Property Holdings • Publishing • Printing

Retail • Office Equipment

Annual Report
2007-2008

office equipment

Office Solutions

retail

Stationery Store

Artcetera
A COMPLETE LINE OF ART & CRAFT SUPPLIES

publishing

The Royal Gazette Limited

crown
COMMUNICATIONS

Bermuda Communications
DIRECTORY
Business and residential information all under one roof!

Mid-Ocean News

printing

The Bermuda Press Ltd.

Chameleon
Print Express
Limited

Pronto Print Ltd.

Engravers
Limited

Historic Facts of The Bermuda Press (Holdings) Limited

1828 – The first newspaper published - The Bermuda Commercial and General Advertiser and Recorder

1853 – The operations moved to the corner of Reid and Burnaby Streets

1900 – The company began to publish semi weekly on Tuesday and Saturday as The Royal Gazette

1921 – The Royal Gazette and the Colonist merged forming the daily paper The Royal Gazette & Colonist

1935 – The company erected its own building on the north side of Reid Street

1945 – The Royal Gazette & Colonist name shortened to The Royal Gazette

1962 – The company acquired the Mid-Ocean News

1965 – The company initiated operation of the first locally owned general purpose electronic computer

1966 – The company was divided into two divisions – commercial printing and the newspaper and retail division

1967 – The Bermuda Press (Holdings) Limited was incorporated

1967 – The Mid-Ocean News ceased daily production

1972 – Pitts Bay Road building was erected and became the home of the commercial print division

1974 – Par-la-Ville Road building was erected and became the home of the newspaper and retail divisions

1976 – The Reid street building, Columbia House, was erected and became the home of the Stationery Store

1995 – Bermuda Press opened Print Express and expanded into the “On Demand” printing market

1997 – The company purchased 80% of Pronto Print Limited

1998 – The company published the first edition of the Bermuda Communication Directory

2000 – Crown House properties construction completed

2005 – The company purchased Engravers Limited

Annual Report 2007-2008

Table of Contents

1972

The commercial printing division moved from its location on Union Street *(above)* to its current location on Addendum Lane in Pembroke.

Officers and Directors

President and Director

Christopher R Whittle FCA,

is President of The Bermuda Press (Holdings) Limited. 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 has been the owner/manager of Bermuda Mechanical Supply Co. Ltd. for 13 years, 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 BELCO Holdings Ltd. 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

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.

Keith R. Jensen

has been the Managing Director of The Royal Gazette Ltd. for 28 years. He earned his Bachelor of Commerce degree from McGill University.

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.

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, Belco Holdings Ltd., 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

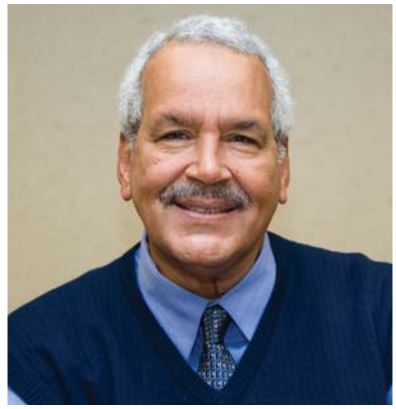
is President of Mailboxes Unlimited and of Just Shirts. He is on the Board of C Travel and Trinity College School and a member of the Technical Committee of the Bermuda Olympic Association.

Paget J.E Wharton, J.P.

is Managing Director of The Bermuda Press Limited, with which he has been associated since 1962. He is involved in a number of local charitable organisations.

Report to Shareholders

Christopher R Whittle
President



H. Michael King
Vice President

Your company has emerged from its most challenging year in decades in good shape. Net income for the year was $1,783,000 which compares with $2,701,000 in the previous year.

The Bermuda economy deteriorated in 2008. Tourism experienced a significant decline in both numbers and expenditure over 2007. Hotel occupancy rates tumbled by an even greater percentage. It is worth noting that in 2007 663,767 people visited Bermuda. In 2008 this number fell to 582,980, a decline of 12.2%. If business visitors are excluded, the decline in tourism becomes even more evident. A number of new hotel developments are currently mooted, subject to the availability of financing, but the need for all of them is unclear, with occupancy of existing hotels averaging 55% during 2008 and a leading hotelier expressing concern about further shortening of the high season. Certainly, international financial chills, the faltering US economy and higher airfares are partially responsible. But government's Department of Tourism is not entirely without blame. Its loudly trumpeted slogans have met with only mediocre success although there appears little official willingness to recognize this. The retail sector is suffering from depressed visitor demand and an ever-increasing tendency for Bermuda residents to shop overseas, both in person and over the internet. International business, which has become vitally important to Bermuda over the past few decades, is facing great challenges. Many of Bermuda's large reinsurance companies have suffered significant weather related underwriting losses and the financial turbulence in which they find themselves has also severely impacted investment valuations and earnings.

It is incumbent upon government, and all of us in Bermuda, to ensure that our visitors and those employed in international business continue to feel wanted, appreciated and welcome here.

Shareholders will be aware of government's decision to discontinue advertising in The Royal Gazette and not to renew subscriptions. This was clearly intended to punish the newspaper for revelations which government found unpalatable and for its championing of open government and the public's right to know, although government's public stance was that it intended to save money by placing its messages on the internet and in other non-print media. Alas, government's messages are not being received by very many in the community. A poll taken in March 2008 shows that The Royal Gazette remains far and away Bermuda's most effective advertising medium, with the majority of respondents reporting a very good or good response to their Royal Gazette advertising when compared to the internet. The Royal Gazette is also read during the course of each week by about 86% of Bermuda's adult population. When we received the results of the poll, management attempted to meet with the Premier and Cabinet but without success. It is thought by some that government's actions are attempts to restrict freedom of speech and to weaken The Royal Gazette in anticipation of the launch of a new daily newspaper as announced by the Premier.

