Annual Report

2006-2007

The Bermuda Press (Holdings) Ltd.

Annual Report 2006-2007

Officers and Directors

President and Director

W. Roger Davidson

Vice President and Director

Christopher R. Whittle, F.C.A.

Secretary

Jeanette M. Szeller, C.A.

Directors

Gavin R. Arton

Dudley R. Cottingham, F.C.A.

Keith R. Jensen

H. Michael King

Carl H. Paiva

Muriel A. L. Richardson

Richard D. Spurling

Christopher E. Swan

Stephen W. Thomson

Paget J. E. Wharton

AUDITORS

PricewaterhouseCoopers

Chartered Accountants

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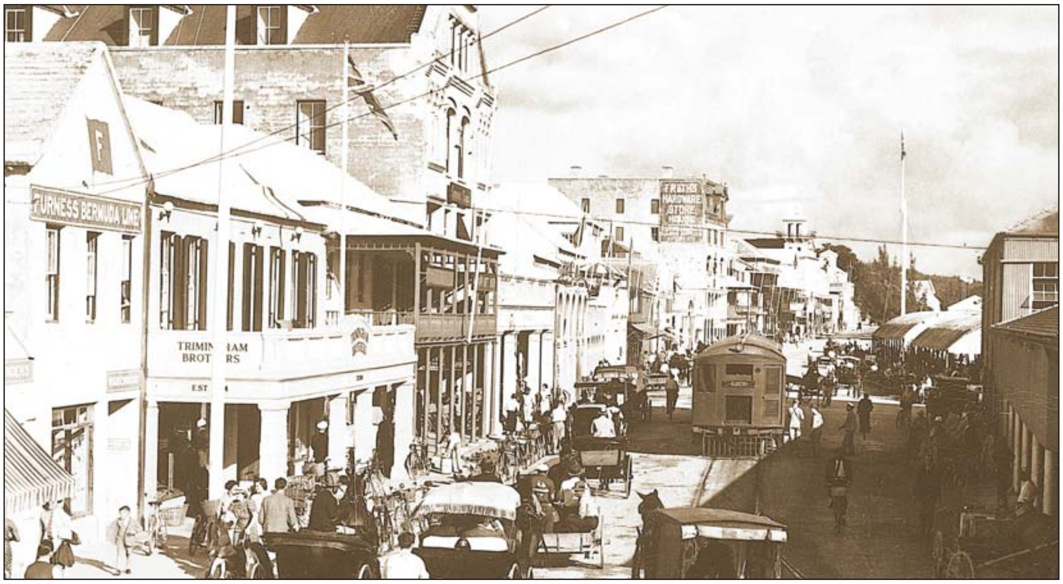

FURNESS BERMUDA LINE


SPIRITS

Directors' Report

W. Roger Davidson President and Director

The results of the Company's operations for the financial year ended 30th September 2007 reflect a continuing improvement in the level of revenue, accompanied once again by increases in operating costs and taxes. Total revenue for the year was $35,704,000, compared with $34,060,000 last year. Net income this year was $2,701,000, compared with $2,309,000 for 2006. The Company's continuing growth in net income for the year is mainly attributable to our rental operations. Operating results in our publishing, retail and printing operations are consistent with 2006 notwithstanding increases in market share. Escalating operational costs in the local environment continue to be a key challenge for our core businesses.

This will be the final annual report of Roger Davidson's tenure as President of your Company. He was appointed to the Board of Directors in 1965 at the age of 28. A year later, he was appointed Vice President of the Company and a year after that became President.

This annual report presents a picture of how far the Company has changed and grown in Mr. Davidson's time at the helm.

The Company owned two properties in the mid-1960s. The Gazette Building on Reid Street, which is now part of Gibbons Company, was the Company's corporate home and also housed The Stationery Store. The Royal Gazette was created and published there. The Gazette and Mid-Ocean News were printed on a second-hand rotary press purchased from The Daily Gleaner in Jamaica. The Bermuda Press was managed and operated from what is now the Bermuda Industrial Union Building on Union Street.

The modernization of the Bermuda Press was among the first major tasks carried out during Mr. Davidson's presidency. Under the direction of Mr. Chris Whittle, our General Manager at the time, property was purchased on Addendum Lane and a substantial new building was erected. It is the headquarters and operating site for the Bermuda Press Limited. our principal print division. The site is ideal as a base for the Company's commercial printing operations.

A new offset newspaper press was ordered from Goss in North America. Vacant commercial land was found adjacent to the Par-La-Ville north extension which had only recently changed from a cart track, the remnants of the Bermuda Railway right of way. To house the new printing press, computer systems and staff, your Company bought the land on which it constructed the Gazette building, at the time the largest building north of Church Street on Par-La-Ville Road, which is now referred to as “Bermuda’s Wall Street”.

