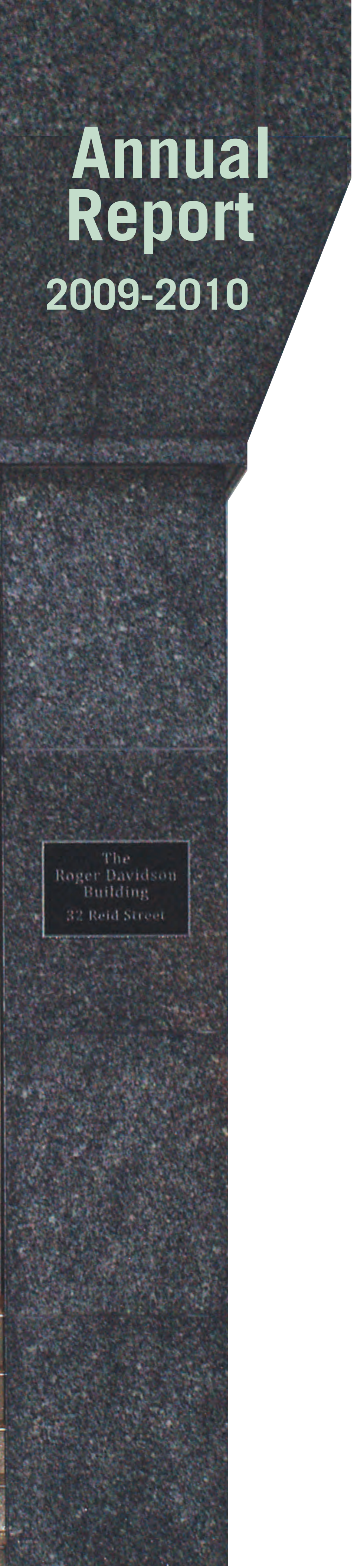
ANNUAL REPORT
2009-2010

The Bermuda Press (Holdings) Ltd.

Annual Report

2009-2010



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Officers and Directors

President and Director

Christopher R Whittle FCA,
is President of The Bermuda Press (Holdings) Ltd. He is a Chartered Accountant and was formerly Managing Partner of Ernst & Young, Bermuda. He is a past President of the Bermuda Institute of Chartered Accountants and is a Director of a number of other local and international companies.

Vice President and Director

H. Michael King
is the Vice-President 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.

Secretary

Marilyn A. Simmons
is the Secretary of The Bermuda Press (Holdings) Limited. Marilyn is an employee of The Royal Gazette Limited who has worked with the company for 48 years.

Directors

Gavin R. Arton
is Chairman of BF&M Limited, a Director of Ascendant Group Limited and Chairman of P.A.L.S., Bermuda's cancer care charity. He was for many years Senior Vice President of XL Capital Ltd.

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
is a Director of QuoVadis Holdings Ltd, a global Internet security company headquartered in Bermuda, and sits on the board of the Bermuda End-to-End Charity. He is a graduate of Dartmouth College and Georgetown University.

Gregory D. Haycock, J.P., F.C.A.
was for many years a partner in KPMG. He has served on the Boards of the Bermuda Monetary Authority and the Bermuda International Business Association and numerous local and international companies.

Carl H. Paiva, J.P.
has been Chief Executive Officer of C Travel Ltd. since 2000. He earned his degree in English Literature and Art History from King's College, Pennsylvania.

Aideen Ratteray Pryse
is a founding member of the Bermuda International Film Festival and has served as Festival Director since 1997. She is also a member of the board of the Centre on Philanthropy. She is a graduate of McGill University and the University of Waterloo.

Muriel Richardson
is General Manager at Rosedon Hotel. She was the first and only female President and Chairperson of the Bermuda Hotel Association and serves as a Director of the Caribbean Hotel Association. She was named Bermuda Hotelier of the year in 1996.

Richard D. Spurling
was Senior Partner of Appleby until his retirement in 2005. A former Member of Parliament and Government Whip, he is a Director of BF&M Limited, Ascendant Group Limited, W.P. Stewart Co Ltd. and numerous private companies.

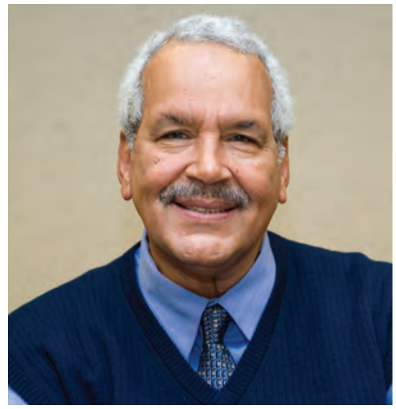
Christopher E. Swan
is Senior Partner of Barristers & Attorneys-at-Law Christopher E. Swan & Co. He is an active cricketer and football coach.

Stephen W. Thomson
is President of Mailboxes Unlimited 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.

