


# The Bermuda Press (Holdings) Limited

## ANNUAL REPORT 2008-2009

*Real Estate*

*Publishing & Media*

*Printing*

*Retail*

*Cover Photographs courtesy of The Royal Gazette - Bermuda's 400th Anniversary Celebration*


*Special thanks to Bermudian artist Graham Foster for donating this detail from the mural in the "Hall of History" at Commissioner's House, National Museum of Bermuda, Dockyard*

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# OFFICERS AND DIRECTORS

| | |
|---|---|
| **President & Director** | **Christopher R. Whittle FCA,** is President of The Bermuda Press (Holdings) Ltd. He is a Chartered Accountant and was formerly Managing Partner of Ernst & Young, Bermuda. He is a past President of the Bermuda Institute of Chartered Accountants and is a Director of a number of other local and international companies. |
| **Vice President & Director** | **H. Michael King** is the Vice-President of The Bermuda Press (Holdings) Limited. He is the owner and manager of Bermuda Mechanical Supply Co. Ltd., following a career in banking with Barclays Bank and Bermuda Commercial Bank Ltd. |
| **Secretary** | **Marilyn A. Simmons** is the Secretary of The Bermuda Press (Holdings) Limited. Marilyn is an employee of The Royal Gazette Limited who has worked with the company for 49 years. |
| **Directors** | **Gavin R. Arton** is Chairman of BF&M Limited, a Director of Ascendant Group Limited and Chairman of P.A.L.S., Bermuda's cancer care charity. He was for many years Senior Vice President of XL Capital Ltd. |
| | **Dudley R. Cottingham** is a Partner with Arthur Morris & Company. He is a Fellow of the Institute of Chartered Accountants in England & Wales, a Member of the Institute of Chartered Accountants of Bermuda and a Fellow of the Institute of Directors |
| | **Stephen R. Davidson** is a Director of QuoVadis Holdings Ltd, a global Internet security company headquartered in Bermuda, and sits on the board of the Bermuda End-to-End Charity. He is a graduate of Dartmouth College and Georgetown University. |

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

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

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

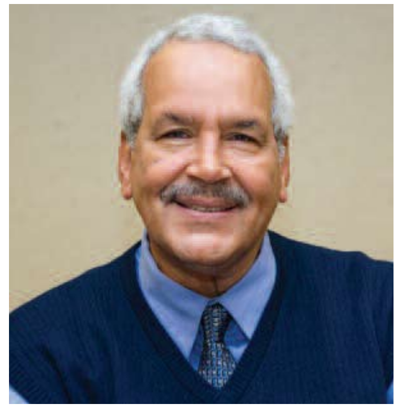
**Muriel Richardson**
is General Manager at Rosedon Hotel. She was the first and only female President and Chairperson of the Bermuda Hotel Association and serves as a Director of the Caribbean Hotel Association. She was named Bermuda Hotelier of the year in 1996.

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

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

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

**Christopher R. Whittle**
President



**H. Michael King**
Vice President

Like Bermuda, your company has experienced a challenging year. Net income for the year was $63,000 compared to $1,783,000 in the previous year. The primary reason for the significant decline is losses in our publishing and retail, and printing segments. Although a number of cost containment exercises were carried out and continue to be, they did not yield sufficient savings to mitigate the decline in revenues.

Although Bermuda is somewhat insulated from world events, economic circumstances usually affect the Island later than our major trading partners to the east and the west. Given the global economic challenges faced in the past two years, 2009 was a difficult year for all businesses in Bermuda and your company was no exception. Visitor arrivals continued to fall, as economic events affected those most likely to visit our shores. Although the number of business visitors did not decline as sharply as tourist arrivals, 2009 presented major challenges to all travel destinations, those at the top end among the most widely affected.

New hotel developments that had once appeared to be tantalisingly close to breaking ground were delayed, as financing became even more difficult because of the credit crunch that all but seized up the business of lending. Other than the Tucker's Point development, which is reportedly feeling the effect of declining visitors, no new hotel has been built in Bermuda for many years.