Commercial and newspaper printing moved from the age of “hot lead”, selecting and inserting into a wooden frame a lead block for each letter or word, through linotype. It moved quickly to film and then to today’s computer-to-plate technology. The speed of change has increased relentlessly; each new generation requiring new investment.

The Company was rejuvenated by the end of the 1970s. The moves to new premises inspired success; Colombia House on the corner of Reid and Burnaby Street was completed and the Stationery Store relocated in a retail prime location.

In the 1990s, Crown Communications was formed to publish a range of magazines. Your Company completed the construction of Crown House, next door to the Gazette building on Par-la- Ville Road, a decision that has been subsequently shown to have been a wise one. Office Solutions, which sells office equipment, was launched.

After the turn of the century, the Company expanded into quick print services through Print Express and by the purchase of Pronto Print. Later the Engravers Ltd acquisition secured the basis for mid-range printing.

Throughout, all these developments were made possible by the continuing support of the Company’s shareholders, the dedicated efforts of management and staff and the support of the Bermuda community. The Company’s growth has been a partnership among all the stakeholders, the great majority of whom always have been Bermudian.

The Bermuda economy has undergone huge changes in the past four decades. In the 1960s, the hospitality industry was the dominant sector. International business at the time comprised banking and trust, with a few insurance operations. Today, insurance and the allied disciplines of banking, trust, fund and investment management are our main industries, while tourism is very much the second pillar. As Tourism Minister, Dr. Ewart Brown has stated his intention to encourage and develop our tourist facilities, and we wish him well in this endeavour.

The Company’s development has taken place against a backdrop of even greater change in Bermuda. The 2007 General Election confirmed Dr. Brown’s leadership, and we look forward with interest to the implementation of the further changes that his Premiership promises. The election campaign was a difficult one, but a clear mandate emerged, and we hope that Bermuda will move forward in a unified manner underpinned with tolerance and understanding for everyone who has an opinion and with equal opportunity for those who demonstrate achievement.

Difficulties in the sub-prime lending market in the United States, combined with the business cycle, suggest that the U.S. may be entering a recessionary period. With the Bermuda economy firing on all cylinders, and inflation running ahead of the rate being experienced in our major trading partners, in part because of the soaring price of oil, indications are that the Bermuda economy may cool somewhat in the next few years. This may mean Bermuda may have to adjust, individually and collectively, to less growth.

Turning to our operations, the Bermuda Press Ltd. had a good year, despite the intensely competitive world in which it operates. Its modern presses and ancillary equipment are unrecognisable from the equipment being used four decades ago. The products the Press produces are the match of any in the world. Our Company was the first in Bermuda with computer-to-plate technology, which we take for granted today, but which was a revolutionary step forward just a few years ago.

Our other printing operations cover the full gamut, from walk-in quick printing to high quality products for every sector of the printing market. The death of print has been declared, prematurely. Despite over-capacity in the local market, demand for our range of services remains high. From company annual reports, to advertising flyers designed by our customers on their desktop computers, print remains one of the premium means of expression in Bermuda.

Print Express and Chameleon operations were merged which has produced a reduction in overheads and greater efficiency, without a concomitant decline in quality or productivity. Engravers Ltd. and Pronto Print Ltd, serving the middle market, are now fully integrated into the Company’s operations.

Our businesses in the office products and equipment sector have maintained their reputation for quality and performance in difficult market conditions. Office Solutions distributes Canon, Sharp and Oki Data office equipment in the constantly changing, technology-driven

market. Office Solutions and The Stationery Store both continue to lead their market sectors serving International and local companies. Artcetera, which is part of the Stationery Store, supplies Bermuda's art and creative communities, also reported improved results this year.

Our newspapers are not only larger than ever, with slightly more total pages and more colour published this year than last, but their scope is ever-widening. In today's fast-paced world, it is not enough The Royal Gazette publishes news and information and the The Mid-Ocean News provides in depth insight into recent events. Publishing today is a multi-media process.

This means, for our newspapers, lively Internet versions, carrying breaking news that will form the basis of tomorrow's stories. Our website, www.theroyalgazette.com, provides news for Bermudians and others overseas, as well as being read locally. This year, we enhanced our online news video reports where they were relevant, the only news organization to do so. A computerized version of the entire newspaper in the same format as the print version is now available by subscription from www.newsstand.com.

During the past three years, the newspapers have defended an unprecedented number of legal cases stemming from Government-related organizations and individuals. The Privy Council recently ruled in our favour on the right to publish extracts from Police files on public figures' actions as they relate to the Bermuda Housing Corporation. The Mid-Ocean News first printed the extracts which resulted in legal action in Supreme Court, Court of Appeals and the Privy Council. This particular battle over the newspapers' right to let the public know about the actions of its public officials is over, but we expect more to come. We estimate that $750,000 in taxpayers' and the Company's funds were spent. A small portion of our costs can be recovered.