COLOMBIA HOUSE | 32 Reid Street

Report to the Shareholders

Christopher R. Whittle
President



H. Michael King
Vice President

As we reported last year, your company is engaged in a restructuring that involves a complete review of processes, streamlining of operations and building a digital platform from which a newly energised organisation will emerge.

This annual report is the first we have produced using a combination of lithographic and digital print solutions. The covers were printed on a lithographic press and the content pages on a digital press. Quality digital production is relatively new to Bermuda, but it represents the future. With progress in the 21st century accelerating, it will probably not be long before we look back and wonder how anyone produced documents the old way.

In 2010, despite revenues falling to $30,682,000 from $33,107,000, net income increased to $316,000 from $63,000 last year. Income from operations rose to $1,081,000 from $240,000 last year. The increases in net income and income from operations are a result of increases in staff productivity; operating efficiencies and changing product offerings with a focus on profitability. The Board anticipates similar improvements in future periods.

A few years ago, management of your company was heavily focused on diversification, adding real estate and other interests to the portfolio. That proved to be a wise decision and enabled us to build a company able to withstand the differing business cycles that occur in various market sectors. On that base, we have built an organisation that is withstanding what may prove to be the deepest economic downturn in Bermuda's history.

The year 2010 will be remembered in Bermuda for the arrival of the difficult economic conditions that had affected all of our major trading partners earlier. Because Bermuda's economic pulse tends to run behind those of the countries with which we trade, the Company was able to foresee the change in economic conditions that was coming, and resolved to act, rather than react.

THE ROGER DAVIDSON BUILDING | 32 Reid Street

Management has undertaken a painstaking review of every aspect of your company's operations. Taking time to consider the best way forward, we concluded that the company should be recast, to reflect the changing economic conditions around us. We believe that management's responsibility is not only to set a course and then follow it, but also to constantly monitor the course and make adjustments when they are necessary or prudent.

The largest change that we undertook in 2010 was at Bermuda Press. After reviewing the operations, we concluded that Bermuda Press could not continue as is. The contraction of the local print industry that had we have discussed for years has become critical. Reducing the size of a business operation is never the first choice, but after exploring other options, we elected to accept the inevitability of the changing Bermuda print market and, accordingly, downsized Bermuda Press with a new focus of hybrid production that combines traditional and digital printing to offer clients a cost effective solution while still offering excellent quality.

In 2011 Bermuda Press will be selling several lithographic presses and investing in new digital press equipment. We believe that that by the middle of 2011 Bermuda Press will be even more firmly established as the leader in on-demand and digital printing in Bermuda.

Your Board determined that restructuring and a shift in its business model that preserved approximately half of the jobs at Bermuda Press was a better option than to let it further depreciate, with all hands lost. Had we not acted, Bermuda Press faced an uncertain and difficult future. Our actions, we believe, have resulted in a leaner and more sustainable operation at Bermuda Press.

The Royal Gazette, and our magazine division, Crown Communications, have also been subject to management review. Newspapers worldwide are reacting to the fait accompli of almost instant news reports on the Internet and we see The Royal Gazette gradually increasing its online presence. Over the past few years the number of visitors to our website has increased dramatically.

Late last year, we revamped the website from the ground up, and now have a dynamic, informative and easy-to-navigate online publication that is updated frequently during each business day, reflecting the needs of our readership at home and abroad. As online content comes to dominate the way the world receives its news, we believe that the economics of web publishing, which have not as yet solidified into a profitable business model for many publishers, will gradually do so.

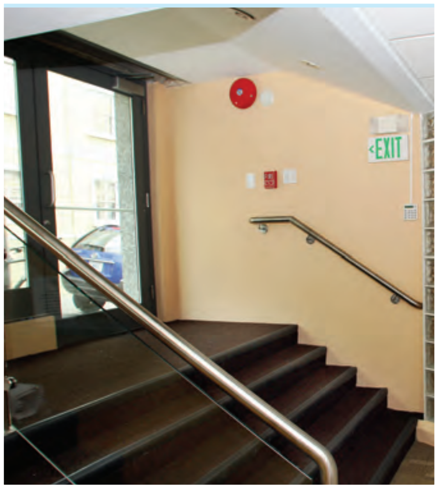
Ultimately the future for newspapers, as for so much else, is digital and online. We would be remiss if we did not plan accordingly. The distribution of the online edition of The Royal Gazette via Newsstand, an exact replica of the daily newspaper from cover to cover, is delivered early each morning to subscribers' computers, at a lower cost than that of the hard copy edition. A free sample may be obtained by visiting www.newsstand.com.

Demand for a print edition of the newspaper continues and it is expected to continue for years to come. As a result, we are investing in additional press units that will expand our ability to produce colour and systems to automate registration. Registration is the process of aligning the different elements that create printed imagery. The additional colour capacity will allow for the standardisation of business processes and increase efficiency throughout the entire production cycle.

