of a derivative financial instrument, provides criteria to be used to determine when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished.

Under these new standards, financial instruments must be classified into one of the following categories:

i. Held for trading: Financial instruments that are purchased and incurred with the intension of generating profits in the near term are classified as held for trading. These instruments are accounted for at fair value with the change in the fair value recognized in net income during the period. Upon the adoption of these new standards, the Company designated its cash and cash equivalents as held for trading, which are measured at fair value.

ii. Available for sale: Financial assets classified as available for sale are carried at fair value with the change in fair value recorded in other comprehensive income. When a decline in fair value is determined to be other than temporary, the cumulative loss incurred in accumulated other comprehensive income is removed and recognized in net income. Gains and losses realized on the disposal of available for sale instruments are recognized in other income. The Company did not have any available for sale instruments during the year ended September 30, 2007.

2. Significant accounting policies, cont'd.

(p) Changes in accounting policies, cont'd.

iii. Held to maturity: Securities that have a fixed maturity date and which the Company has a positive intention and the ability to hold to maturity are classified as held to maturity and accounted for at amortized cost using the effective interest rate method. The Company did not have any held to maturity instruments during the year ended September 30, 2007.

iv. Receivables and Payables: Subsequent to initial recognition at fair value. receivables and payables are accounted for at amortized cost. This is consistent with the treatment under prior accounting standards.

The fair value of a financial instrument on the initial recognition is the transfer price, which is the fair value of the consideration given or received for held for trading and available for sale financial instruments.

Subsequent to the initial recognition, fair value is determined by using valuation techniques which refer to observable market data using the specific identification method.

CICA Handbook Section 1530, Comprehensive Income establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income includes unrealized gains and losses on available for sale securities, net of income taxes.

Other comprehensive income consists of foreign currency translation adjustments arising from translating financial statements of self-sustaining foreign operations.

3. Cash and cash equivalents

Cash at September 30, consist of:

	2007	2006
Cash on hand	$ 6,261	$ 6,453
Bank accounts in United States dollars	2,145,810	310,828
Bank accounts in local currencies - unrestricted	4,261,901	1,551,018
	$ 6,413,972	$ 1,868,299

Currencies in various Caribbean countries are subject to foreign exchange or transfer controls, which restrict the transfer of cash outside the country. All cash and cash equivalents at September 30, 2007 and 2006 are unrestricted.

(expressed in Bermuda dollars)

4. Inventories

Inventories at September 30 consist of:

	2007	2006
Raw materials	$ 606,934	$ 501,117
Work in process	47,539	75,712
Finished products	-	19,383
	$ 654,473	$ 596,212

5. Capital assets

Capital assets at September 30 consist of:

	2007		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 400,950	$ -	$ 400,950
Buildings and building improvements	3,419,695	1,813,331	1,606,364
Machinery and equipment	4,613,020	4,404,766	208,254
Computers and typesetting equipment	3,762,409	2,825,100	937,309
Furniture and fixtures	958,533	583,742	374,791
Vehicles and warehouse equipment	234,453	175,903	58,550
	$ 13,389,060	$ 9,802,842	$ 3,586,218

(expressed in Bermuda dollars)

5. Capital assets, cont'd.

	2006		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 400,950	$ -	$ 400,950
Buildings and building improvements	3,249,084	1,614,907	1,634,177
Machinery and equipment	4,419,674	4,334,739	84,935
Computers and typesetting equipment	3,400,910	2,445,864	955,046
Furniture and fixtures	928,491	532,098	396,393
Vehicles and warehouse equipment	234,453	152,071	82,382
	$ 12,633,562	$ 9,079,679	$ 3,553,883

At September 30, 2007, $82,334 (2006 - $Nil) of the Company's amortization charge is allocated to deferred publication costs. Amortization for the year ended September 30, 2007 amounted to $723,164 (2006 - $591,660).

6. Intangible assets

Intangible assets at September 30 consist of:

	2007		
	Cost	Accumulated Amortization	Net Book Value
Internet portals	$ 1,950,130	$ -	$ 1,950,130
Redesign costs	446,542	145,619	300,923
Customer contracts	65,254	65,254	-
Customer lists	38,000	22,800	15,200
	$ 2,499,926	$ 233,673	$ 2,266,253

(expressed in Bermuda dollars)

6. Intangible assets, cont'd.

	2006		
	Cost	Accumulated Amortization	Net Book Value
Internet portals	$ 1,950,130	$ -	$ 1,950,130
Redesign costs	197,250	41,870	155,380
Customer contracts	65,254	43,501	21,753
Customer lists	38,000	15,200	22,800
Pre-Operating costs	33,315	-	33,315
	$ 2,283,949	$ 100,571	$ 2,183,378

Amortization for the year ended September 30, 2007 amounted to $133,100 (2006 - $71,221).