In spite of government's actions, The Royal Gazette has continued to report fully and fairly on government activities, including the publication of numerous photo ops for the Premier and his Ministers.

The financial consequence to The Royal Gazette Limited has been the loss of several hundred thousand dollars worth of revenue during the financial year under review. Efforts by management to replace this revenue from other sources and to reduce expenses have been only partially successful. There is only so much which can be done to reduce costs without impinging upon the quality of our newspapers.

Shareholders who follow the fortunes of newspapers overseas, and in particular in the USA, will be aware that these are difficult times for the business. Rarely does a week go by without news of Chapter 11 filings; wholesale cuts in staff; plummeting advertising and circulation revenues and tumbling share prices. Total newspaper advertising revenues are expected to show a drop of over 16% for 2008 according to the Newspaper Association of America. Though it is often said that Bermuda is Another World, we are not immune to these conditions and our Editors and their staff are working hard to produce quality newspapers of interest and relevance to the entire community we are privileged to serve.

An interesting development, to which we have previously referred, is the electronic delivery of The Royal Gazette by Newsstand. This provides an exact replica of the daily newspaper, delivered early each morning to your computer, currently at a lower cost than the hard copy. There are many useful additional features on Newsstand and shareholders are encouraged to visit www.newstand.com and to obtain a free sample.

Considerable time, money and energy have been expended during the year under review on upgrades in your Company's accounting and IT systems. It is probably true to say that these areas have not always previously been given the highest priority. However, we are now well on the way to fully integrated, state of the art information systems which will provide management with more timely and relevant information to facilitate informed decision making. These improvements will also be of significant value to our customers by enabling them to do more online. We would be remiss not to recognize the considerable efforts of our Group Financial Controller, Jonathan Howes CA, and his team in their accomplishments to date.

The Bermuda Press Limited continues as Bermuda's leading provider of top quality commercial printing. Its Print Express and Chameleon divisions have been combined on Burnaby Street, in the process taking over the space previously occupied by Artcetera, which now operates from the Stationery Store on Reid Street. We have purchased Atlantic Printing Services from Mr. Tim Perry who has become a senior member of the team at Bermuda Press and we welcome him back.

The business to business sales operations of the Stationery Store have been combined with Office Solutions in order to provide customers with one stop shopping for their office equipment and supplies. We believe that we offer the highest quality equipment (including Canon and Sharp) along with excellent service.

Shareholders will recall the retirement of Roger Davidson from the Board at the last Annual General Meeting. Roger had been a Director for 42 years and President for 40 years. To mark this extraordinary service, your Board determined that a newly refurbished Colombia House on Reid Street should be renamed after him. This will be accomplished in the near future. The very existence of Colombia House and, of course, Crown House is due largely to Roger's foresight and determination. It is primarily because of these revenue earning assets that your company is able to maintain profitability in the current difficult economic environment for our printing, retail and publishing divisions.

In September, Mrs. Jeanette Szeller stepped aside as Company Secretary in order to be able to devote herself full time to her duties as Financial Controller at The Royal Gazette Limited. Your Board appointed Mrs. Marilyn A. Simmons to succeed Mrs. Szeller. Mrs. Simmons has been associated with the Company in various positions for a remarkable 48 years.

At the time of this report, our shares last traded on the Bermuda Stock Exchange at $11.50. Thus the current 76 cent per share annual dividend provides a yield of 6.6%. This price of $11.50 values the company as a whole at $15.87 million compared to a book value of $30.58 million, which includes $19.00 million as the depreciated value of land and buildings alone.

We are reluctant, particularly in the face of such enormous economic uncertainty, to offer a forecast for the 2008/2009 financial year, although it seems unlikely that we will be able to match the 2007/2008 year's results. Of one thing, however, you may be certain. That is the unwavering dedication of everyone in the Company to work towards its continued success, irrespective of whatever roadblocks are diverted towards us.

It has been a difficult time for the new President and Vice-President to assume their positions. However, our task has been made much easier by the unstinting support and hard work of each and every member of the Board who have endured more and longer meetings and committee meetings than ever before. Our staff, at all levels, has performed in an exemplary fashion in difficult circumstances over which they have had little control. We are most grateful for their loyalty, hard work and support. As always, we encourage shareholders to continue their patronage of the Company they own.

Christopher R Whittle
President

H Michael King
Vice-President

1974

The newspaper division relocated from Reid Street to its custom built building on Par-la-Ville Road.

property holdings

The Bermuda Press (Holdings) Limited has acquired or constructed premises for its divisions over the years.

Columbia House built for the Stationery Store and rental offices has a rental footprint suitable for small local and international businesses.

The Bermuda Press Limited, The Royal Gazette Limited and Office Solutions have their own buildings purpose built or renovated to meet their different needs.

Crown House originally housed Pronto Print and its stately design is attractive to larger local and international firms.


CROWN HOUSE

publishing

The Royal Gazette Limited is the Island's largest publisher of news and information. The Royal Gazette daily newspaper averages 31,700 readers per day. The weekly Mid-Ocean News averages 16,700 readers per week. The company also publishes the RG Magazine and The Bottom Line, a business magazine and numerous special interest supplements. Annually it also publishes the Insurance Journal and The Consumer Guide. Four popular books have been published: three editions of Our People: Our Story and Pages in Time. To celebrate the Island's 400th year, a commemorative book will be published in December.

Theroyalgazette.com website is attracting more users every year. Editorial support to provide breaking news, photographs and video have been instrumental in its success.