Crown Communications continues to publish Bermuda's most-read magazines. RG Magazine and The Bottom Line each publish six times a year, in alternating months. The Insurance Journal, which has proved so successful as an annual publication for the past seven years, will be published quarterly in 2011, in response to demand from the insurance sector for more information and greater analysis. Crown also publishes one-off magazines when the opportunity presents itself. We have a number of new publications scheduled for 2011 and beyond.

The Stationery Store, Artcetera and Office Solutions continue to evolve to meet the changing needs of business in Bermuda. In 2010, the management of these operations was consolidated into a single role and Bob Legere, who had successfully grown the Office Solutions business, was appointed general manager. It is no surprise that the leasing and equipment markets have contracted as a result of businesses downsizing. However, new product offerings and a shift towards a new fulfillment model are being well received.

It would be easy to blame the challenging economic environment for all our woes and thus abdicate responsibility for the future of your Company. It would also be wrong. Change is perhaps less appreciated in Bermuda than in some other countries, but that does not mean that Bermuda does not change, and quickly. Consider how very different in tone and tempo the Island has become in, say, the past 15 years. With the speed of change increasing, thanks to the advent of electronic communications, what might



Bermuda be like 25 years from now? Your Board and management's chief responsibility is to ensure that your company anticipates change, as far forward as is possible, and although it can often be a painful process, to ignore it would be to fall short in our duties.

Your company is evolving at a time when Bermuda is itself undergoing change. Economies that emerge from recession — as Bermuda's will — never enter the recovery and then expansion stages of the cycle in the same condition as they were before the downturn. Bermuda is quickly having to coming to terms with the worst recession in memorable history and so is your Company. The Board and management of your Company have taken steps to ensure that The Bermuda Press (Holdings) Ltd. will emerge from the recession in good shape.

As we reported last year, Jonathan Howes, CA, formerly the Group Financial Controller, was appointed Chief Executive Officer of The Bermuda Press (Holdings) Limited at the start of the calendar 2010 year. His brief is to rationalise the company's operations, take in hand the development of the new digital platform, restructure operations to reduce operating costs without compromising the core businesses, and to enhance shareholder value.

The vacant position of Group Financial Controller at The Royal Gazette Limited was reviewed during the restructuring process. The Board felt that financial responsibility for the entire group should be consolidated into one role and created the position of Chief Financial Officer of The Bermuda Press (Holdings) Limited. The Board welcomes Christine MacIntyre, CA, formerly a Senior Manager with PricewaterhouseCoopers Bermuda, who was appointed to the position of Chief Financial Officer in July 2010.

Two long-time managers at the company, Keith Jensen and Paget Wharton, retired from the company, although both continue to be of counsel. We are grateful to each for his dedicated service over the years.

Another noteworthy change in 2010 was the appointment of the Hon. Paula Cox, JP, MP as Bermuda's 11th Premier. With her background in business affairs and her determination to set the Island's economic ship to rights, we believe that the entire atmosphere in Bermuda is changing. We are confident that Premier Cox's less confrontational approach will be to the benefit all Bermuda residents. The 2011/2012 budget released in February has shown signs of increasing fiscal responsibility within Government and we expect this will be welcomed by the business community.

Two years ago your Board agreed that Colombia House would be renamed the Roger Davidson Building to recognise the unique contribution of Roger Davidson to your Company's success. Renovations to the building have been successfully completed and the formal renaming of the building will take place after the 2011 annual general meeting.

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 256,672 shares at 30th September 2010. 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.

At the time of this report, our shares last traded on the Bermuda Stock Exchange at $13.50. The dividend to shareholders was reduced to $.40 during fiscal 2010, a yield of approximately 3%. The Board continue to review the ability of the Company to pay dividends with the goal of increasing return to shareholders.

A company is only as good as its staff. Our staff continue to contribute their best efforts on the company's behalf. We also appreciate the business relationships we have with readers, customers, suppliers and our tenants. Most of all, we appreciate the invaluable support of our shareholders and their faith in the company's future, which we most heartily share.

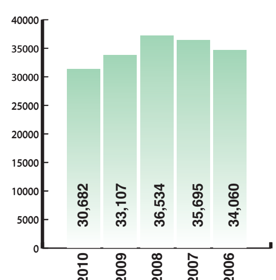
Christopher R. Whittle
President

H. Michael King
Vice-President

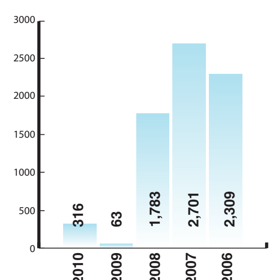
Financial Facts

(thousands of dollars, except for ordinary shares and par value)