Seven years old now, our Crown House property at Par-la-Ville Road North continues to fulfill its purpose: to stabilize the Company's earnings and to diversify its sources of revenue. Also, it added a much needed extension to our press room and paper storage facility. Crown House remains fully occupied (from soon after completion), including an area on the ground floor that we retain for Company use. Colombia House, which houses The Stationery Store, is also fully rented, providing regular income. The consistent flow of rental income remains a staple of your Company's earnings.

We welcomed this year Jonathan Howes as our Group Controller, following the retirement of David K. Pethen. Jeanette M. Szeller was appointed Company Secretary at the beginning of the year.

As a listed issuer on the Bermuda Stock Exchange, the Company makes certain information public. We confirm that the total interests of all directors and officers of the Company in the shares of the Company amounted to 110,576 shares at 30th September 2007. We also confirm that no rights to subscribe for shares in the Company have been granted to or exercised by any director or officer and that the Company has no service or consulting contracts with any of its directors. Finally, we confirm that there were no contracts of significance subsisting during or at the end of the financial year in which a director of the Company is or was materially interested, either directly or indirectly.

The Company's shares continue to trade on the Bermuda Stock Exchange below their net book value at September 30, 2007 of $21.94.

Your Company is one of Bermuda's larger employers, with almost 200 full-time and 80 part-time staff. The Company relies, as ever, on the hard work and commitment of each member of its management and staff, many of whom have been with the Company for the greater part of their working lives. We are deeply grateful for all that they do for the Company. That we say it every year does not in any way diminish our gratitude to our loyal customers and shareholders for their continued confidence and support.

On a personal note, as I will be retiring as your president and a director at the Annual General Meeting, I would like to take this opportunity to thank the Board of Directors and management and staff for their friendship and support over the years that we have worked together. Your Company remains in firm hands and I am confident that progress and growth will continue in the future.

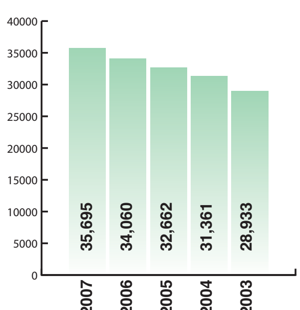
On behalf of the Directors of The Bermuda Press (Holdings) Limited:

W. Roger Davidson
President and Director

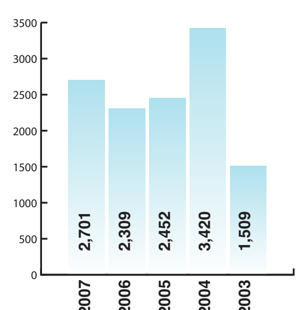
Financial Facts

(Thousands of dollars, except for per share amounts)

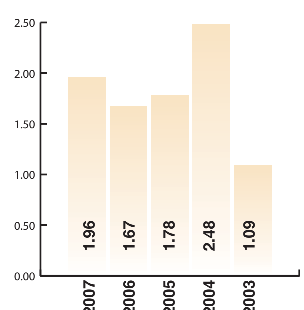
	2007	2006	2005	2004	2003
Revenue	**35,695**	34,060	32,662	31,361	28,982
Expenses	**32,783**	31,526	30,021	28,224	27,432
Net Income from operations	**2,912**	2,534	2,641	3,137	1,550
Gain on disposal of assets	**10**	–	–	1	–
Loss on disposal of assets		–	(29)	–	(33)
Gain on disposal of marketable securities		–	–	421	–
Minority interest in net income of subsidiaries	**(221)**	(225)	(160)	(139)	(8)
Net income for the year	**2,701**	2,309	2,452	3,420	1,509
Current assets	**15,841**	17,212	15,618	17,468	14,505
Marketable securities	**430**	133	133	133	733
Sales type finance leases	**1,616**	1,193	1,998	1,777	1,606
Capital assets	**25,226**	24,904	25,082	19,294	20,457
Other assets	**544**	680	–	–	–
	43,657	44,122	42,831	38,672	37,341
Current liabilities	**7,530**	8,197	6,531	5,362	5,726
Long term debt	**3,914**	5,881	7,740	6,344	7,322
Minority interest	**1,926**	1,707	1,483	1,306	1,114
Shareholders' equity	**30,287**	28,377	27,077	25,660	23,179
	43,657	44,122	42,831	38,672	37,341
Additions to capital assets	**2,139**	2,515	2,195	632	1,163
Cash dividends paid	**1,049**	1,049	1,021	911	883
Number of issued ordinary shares	**1,380,245**	1,380,245	1,380,245	1,380,245	1,380,245
Net income per share	**1.96**	1.67	1.78	2.48	1.09
Cash dividend paid per share	**0.76**	0.76	0.74	0.66	0.64
Shareholders' equity per share	**21.94**	20.53	19.62	18.59	16.79
Net income as a percentage of revenue	**7.5**	6.8	7.5	10.9	5.2
Net income as a percentage of shareholders equity	**8.9**	8.1	9.1	13.3	6.5



