The Bermuda Press (Holdings) Limited

ANNUAL REPORT 2014

The Bermuda Press (Holdings) Limited

ANNUAL REPORT 2014

Incorporated in Bermuda
A public company quoted on the Bermuda Stock Exchange (BPH.BH) with over 500 shareholders

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Annual Report 2014

Report to Shareholders

For several years, our annual reports have focused on the significant progress made to modernize existing operations and our efforts to cope with the economic stagnation in Bermuda. Last year, we noted that our ability to adapt and evolve was critical to our future success. There is no question that the decisions made to invest in real estate, focus on core products, and reduce operating costs whilst increasing productivity have been instrumental in our ability to survive. As we emerge from 2014 your Company is the only remaining newspaper and the largest commercial printer in Bermuda.

As in previous years, our efforts to restructure and transform your Company continued throughout 2014. It has been many years since Bermuda entered into the global economic downturn. Unfortunately, although many countries have emerged from recessionary conditions, Bermuda continues to struggle with the effects of a declining population and workforce. The economic impact of an aging population, low birth rate and the declining number of guest workers has to be addressed. All of Bermuda must come together and have meaningful dialogue focused on immigration with the view to increasing our resident population.

Financial Performance

In 2014 revenues increased slightly to $25,299,000 as compared to $25,150,000 in the prior year. Net profit for your Company in 2014 was $905,000 down slightly from $922,000 in 2013.

The overall revenue growth can be attributed to the amalgamation of the Island Press and Bermuda.com operations in late 2014. Unfortunately, the positive growth in print revenue was offset by a decline in revenue from publishing and retail. The decline in publishing and retail revenue is isolated to sale of office supplies at the Stationery Store and Office Solutions, as a result of declining demand, and the deferral of revenue relating to the publication of the Bermuda Business Directory into 2015.

Significant Milestones

Six years ago Bermuda had three newspapers; today the Royal Gazette is the only remaining newspaper.

Ten years ago Bermuda had three large printing companies; all three of those companies have consolidated as the industry has been disrupted by new technology.

There is no doubt that the most significant changes to your Company in 2014 were the amalgamations of Island Press and Bermuda.com operations. These consolidations combined with the closure of the Bermuda Sun stem from the financial challenges faced by the printing and publishing industries in Bermuda.

Island Press Limited and Bermuda Press Limited operated as competitors in a contracting print industry for many years. The amalgamation of these companies will lead to reduced overheads and will introduce economies of scale for these operations that are labour and capital intensive. The consolidation of the manufacturing operations into a single location is underway and will be completed during 2015.

The publications, Bermuda.com Guide and This Week in Bermuda, merged into a single new publication called Bermuda. The new publication is targeted solely at the tourism audience and has taken the best elements from Bermuda.com Guide and This Week in Bermuda into the most comprehensive guide to Bermuda. The new monthly publication is by far the best guide to the tourism experiences in Bermuda.

The Bermuda.com and This Week.bm websites have been combined under the Bermuda.com brand. The new website, www.bermuda.com, utilizes native advertising and an image-rich browsing experience allowing users to explore the Bermuda tourism product before they arrive.

Several other important projects were completed during the year.

- The accounting and finance team completed the implementation of the Great Plains Dynamics accounting system.
- The Royal Gazette tablet and mobile applications for Apple IOS, Android and Kindle were completed and are scheduled to be launched in early 2015.
- A new classified platform for the Royal Gazette allowing users to book print and online classified advertising using the website has completed and is scheduled to be launched in early 2015

The Road Ahead

The printing and publishing industries in Bermuda have seen considerable contraction during the past 10 years. As we begin 2015, your Company is Bermuda's only remaining newspaper and largest commercial printer. Your Company has weathered the storm. However, the future will continue to present challenges and we plan to face them head on with innovation, consolidation and creative forward thinking.

Significant barriers to entry for new competitors, ranging from capital costs to expertise, will likely limit future startup companies in print media. And while the closure of the Bermuda Sun was a sad day for Bermuda it should be noted that without the strategies and changes put in place over the past few years it could well have been the Royal Gazette that closed.

Without question, the continued stagnant economic conditions in Bermuda will effect the profitability of our operations. As we look back at 2014, a year marred with political turmoil, back-to-back hurricanes, an economic recovery impeded by continued government budget deficits and a decline in the residential population and workforce, Bermuda managed to emerge on a high. The announcement of Bermuda's successful bid to host the 35th Americas Cup has raised consumer and business confidence to levels not seen in years.

The key strategies driving the publishing division are; the delivery of content to targeted audiences, expanding content delivery mediums, and enhancement of existing content delivery mediums. To successfully complete these strategic goals we will be required to expand our content delivery into radio and television as well as enhancing our print and digital products. Your Board expects significant progress towards expanding into new mediums will be made during 2015.

Governance and Board Renewals

The Board of The Bermuda Press (Holdings) Limited endorses good corporate governance practices and oversees an organization-wide commitment to high standards of legislative compliance and financial and ethical behaviour. The Director's objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interest of all shareholders, while ensuring the Company is properly managed.

In February 2015, H. Michael King, the Chairman of the Board, passed away. Mr. King served as Chairman of the Board since 2012, was the Deputy Chairman from 2008 to 2012 and served your Company as a Director since 1987. Michael was a valuable member of the Board, he worked tirelessly to serve your company and guide it through some challenging years. His contributions will be missed by the Board and the entire Company.

As a listed issuer on the Bermuda Stock Exchange, the Company is required to make certain public disclosures. We confirm that the total interests of all directors and officers of the Company in the shares of the Company amounted to 283,333 shares at 30th September 2014. We also confirm that no rights to subscribe to 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 significant contracts in existence 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.

At the time of this report, our shares last traded on the Bermuda Stock Exchange at $7.50. The dividend paid to shareholders was $.30 during fiscal 2014, a yield of 4.0%. In September of 2014 the Board suspended the payment of a dividend to shareholders and used the cash to fund the working capital requirements of Island Press Limited and Bermuda.com Limited and related restructuring costs. The Board continues to review the ability of the Company to pay dividends and anticipates reinstating the dividend in the future. Your Board is confident that the Company is correctly positioned to take full advantage of any future improvement in the local economic climate.