Our international business sector, now the main driver of the Bermuda economy, was not unaffected. Some Bermuda companies have chosen to relocate to other jurisdictions as the cost of doing business on the Island has risen and the threat of pressure from overseas, especially the United States of America, has been feared. Other Bermuda international employers have reduced their headcount, primarily by not renewing the work permits of guest workers when they fell due. Companies have used the denial of work permits through the term limit policy to make economies and fewer new companies were formed on the Island than in previous years.

Adding to the difficulties the Bermuda economy is facing has been the construction sector's reaching the final stages of the extraordinary boom it has experienced over the past few years. A remarkable number of new commercial buildings have been erected in Hamilton, and construction and renovations on residential homes and condominiums has been in great demand Island-wide, but the economic downturn has limited interest in further construction and the sector has atrophied.

The result of these developments has been a decline in Bermuda's workforce and a rise in unemployment amongst Bermudians. The economy contracted by as much as 2.5 percent in 2009, the Minister of Finance told the House in her annual Budget Statement this February.

The dilemma Government has faced is whether to attempt to boost the economy by spending, which requires additional taxation and/or borrowing, or to draw in its spending programmes, freezing civil service salaries and holding the line until the storm has passed. Minister of Finance Paula Cox opted for the former approach in her budgetary plans for 2010-2011 and chose to raise taxes, including payroll taxes, which will be an additional burden on local businesses. The wisdom of that tactic remains to be seen; should 2010-2011 prove as difficult as 2009-2010, it may not prove to have been the optimal path.

Against this backdrop, your company, like other local businesses, has been forced to make changes to its operations.

After the year-end, with great reluctance, a decision was taken to suspend the publication of the Mid-Ocean News, resulting in job losses among our Bermudian staff. The closure was mandated by a rationalisation of your company's operating expenses. No reduction in the depth of press coverage is good for a democracy and it was dispiriting to hear a degree of triumphalism expressed in certain quarters of Government. The present Government's antipathy towards the independent media cannot possibly be to the benefit of the citizens of Bermuda.

Your company's management structure was examined and rethought during 2009 and following the year-end, Jonathan Howes CA, the Group Financial Controller, was appointed Chief Executive Officer of the Bermuda Press (Holdings) Limited. His brief will be the further rationalisation of operations to achieve greater profitability through synthesis. This appointment marks a milestone in the continuing redevelopment of your company.

We do not envisage the 'death' of the newspaper business, especially in Bermuda, as has been predicted by some social commentators. The routine of reading the newspaper in the morning is deeply embedded, for one thing, and for another, a newspaper such as The Royal Gazette provides far greater and more meaningful in-depth coverage of Parliamentary debates and of a broad swath of opinion than can TV or radio news. The Royal Gazette also delivers a more carefully neutral analysis than do blogs or social networking sites.

That is not to say that the daily routine at The Royal Gazette is not changing. In the past couple of years, we have added breaking news on our website as we are able to confirm it, providing an immediate summary of unfolding events, followed in far greater detail by the next day's newspaper reports and analysis. We have also added video content to the website, offering a different delivery channel for analysis. It is our belief that the company's website will, as time goes by, acquire additional importance as a point of contact with the public.

In short, the publishing division of your company is becoming a content provider, rather than merely a newspaper publisher. The distribution of The Royal Gazette via Newsstand is a good example. An exact replica of the daily newspaper, from cover to cover, is delivered early each morning to customers' computers, currently at a lower cost than that of the hard copy edition. A free sample may be obtained by visiting www.newsstand.com.

The Bermuda Press Limited continues to maintain its role as the leading provider of commercial printing. However, the print industry, as a whole, has been in decline over the past few years due to changing business and consumer practices. Outsourcing overseas, the use of electronic media and cost cutting by businesses has placed significant pressure on operations of the Bermuda Press. During the year the company successfully integrated Atlantic Print Services and continued to restructure its operations to reduce costs and improve customer service.

Also after the year-end, your company entered into an agreement to purchase a significant minority holding in E-Moo Ltd. and E-Moo (Bermuda) Ltd. E-Moo is another example of the changing way in which consumers acquire information. It is a community-based marketplace in which residents buy and sell goods and services. The relative newness of the Internet and the sense of community that E-Moo has developed have given it an edge over traditional classified advertising. E-Moo expects to expand its franchise overseas and your company will thus be in the vanguard of change in this regard.