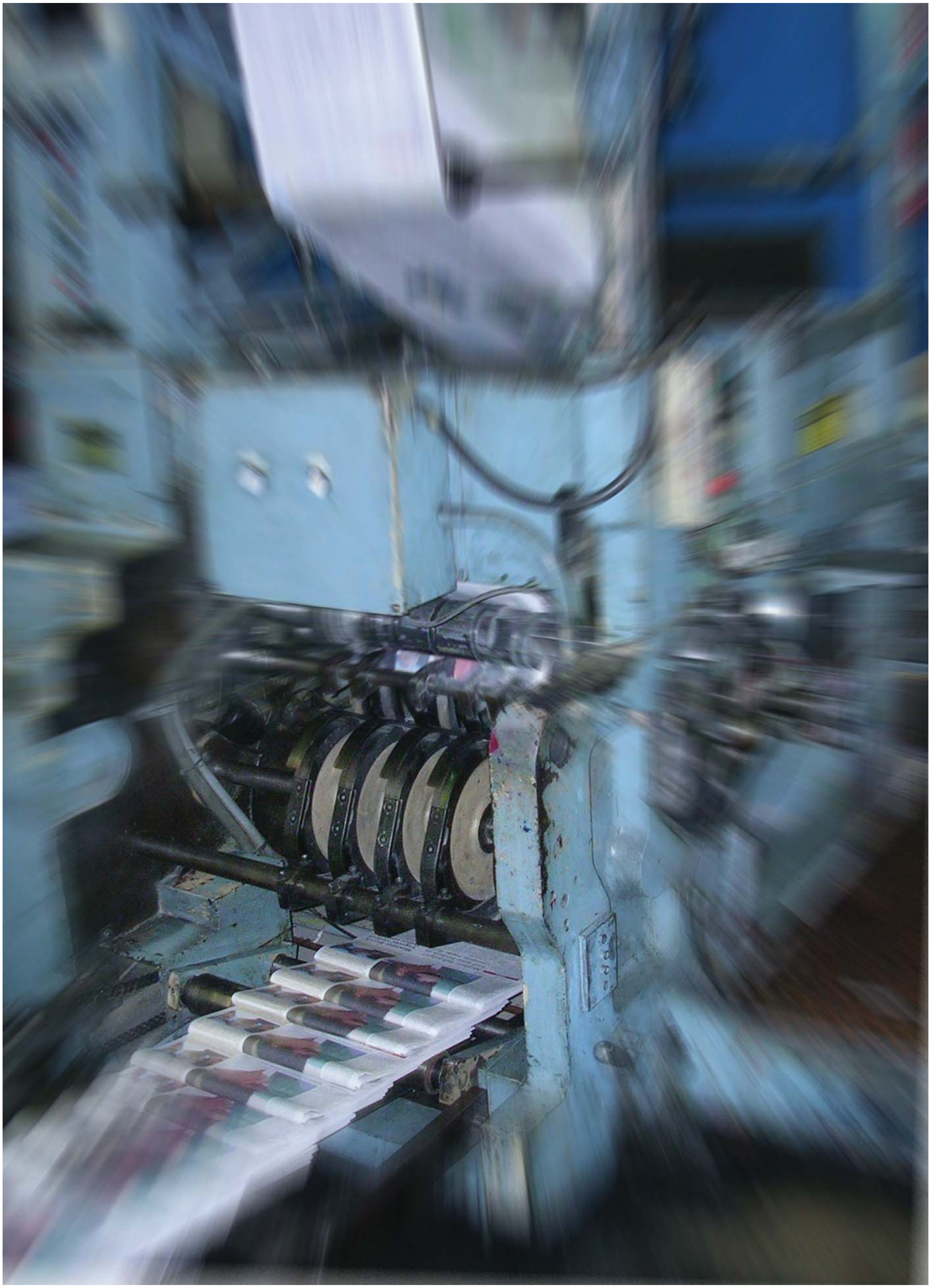
Bermuda Directories Limited publishes the Bermuda Communications Directory for homes and businesses and also This Week in Bermuda for the benefit of the island's visitors.

The Royal Gazette Limited

crown
COMMUNICATIONS

Mid-Ocean News

BERMUDA COMMUNICATIONS
DIRECTORY



retail

The Stationery Store has been serving Bermuda for over 100 years. The store inventories over 5,000 items to meet the needs of home and small businesses.

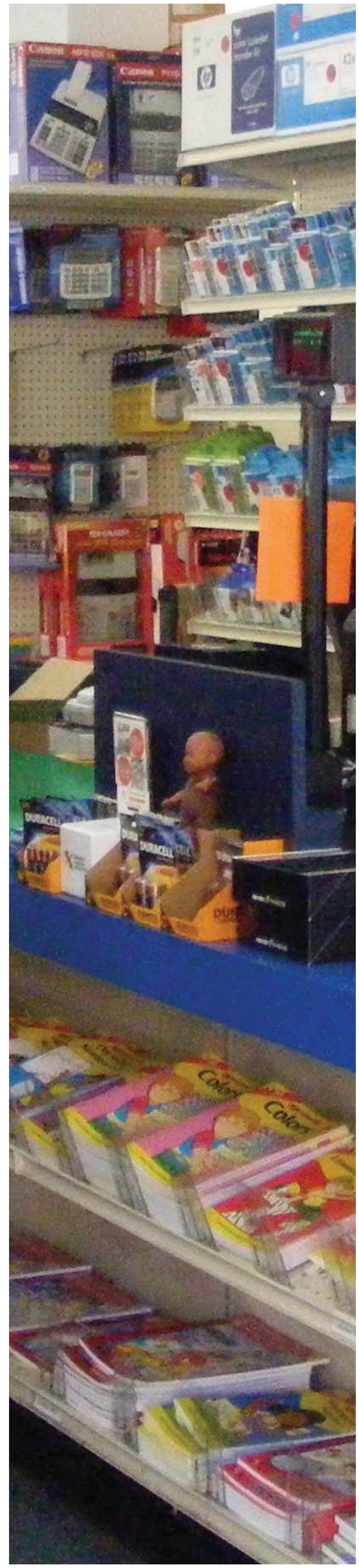
Products and suppliers have been constantly changing with an increasing emphasis on environmentally friendly goods in the computer age. The store provides a wide range of supplies and specialty products for computer printers, small business forms and report folders.