Our people

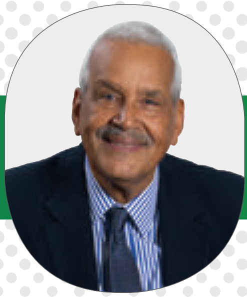
In closing, I would like to acknowledge the significant contribution of my fellow Board members and the contribution of our Chief Executive Officer, Jonathan Howes, who continues to do an outstanding job in leading your Company through these challenging times. He is completely focused on ensuring the future success of your Company.

The Board would also like to thank Poohan Nathan, who is leaving the company at the end of March 2015. Mr. Nathan has served as CFO for the past two years and is departing Bermuda to pursue his career. The company has begun a search for his replacement and will make a formal announcement once a new CFO is hired.

A company is only as good as its people. The Board is proud of our management and staff and salutes their efforts in these times of significant changes. Clearly, it is well understood that change, growth and "doing more with less" are critical to our future success and our thanks and respect is extended to each and every employee as we confront these challenges and move forward. We also appreciate our business relationships with readers, customers, suppliers and tenants. Most of all, we appreciate the support of our shareholders and your faith in the Company's future, which we most heartily share.

Stephen W. Thomson,
Deputy Chairman

Directors



H. Michael King,
Chairman and Director

H. Michael King is the Chairman of The Bermuda Press (Holdings) Limited. He is the owner and manager of Bermuda Mechanical Supply Co. Ltd., following a career in banking with Barclays Bank and Bermuda Commercial Bank Ltd.

Stephen W. Thomson,
Deputy Chairman

Stephen W. Thomson, is President of Mailboxes Unlimited Ltd. and of Just Shirts. He is on the Board of C Travel and Trinity College School and a member of the Technical Committee of the Bermuda Olympic Association.

Gavin R. Arton,
Director

Gavin R. Arton, is Chairman of BF&M Limited, a Director of Ascendant Group Limited, Bermuda Commercial Bank Ltd., Watlington Waterworks Ltd. and a number of international companies. He is Chairman of P.A.L.S., Bermuda's cancer care charity and previously Senior Vice President of XL Capital Ltd.

Dudley R. Cottingham,
Director

Dudley R. Cottingham, is a Partner with Arthur Morris & Company. He is a Fellow of the Institute of Chartered Accountants in England & Wales, a Member of the Institute of Chartered Accountants of Bermuda and a Fellow of the Institute of Directors.

Stephen R. Davidson,
Director

Stephen R. Davidson, Director is an officer of QuoVadis, a provider of managed datacenter and online identity services with operations in Bermuda and Europe. He also sits on the board of the Bermuda End-to-End Charity. He is a graduate of Dartmouth College and Georgetown University.

Gregory D. Haycock, FCA, JP,
Director

Gregory D. Haycock, F.C.A., J.P., is a Retired Senior Partner of KPMG, Bermuda and the KPMG European Board. He has served on the Boards of the Bermuda Monetary Authority and as Chairman of the Bermuda International Business Association and is currently Chairman of several international companies in Bermuda.

Carl H. Paiva, JP,
Director

Carl H. Paiva, J.P. , was Chief Executive Officer of C Travel Ltd. He earned his degree in English Literature and Art History from King's College, Pennsylvania.

Muriel Richardson,
Director

Muriel Richardson, is the General Manager of Rosedon Hotel. She is the Chair of the Bermuda Hospitality Institute and was the past President and Chair of the Bermuda Hotel Association. She presently serves as a Director of Caribbean Hotel Association.

Christopher E. Swan,
Director

Christopher E. Swan, is Senior Partner of Barristers & Attorneys-at-Law Christopher E. Swan & Co. He is an active cricketer and football coach.

Senior Management

1. **Tim Perry** – Production Manager, Bermuda Press Limited
2. **Jamie Petty** – President, Island Press Limited
3. **Poohan Nathan** – Group Chief Financial Officer
4. **Jonathan Howes,** – Group Chief Executive Officer
5. **Tim Hodgson** – Consulting Editor, The Royal Gazette
6. **Bill Dickinson** – General Manager, BP Media Limited
7. **Erik Smelser** – Sales Director, The Royal Gazette
8. **Keith Musson** – Production Manager, Island Press Limited
9. **Horst Augustinovic** – General Manager, Bermuda.com Limited

10. **Sabrina Simmons** – Group Human Resources Manager
11. **Craig Tyrell** – Circulation Manager, The Royal Gazette
12. **Bob Legere** – General Manager, Office Solutions Limited
13. **Jamie Cann** – Production Manager, The Royal Gazette
14. **Jamie McCrae Walsh** – Production Facilitator, Island Press Limited
15. **Diane Finegan** – Manager, Bermuda Press Digital
16. **Damon Wade** – Group Business Analyst
17. **Caroline Desmarais** – Group Chief Development Officer

Financial Facts

(Amounts in thousands of dollars, except per share data)

