The Bermuda Press (Holdings) Limited

Annual Report 2013

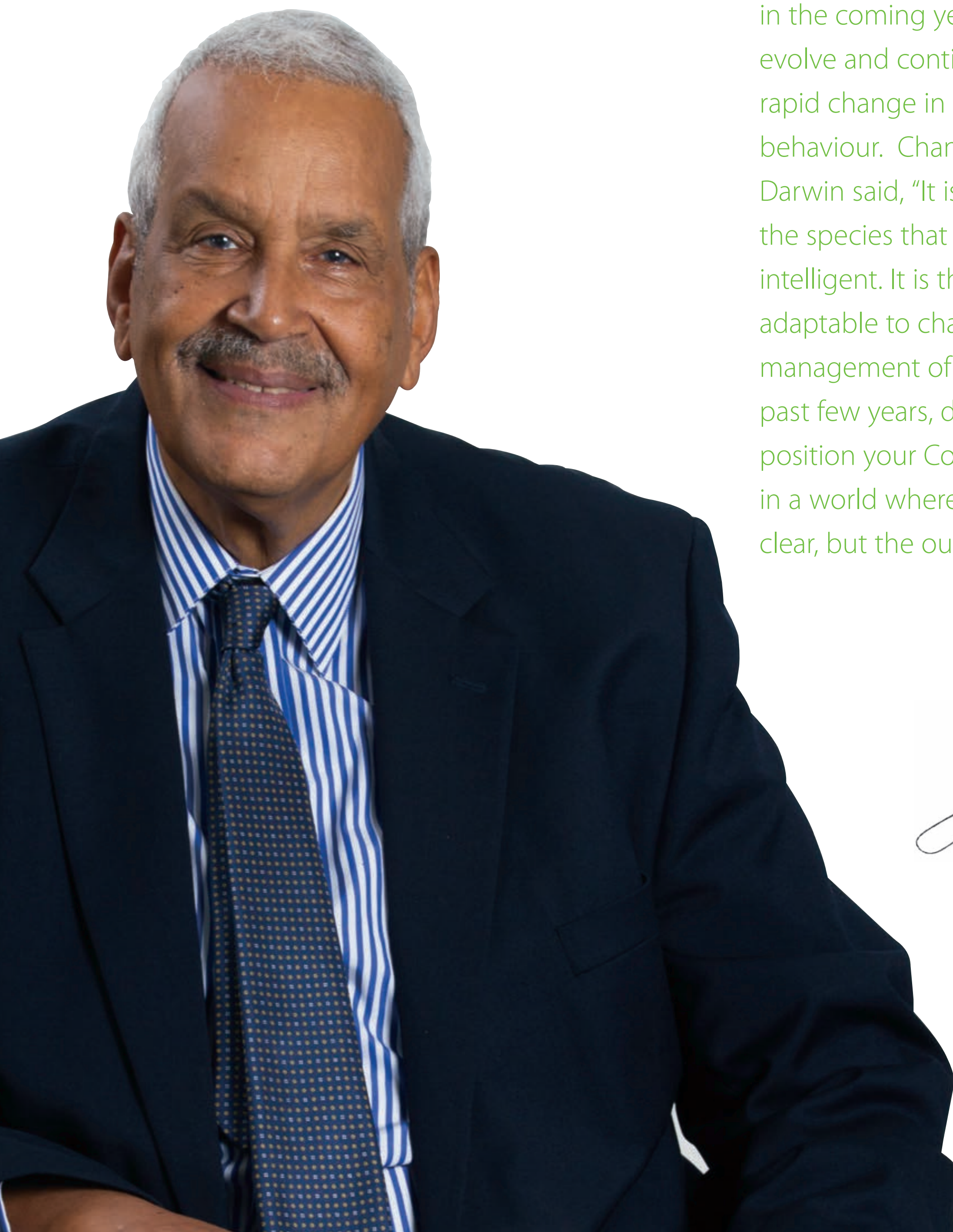
The Bermuda Press (Holdings) Limited

Annual Report 2013

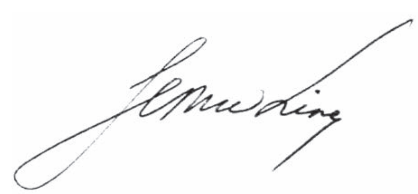
Incorporated in Bermuda
A public company quoted on the Bermuda Stock Exchange with over 500 shareholders

Postal Address:
P.O. Box HM 1025,
Hamilton, HM DX,
Bermuda
Telephone: 441-295-5881
Fax: 441-295-9667

Welcome to The Bermuda Press (Holdings) Limited Annual Report 2013



The greatest challenge facing your Company in the coming years is ensuring its ability to evolve and continue to grow in response to rapid change in technology and consumer behaviour. Change is inevitable. Charles Darwin said, "It is not the strongest of the species that survives, nor the most intelligent. It is the one that is the most adaptable to change". The Board and management of your Company have, for the past few years, developed strategies that position your Company to continue to adapt in a world where the direction of change is clear, but the outcome is not.