For generations, students have relied on the store for their back to school supplies. In addition, we strive to provide artists of all ages with their essential materials.

STATIONERY STORE

ARTCETERA
A COMPLETE LINE OF ART & CRAFT SUPPLIES


The
Royal Gazette Stationery Store



printing

The Bermuda Press Limited is the Island's leading commercial printer. Using the newest software, computer-to-plate technology, state of the art printing equipment, and a wide array of binding options, the company is able to manufacture products ranging from sophistiicated corporate reports and magazines to basic brochures and business cards.

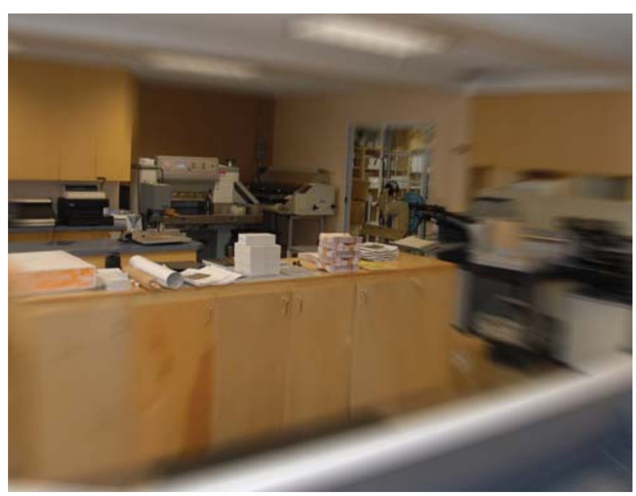
The operations continue to implement new technology and expand business in the "on demand" market. Our Burnaby Street location for Chameleon Print Express Limited offers custom printing of electronic files using an Indigo digital press, high speed colour copying, large format printing and various binding options. In 2008 blue printing services were added to the array of services available and the addition has been well received.

The Bermuda Press Ltd.

Chameleon Print Express Limited

Pronto Print Ltd.

Engravers Limited



office equipment

Office Solutions is a market leader in office equipment solutions and stationery supplies. With more than 10 years experience supplying and servicing world renowned products from Canon and Sharp they have built up an extensive client base of local and international companies.

Office Solutions specializes in providing solutions to businesses that connect people to information systems using the latest networked multifunction devices including: document management systems for electronic storage and retrieval, desktop software for scanning and e-mail integration, sophisticated security software for the safeguarding of information, and integration with client billing systems for professional offices.

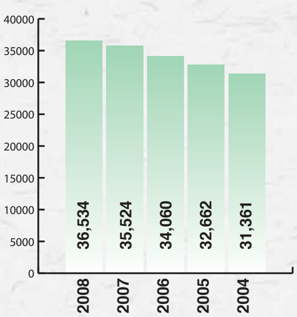
In 2007 Office Solutions took over the commercial Stationery Store operations and now offers clients an extensive stock of office supplies, toner and paper at very competitive prices.


Canon

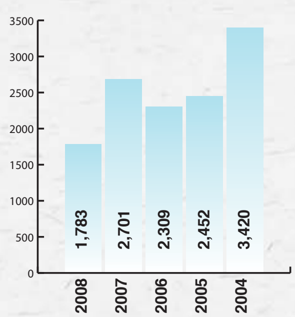
Financial Facts

(Thousands of dollars, except for per share amounts)

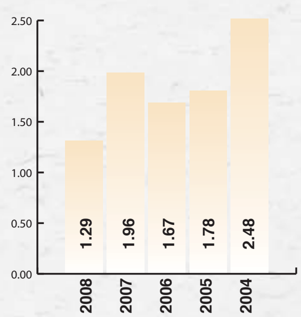
	2008	2007	2006	2005	2004
Revenue	**36,534**	35,524	34,060	32,662	31,361
Expenses	**34,948**	32,612	31,526	30,021	28,224
Net Income from operations	**1,586**	2,912	2,534	2,641	3,137
Gain on disposal of assets		10	–	–	1
Impairment of other assets	**(507)**				
Recovery of employee benefits	**804**				
Loss on disposal of assets			–	(29)	–
Gain on disposal of marketable securities			–	–	421
Minority interest in net income of subsidiaries	**(99)**	(221)	(225)	(160)	(139)
Net income for the year	**1,783**	2,701	2,309	2,452	3,420
Current assets	**15,600**	15,841	17,212	15,618	17,468
Marketable securities	**245**	430	133	133	133
Sales type finance leases	**2,209**	1,616	1,193	1,998	1,777
Capital assets	**25,391**	25,226	24,904	25,082	19,294
Other assets	**–**	544	680	-	-
	43,445	43,657	44,122	42,831	38,672
Current liabilities	**9,053**	7,805	8,197	6,531	5,362
Long term debt	**1,781**	3,914	5,881	7,740	6,344
Minority interest	**2,034**	1,926	1,707	1,483	1,306
Shareholders' equity	**30,577**	30,012	28,377	27,077	25,660
	43,445	43,657	44,122	42,831	38,672
Additions to capital assets	**2,300**	2,139	2,515	2,195	632
Cash dividends paid	**1,049**	1,049	1,049	1,021	911
Number of issued ordinary shares	**1,380,245**	1,380,245	1,380,245	1,380,245	1,380,245
Net income per share	**1.29**	1.96	1.67	1.78	2.48
Cash dividend paid per share	**0.76**	0.76	0.76	0.74	0.66
Shareholders' equity per share	**22.15**	21.74	20.53	19.62	18.59
Net income as a percentage of revenue	**4.9**	7.6	6.8	7.5	10.9
Net income as a percentage of shareholders equity	**5.8**	9.0	8.1	9.1	13.3