7. Goodwill

In February 1998, the Company purchased, at a cost of $100,000, the assets and liabilities of Preview Bermuda Limited, a company involved in the printing of tour guides. The acquisition was accounted for using the purchase method (Note 2(c)).

8. Bank loan

	2007	2006
Current portion	$ 378,933	$ 328,115
Long term portion	6,328,510	6,211,729
	$ 6,707,443	$ 6,539,844

Scheduled long term debt repayments are as follows:

2008	$ 378,933
2009	404,454
2010	431,694
2011	460,769
Thereafter	5,031,593
	$ 6,707,443

(expressed in Bermuda dollars)

8. Bank loan, cont'd.

In December 2004, the Company obtained a $6,500,000 mortgage facility. The mortgage is secured by the Company's property at 19, Elliott Street and 41, Victoria Street, Hamilton, Bermuda. In May 2005 the mortgage facility was increased by an additional $600,000, and is secured by the Company's property at 19, Elliott Street and 41, Victoria Street, Hamilton, Bermuda. Interest is calculated at 6.5%, and the loan is repayable in blended monthly principal and interest installments over 15 years. In June 2007, the mortgage facility was increased by a second further charge of $500,000, and is secured by the Company's property at 19, Elliott Street and 41, Victoria Street, Hamilton, Bermuda. Interest is calculated at 7.0% and is repayable in blended monthly principal and interest installments over the remaining period of the initial mortgage facility.

9. Taxation

The Company and its subsidiaries are only subject to tax on income earned in Aruba, St. Kitts, St. Maarten, Montserrat, British Virgin Islands, the United States of America, Barbados, Antigua, Barbuda, Dominica, Grenada, St. Vincent, Jamaica and St. Lucia. Income tax expense for the year ended September 30, 2007 is $1,402,412 (2006 - $7,502).

The taxation expense on net income consists of the following:

	2007	2006
Statement of Operations		
Current income taxes	$ 1,271,922	$ 83,186
Future income taxes	130,490	(75,684)
	$ 1,402,412	$ 7,502

The Company's provision for income taxes reflects an effective income tax rate which differs from the combined Bermudian statutory rate as follows:

	2007	2006
Income taxes at a combined Bermudian statutory rate of 0.0% (2006 - 0.0%)	$ -	$ -
Overseas tax rates (variable by jurisdiction)	1,398,331	83,186
Overseas tax on non-allowable income	(10,511)	-
Overseas tax on non-allowable expense	14,592	(75,684)
Provision for income taxes	$ 1,402,412	$ 7,502

(expressed in Bermuda dollars)

9. Taxation, cont'd.

	2007	2006
Future income tax asset (liability)		
Balance, beginning of year	$ 75,684	$ -
Future income tax (charge) credit for the year	(135,370)	75,684
Balance, end of year	$ (59,686)	$ 75,684

The significant components of future income tax asset (liability) are as follows:

	2007	2006
Property, plant and equipment	$ (42,966)	$ (42,945)
Unrealized foreign exchange gains	(29,372)	-
Accruals	12,652	-
Tax losses	-	118,629
	$ (59,686)	$ 75,684

10. Preference and common shares

Share capital at September 30 consists of the following:

	2007	2006
Preference shares		
Authorized - 120,000 (2006 - 120,000) 8% cumulative, Redeemable at par, preference shares of par value of $5.00 each		
Issued and fully paid - 108,882 (2006 - 108,882) shares	$ 544,410	$ 544,410
Common shares		
Authorized - 1,000,000 (2006 - 1,000,000) shares of par value of $2.40 each		
Issued and fully paid - 493,901 (2006 - 493,901) shares	$ 1,185,362	$ 1,185,362

11. Other comprehensive income

Other comprehensive income consists of foreign currency translation adjustments arising from translating financial statements of self-sustaining foreign operations.