H. Michael King,
Chairman & Director

Report to Shareholders

Financial Performance

In previous annual reports, we have discussed a number of the strategies that were implemented to restructure and transform your Company. These initiatives have included the merger of the Bermuda Press and Office Solutions operations in the Addendum Lane property, the rationalization of our workforce across the entire group of companies, and the introduction of new technology platforms to increase efficiencies, reduce operating cost, and the time required to bring new products to market. The 2013 financial statements reflect the first material contribution of these initiatives, a positive impact of $2,056,000 on your Company's profit. Our results, unfortunately, also reflect the continued weakening in the local economy and structural changes in the publishing and printing industries.

Total revenue in 2013 declined 2 per cent to $25,150,000 from the prior year, however, net profit increased to $922,000 compared to a loss of $438,000 last year. Included within operating expenses for 2013 is an impairment charge of $194,000 against goodwill in the commercial printing operations and redundancy costs of $337,000 relating to our ongoing restructuring.

Significant Milestones

Your company's long-term strategy to focus on core products while expanding digital capabilities and optimizing operations continues to drive internal change. We achieved several important milestones during 2013, a year that presented new challenges to the publishing and printing industries. Projects successfully executed included:

- The migration to the Adobe publishing suite and the introduction of new customer relationship tools that will be used to strengthen relationships through an enhanced customer service model.
- A one-inch reduction in the width of the newspaper and numerous design changes focused on enhancing content in the print edition of The Royal Gazette. Information gathered from focus group research was utilized by our editorial team as part of their strategy to improve the content and design of the newspaper.
- The Royal Gazette website was updated to improve the presentation of content based on the feedback received from focus groups. The update included improved utilization of space in the presentation of content, the use of colour to bring consistency to the online and the print products and the technology to introduce digital platforms which will allow video advertising.
- The brand strategy of The Royal Gazette was revised resulting in the replacement of the Royal Gazette Online masthead and the concentration of our strategy on one brand that is available via multiple mediums.
- The official launch of NewsRack to host the e-edition replica of The Royal Gazette (newsrack.royalgazette.com) and a new subscriber strategy which should focus the readers to place value on content as opposed to the medium.
- In 2014 the Royal Gazette will launch an app designed for tablets running IOS and Android that will enhance content delivery.
- The This Week in Bermuda (TWiB) team launched the TWiB App for IOS and Android devices. The App is the most comprehensive resource for visitors and residents to learn about attractions, shopping, events, businesses, beaches, eating and drinking, nightlife, accommodations and real estate, activities, tours and how to get around Bermuda.
- The Bermuda Press commercial printing operations executed a comprehensive re-branding and marketing campaign to showcase its local lithographic and digital printing capabilities. The brand name Bermuda Press Digital (BPD) was introduced as the identity of our digital retail and commercial printing operation, leveraging the strength and recognition of the Bermuda Press's brand.
- The Royal Gazette successfully secured the 2014 contract for the printing and publishing of the Bermuda's Official Gazette for a second year. The Official Gazette is now available in print and digital formats and customers can subscribe online using Newsrack.

As we reflect on this year of change, it has become increasingly clear that maintaining our core editorial values of independence and integrity is key in protecting The Royal Gazette brand and maintaining our leadership role in Bermuda's media. These editorial values, fundamental to the way we do business, will ensure continued relevance to our audiences.

Going Forward

Without question, the negative economic pressure experienced by Bermuda for the past few years has affected the profitability of our operations. While we read news of economic recovery from around the world, it is evident that Bermuda's path to recovery has been impeded by government budget deficits and a decline in the residential population and workforce.

There has been an increase in business confidence since the newly elected government entered office in December 2012. Bermuda's recovery, from the deepest economic downturn in memory, will require great leadership and action from government to reduce deficits and increase the residential population. The government has announced initiatives to stimulate and strengthen the economy such as commercial immigration, increased foreign investment opportunities, gambling and redefining our tourism product. It is not clear whether one or some combination of these initiatives will be the answer to rebuilding the economy, but it is clear that change is necessary for Bermuda's future success.

As Bermuda emerges from this recession, we are well prepared to seize new opportunities as they arise.
Our strategy to remain Bermuda's leader in media, printing, office supply and office equipment remains at the top of your Board's agenda. Ensuring our product offerings are aligned with the changing needs and demands of customers is paramount to our future success.

The publishing industry continues to evolve, using technology to engage audiences, and your company is responding to this development. Technology has significantly reduced barriers of entry into television and radio broadcasting. Leveraging existing content to television and radio represents a future opportunity for your company to expand its audience and offer new products to advertisers.

In the coming months the Bermuda Press will launch a new website that allows customers to create designs online and place orders. Similarly, Office Solutions will launch a website that enables customers to view the entire product line and purchase items from inventory or create special orders.
There are many projects currently being implemented within your Company that focus on improving customer service, enhancing existing products and increasing profit margins. Senior management continues to demonstrate the vision and fortitude to face change head on. You have the assurance that every effort is being made by the Board to maximize performance as we prepare for the future.

Governance and Board Renewals

The Board of The Bermuda Press (Holdings) Limited endorses good corporate governance practices and is committed to high standards of legislative compliance and financial and ethical behaviour. The objective of the Directors 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 March 2013 Mr. Christopher Whittle retired as Chairman of the Board and as a Director. Chris served on your Board for many years and guided your company through some of the most challenging years during his tenure. Mr. Whittle made significant contributions and the Board would like to thank him for his contribution to the success of you Company. Upon his retirement, Mr. H. Michael King, and Mr. Stephen Thomson were appointed by your Board of Directors to the roles of Chairman and Deputy Chairman of the Board, respectively.