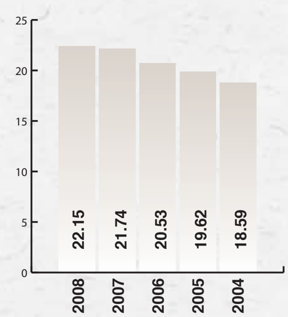
Revenue



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 2008 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 2008 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
March 6 2009

Consolidated Balance Sheet

As at September 30 2008

	2008 $	Restated 2007 $
Assets		
Current assets		
Cash and cash equivalents	**2,184,999**	2,438,603
Accounts receivable *(note 3)*	**6,489,106**	5,911,385
Inventories *(note 4)*	**4,315,406**	4,612,321
Investment in leases, current portion *(note 6)*	**1,739,520**	1,911,947
Prepaid expenses	**871,393**	966,503
	15,600,424	15,840,759
Marketable securities *(note 5)*	**244,580**	430,302
Investment in leases *(note 6)*	**2,209,150**	1,615,850
Capital assets, net *(note 7)*	**25,390,846**	25,226,012
Other assets *(note 8)*	**–**	544,347
	43,445,000	43,657,270
Liabilities and shareholders' equity		
Current liabilities		
Bank overdraft *(note 9)*	**1,955,630**	626,082
Current portion of long-term debt *(note 9)*	**2,130,082**	2,031,687
Accounts payable and accrued liabilities	**2,809,439**	3,127,394
Accrued employee benefits	**937,972**	979,523
Unearned income	**957,336**	778,317
Dividend payable	**262,247**	262,247
	9,052,706	7,805,250
Long-term debt *(note 9)*	**1,781,196**	3,913,524
	10,833,902	11,718,774
Minority interest	**2,033,729**	1,926,136
Shareholders' equity		
Share capital		
Authorized		
3,300,000 ordinary shares of $2.40 par value		
Issued and fully paid		
1,380,245 ordinary shares of $2.40 par value	**3,312,588**	3,312,588
Share premium	**1,378,405**	1,378,405
Accumulated other comprehensive income	**128,828**	297,674
Retained earnings		
Appropriated		
General reserve *(note 10)*	**4,500,000**	4,500,000
Reserve for self-insured risks *(note 10)*	**2,000,000**	1,800,000
Unappropriated	**19,257,548**	18,723,693
	30,577,369	30,012,360
	43,445,000	43,657,270

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 Income

For the year ended September 30 2008

	2008 $	Restated 2007 $
Revenue		
Publishing and retail	**26,905,094**	25,770,851
Commercial printing	**7,057,538**	7,222,199
Rental	**2,037,935**	2,006,009
Other	**533,542**	524,709
	36,534,109	35,523,768
Expenses		
Payroll and employee benefits	**16,935,752**	15,727,536
Materials, merchandise and supplies	**9,062,647**	8,682,482
General and administrative	**6,752,013**	6,244,630
Amortization of assets	**2,197,637**	1,956,728
	34,948,049	32,611,376
Income from operations	**1,586,060**	2,912,392
Impairment of other assets *(note 8)*	**(507,010)**	–
Recovery of post retirement benefits *(note 14)*	**803,527**	–
Gain on disposal of capital assets	**–**	9,770
Income before minority interest	**1,882,577**	2,922,162
Minority interest in net income of subsidiaries	**99,736**	220,902
Net income for year	**1,782,841**	2,701,260
Earnings per share:		
Basic	**1.29**	1.96

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

Consolidated Statement Shareholders' Equity

For the year ended September 30 2008

	Total $	Common stock and share premium $	Appropriated Retained Earnings $	Unappropriated Retained earnings $	Accumulated other comprehensive income $
Balance as of September 30 2006	28,337,412	4,690,993	6,100,000	17,546,419	–
Prior period adjustment *(note 11)*	(275,000)	–	–	(275,000)	–
Revised balance as of September 30 2006	28,062,412			17,271,419	
Net income	2,701,260	–	–	2,701,260	–
Other comprehensive income - unrealized gains on marketable securities	297,674	–	–	–	297,674
Comprehensive income	2,998,934	–	–	2,701,260	297,674
Dividends	(1,048,986)	–	–	(1,048,986)	–
Appropriation of retained earnings to reserve for self insured risk	–	–	200,000	(200,000)	–
Balance as of September 30 2007	30,012,360	4,690,993	6,300,000	18,723,693	297,674
Net income	1,782,841	–	–	1,782,841	–
Other comprehensive income - unrealized losses on marketable securities	(168,846)	–	–	–	(168,846)
Comprehensive income	1,613,995	–	–	1,782,841	(168,846)
Dividends	(1,048,986)	–	–	(1,048,986)	–
Appropriation of retained earnings to reserve for self insured risk	–	–	200,000	(200,000)	–
Balance as of September 30 2008	30,577,369	4,690,993	6,500,000	19,257,548	128,828