12. Minority interest

Effective January 21, 2005 the Company sold 15% of the issued share capital in Global Directories Limited for the sum of $290,838.

At this date, Global Directories Limited and its wholly-owned subsidiaries had a combined negative net asset value of $997,653 of which $149,648 was the carrying value of the 15% attributed to the sale. The difference between the amount paid and the carrying value of $440,486 has been attributed to contributed surplus for the year ended September 30, 2005.

For the year ended September 30, 2007, Global Directories Limited and its wholly-owned subsidiaries made a combined profit of $2,814,431 (2006 - $1,026,300), resulting in the minority's share of the profit for the year of $422,165 (2006 - $153,945). The minority interest at year end is $760,130.

Effective October 1, 2006 the Company transferred 40% of the issued share capital in MediaHouse ASP Limited to a related party for nil proceeds. There was no amount attributed to contributed surplus as a result of this transfer.

For the year ended September 30, 2007, MediaHouse ASP Limited made a loss of $152,480, resulting in the minority's share of the loss for the year of $60,992. The minority interest at year end is $(60,992).

13. Pension plan

The Company maintains a defined contribution pension plan (the "Plan") for the benefit of its eligible employees. For current service contributions, the Company contributes a percentage of eligible employees' salaries on a monthly basis. The Plan is administered by Bermuda Life Insurance Company Limited and complies with the provisions of the National Pension Scheme (Occupational Pensions) Act 1998. In the Caribbean, the Company participates in a contributory, multi-employer defined contribution pension plan, which covers employees in most jurisdictions. The Miami office has a voluntary 401k plan.

The total pension expense for 2007 amounted to $324,871 (2006 - $312,018).

(expressed in Bermuda dollars)

14. Segmented information

The Company has identified its reportable segments based on the responsibility of operations. Printing includes commercial and retail printing and directory publishing. Publishing includes newspaper and magazine publishing. Other includes property rentals and other investment activities, electrical repair and maintenance activities, and web-based advertising sales. Transactions between intercompany segments are recorded at third party rates, except those transactions related to rents. Intercompany rental revenue and corresponding expenses are recorded at the exchange amount. Included in publishing revenue are two major customers whose share of total Company revenues are approximately 41%.

	2007				
	Printing	Publishing	Other	Inter-Segment Elimination	Total
Third party sales revenue	$ 29,277,028	$ 4,003,664	$ 1,120,272	$ -	$ 34,400,964
Third party rental income	-	-	761,944	(354,400)	407,544
Inter company revenue	1,141,304	4,563	1,782,792	(2,928,659)	-
	30,418,332	4,008,227	3,665,008	(3,283,059)	34,808,508
Expenses	24,824,077	3,975,315	3,939,041	(3,283,059)	29,455,374
Amortization	387,769	103,798	288,523	-	780,090
	25,211,846	4,079,113	4,227,564	(3,283,059)	30,235,464
Interest expense	(179,747)	38,191	(675,538)	412,597	(404,497)
Interest income	89,800	-	322,797	(412,597)	-
Net profit (loss) before tax	5,116,539	(32,695)	(915,297)	-	4,168,547
Taxation	(1,402,412)	-	-	-	(1,402,412)
Net profit (loss) after tax	3,714,127	(32,695)	(915,297)	-	2,766,135
Minority interest	-	-	(361,173)	-	(361,173)
Net profit (loss) for the year	3,714,127	(32,695)	(1,276,470)	-	2,404,962
Foreign currency translation	-	-	124,129	-	124,129
Comprehensive income	$ 3,714,127	$ (32,695)	$ (1,152,341)	$ -	$ 2,529,091
Assets	$ 23,345,535	$ 1,856,435	$ 17,077,451	$ -	$ 42,279,421
Elimination of inter-company accounts receivable	-	-	-	(10,932,782)	(10,932,782)
Elimination of Investment in subsidiaries	-	-	-	(3,335,060)	(3,335,060)
Total	$ 23,345,535	$ 1,856,435	$ 17,077,451	$ (14,267,842)	$ 28,011,580
Goodwill			$ 74,800		$ 74,800

MEDIAHOUSE LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Cont'd.