	2014	2013	2012	2011	2010
Operating revenue	**25,299**	**25,150**	**25,670**	27,438	30,675
Operating expenses	**24,297**	**24,139**	**25,995**	27,284	29,478
Operating profit (loss)	**1,002**	**1,011**	**(325)**	154	1,197
Finance income	**6**	**16**	**5**	6	7
Finance costs	**(103)**	**(102)**	**(91)**	(97)	(123)
(Loss) gain on disposal and impairment of assets	**-**	**(3)**	**(27)**	106	(285)
Share of losses of affiliate	**-**	**-**	**-**	(371)	(334)
Profit (loss) for the year	**905**	**922**	**(438)**	(202)	462
Profit (loss) attributable to:					
Equity holders of the company	**548**	**549**	**(793)**	(613)	316
Non-controlling interests	**357**	**373**	**355**	411	146
Current assets	**9,580**	**7,683**	**7,676**	9,537	12,413
Available for sale financial assets	**131**	**135**	**137**	150	201
Investment in leases	**1,375**	**1,222**	**1,237**	635	972
Property, plant and equipment	**5,876**	**6,188**	**6,709**	11,276	10,334
Investment properties	**15,967**	**16,521**	**16,986**	12,463	12,183
Investment in affiliate	**-**	**-**	**-**	2,173	1,794
Goodwill	**4,718**	**2,791**	**2,985**	194	194
	37,647	**34,540**	**35,730**	36,428	38,091
Current liabilities	**7,226**	**5,216**	**5,710**	4,178	5,084
Borrowings	**1,461**	**606**	**1,156**	1,706	1,462
Equity attributable to owners of the parent	**26,874**	**26,659**	**26,678**	28,033	29,205
Minority interest	**2,086**	**2,059**	**2,186**	2,511	2,340
	37,647	**34,540**	**35,730**	36,428	38,091
Additions to goodwill	**1,927**	**-**	**2,791**	-	-
Additions to capital assets	**786**	**822**	**1,976**	3,634	943
Cash dividends paid	**552**	**552**	**552**	552	552
Number of issued ordinary shares	**1,395,920**	**1,378,699**	**1,380,245**	1,380,245	1,380,245
Profit (loss) attributable to equity holders of the company per share	**0.40**	**0.40**	**(0.57)**	(0.44)	0.23
Cash dividend paid per share	**0.40**	**0.40**	**0.40**	0.40	0.40
Shareholders' equity per share	**19.25**	**19.33**	**19.33**	20.31	21.16
Profit (loss) attributable to equity holders of the company as a percentage of revenue	**2.2**	**2.2**	**(3.1)**	(2.2)	1.0
Profit (loss) attributable to equity holders of the company as a percentage of shareholders equity	**2.0**	**2.0**	**(3.0)**	(2.2)	1.1

The Bermuda Press (Holdings) Limited

Financial Statements September 30th 2014

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February 6, 2015

Independent Auditor's Report

To the Shareholders of
The Bermuda Press (Holdings) Limited

We have audited the accompanying consolidated financial statements of The Bermuda Press (Holdings) Limited and its subsidiaries, which comprise the consolidated balance sheet as at September 30, 2014 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Bermuda Press (Holdings) Limited and its subsidiaries as at September 30, 2014 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

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Consolidated Balance Sheet

As at September 30, 2014

(Amounts in thousands of dollars)

	Notes	September 30, 2014	September 30, 2013
ASSETS			
Current assets			
Cash and cash equivalents		1,612	1,035
Trade and other receivables	3	5,080	4,238
Inventories	4	2,888	2,410
		9,580	7,683
Non-current assets			
Available for sale financial assets	5	131	135
Investment in leases	6	1,375	1,222
Property, plant and equipment	7	5,876	6,188
Investment properties	8	15,967	16,521
Goodwill	9	4,718	2,791
Total assets		37,647	34,540
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	12	5,565	4,291
Borrowings	13	1,661	787
Dividend payable		-	138
		7,226	5,216
Non-current liabilities			
Borrowings	13	1,461	606
Total liabilities		8,687	5,822
Equity attributable to owners of the parent			
Share capital	20	3,350	3,309
Share premium	20	1,649	1,377
Other reserves	22	6,700	6,700
Other comprehensive income		65	69
Retained earnings		15,110	15,204
		26,874	26,659
Non-controlling interest		2,086	2,059
Total equity		28,960	28,718
Total liabilities and equity		37,647	34,540

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

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2014

(Amounts in thousands of dollars, except per share data)

	Notes	September 30, 2014	September 30, 2013
Operating revenue			
Publishing and retail		18,806	18,932
Commercial printing		3,626	3,242
Rental		2,722	2,789
Other	6	145	187
		25,299	25,150
Operating expenses			
Payroll and employee benefits	18	13,249	13,171
Materials, merchandise and supplies		5,221	4,825
Administrative expenses	19	4,095	4,142
Depreciation and amortization	7,8	1,732	2,001
		24,297	24,139
Operating profit		1,002	1,011
Finance income	5	6	16
Finance costs	13	(103)	(102)
Loss on sale of assets	5,7	-	(3)
Profit for the year		905	922
Profit attributable to:			
Equity holders of the company		548	549
Non-controlling interests		357	373
		905	922
Other comprehensive loss for the year			
Changes in fair value of available for sale financial assets	5	(4)	(2)
Total comprehensive income for the year		901	920
Comprehensive income attributable to:			
Equity holders of the company		544	547
Non-controlling interests		357	373
		901	920
Earnings per share:			
Basic and diluted	21	0.40	0.40

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

Consolidated Statement of Changes in Equity

For the year ended September 30, 2014

(Amounts in thousands of dollars)

		Attributable to equity holders of the company							
	Notes	Share capital	Share premium	Other reserves	Retained earnings	Other comprehensive income	Total	Non-controlling interests	Total equity
Balance as of September 30, 2012		**3,313**	**1,378**	**6,700**	**15,216**	**71**	**26,678**	**2,186**	**28,864**
Profit		-	-	-	549	-	**549**	373	**922**
Other comprehensive loss	5	-	-	-	-	(2)	**(2)**	-	**(2)**
Total comprehensive income (loss)		-	-	-	549	(2)	**547**	373	**920**
Purchase of Treasury shares		(4)	(1)	-	(9)	-	**(14)**	-	**(14)**
Dividends		-	-	-	(552)	-	**(552)**	(500)	**(1,052)**
Balance as of September 30, 2013		**3,309**	**1,377**	**6,700**	**15,204**	**69**	**26,659**	**2,059**	**28,718**
Profit		-	-	-	548	-	**548**	357	**905**
Other comprehensive loss	5	-	-	-	-	(4)	**(4)**	-	**(4)**
Total comprehensive income (loss)		-	-	-	548	(4)	**544**	357	**901**
Proceeds from shares issued	20	120	305	-	-	-	**425**	-	**425**
Purchase of Treasury Shares	20	(79)	(33)	-	(167)	-	**(279)**	-	**(279)**
Dividends		-	-	-	(405)	-	**(405)**	(400)	**(805)**
Transactions with owners, recognized directly in equity	11	-	-	-	(70)	-	**(70)**	70	**-**
Balance as of September 30, 2014		**3,350**	**1,649**	**6,700**	**15,110**	**65**	**26,874**	**2,086**	**28,960**