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 2013. 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 $8.50. The dividend to shareholders was $.40 during fiscal 2013, a yield of 4.7%. The Board continues to review the ability of the Company to pay dividends with the goal of increasing returns to shareholders. 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, Mr. Jonathan Howes, who has done an outstanding job in leading your Company through these challenging times. He has relentlessly and tenaciously pursued a strategy to secure the future of your Company.

The Board would like to welcome Mr. Poohan Nathan who joined the Company in the role of Chief Financial Officer in April 2013. Poohan has extensive knowledge in local companies and was appointed as CFO following his role as a Senior Manager with a 'Big Four' accounting firm in Bermuda. Additionally, we would like to welcome Mr. Tim Hodgson who re-joined The Royal Gazette in the capacity of Consulting Editor in July 2013. Tim completed his original tenure with The Royal Gazette following the closure of the Mid-Ocean News and we are pleased to have him back leading the editorial team.

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

H. Michael King,
Chairman & Director

Directors

H. Michael King,
Chairman and Director

H. Michael King is the Vice-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.

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.

Stephen W. Thomson,
Vice-Chairman and Director

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.

Carl H. Paiva, JP,
Director

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.

Gavin R. Arton,
Director

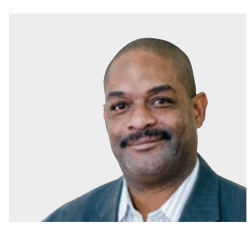
Gavin R. Arton, is Chairman of BF&M Limited, a Director of Ascendant Group Limited, Bermuda Commercial Bank Ltd., Watlington Waterworks Ltd and a number of international companies. He is Chairman of P.A.L.S., Bermuda's cancer care charity and previously Senior Vice President of XL Capital Ltd.

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.

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.



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.

Stephen R. Davidson,
Director

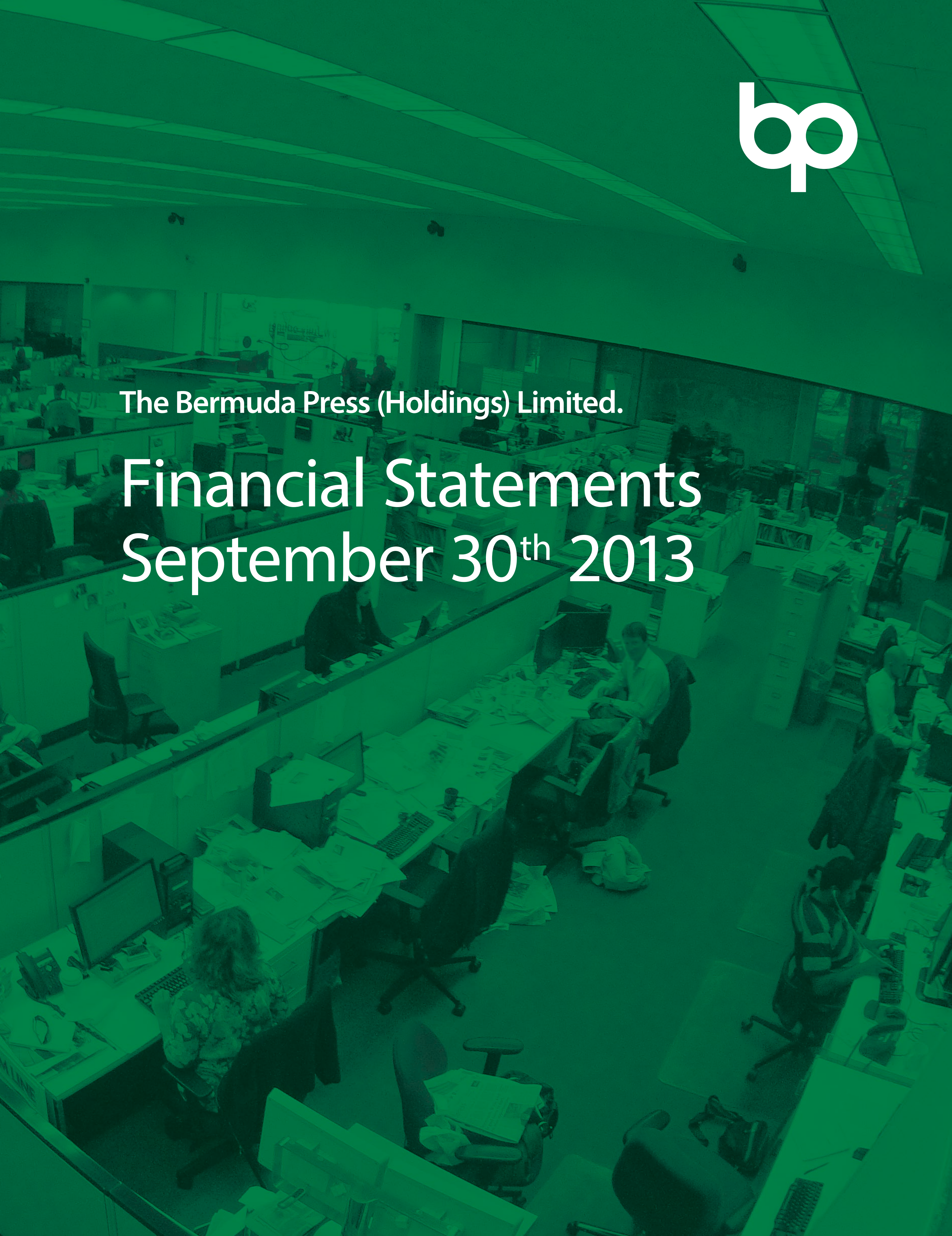
Stephen R. Davidson, Director is an officer of QuoVadis, a provider of managed datacenter and online identity services with operations in Bermuda and Europe. He also sits on the board of the Bermuda End-to-End Charity. He is a graduate of Dartmouth College and Georgetown University.