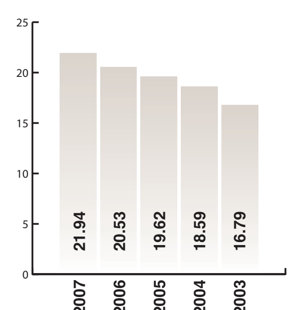
Revenue



Net Income



Net Income per Share



Shareholders' Equity per Share

Financial Statements

Auditors' Report

To the Shareholders of
The Bermuda Press (Holdings) Limited

We have audited the consolidated balance sheet of The Bermuda Press (Holdings) Limited as at 30th September, 2007 and the consolidated statements of income, 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 auditing standards generally accepted in Bermuda and Canada. 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 financial position of the company as at 30th September, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

PricewaterhouseCoopers
Chartered Accountants

Hamilton, Bermuda
28th February 2008

Financial Statements

Consolidated Balance Sheet

As at 30th September 2007

	2007 $	2006 $
Assets		
Current assets		
Cash and cash equivalents	**2,438,603**	2,581,604
Accounts receivable	**5,911,385**	7,635,749
Inventories *(note 3)*	**4,612,321**	4,269,562
Investment in leases, current portion *(note 5)*	**1,911,947**	2,354,269
Prepaid expenses	**966,503**	371,650
	15,840,759	17,212,834
Marketable securities *(note 4)*	**430,302**	132,628
Investment in leases *(note 5)*	**1,615,850**	1,192,608
Capital assets, net *(note 6)*	**25,226,012**	24,903,783
Other assets, net	**544,347**	680,443
	43,657,270	44,122,286
Liabilities and shareholders' equity		
Current liabilities		
Bank overdraft *(note 7)*	**626,082**	1,660,893
Current portion of long-term debt *(note 7)*	**2,031,687**	1,894,276
Accounts payable and accrued liabilities	**2,867,394**	2,703,462
Accrued employee benefits	**964,523**	985,334
Unearned income	**778,317**	690,821
Dividend payable	**262,247**	262,247
	7,530,250	8,197,033
Long-term debt *(note 7)*	**3,913,524**	5,880,729
	11,443,774	14,077,762
Minority interest	**1,926,136**	1,707,112
Shareholders' equity		
Share capital		
Authorized		
3,300,000 ordinary shares of $2.40 par value		
Issued and fully paid		
1,380,245 ordinary shares of $2.40 par value	**3,312,588**	3,312,588
Share premium	**1,378,405**	1,378,405
Accumulated other comprehensive income	**297,674**	-
Retained earnings		
Appropriated		
General reserve *(note 8)*	**4,500,000**	4,500,000
Reserve for self-insured risks *(note 8)*	**1,800,000**	1,600,000
Unappropriated	**18,998,693**	17,546,419
	30,287,360	28,337,412
	43,657,270	44,122,286

Approved by the Board: W. Roger Davidson, President and Director; Dudley R. Cottingham, Director

The accompanying notes are an integral part of these consolidated financial statements

Financial Statements

Consolidated Statement of Income

For the year ended 30th September 2007

	2007 $	2006 $
Revenue		
Publishing and retail	**25,770,851**	24,128,626
Commercial printing	**7,003,428**	7,340,492
Rental	**2,398,766**	2,034,580
Other	**521,484**	555,805
	35,694,529	34,059,503
Expenses		
Payroll and employee benefits	**15,507,204**	14,646,968
Materials, merchandise and supplies	**8,639,366**	8,378,611
General and administrative	**6,684,999**	6,488,217
Amortization of assets	**1,950,568**	2,012,392
	32,782,137	31,526,188
Income from operations	**2,912,392**	2,533,315
Gain on disposal of capital assets	**9,770**	500
Income before minority interest	**2,922,162**	2,533,815
Minority interest in net income of subsidiaries	**220,902**	224,639
Net income for year	**2,701,260**	2,309,176
Earnings per share:		
Basic	**1.96**	1.67

The accompanying notes are an integral part of these consolidated financial statements