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

Consolidated Statement of Cash Flows

For the year ended September 30, 2014

(Amounts in thousands of dollars)

	Notes	September 30, 2014	September 30, 2013
Cash flows from operating activities			
Profit for year		905	922
Adjustments for:			
Depreciation, amortization and impairment	7,8	1,732	2,001
Loss on disposal of property, plant and equipment			3
Finance costs		103	102
Investment income		(4)	(4)
Interest paid		(103)	(102)
Changes in non-cash working capital:			
Trade and other receivables		109	69
Inventories		(44)	164
Accounts payable and accrued liabilities		47	216
Cash generated from operating activities		2,745	3,371
Cash flows (used for) from investing activities			
Additions to property, plant and equipment		(786)	(822)
Purchase of treasury shares		(279)	(14)
Dividends received on available for sale financial assets		4	4
Acquisition of subsidiary, net of cash acquired	10	(1,380)	-
Net movement in investments in leases		(504)	(89)
Net cash used for investing activities		(2,945)	(921)
Cash flows from (used for) financing activities			
Borrowings net of repayments	13	640	(550)
Dividends paid to company's shareholders	21	(552)	(552)
Dividends paid to non-controlling interests		(400)	(500)
Net cash used for financing activities		(312)	(1,602)
(Decrease)/Increase in cash and cash equivalents		(512)	848
Cash and cash equivalents at beginning of year		798	(50)
Cash and cash equivalents at end of year		286	798
Cash and cash equivalents comprises:			
Cash and cash equivalents at bank		1,612	1,035
Bank overdraft	13	(1,326)	(237)
		286	798

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

Consolidated Notes to Financial Statements

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

1 The company and its regulatory framework

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

The Company is listed on the Bermuda Stock Exchange and is domiciled in Bermuda. The registered office is located at 2 Par-la-Ville Road, Hamilton, Bermuda.

These financial statements were approved by the Directors on January 28th, 2015. The Directors of the Company do not have power to amend the financial statements after the date of issue.

2 Basis of preparation and significant accounting policies

(a) Basis of preparation:

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) Interpretations applicable to companies reporting under IFRS.

The consolidated financial statements are presented in Bermuda dollars ($), which is the functional currency of the Company. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets.

(b) New standards, amendments and interpretations issued, but not yet effective and not adopted by the Company:

The IASB and the IFRIC have published the following standards and interpretations, which were not yet effective. The standards, amendments and interpretations are not expected to be relevant to the Company's operations:

Standard / Interpretation	Content	Applicable for financial years beginning on / after
IFRIC 21	Levies	January 1, 2014
IAS 39	Novation of derivatives and continuation of hedge accounting	January 1, 2014
IFRS 10 IFRS 12 IAS 27	Amendments to consolidation requirements that meet the definition of an investment entity	January 1, 2014
IAS 32	Amendments on 'legally enforceable right to set-off'	January 1, 2014

(c) Critical estimates and judgments

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as at the date of the financial statements and the revenue and expenses during the reporting period. Actual amounts could differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year of the revision and future years, where applicable. Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

(ii) Net realizable value of inventories

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period, to the extent that such events confirm conditions existing at the end of the period. Estimates of net realizable value also take into consideration the purpose for which the inventory is held.

(iii) Residual value and expected useful life of property, plant and equipment

The residual value and the expected useful life of an asset are reviewed at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the Company and its subsidiaries. The recoverable amount of property, plant and equipment is

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

dependent upon management's internal assessment of future cash flows from the individual asset or from the cash generating units to which the asset belongs.

(iv) Estimated impairment of goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Determining whether goodwill is impaired requires an estimation of the recoverable value using value in use, of the CGU to which the goodwill has been allocated. The CGU fair value is assessed using the discounted cash flows of the CGU, based on financial projections approved by management over a period of up to five years with a terminal value at the end of the five year period. Tangible assets are deducted from the estimated enterprise value and the residual value is compared to the carrying value of goodwill. If the residual value is less than the book carrying value of goodwill, an impairment expense is recognized in the period to reduce the carrying value to its recoverable amount. The following are key assumptions used in the impairment assessment calculations:

Benchmark multiples of earnings of 5% contraction to 2% growth
Discount rate applied in cash flow projections of 12.25% to 14.88%

An increase in the discount rates of 5% would not result in any impairment on goodwill.

(d) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Company also assesses existence of control where it does not have more than 50% of voting power, but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Company's voting rights relative to the size and dispersion of holdings of other shareholdings, give the Company the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control commences until the date that control ceases.

The consolidated financial statements include the financial statements of the Company and its subsidiaries: The Royal Gazette Limited, Office Solutions Limited, BP Media Limited, The Bermuda Press Limited, Engravers Limited, Chameleon Print Express Limited, E-Moo (Bermuda) Limited, Crown House Properties Limited, Island Press Limited, Atlantic Print Services Limited and Bermuda Directories Limited.

(ii) Transactions eliminated on consolidation

Intra-group transactions, balances and income and expenses on transactions between group companies are eliminated in preparing the consolidated financial statements. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

(iii) Business combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. Under a business combination where entities under common control are amalgamated, the carrying values of the assets and liabilities of the entities are combined, with any gain or loss on amalgamation recognised in equity.

(iv) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the value in use. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(e) Financial instruments

(i) Classification

Financial assets are classified in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired and is determined upon initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'accounts receivables, and 'cash and cash equivalents' in the balance sheet.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Company's available-for-sale financial assets comprise equity securities.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date, defined as the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the statement of comprehensive income as finance income.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of comprehensive income as part of finance income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income as part of finance income when the Company's right to receive payments is established.

(f) Impairment of financial assets

(i) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

(ii) Assets classified as available-for-sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. If, in a subsequent period, the fair value of a financial instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is not reversed through the consolidated statement of comprehensive income.

(g) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, deposits held at call with banks, short-term highly liquid investments with original maturities of three months or less. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Investment in leases

Revenue from the sale of equipment under sales-type leases is recognized at the inception of the lease. Income on sales-type leases and direct-financing leases is recognized over the life of each respective lease using the amortised cost method and is included in other revenue. Leases not qualifying as sales-type leases or direct-financing leases are accounted for as operating leases and related revenue is recognized ratably over the term of the lease.