SEPTEMBER 30, 2007
(expressed in Bermuda dollars)

14. Segmented information, cont'd.

	2006				
	Printing	Publishing	Other	Inter-Segment Elimination	Total
Third party sales revenue	$ 18,340,439	$ 3,874,661	$ 1,270,215	$	$ 23,485,315
Third party rental income			761,427	(355,800)	405,627
Inter company revenue	1,171,763	6,986	1,460,694	(2,639,443)	-
	19,512,202	3,881,647	3,492,336	(2,995,243)	23,890,942
Expenses	17,048,489	3,624,660	3,805,074	(2,995,243)	21,482,980
Amortization	394,455	36,747	231,679	-	662,881
	17,442,944	3,661,407	4,036,753	(2,995,243)	22,145,861
Interest expense	(401,385)	62,782	(579,896)	439,253	(479,246)
Interest income	111,131	-	328,122	(439,253)	-
Net profit (loss) before tax	1,779,004	283,022	(796,191)	-	1,265,835
Taxation	(7,502)	-	-	-	(7,502)
Net profit (loss) after tax	1,771,502	283,022	(796,191)	-	1,258,333
Minority interest	-	-	(153,945)	-	(153,945)
Net profit (loss) for the year	$ 1,771,502	$ 283,022	$ (950,136)	$ -	$ 1,104,388
Assets	$ 27,174,751	$ 1,797,295	$ 21,992,544	$ -	$ 50,964,590
Elimination of inter-company accounts receivable	-	-	-	(21,911,031)	(21,911,031)
Elimination of Investment in subsidiaries	-	-	-	(3,335,060)	(3,335,060)
Total	$ 27,174,751	$ 1,797,295	$ 21,992,544	$ (25,246,091)	$ 25,718,499
Goodwill			$ 74,800		$ 74,800

It is impracticable to disclose segmented information based on geographical information as it would disclose private information to the Company's competitors.

(expressed in Bermuda dollars)

15. Commitments

The Company is committed under operating leases to the payment of the aggregate sum of \$1,654,090 (2006 - \$2,309,961) comprising the following minimum amounts payable annually:

2008	\$ 701,095
2009	\$ 603,277
2010	\$ 346,468
2011	\$ 3,250

MediaHouse ASP is committed under a software development agreement to pay royalties to a third party software developer (the "developer") on sales of one of its products (the "Product").

The royalty payment on sales of the Product are as follows:

i. For sales between October 1, 2007 and September 30, 2008 - 5% of the value of the client's first year contract or US\$ 50.00 whichever is greater, 4% of the value of the same client's second year contract if renewed, 3% of the value of the same client's third year contract if renewed, 2% of the same client's fourth year contract if renewed and 1% of the value for the same client's fifth year contract if renewed. No royalty will be paid for any contract renewed for a 6th year or beyond, or for clients originally signed to a contract between October 1, 2007 and September 30, 2008.

ii. For sales between October 1, 2008 and September 30, 2009 - 5% of the value of the client's first year contract or US\$ 50.00 whichever is greater, 4% of the value of the same client's second year contract if renewed, 3% of the value of the same client's third year contract if renewed, 2% of the same client's fourth year contract if renewed. No royalty will be paid for any contract renewed for a 5th year or beyond, or for clients originally signed to a contract between October 1, 2008 and September 30, 2009.

iii. For sales between October 1, 2009 and September 30, 2010 - 5% of the value of the client's first year contract or US\$ 50.00 whichever is greater, 4% of the value of the same client's second year contract if renewed, 3% of the value of the same client's third year contract if renewed. No royalty will be paid for any contract renewed for a 4th year or beyond, or for clients originally signed to a contract between October 1, 2009 and September 30, 2010.

iv. For sales between October 1, 2010 and September 30, 2011 - 5% of the value of the client's first year contract or US\$ 50.00 whichever is greater, 4% of the value of the same client's second year contract if renewed. No royalty will be paid for any contract renewed for a 3rd year or beyond, or for clients originally signed to a contract between October 1, 2010 and September 30, 2011.

15. Commitments, cont'd.

v. For sales between October 1, 2011 and September 30, 2012 - 5% of the value of the client's first year contract or US$ 50.00 whichever is greater. No royalty will be paid for any contract renewed for a 2nd year or beyond, or for clients originally signed to a contract between October 1, 2011 and September 30, 2012.

vi. For sales after October 1, 2012 - 3% of the value of the client's first year contract or US$ 50.00 whichever is greater. No royalty will be paid for any contract renewed for subsequent years or for clients originally signed to a contract after October 1, 2012.

16. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.