During the year Stephen R. Davidson, a Director of QuoVadis Holdings Ltd, and Aideen Ratteray Pryse, a founding member of the Bermuda International Film Festival, were appointed to your Board to fill the vacancies left by the resignations of Keith R. Jensen and Paget J.E. Wharton, J.P. Stephen and Aideen have made significant contributions to the Board's deliberations in the months since their appointment.

At the time of this report, our shares last traded on the Bermuda Stock Exchange at $14.00. Thus the $0.76 paid in dividends during 2009 yielded a return of 5.42%. This price values the company as a whole at $19.32 million compared to a book value of $29.51 million, which includes $18.34 million as the depreciated value of land and buildings alone.

We are confident that your company is well-equipped to remain strong as the landscape changes. To an extent, recent events have been a 'perfect storm' of adversity for your company: A government that some feel is trying to hobble the freedom of the press by economic means; a financial downturn, the likes of which few alive have experienced, the effects of which are not yet over; and in the longer term, technology-driven changes in the way information is produced and delivered, and in the way goods are bought and sold must change the way your company does its business. In such conditions, the traditional Bermuda practice of hunkering down must be accompanied by a detailed forward-looking analytical viewpoint. Merely crossing our fingers and hoping for the best is not the optimal strategy.

We believe that the diversification programme, started several years ago, continues to stand your company in good stead. Our real estate activities have, as anticipated, strengthened the operating position. As we work towards a redefinition of the structure of your company, it is our intention to continue to build on our strengths while broadening our outlook.

In these difficult times, your Board has been heartened by the support shown by each and every member of our staff. We all share a common fate and will sink or swim together. In rough seas, survival is only possible when everyone works together. Our staff continues to give of its best without becoming discouraged by the forces arrayed against us. We urge our shareholders to continue their invaluable support of the company that their capital and goodwill have built.

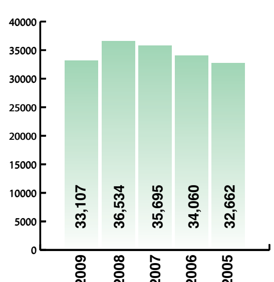
Christopher R. Whittle
President

H. Michael King
Vice-President

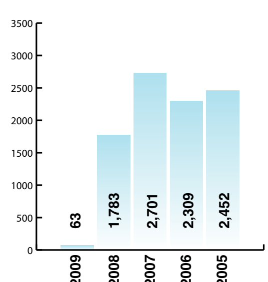
# FINANCIAL FACTS

*(Thousands of dollars, except for per share amounts)*

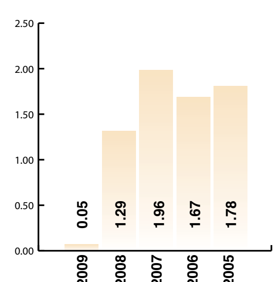
| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Revenue | **33,107** | 36,534 | 35,694 | 34,060 | 32,662 |
| Expenses | **32,867** | 34,817 | 32,782 | 31,526 | 30,050 |
| Net Income from operations | **240** | 1,717 | 2,912 | 2,534 | 2,612 |
| Gain on disposal of assets | – | – | 10 | – | – |
| Impairment of marketable securities and other assets | **(2)** | (507) | – | – | – |
| Recovery of employee benefits | – | 672 | | | |
| Minority interest in net income of subsidiaries | **(175)** | (99) | (221) | (225) | (160) |
| Net income for the year | **63** | 1,783 | 2,701 | 2,309 | 2,452 |
| | | | | | |
| Current assets | **12,836** | 15,600 | 15,841 | 17,212 | 15,618 |
| Marketable securities | **162** | 245 | 430 | 133 | 133 |
| Investment in leases | **1,508** | 2,209 | 1,616 | 1,193 | 1,998 |
| Capital assets | **24,210** | 25,391 | 25,226 | 24,904 | 25,082 |
| Other assets | – | – | 544 | 680 | – |
| Goodwill | **194** | – | – | – | – |
| | **38,910** | 43,445 | 43,657 | 44,122 | 42,831 |
| | | | | | |
| Current liabilities | **7,190** | 9,053 | 7,530 | 8,197 | 6,531 |
| Long term debt | – | 1,781 | 3,914 | 5,881 | 7,740 |
| Minority interest | **2,208** | 2,034 | 1,926 | 1,707 | 1,483 |
| Shareholders' equity | **29,512** | 30,577 | 30,287 | 28,337 | 27,077 |
| | **38,910** | 43,445 | 43,657 | 44,122 | 42,831 |
| | | | | | |
| Additions to goodwill | **194** | – | – | – | – |
| Additions to capital assets | **999** | 2,300 | 2,139 | 2,515 | 2,195 |
| Cash dividends paid | **1,049** | 1,049 | 1,049 | 1,049 | 1,021 |
| Number of issued ordinary shares | **1,380,245** | 1,380,245 | 1,380,245 | 1,380,245 | 1,380,245 |
| Net income per share | **0.05** | 1.29 | 1.96 | 1.67 | 1.78 |
| Cash dividend paid per share | **0.76** | 0.76 | 0.76 | 0.76 | 0.74 |
| Shareholders' equity per share | **21.38** | 22.15 | 21.94 | 20.53 | 19.62 |
| Net income as a percentage of revenue | **0.2** | 4.9 | 7.5 | 6.8 | 7.5 |
| Net income as a percentage of shareholders equity | **0.2** | 5.8 | 8.9 | 8.1 | 9.1 |