When equipment leases are bundled with product maintenance contracts, revenue is first allocated considering the relative fair value of the lease and non-lease deliverables based upon the estimated relative fair values of each element. Lease deliverables generally include equipment, financing and executory costs, while non-lease deliverables generally consist of product maintenance contracts and supplies.

(j) Property, plant and equipment

Capital assets are carried at historical cost less depreciation. Depreciation is calculated on the straight-line method using rates based on the expected useful lives of the respective assets, as follows:

Buildings	15 - 50 years
Machinery	4 - 15 years
Vehicles	3 - 5 years
Fixtures & equipment	1 - 10 years

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(k) Investment properties

Investment property is carried at cost. Depreciation is calculated on the straight-line method using rates based on the expected useful lives of the respective assets. Buildings are depreciated by their identifiable components over 15 to 50 years.

(l) Impairment of long-lived assets

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.

(m) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Accrued employee and other post-retirement benefits

The Company makes contributions for its defined contribution plan to administered pension plans. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

Employee entitlements to paid leave are recognized when they accrue to employees. An accrual is made for the estimated liability for vacation leave, as a result of services rendered by employees up to the reporting date.

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 in the period they are made.

(o) Deferred costs

Costs incurred directly relating to the publication of annual directories are deferred and recognized as expenses at the date of publication. Deferred production costs are included in trade and other receivables.

(p) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

(q) Revenue recognition

The Company's principal sources of revenue are advertising, circulation, job printing, retail sales, lease revenue and rental income. Advertising revenue, being amounts charged for space purchased in the Company's newspapers, magazines, websites 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. Rental income 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.

(r) Dividend distribution

Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are declared by the Board of Directors.

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

3 Trade and other receivables

	September 30, 2014	September 30, 2013
Trade receivables	2,915	2,770
Current portion of investment in leases (Note 6)	1,350	999
Prepaid insurance	90	92
Prepaid government taxes	-	5
Deferred publishing costs	-	20
Other prepaid assets	725	352
	5,080	4,238

Accounts receivable are presented net of allowances for estimated bad debts. The movement in the allowance is as follows:

	September 30, 2014	September 30, 2013
Balance, beginning of the year	364	368
Write-offs	-	(63)
Recoveries	(42)	(9)
Additions	-	68
Balance, end of the year	322	364

The ageing of trade receivables is as follows:

	September 30, 2014	September 30,2013
Current	1,981	2,233
30 days	572	396
60 days	195	103
90 days and over	489	402
	3,237	3,134
Allowance for doubtful accounts	(322)	(364)
	2,915	2,770

All receivables are due within 1 year of the financial year end.

4 Inventories

	September 30, 2014	September 30, 2013
Materials and supplies	1,130	767
Merchandise	2,026	1,875
Work-in-progress	15	6
Provision for obsolescence	(283)	(238)
	2,888	2,410

During the year, the company expensed inventory totalling $4,595 (2013 - $4,129) as part of normal operations. Inventory written off during the year totalled $110 (2013 - $60) and is included in materials, merchandise and supplies on the consolidated statements of comprehensive income.

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

5 Available for sale financial assets

Available for sale financial assets comprise equity securities listed in Bermuda whose fair value is determined by reference to their quoted market price.

	September 30, 2014	September 30, 2013
Balance, beginning of the year	135	137
Decrease in fair value	(4)	(2)
Balance, end of year	131	135

Changes in fair value in the amount of ($4) (2013 – ($2)) have been reflected in other comprehensive income.

The Company has reviewed all assets held for evidence of impairment and has determined that no assets are impaired and there are no indicators of significant or prolonged decline in the value of the assets.

Dividend income during the year was $4 (2013 - $4) and is included in finance income.

6 Investment in leases

		September 30, 2014	September 30, 2013
Total investment in sales-type leases		2,824	2,352
Unearned finance income		(99)	(131)
		2,725	2,221
Less allowance for doubtful receivables		-	-
Current portion included in trade and other receivables	(Note 3)	(1,350)	(999)
Long-term portion		1,375	1,222

Finance income arising from the investments in leases amounted to $145 (2013 - $187) and is included in other revenue. Upon completion of the lease the leased equipment can be purchased, renewed or returned at the expected fair value at that time. The unguaranteed residual values accruing to the benefit of the Company is $287 (2013 - $267).

The Company has entered into commercial property leases on its three buildings held for operating lease purposes which have been classified as investment properties on the consolidated balance sheet. These noncancellable operating leases have remaining non-cancellable lease terms of between 1 and 10 years. Leases have renewal terms of between 0 and 10 years.

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

6 Investment in leases (continued)

The following is a schedule by year of the future minimum lease payments to be received under finance leases and non-cancellable operating leases at September 30, 2014:

	Finance leases	Operating leases
2015	1,350	2,818
2016	880	2,843
2017	457	2,856
2018	38	1,904
2019 and later	-	6,134
	2,725	16,555

7 Property, plant and equipment

	Land	Buildings	Machinery	Vehicles	Fixtures and equipment	Total
September 30, 2013	393	3,834	14,126	370	4,324	23,047
Additions	-	57	60	54	512	683
Acquisition of Subsidiary	-	8	64	1	30	103
Disposals	-	-	-	(75)	(63)	(138)
September 30, 2014	393	3,899	14,250	350	4,803	23,695
Depreciation/impairment:						
September 30, 2013	-	2,179	10,867	300	3,513	16,859
Charge for the year	-	114	584	29	363	1,090
Depreciation on disposals	-	-	-	(69)	(61)	(130)
September 30, 2014	-	2,293	11,451	260	3,815	17,819
Net book values:						
September 30, 2013	393	1,655	3,259	70	811	6,188
September 30, 2014	393	1,606	2,799	90	988	5,876

At September 30, 2014 the Company had $12,306 (2013 - $11,685) in fully depreciated assets that were still in use.