Financial Statements

Consolidated Statement of Shareholders' Equity

For the year ended 30th September 2007

	Total $	Common stock and share premium $	Appropriated retained earnings $	Unappropriated retained earnings $	Accumulated other comprehensive income $
Balance as at 30 September, 2005	27,077,222	4,690,993	5,900,000	16,486,229	–
Net income	2,309,176	–	–	2,309,176	–
Dividends	(1,048,986)	–	–	(1,048,986)	–
Appropriation of retained earnings to reserves for self-insured risk	–	–	200,000	(200,000)	–
Balance as at 30 September, 2006	28,337,412	4,690,993	6,100,000	17,546,419	–
Net income	2,701,260	–	–	2,701,260	–
Other comprehensive income - Unrealized gains on marketable securities	297,674	–	–	–	297,674
Comprehensive income	2,998,934	–	–	2,701,260	297,674
Dividends	(1,048,986)	–	–	(1,048,986)	–
Appropriation of retained earnings to reserves for self-insured risk	–	–	200,000	(200,000)	–
Balance as at 30 September, 2007	30,287,360	4,690,993	6,300,000	18,998,693	297,674

The accompanying notes are an integral part of these consolidated financial statements

Financial Statements

Consolidated Statement of Cash Flows

For the year ended 30th September 2007

	2007 $	2006 $
Cash flows from operating activities		
Net income for year	**2,701,260**	2,309,176
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of capital assets	**1,950,568**	2,012,392
(Gain) loss on disposal of capital assets	**(9,770)**	(500)
Minority interest in net income of subsidiaries	**220,902**	224,639
Increase in non-cash working capital *(note 13)*	**1,015,491**	(1,046,080)
	5,878,451	3,499,627
Cash flows (used in) from investing activities		
Additions to capital assets	**(2,139,441)**	(1,834,501)
Proceeds on disposal of capital assets	**12,500**	500
Additions to other assets	**–**	(680,433)
Additions to investments in direct finance leases	**(2,246,879)**	(1,542,798)
Repayments from investments in direct finance leases	**2,265,959**	2,083,127
	(2,107,861)	(1,974,095)
Cash flows from (used in) financing activities		
Repayments on long term bank loan	**(1,829,794)**	(1,652,629)
Dividends paid	**(1,048,986)**	(1,048,986)
	(2,878,780)	(2,701,615)
Increase (decrease) in cash and cash equivalents	**891,810**	(1,176,083)
Cash and cash equivalents at beginning of year	**920,711**	2,096,794
Cash and cash equivalents at end of year	**1,812,521**	920,711
Cash comprises:		
Cash and cash equivalents	**2,438,603**	2,581,604
Bank overdraft	**(626,082)**	(1,660,893)
	1,812,521	920,711

The accompanying notes are an integral part of these consolidated financial statements

Financial Statements

Notes to the Consolidated Financial Statements
30th September 2007

1. Nature of business

The Bermuda Press (Holdings) Limited was incorporated under the laws of Bermuda and its principal business activities include publishing newspapers, commercial printing, sale of office supplies and equipment and real estate holdings.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. These standards require management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities

The estimates are based on a number of factors, including historical experience, current events and actions that the company may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions. The company uses estimates when accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, inventory reserves, legal contingencies, and employee benefit plans.

(a) **Principles of consolidation**
The company consolidates the financial statements of all the companies it controls through ownership and all variable interest entities it is deemed to control. All transactions and balances between these companies have been eliminated on consolidation.

(b) **Variable Interest Entities**
Variable interest entities include entities where the equity invested is considered insufficient to finance the entity's activities. The Company is required to consolidate variable interest entities if the investment held or the relationship with the entity results in the company being exposed to a majority of the expected losses or being able to benefit from a majority of the expected residual returns. The Company has deemed that one of its investments is in a variable interest entity.

(c) **Adoption of new accounting standards and accounting developments**
Financial Instruments
The CICA issued section 3855 of the CICA Handbook, Financial Instruments – Recognition and Measurement, which describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. These changes come into effect for fiscal years beginning on or after 1st October, 2006. This section requires that:

- all financial assets be measured at fair value, with some exceptions for loans and investments that are classified as held to maturity
- all financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their carrying value.
- all derivative financial instruments be measured at fair value, even when they are part of a hedging relationship.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30th September 2007

2. Summary of significant accounting policies *(continued)*

The CICA has also reissued section 3860 of the CICA Handbook as section 3861, Financial Instruments –Disclosure and Presentation, which establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. These revisions come into effect for fiscal years beginning on or after 1st October, 2006.

For the year ended 30th September, 2007 the Company's investments in marketable securities have been classified as available for sale and recorded at fair value on the balance sheet. Changes in the fair value of marketable securities have been reflected as a gain or loss in other comprehensive income.

Hedges
The CICA issued section 3865 of the CICA Handbook, Hedges, which describes how and when hedge accounting can be used. These changes came into effect for fiscal years beginning on or after 1st October, 2006.