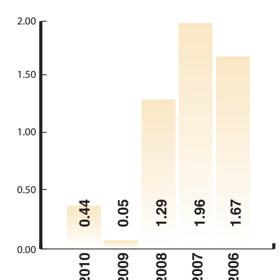
	2010	2009	2008	2007	2006
Revenue	**30,682**	33,107	36,534	35,694	34,060
Expenses	**29,601**	32,867	34,817	32,782	31,526
Net Income from operations	**1,081**	240	1,717	2,912	2,534
Gain on disposal of assets	**–**	–	–	10	–
Impairment of marketable securities and other assets	**(285)**	(2)	(507)	–	–
Share of losses of affiliate	**(334)**	–	–	–	–
Recovery of employee benefits	**–**	–	672	–	–
Minority interest in net income of subsidiaries	**(146)**	(175)	(99)	(221)	(225)
Net income for the year	**316**	63	1,783	2,701	2,309
Current assets	**12,413**	12,836	15,600	15,841	17,212
Marketable securities	**201**	162	245	430	133
Sales type finance leases	**972**	1,508	2,209	1,616	1,193
Capital assets	**22,641**	24,210	25,391	25,226	24,904
Investment in affiliate	**1,794**	–	–	–	–
Other assets	**–**	–	–	544	680
Goodwill	**194**	194	–	–	–
	38,215	38,910	43,445	43,657	44,122
Current liabilities	**5,084**	7,190	9,053	7,530	8,197
Long term debt	**1,462**	–	1,781	3,914	5,881
Minority interest	**2,354**	2,208	2,034	1,926	1,707
Shareholders' equity	**29,315**	29,512	30,577	30,287	28,337
	38,215	38,910	43,445	43,657	44,122
Additions to goodwill	**–**	194	–	–	–
Additions to capital assets	**943**	999	2,300	2,139	2,515
Cash dividends paid	**552**	1,049	1,049	1,049	1,049
Number of issued ordinary shares	**1,380,245**	1,380,245	1,380,245	1,380,245	1,380,245
Net income per share	**0.23**	0.05	1.29	1.96	1.67
Cash dividend paid per share	**0.40**	0.76	0.76	0.76	0.76
Shareholders' equity per share	**21.24**	21.38	22.15	21.94	20.53
Net income as a percentage of revenue	**1.0**	0.2	4.9	7.5	6.8
Net income as a percentage of shareholders equity	**1.1**	0.2	5.8	8.9	8.1



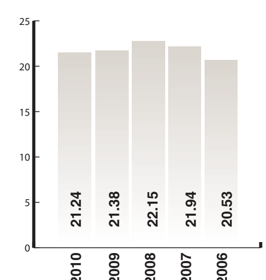
Revenue



Net Income



Net Income per Share



Shareholders' Equity per Share

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 September 30, 2010 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 September 30, 2010 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

PricewaterhouseCoopers
Chartered Accountants

Hamilton, Bermuda
February 22, 2011

Consolidated Balance Sheet

As at September 30, 2010
(thousands of dollars, except for ordinary shares and par value)

	2010 $	2009 $
Assets		
Current assets		
Cash and cash equivalents	**2,757**	1,640
Accounts receivable *(note 3)*	**4,380**	5,389
Inventories *(note 4)*	**3,417**	3,740
Investment in leases, current portion *(note 6)*	**1,201**	1,631
Prepaid expenses	**658**	436
	12,413	12,836
Marketable securities *(note 5)*	**201**	162
Investment in leases *(note 6)*	**972**	1,508
Capital assets, net *(note 7)*	**22,641**	24,210
Investment in affiliate *(note 8)*	**1,794**	–
Goodwill *(note 9)*	**194**	194
	38,215	38,910
Liabilities and shareholders' equity		
Current liabilities		
Bank overdraft *(note 10)*	**46**	858
Current portion of long-term debt *(note 10)*	**538**	1,780
Accounts payable and accrued liabilities	**2,564**	2,539
Accrued employee benefits	**960**	966
Unearned income	**838**	785
Dividend payable	**138**	262
	5,084	7,190
Long-term debt *(note 10)*	**1,462**	–
	6,546	7,190
Minority interest	**2,354**	2,208
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	**3,313**	3,313
Share premium	**1,378**	1,378
Accumulated other comprehensive income	**88**	49
Retained earnings		
Appropriated		
General reserve *(note 12)*	**4,500**	4,500
Reserve for self-insured risks *(note 12)*	**2,200**	2,200
Unappropriated	**17,836**	18,072
	29,315	29,512
	38,215	38,910

Approved by the Board: Christopher R. Whittle, President and Director; Dudley R. Cottingham, Director

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

Consolidated Statement of Earnings

For the year ended September 30, 2010
(thousands of dollars, except for ordinary shares and par value)

	2010	2009
	$	$
Revenue		
Publishing and retail	**22,759**	23,845
Commercial printing	**5,529**	6,818
Rental	**2,067**	2,100
Other (notes 5 and 6)	**327**	344
	30,682	33,107
Expenses		
Payroll and employee benefits	**14,547**	15,907
Materials, merchandise and supplies	**6,040**	7,277
General and administrative	**6,810**	7,517
Amortization of assets	**2,204**	2,166
	29,601	32,867
Income from operations	**1,081**	240
Share of losses of affiliate *(note 8)*	**(334)**	–
Loss on writedown of assets *(note 17)*	**(284)**	–
Impairment of marketable securities and other assets *(note 5)*	**(1)**	(2)
Income before minority interest	**462**	238
Minority interest in net income of subsidiaries	**146**	175
Net income for year	**316**	63
Earnings per share:		
Basic (note 13)	**0.23**	0.05