Senior Management

Poohan Nathan – Group Chief Financial Officer, **Tim Hodgson** – Consulting Editor, The Royal Gazette, **Horst Augustinovic** – General Manager, Bermuda Directories Limited, **delMonte Davis** – Circulation Manager, The Royal Gazette, **Bob Legere** – General Manager, Office Solutions Ltd and The Stationery Store, **Bill Dickinson** – General Manager, E-Moo Bermuda Ltd, **Damon Wade** – Group Business Analyst, **Jamie Cann** – Production Manager, The Royal Gazette, **Caroline Desmarais** – Group Chief Development Officer, **Sabrina Simmons** – Group Human Resource Manager, **Greg Cody** – Digital Print Manager, Bermuda Press Ltd, **Jonathan Howe**s – Group Chief Executive Officer

Financial facts

	2013	2012	2011	2010	2009
Operating revenue	**25,150**	**25,670**	27,438	30,675	33,107
Operating expenses	**24,139**	**25,995**	27,284	29,478	32,867
Operating profit (loss)	**1,011**	**(325)**	154	1,197	240
Finance income	**16**	**5**	6	7	-
Finance costs	**(102)**	**(91)**	(97)	(123)	-
(Loss) gain on disposal and impairment of assets	**(3)**	**(27)**	106	(285)	(2)
Share of losses of affiliate	**-**	**-**	(371)	(334)	-
Profit (loss) for the year	**922**	**(438)**	(202)	462	238
Profit (loss) attributable to:					
Equity holders of the company	**549**	**(793)**	(613)	316	63
Non-controlling interests	**373**	**355**	411	146	175
Current assets	**7,683**	**7,676**	9,537	12,413	12,836
Available for sale financial assets	**135**	**137**	150	201	162
Investment in leases	**1,222**	**1,237**	635	972	1,508
Property, plant and equipment	**6,188**	**6,709**	11,276	10,334	24,210
Investment properties	**16,521**	**16,986**	12,463	12,183	-
Investment in affiliate	**-**	**-**	2,173	1,794	-
Goodwill	**2,791**	**2,985**	194	194	194
	34,540	**35,730**	36,428	38,091	38,910
Current liabilities	**5,216**	**5,710**	4,178	5,084	7,190
Borrowings	**606**	**1,156**	1,706	1,462	-
Equity attributable to owners of the parent	**26,659**	**26,678**	28,033	29,205	29,512
Minority interest	**2,059**	**2,186**	2,511	2,340	2,208
	34,540	**35,730**	36,428	38,091	38,910
Additions to goodwill	**-**	**2,791**	-	-	194
Additions to capital assets	**822**	**1,976**	3,634	943	999
Cash dividends paid	**552**	**552**	552	552	1,049
Number of issued ordinary shares	**1,378,699**	**1,380,245**	1,380,245	1,380,245	1,380,245
Profit (loss) attributable to equity holders of the company per share	**0.40**	**(0.57)**	(0.44)	0.23	0.05
Cash dividend paid per share	**0.40**	**0.40**	0.40	0.40	0.76
Shareholders' equity per share	**19.33**	**19.33**	20.31	21.16	21.38
Profit (loss) attributable to equity holders of the company as a percentage of revenue	**2.2**	**(3.1)**	(2.2)	1.0	0.2
Profit (loss) attributable to equity holders of the company as a percentage of shareholders equity	**2.1**	**(3.0)**	(2.2)	1.1	0.2



The Bermuda Press (Holdings) Limited.

Financial Statements September 30th 2013

pwc

December 16, 2013

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, 2013 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, 2013 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Ltd.

