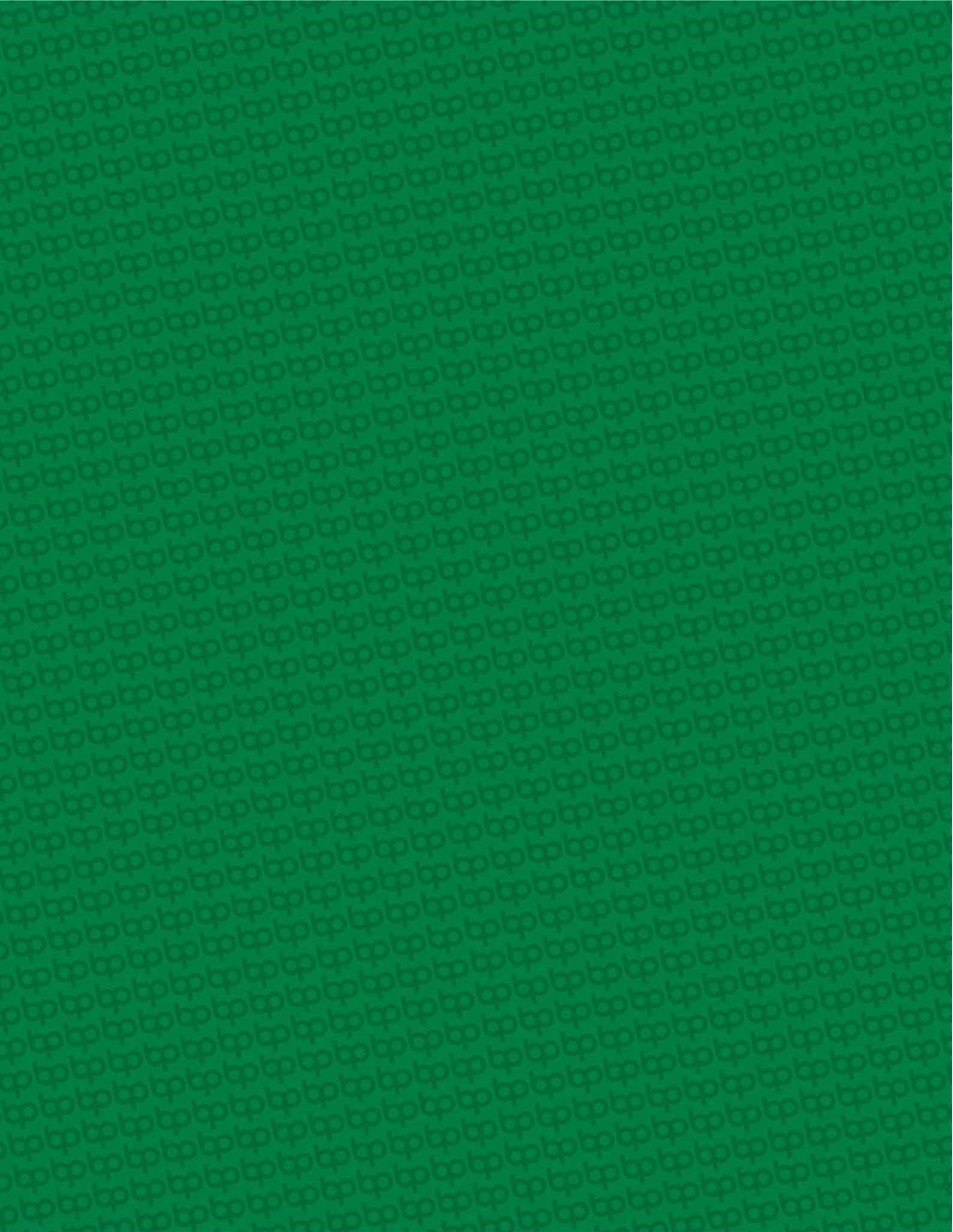




**Bermuda Press  
(Holdings) Limited**  
Annual Report  
2012



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# Directors & Officers

**Christopher R Whittle FCA, Chairman and Director** is Chairman 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.

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

**Sabrina L. Simmons, Secretary** is the Secretary of The Bermuda Press (Holdings) Limited. Sabrina is an employee of The Royal Gazette Limited who has worked with the company for more than 20 years.