8 Investment properties

The gross amount and accumulated depreciation of properties leased to third parties are as follows:

	September 30, 2014	September 30, 2013
Cost	24,192	24,104
Accumulated depreciation	(8,225)	(7,583)
Net book value	15,967	16,521

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

8 Investment properties (continued)

Changes in the Company's book value of investment property are summarized in the following table:

	September 30, 2014	September 30, 2013
Balance, beginning of the year	16,521	16,986
Additions	89	176
Depreciation	(643)	(641)
Balance, end of year	15,967	16,521

The fair value of the company's investment properties is $28 million (2013 - $28 million). Fair value has been determined using discounted future cash flows for the Mills Creek, Roger Davidson and Crown House properties. The company recognized $2,722 (2013 - $2,789) in rental income and $901 (2013 - $1,083) in operating expenses pertaining to its investment properties.

9 Goodwill

	September 30, 2014	September 30, 2013
Balance, beginning of year	2,791	2,985
Impairment of goodwill	-	(194)
Additions (Note 10)	1,927	-
Balance, end of year	4,718	2,791

10 Business Combinations

On August 4, 2014, the Company acquired 100% of outstanding shares of Island Press Limited, Bermuda.Com Limited, Bermuda.Com Guide Limited and Industrial Electrics and Controls Limited ("the acquired entities") for a total consideration of $2,390. The acquired entities consisted mainly of business operations in commercial printing and online advertising.

On August 4, 2014, Pronto Print Limited, an existing subsidiary of the Company, was amalgamated into Island Press Limited.

A further amalgamation took place whereby Bermuda.Com Limited and Bermuda.Com Guide Limited were amalgamated into Bermuda Directories Limited. This transaction also occurred on August 4, 2014. As a result of the acquisitions and amalgamation of entities above, the Company is expected to increase its presence in commercial printing and online advertising. It also expects to reduce costs through economies of scale. The goodwill of $1,927 arising from the acquisitions is attributable to acquired customer base and economies of scale expected from combining the operations of the acquired entities with the existing operations of the Company.

The following table summarises the consideration paid for the acquired entities, the fair value of assets acquired and liabilities assumed at acquisition date.

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

10 Business Combinations (continued)

Consideration at August 4th, 2014		
Cash	$	1,400
Deferred consideration	$	565
Equity instruments (50,000 ordinary shares)	$	425
Total consideration	$	2,390
Recognised amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents		20
Capital Assets		103
Inventory		435
Trade and other receivables		599
Trade and other payables		(450)
Unearned income		(244)
Total identifiable net assets		463
Goodwill		1,927
		2,390

Acquisition-related costs of $105 have been charged to administrative expenses in the consolidated income statement for the year ended September 30, 2014.

The fair value of the 50 thousand ordinary shares issued as part of the consideration paid for the acquired entities of $425 was based on the published share price on August 4, 2014. The revenue included in the consolidated income statement since August 4, 2014 contributed by the acquired entities was $548. The acquired entities also contributed a profit of $80 over the same period.

11 Transactions with non-controlling interests

On July 25, 2014, the Company acquired the remaining 49% of the issued shares of Bermuda Directories Limited for a purchase consideration of one Bermuda Dollar. The Company now holds 100% of the equity share capital of Bermuda Directories Limited. The carrying amount of the non-controlling interest on the date of acquisition was $70. The Company de-recognised the non-controlling interest of $70 and recorded a decrease in equity attributable to owners of the Company of $70.

12 Accounts payable and accrued liabilities

	September 30, 2014	September 30, 2013
Trade payables	2,116	1,531
Accrued liabilities	686	676
Accrued payroll liabilities	1,510	1,082
Unearned income	1,253	1,002
	5,565	4,291

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

13 Borrowings

	September 30, 2014	September 30, 2013
Current		
Bank overdraft	1,326	237
Third party loan	335	550
	1,661	787
Non-current		
Third party loan	1,461	606
Total Borrowings	3,122	1,393

(a) Bank overdraft

The company has overdraft facilities totalling $2.25 million bearing interest at the bank's base rate plus 1.5% to 3.0% which are repayable on demand. The base rate at September 30 was 3.75% (2013 – 3.75%). The facility renews annually on March 31. Fair value approximates the carrying value as it is short term in nature.

(b) Third party loan – 'E-Moo' business combination

The Company borrowed $2.0 million in 2010 in connection with the purchase of the initial equity interest in E-Moo Limited and E-Moo (Bermuda) Limited at a rate of 4% from Bermuda Life Insurance Company Limited, as Trustee for The Bermuda Press (Holdings) Limited Pension Plan. A further $0.75 million was borrowed to fund the final installment on October 28, 2010. Repayments are by blended equal monthly installments of principal and interest of $50. The first repayment on both loans was made on December 31, 2010. A mortgage against property at 13 Addendum Lane was issued as security. The balance at September 30, 2013 was $1,156. This loan was fully settled during the financial year ended September 30, 2014. The total interest expense relating to this loan amounted to $37 (2013 - $60) during the year.

(c) Third party loan – The Bank of NT Butterfield & Sons Limited

The Company borrowed $1.85 million during the financial year ended September 30, 2014 in connection with the purchase of controlling interests in several entities (refer to Note 10). The interest rate on the loan is 1.5% plus the Bermuda Dollar base rate (totaling 5.25% as at September 30, 2014). A mortgage against property at 32, Reid Street, Hamilton was issued as security. The total interest expense relating to this loan amounted to $20 during the year. Expected repayments of principal are as follows:

	$
2015	335
2016	353
2017	372
2018	393
2019	343
	1,796

The fair value of the long-term debt, determined by discounting the contractual cash flows at the current rates charged for similar debt instruments, approximates the carrying value.

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

14 Financial instruments by category

	September 30, 2014		September 30, 2013	
	Loans and receivables	Available for sale	Loans and receivables	Available for sale
Assets				
Cash and cash equivalents	1,612	-	1,035	-
Available for sale financial assets	-	131	-	135
Trade and other receivables (excluding prepayments)	4,265	-	3,769	-
Investment in leases, non-current	1,375	-	1,222	-
Total	**7,252**	**131**	**6,026**	**135**

	September 30, 2014	September 30, 2013
	Liabilities at amortised cost	Liabilities at amortised cost
Liabilities		
Borrowings	3,122	1,393
Trade and other payables	5,565	4,429
Total	**8,687**	**5,822**

15 Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis by management.