Chartered Accountants

PricewaterhouseCoopers Ltd., Chartered Accountants, P.O. Box HM 1171, Hamilton HM EX, Bermuda
T: +1 (441) 295 2000, F: +1 (441) 295 1242, www.pwc.com/bermuda

Consolidated Balance Sheet

As at September 30, 2013

Amounts in thousands of dollars

	Notes	September 30, 2013	September 30, 2012
ASSETS			
Current assets			
Cash and cash equivalents		1,035	899
Trade and other receivables	3	4,238	4,202
Inventories	4	2,410	2,575
		7,683	7,676
Non-current assets			
Available for sale financial assets	5	135	137
Investment in leases	6	1,222	1,237
Property, plant and equipment	7	6,188	6,709
Investment properties	8	16,521	16,986
Goodwill	9	2,791	2,985
Total assets		34,540	35,730
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	10	4,291	4,073
Borrowings	11	787	1,499
Dividend payable		138	138
		5,216	5,710
Non-current liabilities			
Borrowings	11	606	1,156
Total liabilities		5,822	6,866
Equity attributable to owners of the parent			
Share capital	18	3,309	3,313
Share premium		1,377	1,378
Other reserves	20	6,700	6,700
Other comprehensive income		69	71
Retained earnings		15,204	15,216
		26,659	26,678
Non-controlling interest		2,059	2,186
Total equity		28,718	28,864
Total liabilities and equity		34,540	35,730

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

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2013

(Amounts in thousands of dollars, except per share data)	Notes	2013	2012
Operating revenue			
Publishing and retail		18,932	19,443
Commercial printing		3,242	3,267
Rental		2,789	2,753
Other	6	187	207
		25,150	25,670
Operating expenses			
Payroll and employee benefits	16	13,171	13,987
Materials, merchandise and supplies		4,825	5,664
Administrative expenses	17	4,142	4,301
Depreciation and amortization	7,8,9	2,001	2,043
		24,139	25,995
Operating profit (loss)		1,011	(325)
Finance income	5	16	5
Finance costs	11	(102)	(91)
Loss on sale of assets	5,7	(3)	(27)
Profit (loss) for the year		922	(438)
Profit (loss) attributable to:			
Equity holders of the company		549	(793)
Non-controlling interests		373	355
		922	(438)
Other comprehensive income (loss) for the year			
Changes in fair value of available for sale financial assets	5	(2)	(10)
Total comprehensive income (loss) for the year		920	(448)
Comprehensive income attributable to:			
Equity holders of the company		547	(803)
Non-controlling interests		373	355
		920	(448)
Earnings per share:			
Basic and diluted	19	0.40	(0.57)

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

Consolidated Statement of Changes in Equity

For the year ended September 30, 2013

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, 2011		**3,313**	**1,378**	**6,700**	**16,561**	**81**	**28,033**	**2,511**	**30,544**
Profit (loss)		-	-	-	(793)	-	**(793)**	355	**(438)**
Other comprehensive loss	5	-	-	-	-	(10)	**(10)**	-	**(10)**
Total comprehensive income (loss)		-	-	-	(793)	(10)	**(803)**	355	**(448)**
Dividends		-	-	-	(552)	-	**(552)**	(680)	**(1,232)**
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		-	-	-	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**

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

Consolidated Statement of Cash Flows

For the year ended September 30, 2013

(Amounts in thousands of dollars)

	Notes	September 30, 2013	September 30, 2012
Cash flows from operating activities			
Profit (loss) for year		922	(438)
Adjustments for:			
Depreciation, amortization and impairment	7,8,9	2,001	2,043
Loss on disposal of property, plant and equipment		3	24
Loss on sale of available for sale financial assets	5	-	3
Finance costs		102	91
Investment income		(4)	(5)
Interest paid		(102)	(93)
Changes in non-cash working capital:			
Trade and other receivables		69	683
Inventories		164	193
Accounts payable and accrued liabilities		216	169
Cash generated from operating activities		3,371	2,670
Cash flows (used for) from investing activities			
Additions to property, plant and equipment		(822)	(1,976)
Proceeds on property, plant and equipment		-	58
Purchase of treasury shares		(14)	-
Dividends received on available for sale financial assets		4	5
Acquisition of subsidiary, net of cash acquired		-	(426)
Net movement in investments in leases		(89)	(358)
Net cash used for investing activities		(921)	(2,697)
Cash flows from (used for) financing activities			
Repayments of borrowings		(550)	(528)
Dividends paid to company's shareholders		(552)	(552)
Dividends paid to non-controlling interests		(500)	(680)
Net cash used for financing activities		(1,602)	(1,760)
Increase (decrease) in cash and cash equivalents		848	(1,787)
Cash and cash equivalents at beginning of year		(50)	1,737
Cash and cash equivalents at end of year		798	(50)
Cash and cash equivalents comprises:			
Cash and cash equivalents at bank		1,035	899
Bank overdraft		(237)	(949)
		798	(50)

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

Consolidated Notes to Financial Statements September 30, 2013 (Amounts in thousands of dollars)

Consolidated Notes to Financial Statements

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 December 16th, 2013.

1. 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 (IFRS IC) 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 following new and amended standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after October 1, 2013 or later periods and are expected to be relevant to the Company:

Standard / Interpretation	Content	Applicable for financial years beginning on / after
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013

IFRS 10, 'Consolidated financial statements'
IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on October 1, 2013.

IFRS 12, 'Disclosures of interests in other entities'
IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on October 1, 2013.

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
IAS 19	Employee benefits	January 1, 2013
IAS 27	Separate financial statements	January 1, 2013
IAS 28	Investments in associates and joint ventures	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRIC 20	Stripping costs in the production phase of a surface mine	January 1, 2013
IFRIC 21	Levies	January 1, 2014

(c) Early adoption of standards

The Company has adopted Amendments to IAS 36, 'Impairment of Assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures on the recoverable amount of the CGUs which have been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Company until 1 October 2014, however the Company has decided to early adopt the amendment as of October 1, 2012.