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

Consolidated Statement of Shareholders' Equity

For the year ended September 30, 2010
(thousands of dollars)

	Total $	Common stock and share premium $	Appropriated Retained Earnings $	Unappropriated Retained earnings $	Accumulated other comprehensive income $
Balance as of September 30 2008	30,578	4,691	6,500	19,258	129
Net income	63	–	–	63	–
Other comprehensive income - unrealized losses on marketable securities *(note 5)*	(80)	–	–	–	(80)
Comprehensive income (loss)	(17)	–	–	63	(80)
Dividends	(1,049)	–	–	(1,049)	–
Appropriation of retained earnings to reserve for self insured risk *(note 12)*	–	–	200	(200)	–
Balance as of September 30 2009	29,512	4,691	6,700	18,072	49
Net income	316	–	–	316	–
Other comprehensive income - unrealized gain on marketable securities *(note 5)*	39	–	–	–	39
Comprehensive income	355	–	–	316	39
Dividends	(552)	–	–	(552)	–
Appropriation of retained earnings to reserve for self insured risk *(note 12)*	–		–	–	–
Balance as of September 30 2010	29,315	4,691	6,700	17,836	88

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

Consolidated Statement of Cash Flows

For the year ended September 30, 2010
(thousands of dollars)

	2010 $	2009 $
Cash flows from operating activities		
Net income for year	**316**	63
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of capital assets	**2,204**	2,166
Loss of affiliate	**334**	–
Loss on disposal of capital assets	**305**	2
Minority interest in net income of subsidiaries	**146**	175
Impairment of marketable securities and other assets (note 5)	**1**	2
Increase in non-cash working capital (note 16)	**1,058**	1,697
	4,364	4,105
Cash flows (used in) from investing activities		
Additions to goodwill	**–**	(194)
Additions to capital assets	**(943)**	(999)
Proceeds on disposal of capital assets	**2**	11
Purchase of affiliate	**(2,127)**	–
Additions to investments in sales-type leases	**(823)**	(1,173)
Repayments from investments in sales-type leases	**1,788**	1,983
	(2,103)	(372)
Cash flows from (used in) financing activities		
Repayments on long term bank loan	**(1,780)**	(2,131)
Dividends paid	**(552)**	(1,049)
Proceeds on long term debt	**2,000**	–
	(332)	(3,180)
Increase (decrease) in cash and cash equivalents	**1,929**	553
Cash and cash equivalents at beginning of year	**782**	229
Cash and cash equivalents at end of year	**2,711**	782
Cash comprises:		
Cash and cash equivalents	**2,757**	1,640
Bank overdraft	**(46)**	(858)
	2,711	782

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

Notes to the Consolidated Financial Statements

September 30, 2010

1. Nature of business

The Bermuda Press (Holdings) Limited was incorporated under the laws of Bermuda with limited liability 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 to make estimates and assumptions 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.

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

These consolidated financial statements include the accounts of the Company and its subsidiaries. All material transactions and balances between these companies have been eliminated on consolidation.

(b) Financial instruments

All financial assets are classified as held-for-trading, loans and receivables or available-for-sale and all financial liabilities are classified as held-for-trading or other financial liabilities. Upon initial recognition, all financial instruments are recorded on the consolidated balance sheet at their fair values. After initial recognition, the financial instruments are measured at their fair values, except for loans and receivables and other financial liabilities, which are measured at amortized cost using the effective interest rate method.

Changes in the fair value of financial instruments classified as available-for-sale is recognized in other comprehensive income until the financial asset is derecognized and all cumulative gain or loss is then recognized in net income. The Company uses trade-date accounting.

The Company has classified its cash and cash equivalents and bank overdraft as held-for-trading. They are presented at their fair value and the gains or losses arising on the revaluation at the end of each period are included in net income.

Accounts receivables are classified as loans and receivables, which are measured at amortized cost.

Portfolio investments are classified as available-for-sale and are measured at fair value using quoted market prices except for securities that do not have a quoted market price in an active market which are carried at cost. Any changes in the fair value are recognized in other comprehensive income (equity) except for temporary impairment losses which are recognized in net income.

Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

The long term debt instruments have been classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. Transaction costs related to the long term debt instruments are included in the value of the instruments and amortized using the effective interest rate method.

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

(c) *Cash and cash equivalents*
Cash and cash equivalents consists of cash in bank and short-term investments with maturities on acquisition of 90 days or less.

(d) *Accounts receivable*
Receivables are reduced by allowances for estimated bad debts which are determined by reference to past experience and expectations.

(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. Inventory obsolescence allowances are based on management assessment of inventory age and industry trends.

(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) *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.