(a) 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. Credit risk arises primarily from credit given to customers and deposits with financial institutions. Balances arising from those activities are trade accounts receivable, investment in leases and cash and cash equivalents. The maximum credit exposure to credit risk at the reporting date was:

	September 30, 2014	September 30, 2013
Accounts receivable	2,915	2,770
Investment in leases	2,725	2,221
Cash and cash equivalents	1,612	1,035
	7,252	6,026

Exposure to credit risk on accounts receivable and investment in leases is influenced by the credit worthiness of customers. The Company manages credit risk through the execution of its credit and collection policy whereby customers are analyzed for creditworthiness prior to being offered credit and then continually monitored based on their aging profile and previous financial difficulties. Management has established procedures to restrict access to credit if their accounts are not in good standing and may result in the suspension of credit and move to a prepayment basis.

Cash and cash equivalents are placed with counterparties who have minimal risk of credit default and are rated by Standard & Poor's with credit ratings of between A- and A.

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

15 Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at a reason able cost. The Company manages liquidity risk primarily by maintaining sufficient unused capacity within its borrowings and overdraft facilities.

The following are the contractual maturities of financial liabilities, including interest payments as at the reporting date:

2014

	Carrying amount	Contractual cash flows	Less than 1 year	1 – 2 Years	2 – 5 Years	More than 5 years
Accounts payable and accrued liabilities	5,565	5,565	5,565	-	-	-
Borrowings	3,122	3,122	1,661	353	1,108	-
	8,687	**8,687**	**7,226**	**353**	**1,108**	**-**

2013

	Carrying amount	Contractual cash flows	Less than 1 year	1 – 2 Years	2 – 5 Years	More than 5 years
Accounts payable and accrued liabilities	4,291	4,291	4,291	-	-	-
Dividend payable	138	138	138	-	-	-
Borrowings	1,393	1,393	787	606	-	-
	5,822	**5,822**	**5,216**	**606**	**-**	**-**

The Company has $0.9 million in unutilised overdraft facilities as at 30 September 2014 (2013 - $2 million). Management has frameworks in place to monitor the Group's liquidity and ensure that banking covenants are complied with. The Company does not expect to encounter significant difficulties in meeting its financial liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on assets.

(i) Foreign currency risk

The Company incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the Bermuda dollar, primarily US Dollars. However, foreign currency risk is minimal, due to the fact that the Bermuda dollar is pegged to the US Dollar at a 1:1 rate.

(ii) Price risk

The Company is exposed to equity securities price risk because of investments held and classified as available for sale. The fair value is determined by reference to their quoted market prices. It is the Company's opinion that there are no unusual interest rate or credit risks associated with available for sale financial assets, although they are subject to market risk and general economic conditions which can affect the fair value of these financial assets. To identify market risk the Company reviews individual investment holdings for existence of evidence of impairment.

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

15 Financial risk management (continued)

The Company has reviewed all available for sale assets held at September 30, 2014 and 2013 for evidence of impairment. The Company has determined that these assets held at September 30, 2014 and 2013 are not impaired and there are no indicators of significant or prolonged decline in the value of the assets. A 10% movement in fair values of the available for sale financial assets would impact other comprehensive income by an increase of $13 (2013 - $14) or decrease of $13 (2013 - $14). 10% was estimated by management as an appropriate threshold for sensitivity testing based on average price movements on the Bermuda Stock Exchange over a 12 month period.

(iii) Interest Rate risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's exposure to the risk of changes in market interest rates relates primarily to its floating rate overdraft facilities and long term floating rate loan with The Bank of N.T Butterfield & Sons Limited (Note 13).

Interest rate sensitivity

A sensitivity analysis to interest rate risk is performed assuming the amount of liability for the bank overdraft and floating rate bank borrowings outstanding at the year-end was outstanding for thewhole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Based on the analysis performed, the impact on profit would be an increase of $16 (2013 - $1) or decrease of $16 (2013 - $1).

16 Fair value of financial assets and liabilities

The carrying value reflected in the financial statements for cash and cash equivalents, trade and other receivables, other current financial assets and other financial liabilities are assumed to approximate to their fair values due to their short term nature. Available for sale financial assets are carried at fair value. Borrowings are carried at amortised cost. The cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realization or discounts on settlement.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Financial instruments in Level 1 are traded in an active market (Bermuda Stock Exchange) and its fair value is based on quoted market prices at the balance sheet date.

The following table presents the group's assets that are measured at fair value at September 30, 2014.

	Level 1	Level 2	Level 3	Total
Available for sale financial assets	131	-	-	131
Total assets	131	-	-	131

The following table presents the group's assets that are measured at fair value at September 30, 2013.

	Level 1	Level 2	Level 3	Total
Available for sale financial assets	135	-	-	135
Total assets	135	-	-	135

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

17 Related parties

(a) Transactions with subsidiaries

The Bermuda Press (Holdings) Limited is a publicly listed company on the Bermuda Stock Exchange. Transactions between the Company and its subsidiaries are eliminated in consolidation.

The Company's subsidiaries with ownership percentages are listed below:

	September 30, 2014 %	September 30, 2013 %
The Royal Gazette Limited	100	100
Office Solutions Limited	100	100
BP Media Limited	100	100
The Bermuda Press Limited	100	100
Pronto Print Limited	-	100
Engravers Limited	100	100
Chameleon Print Express Limited	100	100
E-Moo (Bermuda) Limited	100	100
Crown House Properties Limited	80	80
Bermuda Directories Limited	100	51
Atlantic Print Services Limited	100	100
Island Press Limited	100	-

(b) Transactions with key management personnel

Key management includes directors and members of the executive committee. Key management personnel remuneration includes the following expenses:

	September 30, 2014	September 30, 2013
Salaries, directors fees and short term benefits	602	557
Post-employment benefits	24	22
Other long term benefits	51	48
	677	627

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

18 Payroll and employee benefit expenses

	September 30, 2014	September 30, 2013
Wages and salaries	10,606	10,245
Termination benefits	114	337
Pension contributions – defined contribution plan	470	439
Other long term benefits and taxes	2,059	2,150
	13,249	13,171