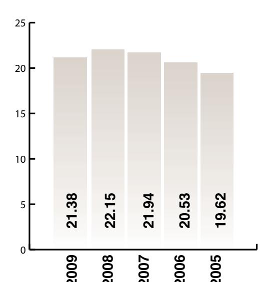

Revenue




Net Income




Net Income per Share




Shareholders' Equity per Share

**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 2009 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 2009 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 16, 2010

# CONSOLIDATED BALANCE SHEET

*As at September 30 2009*

| | 2009<br>$ | 2008<br>$ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | **1,640,315** | 2,184,999 |
| Accounts receivable (note 3) | **5,388,669** | 6,489,106 |
| Inventories (note 4) | **3,740,266** | 4,315,406 |
| Investment in leases, current portion (note 6) | **1,630,951** | 1,739,520 |
| Prepaid expenses | **435,422** | 871,393 |
| | **12,835,623** | 15,600,424 |
| **Marketable securities** (note 5) | **162,398** | 244,580 |
| **Investment in leases** (note 6) | **1,508,018** | 2,209,150 |
| **Capital assets, net** (note 7) | **24,209,725** | 25,390,846 |
| **Goodwill** (note 8) | **194,329** | - |
| | **38,910,093** | 43,445,000 |
| **Liabilities and shareholders' equity** | | |
| **Current liabilities** | | |
| Bank overdraft (note 9) | **857,879** | 1,955,630 |
| Current portion of long-term debt (note 9) | **1,780,060** | 2,130,082 |
| Accounts payable and accrued liabilities | **2,538,561** | 2,809,439 |
| Accrued employee benefits | **966,144** | 937,972 |
| Unearned income | **785,417** | 957,336 |
| Dividend payable | **262,247** | 262,247 |
| | **7,190,308** | 9,052,706 |
| **Long-term debt** (note 9) | **–** | 1,781,196 |
| | **7,190,308** | 10,833,902 |
| **Minority interest** | **2,208,254** | 2,033,729 |
| **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 | **49,053** | 128,828 |
| Retained earnings | | |
| Appropriated | | |
| General reserve (note 10) | **4,500,000** | 4,500,000 |
| Reserve for self-insured risks (note 10) | **2,200,000** | 2,000,000 |
| Unappropriated | **18,071,485** | 19,257,548 |
| | **29,511,531** | 30,577,369 |
| | **38,910,093** | 43,445,000 |

*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 2009*

| | **2009** | 2008 |
|---|---|---|
| | **$** | $ |
| **Revenue** | | |
| Publishing and retail | **23,844,711** | 26,905,094 |
| Commercial printing | **6,818,267** | 7,057,538 |
| Rental | **2,099,954** | 2,037,935 |
| Other (notes 5 and 6) | **344,440** | 533,542 |
| | **33,107,372** | 36,534,109 |
| **Expenses** | | |
| Payroll and employee benefits | **15,907,070** | 16,804,985 |
| Materials, merchandise and supplies | **7,276,556** | 9,062,647 |
| General and administrative | **7,517,463** | 6,752,013 |
| Amortisation of assets | **2,166,428** | 2,197,637 |
| | **32,867,517** | 34,817,282 |
| **Income from operations** | **239,855** | 1,716,827 |
| Impairment of marketable securities and other assets (notes 5 and 12) | **(2,408)** | (507,010) |
| Recovery of post retirement benefits (note 13) | **–** | 672,760 |
| **Income before minority interest** | **237,447** | 1,882,577 |
| **Minority interest in net income of subsidiaries** | **174,524** | 99,736 |
| **Net income for year** | **62,923** | 1,782,841 |
| **Earnings per share:** | | |
| Basic | **0.05** | 1.29 |