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

Consolidated Statement of Cash Flows

For the year ended September 30 2008

	2008 $	Restated 2007 $
Cash flows from operating activities		
Net income for year	**1,782,841**	2,701,260
Adjustments to reconcile net income to net cash provided by operating activities		
Prior period adjustment	**–**	(275,000)
Amortization of capital assets	**2,197,637**	1,950,568
Gain on disposal of capital assets	**–**	(9,770)
Minority interest in net income of subsidiaries	**99,736**	220,902
Impairment of other assets	**507,010**	–
(Decrease) increase in non-cash working capital *(note 16)*	**(366,183)**	1,290,491
	4,221,041	5,878,451
Cash flows (used in) from investing activities		
Additions to capital assets	**(2,300,401)**	(2,139,441)
Proceeds on disposal of capital assets	**–**	12,500
Additions to investments in sales type leases	**(2,909,921)**	(2,246,879)
Repayments from investments in sales type leases	**2,489,048**	2,265,959
	(2,721,274)	(2,107,861)
Cash flows from (used in) financing activities		
Repayments on long term bank loan	**(2,033,933)**	(1,829,794)
Dividends paid	**(1,048,986)**	(1,048,986)
	(3,082,919)	(2,878,780)
(Decrease) increase in cash and cash equivalents	**(1,583,152)**	891,810
Cash and cash equivalents at beginning of year	**1,812,521**	920,711
Cash and cash equivalents at end of year	**229,369**	1,812,521
Cash comprises:		
Cash and cash equivalents	**2,184,999**	2,438,603
Bank overdraft	**(1,955,630)**	(626,082)
	229,369	1,812,521

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

Notes to the Consolidated Financial Statements

September 30 2008

1. **Nature of business**

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

2. **Summary of significant accounting policies**

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

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

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

(a) **Principles of consolidation**

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

(b) **Variable Interest Entities**

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

(c) ***Adoption of new accounting standards***

Capital Disclosures

Section 1535 of the handbook of the Canadian Institute of Chartered Accounts (the "CICA") establishes standards for disclosure of both qualitative and quantitative information that enables users to evaluate the entity's objectives, policies and processes for managing capital; the disclosure and compliance with any externally imposed capital requirements and the consequences of any non-compliance. The required disclosures are included in these consolidated financial statements.

Financial instruments

Sections 3862 and 3863 of the CICA Handbook replace Section 3861 "Financial Instruments – Disclosures and Presentation", revising and enhancing its disclosure requirements while carrying forward unchanged its presentation requirements. These new sections emphasize disclosures of the nature and extent of risks arising from financial instruments to which the entity is exposed and how those risks are managed. The Company has included the required disclosures in these consolidated financial statements.

Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the CICA issued EIC-173 "Credit risk and the fair value of financial assets and financial liabilities" with retrospective application without restatement of prior periods. The guidance requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments.

Notes to the Consolidated Financial Statements

September 30 2008

Assessing going concern
The CICA amended Handbook Section 1400 "General Standards of Financial Statement Presentation" to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. There was no impact from these changes in accounting policies on net income for the year ended September 30 2008.

Accounting standard developments
International Financial Reporting Standards
The CICA has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011. At this date, the company will be required to prepare financial statements in accordance with IFRS. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. The Company will develop an IFRS conversion plan during 2009 that will include analysis of the IFRS standards, with priority being placed on those that are identified as possibly having a significant impact. The analysis of each IFRS standard will include identifying the differences between IFRS and the Company's accounting policies, assessing the impact of the difference, and where necessary, analyzing the various policies that it could elect to adopt.

Inventories
Section 3031 of the CICA Handbook prescribes the measurement of inventories at the lower of cost and net realizable value, with guidance on cost determination including the allocation of overheads and other costs to inventory. Reversals of previous write-downs to net realizable value are required when there is a subsequent increase in the value of inventories. Section 3031 will be required for interim and annual financial statements related to fiscal years beginning on or after January 1 2008.

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

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

The carrying value of all financial instruments approximates fair value, except for marketable securities and long term debt as disclosed in notes 5 and 9 respectively. The fair values of the amounts receivable from lease transactions are difficult to estimate due to the nature and size of the Bermuda dollar capital market. However, in management's opinion they do not differ materially from their carrying values.

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

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

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

Notes to the Consolidated Financial Statements

September 30 2008

(h) **Other assets**

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

(i) **Revenue recognition**

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

(j) **Earnings per share**

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

(k) **Borrowing costs**

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

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

(l) **Accrued employee & other post retirement benefits**

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

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

(m) **Impairment**

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

Notes to the Consolidated Financial Statements

September 30 2008

(n) **Comprehensive Income**
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.

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

3. **Accounts Receivable**
Provisions for bad debts totalling $440,900 (2007 – $614,300) have been recorded during the year against receivables. Management's assessment of the provision is based on current economic conditions.

4. **Inventories**

	2008	2007
	$	$
Materials and supplies	**2,161,273**	2,276,034
Merchandise	**2,000,090**	2,194,231
Work-in-progress	**154,043**	142,056
	4,315,406	4,612,321

5. **Marketable securities**

	2008		2007	
	Cost	**Fair Value**	Cost	Fair Value
	$	**$**	$	$
Equities	**115,751**	**244,580**	132,628	430,203

During the current year the Company's investments in marketable securities have been classified as available for sale and been recorded at fair value on the balance sheet. Changes in the fair value of marketable securities in the amount of $185,623 (2007 - $297,674) have been reflected as a reduction in other comprehensive income.

The fair value of marketable securities is determined by reference to their quoted market price. Investment income during the year was $14,163 (2007 - $14,468) and is included in other revenue.

At September 30 2008 a marketable security has been determined to be other than temporarily impaired. Other comprehensive income has been reduced by $106,087 and a loss of $31,877 recognised in the current year.