19 Administrative expenses

	September 30, 2014	September 30, 2013
Consultants and professional fees	479	240
Insurance	123	128
Taxes	128	125
Telecommunications and utilities	793	922
Other administrative expenses	2,572	2,727
	4,095	4,142

20 Share capital

	Number of shares	Ordinary shares ($'000)	Share premium ($'000)	Total ($'000)
At October 1, 2012	1,380,245	3,313	1,378	4,691
Shares repurchased	(1,546)	(4)	(1)	(5)
At September 30, 2013		3,309	1,377	4,686
	1,378,699			
Shares repurchased	(32,779)	(79)	(33)	(112)
Business combinations (Note 10)	50,000	120	305	425
At September 30, 2014	1,395,920	3,350	1,649	4,999

The Company has authorized 3,300,000 (2013 – 3,300,000) common shares of par value $2.40 each. The Company acquired 32,779 of its own shares during the year. The total amount paid to acquire these shares was $279. The shares are held as 'treasury shares'. The Company has the right to re-issue these shares at a later date. All shares issued by the Company were fully paid. The Company issued 50,000 shares on August 4th, 2014 as part of the purchase consideration for subsidiaries acquired during the year (refer to Note 10). The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to $425.

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

21 Earnings per share and dividends

Basic and diluted earnings per share has been calculated by dividing the consolidated net profit attributable to equity holders of the Company by the weighted average number of common shares in issue during the year.

	September 30, 2014	September 30, 2013
Profit attributable to common shareholders	548	549
Average number of common shares outstanding	1,379	1,379
Basic earnings per share	0.40	0.40

During the year the Company paid dividends of $552 (2013 - $552) to equity holders of the Company. This represents a payment of $0.40 per share (2013 - $0.40 per share).

22 Other reserves

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 of $4.5m was made to provide for future capital expenditures relating to long term maintenance and improvements of the Companies buildings. No transfers were made in the current year or in the prior year.

(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. In previous years, Directors approved transfers from unappropriated retained earnings to increase this reserve which now stands at $2.2 million. No transfers were made in the current year or in the prior year.

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

23 Capital management

The Company's capital management objectives are to maintain financial flexibility in order to preserve its capacity to meet its financial commitments, to pay dividends and to meet its potential obligations resulting from internal growth and acquisitions. The Company defines capital as the total of the following balances:

	September 30, 2014	September 30, 2013
Equity attributable to owners of the parent	26,874	26,659
Borrowings	1,796	1,156
Cash and cash equivalents	(286)	(798)
	28,384	27,017

The Company manages its capital in accordance with changes in operating conditions. In order to maintain or adjust its capital structure the Company may elect to adjust the amount of debt outstanding, adjust the amount of dividends paid to shareholders, return capital to its shareholders, repurchase and cancel its shares or issue new shares. The Company is currently meeting all its financial commitments and there have been no changes in the Company's approach to capital management during the period. The Company is not subject to any external capital requirements.

24 Commitments and contingencies

(a) Capital commitments:
There are no commitments for capital expenditure as of September 30, 2014.

(b) Lease commitments:
The Company leases printing machinery under a cancellable operating lease. The future aggregate minimum lease payments under the operating lease is as follows:

	2014
No later than 1 year	115
Later than 1 year and no later than 5 years	255
Later than 5 years	-
	370

(c) Contingent liabilities:
There are no contingent liabilities to disclose as of September 30, 2014.

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

25 Segmented information

The company has identified its reportable segments based on the responsibility for the operations. Publishing and retail covers newspaper, online 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 include 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. The accounting policies of the segments do not differ from those reported in Note 2.

2014

	Publishing and retail $	Printing $	Rental and other $	Inter- segment eliminations $	Total $
Revenue from external customers	18,806	3,626	2,867	-	25,299
Revenue from internal customers	292	350	2,498	(3,140)	-
	19,098	3,976	5,365	(3,140)	25,299
Expenses	19,451	4,559	1,695	(3,140)	22,565
Depreciation and amortisation	687	230	815	-	1,732
Interest expense	72	-	31	-	103
	20,210	4,789	2,541	(3,140)	24,400
Segment income (loss)	(1,112)	(813)	2,824	-	899
Finance income	6	-	-	-	6
Total income (loss)	(1,106)	(813)	2,824	-	905
Segment assets	11,518	2,071	27,900	(3,842)	37,647

Consolidated Notes to Financial Statements September 30, 2014

(Amounts in thousands of dollars)

25 Segmented information (continued)

2013

	Publishing and retail $	Printing $	Rental and other $	Inter- segment eliminations $	Total $
Revenue from external customers	18,932	3,242	2,976	-	25,150
Revenue from internal customers	338	231	2,343	(2,912)	-
	19,270	3,473	5,319	(2,912)	25,150
Expenses	18,972	4,373	1,707	(2,912)	22,138
Depreciation and amortisation	712	480	809	-	2,001
Interest expense	43	1	58	-	102
	19,727	4,854	2,574	(2,912)	24,241
Segment income (loss)	(457)	(1,381)	2,745	-	909
Finance income	16	-	-	-	16
Loss on sale of assets	(3)	-	-	-	(3)
Total income (loss)	(444)	(1,381)	2,745	-	922
Segment assets	10,134	1,128	33,514	(10,236)	34,540

Entity wide information

The breakdown of revenue, all of which is generated by customers in Bermuda, is disclosed on the face of the consolidated statement of comprehensive income and all of the Company's assets are located in Bermuda.

Notes

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The Royal Gazette

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STATIONERY STORE

32 Reid Street,
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Fax: 441-292-6788
E-mail: sales@office.bm

Artcetera

32 Reid Street,
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E-mail: sales@office.bm

office solutions

13 Addendum Lane,
Pitts Bay Road,
Pembroke HM 07,
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Telephone : 441-292-2666
Fax: 441-292-3535
E-mail: sales@officesolutions.bm

CROWN HOUSE PROPERTIES LIMITED

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Telephone: 441-295-5881
Fax: 441-295-1513

BP Media Limited

P.O. Box HM 1025
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Fax: 441-295-9667

bpd Bermuda Press Digital

34 Burnaby Hill,
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bp The Bermuda Press Ltd.

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