The company has no transactions that are classified as hedges.

Comprehensive Income
Comprehensive income, Section 1530, is the change in a company's net assets that results from transactions, events and circumstances from sources other than the company's shareholders. It includes items that would not normally be included in net income, such as:

- Changes in the currency translation adjustment relating to self-sustaining foreign operations
- unrealized gains or losses on available-for-sale investments.

The CICA also made changes to section 3250 of the CICA Handbook, Surplus, and reissued it as section 3251, Equity. The section is also effective for fiscal years beginning on or after 1st October, 2006. The changes in how to report and disclose equity and changes in equity are consistent with the new requirements of section 1530, Comprehensive Income.

The Company adopted these sections on 1st October, 2006, and now included the following items in the consolidated financial statements:

- comprehensive income and its components
- accumulated other comprehensive income and its components.

(d) **Fair values of financial assets and liabilities**
Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The company bases fair values on estimates using present value and other valuation methods.

These estimates are affected significantly by assumptions the company makes about the amount and timing of estimated future cash flows and discount rates, which all reflect varying degrees of risk. Expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were actually settled.

Notes to the Consolidated Financial Statements
30th September 2007

2. Summary of significant accounting policies *(continued)*

The carrying value of all financial instruments approximates fair value, except for marketable securities and long term debt as disclosed in notes 4 and 7 respectively. The fair values of the amounts receivable from lease transactions are difficult to estimate due to the nature and size of the Bermuda dollar capital market, however in management's opinion they do not differ materially from their carrying values.

(e) **Inventories**
Inventory amounts are based on physical determinations and are valued at the lower of cost and net realizable value. Cost has been determined on an "average cost" basis. Inventories are recorded net of any obsolescence provisions.

(f) **Leases**
Leases are accounted for using the sales type method. Revenue on leases is recognized at the time the equipment is leased. Amounts due under such leases are shown net of the unearned finance income thereon. Finance income from the net investment in such leases is included in other revenue.

(g) **Capital assets**
Capital assets are carried at cost less amortization. Amortization is calculated on the straight-line method using rates based on the expected useful lives of the respective assets. Buildings are being amortized at rates of 2% or 2-1/2% per annum and equipment and motor vehicles at rates ranging from 10% to 50% per annum

(h) **Other assets**
Deferred start-up and organizational costs are amortized on a straight-line basis over their estimated useful lives, not to exceed five years, commencing once commercial operations have begun. These costs, which relate to the setup of a media company consist mainly of consulting fees, salaries, technology support costs and pre-operating administrative expenses, are deferred while probable that they will be recovered from future operations. When the expected recovery through future revenues less related costs is less than the unamortized balance of such costs, the difference is charged to earnings in the period.

(i) **Revenue recognition**
The Company's principal sources of revenue are comprised of advertising, circulation, job printing, retail sales and lease revenue. Advertising revenue, being amounts charged for space purchased in the Company's newspapers and directories is recognized upon publication. Circulation revenue is recognized at the time of distribution net of an allowance for returned copies. Job printing revenue, being charges for printing services provided to third parties, is recognized upon delivery. Retail sales, being amounts charged for office supplies to third parties, are recognized upon delivery. Lease revenue for office equipment and office space is recognized pro-rata over the term of the lease. Amounts received in advance are included in unearned income until the revenue is recognized in accordance with the policies noted above.

(j) **Earnings per share**
Earnings per share represent net income for the year divided by the weighted average number of shares outstanding during the year.

Notes to the Consolidated Financial Statements
30th September 2007

2. Summary of significant accounting policies *(continued)*

(k) **Borrowing costs**
Borrowing costs directly and indirectly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement during the period in which they are incurred.

(l) **Accrued employee & other post retirement benefits**
The Company's contributions to its defined contribution plan are recorded as an expense when payments are made. For its defined benefit plan, the Company accrues its obligations under employee benefits plans and the related cost, net of plan assets. The cost of pensions earned by employees is actuarially determined using the projected benefit method prorated on service up to the date of full benefit eligibility. For the purpose of calculating the expected return of plan assets, those assets are valued at fair value. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

The Company has no obligations in respect of other post retirement benefits for employees or pensioners. Any discretionary payments made by the Company in respect of such benefits are expensed as they are made.

(m) **Impairment**
Assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. Any impairment loss would be determined as the excess of the carrying value of the assets over their fair value.