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

# CONSOLIDATED STATEMENT SHAREHOLDERS' EQUITY

*For the year ended September 30 2009*

| | Total $ | Common stock and share premium $ | Appropriated Retained Earnings $ | Unappropriated Retained earnings $ | Accumulated other comprehensive income $ |
|---|---|---|---|---|---|
| **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 (note 5) | (168,846) | – | – | – | (168,846) |
| Comprehensive income (loss) | 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 (note 10) | – | – | 200,000 | (200,000) | – |
| **Balance as of September 30 2008** | 30,577,369 | 4,690,993 | 6,500,000 | 19,257,548 | 128,828 |
| Net income | 62,923 | – | – | 62,923 | – |
| Other comprehensive income - unrealized losses on marketable securities (note 5) | (79,775) | – | – | – | (79,775) |
| Comprehensive income (loss) | (16,852) | – | – | 62,923 | (79,775) |
| Dividends | (1,048,986) | – | – | (1,048,986) | – |
| Appropriation of retained earnings to reserve for self insured risk (note 10) | – | – | 200,000 | (200,000) | – |
| **Balance as of September 30 2009** | 29,511,531 | 4,690,993 | 6,700,000 | 18,071,485 | 49,053 |

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

*For the year ended September 30 2009*

| | **2009** | 2008 |
|---|---|---|
| | **$** | $ |
| **Cash flows from operating activities** | | |
| Net income for year | **62,923** | 1,782,841 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Amortisation of capital assets | **2,166,428** | 2,197,637 |
| Loss on disposal of capital assets | **2,400** | - |
| Minority interest in net income of subsidiaries | **174,524** | 99,736 |
| Impairment of marketable securities and other assets (notes 5 and 12) | **2,408** | 507,010 |
| Decrease (increase) in non-cash working capital (note 15) | **1,696,923** | (366,183) |
| | **4,105,606** | 4,221,041 |
| **Cash flows (used in) from investing activities** | | |
| Additions to goodwill | **(194,329)** | - |
| Additions to capital assets | **(998,707)** | (2,300,401) |
| Proceeds on disposal of capital assets | **11,000** | - |
| Additions to investments in sales-type leases | **(1,173,013)** | (2,909,921) |
| Repayments from investments in sales-type leases | **1,982,714** | 2,489,048 |
| | **(372,335)** | (2,721,274) |
| **Cash flows used in financing activities** | | |
| Repayments on long term bank loan | **(2,131,218)** | (2,033,933) |
| Dividends paid | **(1,048,986)** | (1,048,986) |
| | **(3,180,204)** | (3,082,919) |
| **Increase (decrease) in cash and cash equivalents** | **553,067** | (1,583,152) |
| **Cash and cash equivalents at beginning of year** | **229,369** | 1,812,521 |
| **Cash and cash equivalents at end of year** | **782,436** | 229,369 |
| **Cash comprises:** | | |
| Cash and cash equivalents | **1,640,315** | 2,184,999 |
| Bank overdraft | **(857,879)** | (1,955,630) |
| | **782,436** | 229,369 |

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

*September 30 2009*

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

2. **Summary of significant accounting policies**
These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. These standards require management to make 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 management believes 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) **Going Concern Assessment**
The Canadian Institute of Chartered Accountants ("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. Management have performed their assessment and concluded that the consolidated financial statements should be prepared on the basis that the company is a going concern and that all material risks and uncertainties are disclosed. In making this assessment management did not identify any material risks and uncertainties that were not disclosed in the previous year.

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

**Credit risk and the fair value of financial assets and financial liabilities**
CICA EIC-173 "Credit risk and the fair value of financial assets and financial liabilities" 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.