Early adoption of amendments to IAS 36 has resulted in the Company being required to early adopt IFRS 13 'Fair value measurement' as of October 1, 2012. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. There is no significant impact on the consolidated financial statements as a result of these early adoptions.

(d) 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 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 multiple earnings: 5% contraction to 2% growth.
Discount rate applied in cash flow projections: 13.40%.
An increase in the discount rates of 11% would not result in any impairment on goodwill.

(e) 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, Pronto Print Limited, Engravers Limited, Chameleon Print Express Limited, E-Moo (Bermuda) Limited, Crown House Properties 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.

(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.

(f) 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.

(g) 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.

(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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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 makes strategic decisions.

Consolidated Notes to Financial Statements September 30, 2013 (Amounts in thousands of dollars)

3. Trade and other receivables

	September 30, 2013	September 30, 2012
Trade receivables	2,770	2,800
Current portion of investment in leases	999	911
Prepaid insurance	92	117
Prepaid government taxes	5	61
Deferred publishing costs	20	21
Other prepaid assets	352	292
	4,238	4,202

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

	September 30, 2013	September 30, 2012
Balance, beginning of the year	368	413
Write-offs	(63)	(54)
Recoveries	(9)	(63)
Additions	68	72
Balance, end of the year	364	368

The ageing of trade receivables is as follows:

	September 30, 2013	September 30, 2012
Current	2,233	1,845
30 days	396	547
60 days	103	309
90 days and over	402	467
	3,134	3,168
Allowance for doubtful accounts	(364)	(368)
	2,770	2,800

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

4. Inventories

	September 30, 2013	September 30, 2012
Materials and supplies	767	787
Merchandise	1,875	1,877
Work-in-progress	6	14
Provision for obsolescence	(238)	(103)
	2,410	2,575

During the year, the company expensed inventory totalling $4,129 (2012 - $4,452) as part of normal operations. Inventory written off during the year totalled $60 (2012 - $227) and is included in materials, merchandise and supplies on the consolidated statements of comprehensive income.

Consolidated Notes to Financial Statements September 30, 2013 (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, 2013	September 30, 2012
Balance, beginning of the year	137	150
Disposals	-	(3)
Decrease in fair value	(2)	(10)
Balance, end of year	135	137

Changes in fair value in the amount of $(2) (2012 – $(10)) have been reflected in other comprehensive income. A net loss of $Nil (2012 – loss of $3) was recognised in the current year and $Nil (2012 - $Nil) was transferred from other comprehensive income to equity.

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 (2012 - $5) and is included in finance income.

6. Investment in leases

		September 30, 2013	September 30, 2012
Total investment in sales-type leases		2,352	2,349
Unearned finance income		(131)	(201)
		2,221	2,148
Less allowance for doubtful receivables		-	-
Current portion included in trade and other receivables	(note 3)	(999)	(911)
Long-term portion		1,222	1,237

Finance income arising from the investments in leases amounted to $187 (2012 - $207) 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 $267 (2012 - $246). 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 non-cancellable 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, 2013 (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, 2013:

	Finance leases	Operating leases
2014	1,120	3,446
2015	754	2,890
2016	309	2,498
2017	38	7,490
2018 and later	-	989
	2,221	17,313

7. Property, plant and equipment

	Land	Buildings	Machinery	Vehicles	Fixtures and equipment	Total
October 1, 2012	393	3,834	14,105	394	4,135	22,861
Additions	-	-	282	-	366	648
Disposals	-	-	(261)	(24)	(177)	(462)
September 30, 2013	393	3,834	14,126	370	4,324	23,047
Depreciation/impairment:						
September 30, 2012	-	2,066	10,436	296	3,354	16,152
Charge for the year	-	113	692	28	333	1,166
Depreciation on disposals	-	-	(261)	(24)	(174)	(459)
September 30, 2013	-	2,179	10,867	300	3,513	16,859
Net book values:						
September 30, 2012	393	1,768	3,669	98	781	6,709
September 30, 2013	393	1,655	3,259	70	811	6,188

At September 30, 2013 the Company had $11,685 (2012 - $10,638) 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, 2013	September 30, 2012
Cost	24,104	23,927
Accumulated depreciation	(7,583)	(6,941)
Net book value	16,521	16,986

Consolidated Notes to Financial Statements September 30, 2013 (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, 2013	September 30, 2012
Balance, beginning of the year	16,986	12,463
Additions	176	22
Depreciation	(641)	(447)
Transfers	-	4,948
Balance, end of year	16,521	16,986

The fair value of the company's investment properties is $28 million (2012 - $30 million). Fair value has been determined using discounted future cash flows for the Mills Creek, Roger Davidson and Crown House properties. The company recognized $2,789 (2012 - $2,753) in rental income and $1,083 (2012 - $1,059) in operating expenses pertaining to its investment properties.

9. Goodwill

	September 30, 2013	September 30, 2012
Balance, beginning of year	2,985	194
Impairment of goodwill	(194)	-
Additions	-	2,791
Balance, end of year	2,791	2,985

The carrying amount of goodwill of $194 relating to the Printing Segment has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss has been included in 'depreciation and amortization' in the income statement.