(n) **Comparative figures**
Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

3. Inventories

	2007	2006
	$	$
Materials and supplies	**2,276,034**	2,204,246
Merchandise	**2,194,231**	1,954,755
Work-in-progress	**142,056**	110,561
	4,612,321	4,259,562

Notes to the Consolidated Financial Statements

30th September 2007

4. Marketable securities

	2007		2006	
	Cost	**Fair value**	Cost	Fair value
	$	**$**	$	$
Equities	**132,628**	**430,203**	132,628	392,561

During the current year the Company's investments in marketable securities have been classified as available for sale and been recorded at fair value on the balance sheet. Changes in the fair value of marketable securities in the amount of $297,674 have been reflected as an increase in other comprehensive income.

The fair value of marketable securities is determined by reference to their quoted market price. Investment income during the year was $14,468 (2006 - $11,238) and is included in other revenue.

The geographic composition of the portfolio of marketable securities is as follows:

	2007 percentage of fair value	2006 percentage of fair value
Bermuda	**27.1**	27.0
United States of America	**72.9**	73.0
	100.0	100.0

There is no unusual interest rate or credit risk associated with marketable securities.

5. Leases

	2007	2006
	$	$
Total investment in leases	**4,064,263**	4,143,531
Unearned finance income	**(536,456)**	(596,654)
	3,527,797	3,546,877
Current portion	**(1,911,947)**	(2,354,269)
Long-term portion	**1,615,850**	1,192,608

Finance income arising from investments in leases amounted to $488,025 (2006 - $544,566) and is included in other revenue.

Notes to the Consolidated Financial Statements

30th September 2007

5. Leases *(continued)*

Expected repayments of principal during each of the next five years are as follows:

	$
2008	1,911,947
2009	904,683
2010	549,001
2011	162,166
2012	–
	3,527,797

6. Capital assets

			2007	2006
	Cost $	Accumulated amortization $	Net $	Net $
Land	**4,378,271**	**–**	**4,378,271**	4,378,271
Buildings	**20,113,247**	**(5,489,034)**	**14,624,213**	15,076,792
Equipment	**21,883,545**	**(15,719,868)**	**6,163,677**	5,371,737
Motor vehicles	**291,640**	**(231,789)**	**59,851**	76,984
	46,666,703	**(21,440,691)**	**25,226,012**	25,584,216

7. Bank indebtedness

	2007 $	2006 $
Bank overdraft	**626,082**	1,660,895
Long-term debt		
Current portion	**2,031,687**	1,894,276
Long-term portion	**3,913,524**	5,880,729
	5,945,211	7,775,005

(a) **Bank overdraft**
The Company has overdraft facilities totalling $3,000,000 bearing interest at the bank's base rate plus 1.5% to 3.0% and are repayable on demand.

Notes to the Consolidated Financial Statements

30th September 2007

7. Bank indebtedness *(continued)*

(b) **Long-term debt**

The Company borrowed $10,500,000 during 1999 in connection with the development of Crown House. Repayments by blended equal monthly instalments of principal and interest of $129,904 over ten years commenced with effect from 1st September 2000 at which time interest was fixed at 8.45% per annum. The first repayment was made on 2nd October 2000.

The Company also borrowed $3,500,000 in 2005 in connection with the purchase of Engravers Limited $2,000,000 of which was based on a fixed rate of interest of 5.25% per annum and $1,500,000 was based on a floating rate of interest of 1% above the bank's base rate per annum. Repayments, which commenced on 28th February 2005, are by blended equal monthly instalments of principal and interest of $37,972 for the fixed rate loan and $28,480 for the floating rate loan, both over five years. The first repayment on both loans was made on 28th February 2005.

Expected repayments of principal during each of the next five years and thereafter are as follows:

	$
2008	2,031,687
2009	2,126,644
2010	1,786,880
2011	–
2012	–
	5,945,211

The fair value of the long-term debt, determined by discounting the contractual cash flows at the current rates charged for similar debt instruments, is between $5.95 million and $5.98 million (2006 $7.74 million – $7.77 million)

The title deeds of certain properties are held as security for the bank loans and overdrafts.

Total interest expense of $579,312 (2006 - $682,184) was paid during the year.

8. Appropriations of retained earnings

The Board of Directors of the Company has made appropriations of retained earnings as set out below. These represent amounts transferred from the unappropriated retained earnings balance on a resolution of the Board. These amounts will be released to unappropriated retained earnings when authorized by the Board.

(a) **General reserve**

This appropriation was made to provide for future capital expenditures relating to long term maintenance and improvements of the Companies buildings. No amounts has been appropriated or released in 2007 or 2006.

8. Appropriations of retained earnings *(continued)*

(b) **Reserve for self-insured risks**
In 1994, in an endeavour to reduce the escalating costs of property insurance the Company decided to create a reserve for self-insured risks through an appropriation of retained earnings. Every year since the Directors have approved a transfer from the unappropriated retained earnings to increase this reserve which now stands at $1.8 million.

9. Pronto Print acquisition

During 2006, the Company acquired the remaining 20% of Pronto Print for $37,500.