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

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

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

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

**Carl H. Paiva, J.P., Director** 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.

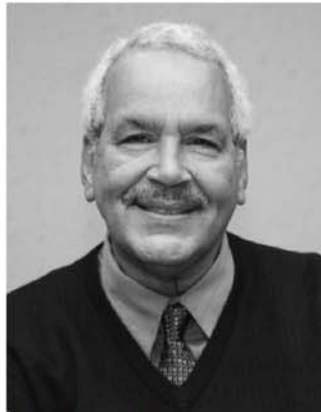
**Muriel Richardson, Director** is the General Manager of Rosedon Hotel. She is the Chair of the Bermuda Hospitality Institute and was the past President and Chair of the Bermuda Hotel Association. She presently serves as a Director of Caribbean Hotel Association.

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

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



**Christopher R Whittle**  
President



**H. Michael King**  
Vice President

## Report to Shareholders

In 2012 your Company has continued to evolve based upon its guiding principle to remain Bermuda's leader in the media, printing, office supply and office equipment industries.

Without question, the negative economic pressure experienced in Bermuda for the past few years has affected the profitability of our operations. Our strategy of consolidating and innovating operations that commenced 2 years ago has effectively minimized the intensity of Bermuda's economic contraction on your Company. We recognise that our work is not finished. As the needs and demands of our customers continue to change, the necessity to develop new products and iterate existing products increases. To keep pace with

these changes your Company must continue to invest in itself and its employees.

This annual report can be viewed digitally using our latest product at [www.bsx.com](http://www.bsx.com), the electronic replacement for Newsstand. This new digital platform is an integral part of our strategy to expand electronic distribution and to monetise our digital platforms. Hard copies of the annual report were produced using a combination of lithographic and digital printing. The covers were printed on a traditional lithographic press and the production of the content pages and binding done on our Canon imagePRESS®. Quality of digital reproduction continues to improve and we remain the digital leader in Bermuda's printing industry.

For several years Bermuda has been challenged by domestic fiscal policies that have been magnified by uncertainty in the global economic climate. The result of the general election in December 2012 appears to have resulted in renewed optimism in the business community. While it is too early to predict how successful the newly-elected

government will be at implementing policies to strengthen the economy, it is fair to say that Bermuda will take some time to recover before it emerges from the deepest economic downturn it has experienced in recent years.

In 2012 your Company converted its financial reporting to comply with International Financial Reporting Standards ("IFRS") in accordance with generally accepted accounting principles in Bermuda and Canada. You will note that certain comparative figures within this report have been changed to comply with IFRS.

Company revenue has declined to \$25,670,000 from \$27,438,000 and we recorded a net loss of \$793,000 compared to net loss of \$613,000 in 2011. The loss from operations was \$325,000 compared to profit from operations of \$154,000 in 2011. The decline in revenue and the loss from operations are a direct result of the contraction in the local economy. Corporate downsizing in Bermuda has initiated reduced spending on advertising and printed materials in the retail, telecommunications and financial industries, and has also forced a reduction in the workforce, which in turn has reduced the need for office equipment and office supplies. Increases in staff productivity and operating efficiencies contributed to a reduction in operating costs of \$1,289,000. Included in operating costs are amounts related to redundancies and costs relating to our ongoing restructuring that are non-recurring.

We continue to evaluate and refine the strategic plans of our operations. The Board and management are working more closely than ever to implement change. The pace of product development in the digital world and the introduction of online tools to enable consumers access to information, ability to purchase products, and to share opinions and content means we must reduce the barriers to implement change quickly. The notion of seamless fulfillment has become more relevant to the customer experience and it will be through rapid iteration on product that your company achieves this.

In 2011 The Royal Gazette announced its investment in automated registration technology and increased colour capacity. This project was completed during 2012 and the editorial and advertising teams are now able to utilize up to 40 pages daily of process colour. The availability and quality of color in The Royal Gazette is unmatched

in Bermuda (and in many cities overseas) and provides a competitive advantage to our advertisers and in attracting readership. The production team continues to focus on the standardisation of the production processes and has reduced material waste throughout the production cycle.