The impairment charge arose as a result of managements' most recent assessment of its carrying value being value in use. The increasingly competitive commercial printing industry in Bermuda has resulted in lower margins on printing services, which has hampered the profitability of this cash generating unit.

10. Accounts payable and accrued liabilities

	September 30, 2013	September 30, 2012
Trade payables	1,531	2,165
Accrued liabilities	676	22
Accrued payroll liabilities	1,082	1,257
Unearned income	1,002	629
	4,291	4,073

11. Borrowings

	September 30, 2013	September 30, 2012
Current		
Bank overdraft	237	949
Third party loan	550	550
	787	1,499
Non-current		
Third party loan	606	1,156
Total Borrowings	1,393	2,655

(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% (2012 – 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

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. Expected repayments of principal are as follows:

	$
2014	550
2015	606
2016	-
	1,156

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.

Total interest expense of $60 (2012 - $91) relating to this loan was recorded during the year.

Consolidated Notes to Financial Statements September 30, 2013 (Amounts in thousands of dollars)

12. Financial instruments by category

	September 30, 2013		September 30, 2012	
	Loans and receivables	**Available for sale**	**Loans and receivables**	**Available for sale**
Assets				
Cash and cash equivalents	1,035	-	899	-
Available for sale financial assets	-	135	-	137
Trade and other receivables	3,769	-		
(excluding prepayments)			3,711	-
Investment in leases, non current	1,222	-	1,237	
Total	**6,026**	**135**	**5,847**	**137**

	September 30, 2013	**September 30, 2012**
	Liabilities at amortised cost	**Liabilities at amortised cost**
Liabilities		
Borrowings	1,393	2,655
Trade and other payables	4,429	4,211
	5,822	**6,866**

13. 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, 2013	**September 30, 2012**
Accounts receivable	2,770	2,800
Investment in leases	2,221	2,148
Cash and cash equivalents	1,035	899
	6,026	5,847

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, 2013 (Amounts in thousands of dollars)

13. 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:

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**	**-**	**-**

2012

	Carrying amount	Contractual cash flows	Less than 1 year	1 – 2 Years	2 – 5 Years	More than 5 years
Accounts payable and accrued liabilities	4,073	4,073	4,073	-	-	-
Dividend payable	138	138	138	-	-	-
Borrowings	2,655	2,655	1,499	572	584	-
	6,866	6,866	5,710	572	584	-

The Company has $2 million in unutilised overdraft facilities as at 30 September 2013 (2012 - $1.3 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.

13. Financial risk management (continued)

(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.

The Company has reviewed all available for sale assets held at September 30, 2013 and 2012 for evidence of impairment. The Company has determined that these assets held at September 30, 2013 and 2012 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 $14 (2012 - $14) or decrease of $14 (2012 - $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 overdraft facilities with a floating interest rate. There are no long-term floating rate financial liabilities.

Interest rate sensitivity

A sensitivity analysis to interest rate risk is performed assuming the amount of liability for the bank overdraft 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. Based on the analysis performed, the impact on profit would be an increase of $1 (2012 - $5) or decrease of $1 (2012 - $5).

14. 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.

14. Fair value of financial assets and liabilities (continued)

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

The following table presents the group's assets that are measured at fair value at September 30, 2012.

	Level 1	Level 2	Level 3	Total
Available for sale financial assets	137	-	-	137
Total assets	137	-	-	137

15. Related parties

(a) Transactions with subsidiaries

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, 2013 %	September 30, 2012 %
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	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	51	51

Consolidated Notes to Financial Statements September 30, 2013 (Amounts in thousands of dollars)

15. Related parties (continued)

(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, 2013	September 30, 2012
Salaries, directors fees and short term benefits	557	694
Post-employment benefits	22	29
Other long term benefits	48	73
	627	796

16. Payroll and employee benefit expenses

	September 30, 2013	September 30, 2012
Wages and salaries	10,245	11,109
Termination benefits	337	174
Pension contributions – defined contribution plan	439	437
Other long term benefits and taxes	2,150	2,267
	13,171	13,987

17. Administrative expenses

	September 30, 2013	September 30, 2012
Consultants and professional fees	240	206
Insurance	128	65
Taxes	125	144
Telecommunications and utilities	922	948
Other administrative expenses	2,727	2,938
	4,142	4,301

Consolidated Notes to Financial Statements September 30, 2013 (Amounts in thousands of dollars)

18. Share capital

	September 30, 2013	September 30, 2012
Authorized 3,300,000 (2012 – 3,300,000) common shares of par value $2.40 each		
Issued and outstanding 1,378,699 (2012 – 1,380,245) common shares of par value $2.40 each	3,309	3,313

During the year, 1,546 common shares were repurchased by the company and held as treasury shares.

19. 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, 2013	September 30, 2012
Profit (loss) attributable to common shareholders	549	(793)
Average number of common shares outstanding	1,379	1,380
Basic earnings per share	0.40	(0.57)

During the year the Company paid dividends of $552 (2012 - $552) to equity holders of the Company. This represents a payment of $0.40 per share (2012 - $0.40 per share).