**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.

**Goodwill and Intangible Assets**

Section 3064 of the CICA Handbook "Goodwill and Intangible Assets" replaces sections 3062 "Goodwill and Other Intangible Assets" and section 3450 "Research and Development Costs". The standard, which requires retroactive application, provides guidance on the criteria for recognition and amortisation of intangible assets.

(d) **Accounting standard developments**

**Accounting changes**

Section 1506 of the CICA Handbook "Accounting Changes" has been amended to exclude from its scope changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. Amendments apply to interim and annual financial statements relating to years beginning on or after July 1 2009. The amendment to this section will apply to the company in its transition to International Financial Reporting Standards.

**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 for periods beginning on or after January 1 2011. For the year ended September 30 2012 the company will prepare consolidated financial statements in accordance with IFRS. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosure. The company has completed an initial IFRS conversion plan that provides analysis of the IFRS standards, placing a priority on those that have been identified as having a significant impact. The analysis of each IFRS standard identifies 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.

(e) **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 fair value of accounts receivable approximates carrying value, which is net of an allowance for doubtful accounts. There is a credit risk that the company may not be able to collect all of its customer accounts receivable, however this does not represent a concentration of credit risk as amounts are owed by a large number of customers on normal credit terms. The allowance for doubtful accounts is established based on the judgment of management after consideration of historical trends and expectations of future developments. As the allowance is an estimate, there is the risk that actual results may differ from the estimate.

The fair values of the investments in leases 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. There is a credit risk that the company may not be able to collect all of its investments in leases, however this does not represent a concentration of credit risk as amounts are owed by a large number of customers.

The carrying value of all other financial instruments approximates fair value, except for marketable securities and long term debt as disclosed in notes 5 and 9 respectively.

(f) **Inventories**
Inventory amounts are based on physical determinations and are valued at the lower of cost and net realizable value. Cost has been determined on an "average cost" basis. Inventory obsolescence provisions are based on management's assessment of inventory age and industry trends.

(g) **Leases**
Equipment leases are sales-type leases. 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.

(h) **Capital assets**
Capital assets are carried at cost less amortisation. Amortisation 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.

(i) **Goodwill**
Goodwill represents the cost of acquired businesses in excess of the fair value of the net identifiable assets acquired. The company does not record amortisation of goodwill.

Goodwill is assessed for impairment by comparing the carrying value of the acquired business to the fair value. When the fair value exceeds the carrying value, the goodwill is considered not to be impaired. If the carrying value is greater that the assessed value an impairment loss equal to the excess is recognized in current period earnings and shown as a separate item in the Consolidated Statement of Income in the period in which the impairment is determined.

(j) **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.

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

(l) **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 Consolidated Statement of Income during the period in which they are incurred.

(m) **Accrued employee and other post retirement benefits**
The company's contributions to its defined contribution plan are recorded as an expense when payments are made.

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.

(n) **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.

(o) **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.

(p) **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 $530,600 (2008 – $440,900) have been recorded during the year against receivables. Management's assessment of the provision is based on current economic conditions.

4. **Inventories**

| | **2009** **$** | 2008 $ |
|---|---|---|
| Materials and supplies | **1,548,437** | 2,282,410 |
| Merchandise | **2,162,010** | 2,060,090 |
| Work-in-progress | **139,819** | 154,043 |
| Provision for obsolescence | **(110,000)** | (181,137) |
| | **3,740,266** | 4,315,406 |

During the year, the company expensed inventory totalling $6,877,501 (2008 - $8,471,605) as part of normal operations. Inventory written off during the year totalled $291,332 (2008 - $100,034).

5. **Marketable securities**

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Cost $** | **Fair value $** | Cost $ | Fair value $ |
| Equities | **115,751** | **162,398** | 115,751 | 244,580 |

The company's investments in marketable securities are classified as available for sale and have been recorded at fair value on the consolidated balance sheet. Changes in the fair value of marketable securities in the amount of $79,775 (2008 - $168,846) have been reflected as a reduction in other comprehensive income.

A marketable security has been determined to be other than temporarily impaired. Other comprehensive income has been reduced by $Nil (2008 - $106,087) and a loss of $2,408 (2008 - $31,877) was recognised in the current year.