(i) *Investment in affiliates*
Investment in affiliates includes all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments are accounted for using the equity method of accounting and are initially recognised at cost.

The company's share of its affiliates' post-acquisition profits or losses is recognised in the income statement and the cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the company's share of losses in an associate equals or exceeds its interest in the affiliate, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

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

(j) Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of the net identifiable assets acquired. The company does not record amortisation of goodwill. Goodwill is assessed for impairment by comparing the carrying value of the acquired business to the fair value. When the fair value exceeds the carrying value, the goodwill is considered not to be impaired. If the carrying value is greater that the assessed value an impairment loss equal to the excess is recognized in current period earnings and shown as a separate item in the Consolidated Statements of Earnings in the period in which the impairment is determined.

(k) 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 in the period they are made.

(l) 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, magazines 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.

(m) 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.

(n) Earnings per share

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

(o) Other comprehensive Income

Other comprehensive income is the change in the company's net assets that results from transactions, events and circumstances from sources other than the company's shareholders. It includes changes in the unrealized gains or losses on available-for-sale investments.

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

(p) 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 executive committee that that makes strategic decisions.

(q) New accounting pronouncements

CICA 1582, 1601 and 1602 (Business combinations, consolidated financial statements and non-controlling interests, respectively)

These standards replace the former CICA 1581, Business Combinations and CICA 1600, Consolidated Financial Statements and establish a new section for accounting for a noncontrolling interest in a subsidiary. These sections provide the Canadian equivalent to IFRS 3, Business Combinations (January 2008) and IAS 27, Consolidated and Separate Financial Statements (January 2008). CICA 1582 is effective for business combinations for which the acquisition date is on/after the beginning of the first annual reporting period beginning on/after January 1, 2011. CICA 1601and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on/after January 1, 2011. These standards are not expected to have any significant impact on the financial statements.

CICA 3855 (Financial instruments - recognition and measurement)

Amended to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes. Amendments apply to interim and annual financial statements relating to years beginning on/after January 1, 2011. This amendment is not expected to have any significant impact on the financial statements.

Future Accounting Pronouncements

The CICA has decided to transition to International Financial Reporting Standards ("IFRS") for publicly accountable entities effective January 1, 2011. The Company currently meets the definition of a publicly accountable entity. The Company expects to adopt IFRS in its financial statements for the year ending September 30, 2012. The Company's transition date for the conversion to IFRS will be October 1, 2011 and will require the restatement of comparative purposes of amounts reported by the Company for the year ending September 30, 2011. While the Company is continuing to assess the adoption of IFRS, the financial reporting impact of the transition cannot be reasonably estimated at this time.

3. Accounts receivable

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

	2010 $	2009 $
Balance at the beginning of the year	**579**	617
Write-offs	**(130)**	(171)
Recoveries	**–**	4
Additions	**207**	130
Balance at the end of the year	**656**	580

4. Inventories

	2010 $	2009 $
Materials and supplies	**1,289**	1,548
Merchandise	**2,195**	2,162
Work-in-progres	**93**	140
Provision for obsolescence	**(160)**	(110)
	3,417	3,740

During the year, the company expensed inventory totalling $6,191,961 (2009 - $6,877,501) as part of normal operations. Inventory written off during the year totalled $158,758 (2009 - $291,332).

5. Marketable securities

	2010		2009	
	Cost $	**Fair value $**	Cost $	Fair value $
Equities - Bermuda	**69**	**130**	69	90
Equities - US	**78**	**71**	78	72
	147	**201**	147	162

Changes in the fair value of marketable securities in the amount of $38,570 (2009 – ($79,775)) have been reflected in other comprehensive income. A marketable security has been determined to be other than temporarily impaired. A loss of $541 (2009 - $2,408) was recognised in the current year.

The fair value of marketable securities is determined by reference to their quoted market price. Investment income during the year was $4,162 (2009 - $9,252) and is included in other revenue.

6. Leases

	2010 $	2009 $
Total investment in sales-type leases	**2,498**	3,669
Unearned finance income	**(325)**	(530)
	2,173	3,139
Current portion	**(1,201)**	(1,631)
Long-term portion	**972**	1,508

Finance income arising from the investments in leases amounted to $319,857 (2009 - $332,091) and is included in other revenue.