20. 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, 2013 (Amounts in thousands of dollars)

21. 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, 2013	September 30, 2012
Equity attributable to owners of the parent	26,659	26,678
Borrowings	1,156	2,655
Cash and cash equivalents	(1,035)	(899)
	26,780	28,434

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.

22. Commitments and contingencies

(a) Capital commitments:

There are no commitments for capital expenditure as of September 30, 2013.

(b) Lease commitments:

There are no lease commitments to disclose as of September 30, 2013.

(c) Contingent liabilities:

There are no contingent liabilities to disclose as of September 30, 2013.

Consolidated Notes to Financial Statements September 30, 2013 (Amounts in thousands of dollars)

23. 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.

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

Consolidated Notes to Financial Statements September 30, 2013 (Amounts in thousands of dollars)

23. Segmented information (continued)

2012

	Publishing and retail $	Printing $	Rental and other $	Inter- segment eliminations $	Total $
Revenue from external customers	19,443	3,267	2,960	-	25,670
Revenue from internal customers	141	286	1,967	(2,394)	-
	19,584	3,553	4,927	(2,394)	25,670
Expenses	20,863	4,329	1,148	(2,388)	23,952
Depreciation and amortisation	892	392	765	(6)	2,043
Interest expense	11	-	80	-	91
	21,766	4,721	1,993	(2,394)	26,086

	Publishing and retail $	Printing $	Rental and other $	Inter- segment eliminations $	Total $
Segment income (loss)	(2,182)	(1,168)	2,934	-	(416)
Finance income	-	-	5	-	5
Loss on sale of assets	(52)	28	(3)	-	(27)
Total income (loss)	(2,234)	(1,140)	2,936	-	(438)
Segment assets	16,995	2,258	32,164	(15,687)	35,730

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

Companies of The Bermuda Press Holdings Limited

The Royal Gazette

2 Par-la-Ville Road,
Hamilton HM 08,
Bermuda
Telephone: 441-295-5881
Fax: 441-295-1513
Email: admin@royalgazette.bm
Web: www.theroyalgazette.com

Stationery Store

32 Reid Street,
Hamilton HM 11, Bermuda
Telephone: 441-295-4008
Fax: 441-292-6788
E-mail: sales@office.bm

Artcetera

32 Reid Street,
Hamilton HM 11, Bermuda
Telephone : 441-295-2787
Fax: 441-292-6788
E-mail: sales@office.bm

office solutions

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

CROWN HOUSE PROPERTIES LIMITED

2 Par-la-Ville Road,
Hamilton HM 08, Bermuda
Postal Address:
P.O. Box HM 1025,
Hamilton HM DX,
Bermuda
Telephone: 441-295-5881
Fax: 441-295-1513

BP Media Limited

P.O. Box HM 1025
Hamilton HM DX, Bermuda
Telephone: 441-295-5881
Fax: 441-295-9667

Bermuda Press Digital

34 Burnaby Hill,
Hamilton HM 11, Bermuda
Telephone: 441-296-5857 / 295-3950
Fax: 441-296-5860
E-mail: info@cpx.bm
Web: www.cpx.bm

The Bermuda Press Ltd.

13 Addendum Lane,
Pitts Bay Road,
Pembroke HM 07, Bermuda
Telephone: 441-292-6100
Fax: 441-292-6727
E-mail: info@bermudapress.bm
Web: www.bermudapress.com

Engravers Limited

13 Addendum Lane,
Pitts Bay Road,
Pembroke HM 07,
Bermuda
Telephone: 441-295-7118
Fax: 441-292-9934
E-mail: info@engravers.bm
Web: www.engravers.bm

Pronto Print Ltd.

13 Addendum Lane,
Pitts Bay Road,
Pembroke HM 07, Bermuda
Telephone: 441-295-0183
Fax: 441-296-2329
E-mail: art@prontoprint.bm

APS

13 Addendum Lane,
Pitts Bay Road,
Pembroke HM 07,
Bermuda
Telephone: 441-293-3915
Fax: 441-238-3946
E-mail: info@apservices.bm
Web: www.apservices.bm

Bermuda Communications Directory

13 Addendum Lane,
Pitts Bay Road,
Pembroke HM 07, Bermuda
Postal Address:
P.O. Box HM 937,
Hamilton HM DX,
Bermuda
Telephone: 441-295-4600
Fax: 441-295-3445
E-mail: info@bermudadirectory.com
Web: www.bermudadirectory.com

eMoo.bm

13 Addendum Lane,
Pitts Bay Road,
Pembroke HM 07, Bermuda
Telephone: 441-272-3600
Fax: 441-292-3619
E-mail: sales@emoo.bm
Web: www.emoo.bm

The Bermuda Press (Holdings) Ltd.

Incorporated in Bermuda
A public company quoted on
the Bermuda Stock Exchange
with over 500 shareholders
Postal Address:
P.O. Box HM 1025,
Hamilton, HM DX,
Bermuda
Telephone: 441-295-5881
Fax: 441-295-9667

The Bermuda Press (Holdings) Ltd.
PO Box HM 1025, Hamilton,
HM DX Bermuda.

Telephone: 441 295 5881
Facsimile: 441 295 9667