The fair value of marketable securities is determined by reference to their quoted market price. Investment income during the year was $9,252 (2008 - $14,163) and is included in other revenue.

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

| | **2009 % of fair value** | 2008 % of fair value |
|---|---|---|
| Bermuda | **55.5** | 51.2 |
| United States of America | **44.5** | 48.8 |
| | **100.0** | 100.0 |

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

6. **Leases**

| | **2009 $** | 2008 $ |
|---|---|---|
| Total investment in sales-type leases | **3,669,220** | 4,577,667 |
| Unearned finance income | **(530,251)** | (628,997) |
| | **3,138,969** | 3,948,670 |
| Current portion | **(1,630,951)** | (1,739,520) |
| Long-term portion | **1,508,018** | 2,209,150 |

Finance income arising from the investments in leases amounted to $332,091 (2008 - $503,033) and is included in other revenue.

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

| | $ |
|---|---|
| 2010 | 1,630,951 |
| 2011 | 1,109,936 |
| 2012 | 381,212 |
| 2013 | 16,870 |
| 2014 | – |
| | 3,138,969 |

7. **Capital assets**

| | **2009** | | | 2008 |
|---|---|---|---|---|
| | **Cost** | **Accumulated amortisation** | **Net** | Net |
| | **$** | **$** | **$** | $ |
| Land | **4,378,271** | **–** | **4,378,271** | 4,378,271 |
| Buildings | **20,298,101** | **(6,337,851)** | **13,960,250** | 14,201,484 |
| Equipment | **23,754,220** | **(17,934,817)** | **5,819,403** | 6,726,376 |
| Motor vehicles | **347,067** | **(295,266)** | **51,801** | 84,715 |
| | **48,777,659** | **(24,567,934)** | **24,209,725** | 25,390,846 |

Two buildings, with a cost of $15,076,858 (2008 – $14,927,459) and accumulated amortisation of $4,314,696 (2008 – $3,941,032), are held for operating lease purposes.

8. **Goodwill**

Goodwill in the amount of $194,329 has been recorded on the purchase of Atlantic Printing Services that was completed on October 3 2008. The total consideration for the purchase of Atlantic Printing Services was $250,979, including legal fees and taxes, and the fair value of the assets acquired was $56,650. As at September 30 2009 there was no impairment of the goodwill.

9. **Bank indebtedness**

| | **2009** | 2008 |
|---|---|---|
| | **$** | $ |
| Bank overdraft | **857,879** | 1,955,630 |
| Long-term debt | | |
| Current portion | **1,780,060** | 2,130,082 |
| Long-term portion | **–** | 1,781,196 |
| | **1,780,060** | 3,911,278 |

(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. The base rate at September 30 was 3.75% (2008 - 4.25%). The facilities renew annually on March 31.

(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:

| | $ |
|---|---|
| 2010 | 1,780,060 |
| 2011 | – |
| 2012 | – |
| 2013 | – |
| 2014 | – |
| | 1,780,060 |

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 $1.87 million and $1.88 million (2008 - $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 $316,661 (2008 - $476,552) 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 company's buildings. No amounts have been appropriated or released in 2009 or 2008.

(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 $2.2 million.

11. **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:

| | **2009** **$** | 2008 $ |
|---|---|---|
| Shareholders' equity | **29,511,531** | 30,577,369 |
| Bank indebtedness | **2,637,939** | 5,866,938 |
| Minority interest | **2,208,254** | 2,033,729 |
| Cash and cash equivalents | **(1,640,315)** | (2,184,999) |
| | **32,717,409** | 36,293,037 |

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 2009.

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.

12. **Other Assets**

These costs, which relate to the setup of a media company, were deferred while it was probable that they would be recovered from the media company's future operations. In 2008 management deemed the setup costs would not be recovered and recorded an impairment provision against the remaining unamortised balance of $475,133.

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

**Pension plan:**
During the year ended September 30 2000, coincident with the coming into force of the National Pension Scheme (Occupational Pensions) Act 1998 (the "Act") on 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").