6. Leases *(continued)*

Expected repayments are as follows:

	$
2011	1,414
2012	792
2013	278
2014	14
	2,498

The Group has entered into commercial property leases on its two buildings held for operating lease purposes. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 10 years. Future minimum rentals receivable under non-cancellable operating leases as at 30 September are as follows:

	$
2011	2,322
2012	1,795
2013	1,833
2014	1,841
2015	1,899
	9,690

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

	2010 **$**	2009 $
Gross carrying amount	**15,089**	15,089
Accumulated amortization	**4,692**	4,315
Net carrying value	**10,397**	10,774

7. Capital assets

			2010	2009
	Cost $	Accumulated amortization $	**Net** **$**	Net $
Land	4,378	-	**4,378**	4,378
Buildings	20,787	6,887	**13,900**	13,960
Equipment	21,224	16,902	**4,322**	5,820
Motor vehicles	315	274	**41**	52
	46,704	24,063	**22,641**	24,210

Notes to the Consolidated Financial Statements

September 30, 2010

8. Investment in affiliate

On October 28, 2009, the Company acquired a 25.25% equity interest in each of E-Moo Ltd. and E-Moo (Bermuda) Ltd. representing 4,054 and 3,378 shares respectively. The E-Moo group of companies operate and support online classified advertising websites in Bermuda and abroad. Consideration of $2.0 million, plus transaction costs of $128,000, was paid in two tranches with $1.25 million due on completion and $0.75 million due 6 months later. An additional $0.75 million was paid subsequent to year end on October 28, 2010. The acquisition was financed with long term borrowings from a related party as disclosed in note 10.

	2010 **$**
Balance, at acquisition	**2,128**
Income (loss) of associated business	**(334)**
Balance, end of year	**1,794**

9. Goodwill

Goodwill in the amount of $194,329 was recorded on the purchase of Atlantic Print Services on October 3, 2008. The total consideration for the purchase was $250,979, including legal fees and taxes, and the fair value of assets acquired was $56,650. As of September 30, 2010 there was no impairment of goodwill.

10. Borrowings

	2010 **$**	2009 $
Bank overdraft	**46**	858
Long-term debt		
Current portion	**538**	1,780
Long-term portion	**1,462**	–
	2,000	1,780

(a) *Bank overdraft*

The company has overdraft facilities totalling $3.0 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% (2009 – 3.75%). The facility renews annually on March 31.

(b) *Long-term debt*

The Company borrowed $10.5 million in 1994 in connection with the development of Crown House and $3.5 million in 2005 in connection with the purchase of Engravers Limited. Both loans were fully repaid during the year.

10. Borrowings

(b) Long-term debt (continued)

The Company borrowed $2.0 million in 2010 in connection with the purchase of the equity interest in E-Moo Ltd. and E-Moo (Bermuda) Ltd. 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 subsequent to year end to fund the final instalment on October 28, 2010. Repayments are by blended equal monthly instalments of principal and interest of $50,000. The first repayment on both loans was made on December 31, 2010. A mortgage against property at 13 Addendum Lane was issued as security. Expected repayments of principal are as follows:

	$
2011	538
2012	559
2013	582
2014	321
	2,000

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 $2.77 million and $2.68 million (2009 $1.87 million and $1.88 million).

Total interest expense of $150,051 (2009 - $316,661) was recorded during the year.

11. Financial assets and liabilities

Fair values approximate amounts at which financial assets and liabilities could be exchanged between willing parties and are determined based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of the Company's financial instruments approximates their carrying value except as disclosed for long term debt in note 10. The Company is exposed to various risks related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis.

Credit Risk

There is a concentration of credit risk as all Company cash is held with two Bermuda banks. In the normal course of business, the Company is exposed to credit risk from its accounts receivable and investment in leases from customers. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts and returns, which are estimated based on past experience, specific risks associated with the customer and other relevant information.

The maximum exposure to credit risk is the carrying value of these financial assets. The Company manages credit risk through the execution of its credit and collection policy. The ageing of receivables is as follows:

11. Financial assets and liabilities *(continued)*

	2010 **$**	2009 $
Current	**2,808**	3,249
30 days	**891**	1,216
60 days	**395**	486
90 days and over	**942**	1,018
	5,036	5,969
Allowance for doubtful accounts	**(656)**	(580)
	4,380	5,389

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 reasonable cost. The Company manages liquidity risk primarily by maintaining sufficient unused capacity within its long term debt and overdraft facilities as discussed in note 10.

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 Company's is exposure to foreign currency risk is not material as all receivables and payables are generally settled within a month. Changes in interest rates and the Company's credit rating can cause fluctuations in interest costs associated with the Company's long-term debt and credit facilities. The Company manages this risk through refinancing its credit facility in the normal course of business.

Sensitivity analysis
Liquidity Risk
Sensitivity analysis of liquidity risk is based on the Group's ability to adhere to banking covenants and negative pledge. The Group has $2.45 million in unutilised overdraft facilities as at 30 September 2010 (2009: $2.14 million). Management has frameworks in place to monitor the Group's liquidity and ensure that banking covenants are complied with.

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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations and overdraft facilities with a floating interest rate. The sensitivity analysis following has been determined based on the exposure to interest rates assuming the amount of liability outstanding at the year end was outstanding for the whole 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.