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

	2008	2007
	% of fair value	% of fair value
Bermuda	**51.2**	27.1
United States of America	**48.8**	72.9
	100.0	100.0

There are no unusual interest rate or credit risks associated with marketable securities.

Notes to the Consolidated Financial Statements

September 30 2008

6. Leases

	2008 $	2007 $
Total investment in sales type leases	**4,577,667**	4,064,263
Unearned finance income	**(628,997)**	(536,466)
	3,948,670	3,527,797
Current portion	**(1,739,520)**	(1,911,947)
Long-term portion	**2,209,150**	1,615,850

Finance income arising from the investments in leases amounted to $503,033 (2007 - $488,025) and is included in other revenue.

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

	$
2009	1,712,920
2010	1,371,607
2011	765,649
2012	98,494
2013	–
	3,948,670

7. Capital assets

	2008			2007
	Cost $	Accumulated amortization $	Net $	Net $
Land	**4,378,271**	**–**	**4,378,271**	4,378,271
Buildings	**20,113,247**	**(5,911,763)**	**14,201,484**	14,624,213
Equipment	**23,545,613**	**(16,819,237)**	**6,726,376**	6,163,677
Motor vehicles	**342,067**	**(257,352)**	**84,715**	59,851
	48,379,198	**(22,988,352)**	**25,390,846**	25,226,012

8. Other Assets

These costs, which relate to the setup of a media company, as disclosed in note 2 were deferred while it was probable that they would be recovered from the media company's future operations. In the current economic climate and based on the historic results of the operation, management is uncertain that these start-up costs can be recovered through future revenues and have recorded an impairment provision against the remaining unamortised balance of $507,010 in the current period.

9. Bank indebtedness

	2008 $	2007 $
Bank overdraft	**1,955,630**	626,082
Long-term debt		
Current portion	**2,130,082**	2,031,687
Long-term portion	**1,781,196**	3,913,524
	3,911,278	5,945,211

Notes to the Consolidated Financial Statements

September 30 2008

Bank indebtedness *(continued)*

(a) **Bank overdraft**

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

(b) **Long-term debt**

The Company borrowed $10,500,000 in 1994 in connection with the development of Crown House. Repayments by blended equal monthly instalments of principal and interest of $129,904 over ten years commenced with effect from September 1 2000 at which time interest was fixed at 8.45% per annum. The first repayment was made on October 2 2000.

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

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

	$
2009	2,130,082
2010	1,781,196
2011	-
2012	-
2013	-
	3,911,278

The fair value of the long-term debt, determined by discounting the contractual cash flows at the current rates charged for similar debt instruments, is between $5.95 million and $5.98 million (2007 $4.06 million and $4.07 million).

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

Total interest expense of $476,552 (2007 - $579,312) was recorded during the year.

10. **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 2008 or 2007.

(b) **Reserve for self-insured risks**

In 1994, in an endeavour to reduce the escalating costs of property insurance the Company decided to create a reserve for self-insured risks through an appropriation of retained earnings. Every year since the Directors have approved a transfer from the unappropriated retained earnings to increase this reserve which now stands at $2.0 million.

Notes to the Consolidated Financial Statements

September 30 2008

11. **Prior Period Adjustment**

The comparative figures for 2007 have been restated to reflect a retroactive adjustment to revenue and accounts payable.

During the current period the Company determined that $275,000 of accounts payable in a subsidiary had been incorrectly written off to income during 2003.

The impact of correcting this error was to increase accounts payable and to reduce the opening retained earnings balance for the year ended September 30 2007.

12. **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;

- Shareholders' equity
- Bank indebtedness
- Cash and cash equivalents
- Minority interest

The company's capital balances are as follows;

	2008	2007
	$	$
Shareholders Equity	**30,577,369**	30,012,360
Bank indebtedness	**5,866,938**	6,571,293
Minority interest	**2,033,729**	1,926,136
Cash and cash equivalents	**(2,184,999)**	(2,438,603)
	36,293,037	36,071,186

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. The Company's long term debt is subject to covenants with which it was in compliance at September 30 2008.

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.

13. **Contingent Liabilities**

In a previous period, the Company entered into an agreement with a third party that is consolidated in these financial statements as a variable interest entity. Under the terms of the agreement, the Company was to provide funding for the operations of this entity. The Company ceased providing funding during the year. Management believes that the Company will not be required to provide any additional funding in connection with that agreement.

14. **Pension plan and other post retirement benefits**

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 January 1 2000, the Company introduced a defined contribution pension plan (the "new plan"). As a result, effective January 1 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 2008

Pension plan and other post retirement benefits *(continued)*
The following table summarizes the old plan's estimated financial position as at September 30 2008 and 2007 and the movement during the years then ended:

	Defined benefit pension plan	
	2008	2007
	$	$
Accrued benefit obligation		
Balance at beginning of year	–	2,495,800
Benefit increase (decrease)	–	(2,483,134)
Interest cost	–	8,206
Other actuarial losses	–	–
Benefits payable during the year	–	(20,874)
Balance at end of year	–	–
Plan assets		
Fair value at beginning of year	**17,939,763**	18,884,257
Actual return on plan assets	**(2,488,704)**	3,377,927
Purchase of annuities	–	(4,301,547)
Benefits payable	–	(20,874)
Fair value at end of year	**15,451,059**	17,939,763

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

	2008	2007
Discount rate	–	4.0%

As the assets of the old plan are held by the Trustee for the benefit of members of the plan and not the Company, the Company has not recorded any accrued benefit asset in respect of the old plan. In the current year, $803,527 was recovered from the old plan in respect of certain post retirement benefits paid by the company for members of the plan in the period October 2001 through September 2008. The recovery represents a change in policy and future post retirement benefits for qualified retirees will be paid by the old plan. The Trustees of the old plan approved the recovery of this amount in 2008.