10. Pension plan and other post retirement benefits

During the year ended 30th September 2000, coincident with the coming into force of the National Pension Scheme (Occupational Pensions) Act 1998 (the "Act") on 1st January 2000, the Company introduced a defined contribution pension plan (the "new plan"). As a result, effective 1st January 2000, the pension liability for active employees was transferred to the new plan and only the liability for existing pensioners remained in the contributory defined benefit pension plan (the "old plan").

The following table summarizes the defined benefit pension plans estimated financial position as at 30th September and the movement during the years then ended:

	2007 $	2006 $
Accrued benefit obligation		
Balance at beginning of year	**2,495,800**	2,106,150
Benefit increase (decrease)	**(2,483,134)**	325,540
Interest cost	**8,206**	104,014
Other actuarial losses	**-**	209,960
Benefits payable during the year	**(20,872)**	(249,864)
Balance as at 30th September	**-**	2,495,800
Plan assets		
Fair value at beginning of year	**18,884,257**	15,492,149
Actual return on plan assets	**3,377,925**	3,641,972
Purchase of annuities	**(4,301,547)**	-
Benefits payable	**(20,872)**	(249,864)
Fair value as at 30th September	**17,939,763**	18,884,257

The following significant actuarial assumption was adopted in measuring the accrued benefit obligation as at 30th September:

	2007	2006
Discount rate	**4.0%**	4.0%

As the assets of the old plan are held by the Trustee for the benefit of members of the plan and not the Company, the Company has not recorded any income or expense or an accrued benefit asset in respect of the old plan.

10. Pension plan and other post retirement benefits *(continued)*

During 2007 the Trustees of the defined benefit pension plan settled the accrued benefit obligation through the purchase of annuity contracts.

As described above the Company maintains defined contribution plans for substantially all employees. Contributions amounting to approximately $593,818 (2006 - $534,550) to the plans were expensed during the year.

11. Segmented information

The Company has identified its reportable segments based on the responsibility for the operations. Publishing and retail covers newspaper and magazine publishing and the sale of stationery and office equipment. Printing covers commercial and retail printing and directory publishing. The rental and other segment includes property rentals, investment activities and other operations.

Sales of goods and services between segments occur on terms agreed between those responsible for the segments. There are no significant differences between segment amounts and consolidated totals other than those arising from inter-segment transactions.

2007	**Publishing and retail**	**Printing**	**Rental and other**	**Inter-segment eliminations**	**Total**
Revenue					
External	25,770,851	7,003,428	2,920,250	–	35,694,529
Inter-segment	113,424	1,060,910	893,390	(2,067,724)	–
	25,884,275	8,064,338	3,813,640	(2,067,724)	35,694,529
Expenses	24,507,330	7,158,421	1,233,542	(2,067,724)	30,831,569
Amortization of capital assets	627,721	660,131	662,716	–	1,950,568
	25,135,051	7,818,552	1,896,258	(2,067,724)	32,782,137
Income from operations	749,224	245,786	1,917,382	–	2,912,392
Segment assets	17,574,731	6,514,068	26,758,963	(7,190,492)	43,657,270
Expenditures for segment capital assets	1,422,110	458,628	258,703	–	2,139,441

Notes to the Consolidated Financial Statements

30th September 2007

11. Segmented information *(continued)*

2006	Publishing and retail	Printing	Rental and other	Inter-segment eliminations	Total
Revenue					
External	24,129,126	7,340,492	2,590,385	–	34,060,003
Inter-segment	113,349	972,864	807,519	(1,893,932)	–
	24,242,475	8,313,356	3,397,904	(1,893,932)	34,060,003
Expenses	22,914,270	7,363,354	1,130,604	(1,893,932)	29,514,296
Amortization of capital assets	971,270	618,394	422,728	–	2,012,392
	23,885,540	7,981,748	1,553,332	(1,893,932)	31,525,688
Income from operations	356,935	331,608	1,844,572	–	2,533,315
Segment assets	16,398,336	12,909,066	27,518,122	(12,703,238)	44,122,286
Expenditures for segment capital assets	1,033,532	800,969	–	–	1,834,501

Certain 2006 figures have been restated or reclassified to conform to the presentation adopted in the current year.

12. Supplemental cash flow information

	2007 $	2006 $
Changes in non-cash operating working capital:		
Accounts receivable	**1,724,364**	(596,893)
Inventory	**(342,759)**	(466,224)
Prepaids	**(594,853)**	218,611
Accounts payable and accrued liabilities	**162,054**	240,243
Accrued employee benefits	**(20,811)**	(117,741)
Unearned income	**87,496**	(324,076)
	1,015,491	(1,046,080)
Cash paid for interest	**477,978**	593,103

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