The following table summarizes the old plan's estimated financial position as at September 30 2009 and 2008 and the movement during the years then ended:

| | Defined benefit pension plan | |
|---|---|---|
| | **2009** | 2008 |
| | **$** | $ |
| **Plan assets** | | |
| Fair value at beginning of year | **15,451,059** | 17,939,763 |
| Actual return on plan assets | **(4,779,198)** | (2,488,704) |
| Fair value at end of year | **10,671,861** | 15,451,059 |

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 $176,248 (2008 - $130,767) was recovered from the old plan in respect of certain post retirement benefits paid by the company for members of the plan during the year. An additional amount of $672,760 was recognised as recovery of post retirement benefits in the Consolidated Statement of Income for 2008 relating to the 6 year period October 2001 through September 2007.

As described above the company maintains defined contribution plans for substantially all employees. Contributions amounting to approximately $548,848 (2008 - $605,013) to the plans were expensed during the year.

14. **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.

**2009**

| | Publishing and retail | Printing | Rental and other | Inter-segment eliminations | Total |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External | 23,844,711 | 6,818,267 | 2,444,394 | – | 33,107,372 |
| Inter-segment | 139,399 | 630,249 | 2,015,266 | (2,784,914) | – |
| | 23,984,110 | 7,448,516 | 4,459,660 | (2,784,914) | 33,107,372 |
| Expenses | 24,167,331 | 8,422,489 | 896,073 | (2,784,804) | 30,701,089 |
| Amortisation of capital assets | 1,021,761 | 718,689 | 426,088 | (110) | 2,166,428 |
| | 25,189,092 | 9,141,178 | 1,322,161 | (2,784,914) | 32,867,517 |
| Income (loss) from operations | (1,204,982) | (1,692,662) | 3,137,499 | – | 239,855 |
| Segment assets | 15,760,497 | 6,469,648 | 26,701,754 | (10,021,806) | 38,910,093 |
| Expenditures for segment capital assets | 531,335 | 282,518 | 184,854 | – | 998,707 |

**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 | 26,306,373 | 7,493,855 | 1,296,093 | (2,476,676) | 32,619,645 |
| Amortisation of capital assets | 968,424 | 625,158 | 604,055 | – | 2,197,637 |
| | 27,274,797 | 8,119,013 | 1,900,148 | (2,476,676) | 34,817,282 |
| Income from operations | (252,794) | 69,642 | 1,899,978 | – | 1,716,827 |
| Segment assets | 17,934,837 | 7,326,235 | 26,977,637 | (8,793,709) | 43,445,000 |
| Expenditures for segment capital assets | 946,525 | 1,353,876 | – | – | 2,300,401 |

### 15. Supplemental cash flow information

| | **2009** | 2008 |
|---|---|---|
| | **$** | $ |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | **1,100,437** | (577,721) |
| Inventory | **575,140** | 296,915 |
| Prepaids | **435,971** | 95,110 |
| Accounts payable and accrued liabilities | **(270,878)** | (317,955) |
| Accrued employee benefits | **28,172** | (41,551) |
| Unearned income | **(171,919)** | 179,019 |
| | **1,696,923** | (366,183) |
| Cash paid for interest | **337,106** | 493,933 |

### 16. Subsequent event

In October 2009 the company entered into a share purchase agreement to acquire 25.25% of E-Moo Ltd. and E-Moo (Bermuda) Ltd. The consideration for the transaction is $2 million with an additional $0.75 million based on certain criteria which have not yet been met.

# The Bermuda Press (Holdings) Limited

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Managing Director ~ Keith R. Jensen

## Stationery Store

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E-mail: sales@office.bm
Manager ~ William F. McKenna

## Artcetera
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A Department of the Stationery Store

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E-mail: sales@office.bm
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## Office Solutions

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Fax: 441-292-3535
E-mail: sales@officesolutions.bm
Manager ~ Robert G. Legere

## CROWN HOUSE PROPERTIES LIMITED

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*Property holding company*

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## BP Media Limited

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Internet: www.bermudapress.com
Managing Director ~ Paget J. E. Wharton

## Pronto Print Ltd.

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Managing Director ~ Paget J. E. Wharton

## Engravers Limited

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

## Chameleon Print Express

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

## APS

13 Addendum Lane, Pitts Bay Road, Pembroke HM 07, Bermuda
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Internet: www.apservices.bm
Managing Director ~ Paget J. E. Wharton

## Bermuda Communications Directory

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Manager ~ Horst Augustinovic

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