11. Financial assets and liabilities *(continued)*

	2010	Gain/(Loss) on Increase of 0.50%	Gain/(Loss) on Decrease of 0.50%	2009	Gain/(Loss) on Increase of 0.50%	Gain/(Loss) on Decrease of 0.50%
Cash and cash equivalents	2,757	1.38	(1.38)	1,640	0.82	(0.82)
Accounts receivable	4,380	-	-	5,389	-	-
Marketable securities	201	-	-	162	-	-
	7,338	1.38	(1.38)	7,191	0.82	(0.82)
Bank overdraft	46	0.02	(0.02)	858	(0.43)	0.43
Accounts payable	2,564	-	-	2,539	-	-
Long term debt	2,000	-	-	1,780	-	-
Total	4,610	0.02	(0.02)	5,177	(0.43)	0.43
Net gain/(loss) to Income Statement and Equity		1.36	(1.36)		0.39	(0.39)

Fair value estimation

The Group complies with the disclosure requirements of CICA 3862 for financial instruments that are measured in the Balance Sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
(b) 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).
(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group carries its marketable securities at fair value. The fair values of these instruments are determined based on quoted market prices as disclosed in note 5. These instruments with a total fair value of $200,968 (2009 - $162,398) are included in level 1 of the hierarchy.

12. 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 have been appropriated or released in 2010 or 2009.

12. 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. 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.

13. Earnings per share

Basic earnings per share has been calculated by dividing the Group's net income attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
	$	$
Basic earnings per share		
Net earnings available to common shareholders	**316,474**	62,923
Average number of common shares	**1,380,245**	1,380,245
Basic earnings per share	**0.23**	0.05

14. 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:

	2010	2009
	$	$
Shareholders' Equity	**29,315**	29,512
Bank indebtedness	**2,000**	1,780
Cash and cash equivalents	**(2,711)**	(782)
	28,604	30,510

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.

15. Pension plan and other post retirement benefits

Pension plan:

During the year ended September 30 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").

Notes to the Consolidated Financial Statements

September 30, 2010

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

The following table summarizes the old plan's estimated financial position as at September 30, 2010 and 2009 and the movement during the years then ended:

	Defined benefit pension plan	
	2010	2009
	$	$
Plan assets		
Fair value at beginning of year	**10,672**	15,451
Actual return on plan assets	**(2,528)**	(4,779)
Fair value at end of year	**8,144**	10,672
Fair value comprises:		
Investments and cash balances	**6,083**	10,672
Loan to BPHL	**2,061**	-
	8,144	10,672

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 accrued benefit asset in respect of the old plan. In the current year $188,003 (2009 $176,248) was recovered from the old plan in respect of certain post retirement benefits paid by the company for members of the plan during the year. Refer to note 10 on the terms of borrowings from the pension plan to the Company as at September 30, 2010.

As described above the Company maintains defined contribution plans for substantially all employees. Contributions amounted to approximately $521,063 (2009 - $548,848) and were expensed during the year.

16. Supplemental cash flow information

	2010	2009
	$	$
Changes in non-cash operating working capital:		
Accounts receivable	**1,008**	1,100
Inventories	**323**	575
Prepaid expenses	**(222)**	436
Accounts payable and accrued liabilities	**26**	(270)
Accrued employee benefits	**(6)**	28
Dividend payable	**(124)**	-
Unearned income	**53**	(172)
	1,058	1,697
Cash paid for interest	**84**	337

17. Restructuring and other charges

On October 13, 2010, the Company approved plans to restructure its commercial printing division. As a part of this restructuring, a write-down of $283,946 was recorded to reduce the carrying value of certain fixed assets to their net realizable value at September 30, 2010. Redundancy payments of $505,985 were paid on December 17, 2010 and have been recorded in the year ended September 30, 2011.

18. 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.

2010	Publishing and retail $	Printing $	Rental and other $	Inter-segment eliminations $	Total $
Revenue					
External	22,759	5,529	2,394	-	30,682
Inter-segment	132	732	2,071	(2,935)	-
	22,891	6,261	4,465	(2,935)	30,682
Expenses	22,588	6,900	844	(2,935)	27,397
Amortization of capital assets	951	694	559	-	2,204
	23,539	7,594	1,403	(2,935)	29,601
Income (loss) from operations	(648)	(1,333)	3,062	-	1,081
Segment assets	14,439	4,970	29,397	(10,591)	38,215
Expenditures for segment capital assets	358	26	559	-	943

2009

	Publishing and retail $	Printing $	Rental and other $	Inter-segment eliminations $	Total $
Revenue					
External	23,845	6,818	2,444	-	33,107
Inter-segment	139	630	2,015	(2,784)	-
	23,984	7,448	4,459	(2,784)	33,107
Expenses	24,167	8,422	896	(2,784)	30,701
Amortization of capital assets	1,022	719	425	-	2,166
	25,189	9,141	1,321	(2,784)	32,867
Income (loss)from operations	(1,205)	(1,693)	3,138	-	240
Segment assets	15,760	6,470	26,702	(10,022)	38,910
Expenditures for segment capital assets	531	283	185	-	999

The Bermuda Press (Holdings) Limited

Incorporated in Bermuda
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Artcetera
Art & craft supplies
A Department of the Stationery Store

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Bermuda Communications Directory

Incorporated in Bermuda. Directory Publishers

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