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

As described above the Company maintains defined contribution plans for substantially all employees. Contributions amounting to approximately $605,013 (2007 - $593,818) to the plans were expensed during the year.

15. **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.

Notes to the Consolidated Financial Statements

September 30 2008

Segmented information *(continued)*

2008

	Publishing and retail	Printing	Rental and other	Inter segment eliminations	Total
Revenue					
External	26,905,094	7,057,538	2,571,477	–	36,534,109
Inter-segment	116,910	1,131,117	1,228,649	(2,476,676)	–
	27,022,004	8,188,655	3,800,126	(2,476,676)	36,534,109
Expenses	26,411,090	7,519,904	1,296,094	(2,476,676)	32,750,412
Amortization of capital assets	968,424	625,158	604,055	–	2,197,637
	27,379,514	8,145,062	1,900,149	(2,476,676)	34,948,049
Income (loss) from operations	(357,510)	43,593	1,899,977	–	1,586,060
Segment assets	17,934,837	7,326,235	26,977,637	(8,793,710)	43,445,000
Expenditures for segment capital assets	946,525	1,353,876	–	–	2,300,401

2007

	Publishing and retail	Printing	Rental and other	Inter segment eliminations	Total
Revenue					
External	25,770,851	7,222,198	2,530,719	–	35,694,528
Inter-segment	113,424	1,060,910	1,286,146	(2,460,480)	–
	25,884,275	8,283,108	3,816,865	(2,460,480)	35,694,528
Expenses	24,507,331	7,374,256	1,233,541	(2,460,480)	30,546,648
Amortization of capital assets	627,721	666,291	662,716	–	1,956,728
	25,135,052	8,040,547	1,896,257	(2,460,480)	32,611,376
Income from operations	749,223	242,561	1,920,608	–	2,912,392
Segment assets	17,574,731	6,514,068	26,758,963	(7,190,492)	43,657,270
Expenditures for segment capital assets	1,422,110	458,628	258,703	–	2,139,441

Notes to the Consolidated Financial Statements

September 30 2008

16. **Supplemental cash flow information**

	2008 $	2007 $
Changes in non-cash operating working capital:		
Accounts receivable	**(577,721)**	1,724,364
Inventory	**296,915**	(342,759)
Prepaids	**95,110**	(594,853)
Accounts payable and accrued liabilities	**(317,955)**	422,054
Accrued employee benefits	**(41,551)**	(5,811)
Unearned income	**179,019**	87,496
	(366,183)	1,290,491
Cash paid for interest	**493,933**	590,531

17. **Related Party**

Remuneration of directors and officers

The remuneration of directors and officers during the year amounted to $180,100 (2007 – $157,400).

Interest of directors and officers

The total interest of directors and officers in the shares of the Company amounted to 259,330 (2007 – 110,576). No rights to subscribe for shares in the Company were granted or exercised during the year.

Other transactions

The company has not entered into service or consulting contracts with directors or officers, or any company that a directors or officer owns a material interest in during the period.

18. **Subsequent event**

In October 2008 the company entered into an agreement with the owner of Atlantic Printing Services to purchase the assets of his business for $229,000 and to contract his services as Quality Control Manager for the Bermuda Press Limited.

The Bermuda Press (Holdings) Limited

Incorporated in Bermuda
A public company quoted on the Bermuda Stock Exchange with over 600 shareholders

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

The Royal Gazette Limited

Incorporated in Bermuda
Newspaper publishers and printers
Retail stationers and office equipment specialists

2 Par-la-Ville Road
Hamilton HM 08, Bermuda
Telephone: 441-295-5881
Fax: 441-295-1513
Email: admin@royalgazette.bm
Internet: www.theroyalgazette.com
Managing Director ~ Keith R. Jensen

Stationery Store

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

Artcetera

A COMPLETE LINE OF ART & CRAFT SUPPLIES

Burnaby Street
Hamilton HM 11, Bermuda
Telephone : 441-295-2787
Fax: 441-292-6788
E-mail: sales@office.bm
Manager ~ William F. McKenna

Office Solutions

Addendum Lane South, Pitts Bay Road
Pembroke HM 07, Bermuda
Telephone : 441-292-2666
Fax: 441-292-3535
E-mail: sales@officesolutions.bm
Manager ~ Robert G. Legere

CROWN HOUSE PROPERTIES LIMITED

Incorporated in Bermuda
Property holding company

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

The Bermuda Press Ltd.

Incorporated in Bermuda
Commercial Printers / Retail Printers

13 Addendum Lane, Pitts Bay Road
Pembroke HM 07, Bermuda
Telephone: 441-292-6100 - Fax: 441-292-6727
E-mail: info@bermudapress.bm
Internet: www.bermudapress.com
Managing Director ~ Paget J. E. Wharton

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
Managing Director ~ Paget J. E. Wharton

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
Internet: www.engravers.bm
Managing Director ~ Paget J. E. Wharton

Chameleon Print Express

34 Burnaby Hill
Hamilton HM 11, Bermuda
Telephone: 441-296-5857 / 295-3950
Fax: 441-296-5860 / 295-3949
E-mail: info@chameleonprintexpress.bm
Internet: www.chameleon.bm
Managing Director ~ Paget J. E. Wharton

Bermuda Communications Directory

Incorporated in Bermuda. Directory Publishers

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
Internet: www.bermudadirectory.com
Manager ~ Horst Augustinovic

Printed in Bermuda by The Bermuda Press Ltd. • Designed by Chameleon Print Express