In 2012 Crown Communications was integrated with The Royal Gazette business editorial team. It published quarterly editions of The BottomLine magazine, and a bi-annual Insurance Journal last year. The focus on local and international business and economic issues in Bermuda is unmatched by any other publisher. The 2012 redesign of the BottomLine magazine was well received by readers and we remain committed to the publication of magazines and specialty products in Bermuda.

The Royal Gazette Online website continues to improve as we add features and increase its depth of content. In 2013 several significant changes will be made to the website to enhance engagement and the user experience. The Royal Gazette Online continues to be the most visited local website in Bermuda (source - [www.alexa.com](http://www.alexa.com)). Over the past year, The Royal Gazette Online website saw significant increases in all of its online metrics. During the 12 month period ending February 28, 2013 our website served almost 44 million pages of content, a 14.6% increase over the previous year; averaged 32,500 online visitors daily, a 9.5% increase over the previous year and was viewed by readers in over 200 countries with 50% of our online readership originating outside Bermuda. Our success online continues and your company is well prepared to monetise online content and increase revenues for online advertising; a challenge for newspapers all over the world.

New channels of content distribution and promotion will play a significant role in The Royal Gazette's forward-looking strategy. The Royal Gazette in print and online have been the primary distribution methods for the content we produce. However, to contend with changing consumer behaviour while expanding our revenue base, we will be required to explore and develop other forms of media. The use of social media, specifically Facebook, Twitter and Pinterest, will play an increasingly important role in the marketing and promotion of content and the engagement of readers. Tools that integrate the feeds from our social media sites with our website are being utilized to deepen the





# The Bermuda Press Ltd

engagement with our readership. In 2013 the Royal Gazette will release its iPad application to enhance the delivery of content to our readers and offer new advertising opportunities to our customers.

The distribution of the online edition of The Royal Gazette via Newsstand ended abruptly in November 2012. The owners of the Newsstand product filed for bankruptcy in the United States and provided us with very little notice that the service would cease. Over the past three months we have been working with a new vendor to introduce a replacement product that picks up where Newsstand left off and allows us to enhance the online newspaper reading experience. Results to date have been encouraging. You can view the publications available on our website at [kiosk.royalgazette.com](http://kiosk.royalgazette.com).

The merger of the Office Solutions and Bermuda Press operations has resulted in a reduction in operating costs during 2012. The managers within these divisions are working towards a one-stop fulfillment proposition for customers that will allow a single sales representative to meet the printing, office equipment and stationery supply needs of customers across all of our lines of business. The introduction of customer loyalty programmes and new marketing initiatives aimed at retail and

commercial customers will be used to enhance the customer experience, increase product awareness and increase revenue.

The printing industry in Bermuda has been under significant economic pressure for several years. The state of the art digital printing equipment operated by the Bermuda Press positions us as the leader in on-demand and digital printing in Bermuda. The Bermuda Press has continued to meet local demand for lithographic printing.

The Board is pleased that the punitive advertising ban against The Royal Gazette, implemented by the previous Government in 2008, appears to have ended. In December 2012 the Company was awarded the contract for Bermuda's Official Gazette and many Government ministries have begun to once again utilize your newspaper for advertising.

We recognise the need to raise public awareness that The Royal Gazette newspaper covers the whole community fairly and accurately as an independent voice and that it is not affiliated with any political party.

The 2013/2014 Government budget has confirmed that the local economy contracted in 2012/2013 and that Government will have to continue to borrow



funds to support its programmes. The December 2012 election gave the public its first opportunity to express an opinion on Government's increasing debt and its overall management of the economy during this recession. The change in Government has sent a clear message that the public expects greater fiscal responsibility and accountability.

As a listed issuer on the Bermuda Stock Exchange, the Company is required to make certain public disclosures. We confirm that the total interests of all directors and officers of the Company in the shares of the Company amounted to 384,687 shares at 30th September 2012. We also confirm that no rights to subscribe for shares in the Company have been granted to or exercised by any director or officer and that the Company has no service or consulting contracts with any of its directors. Finally, we confirm that there were no contracts of significance during or at the end of the financial year in which a director of the Company is or was materially interested, either directly or indirectly.

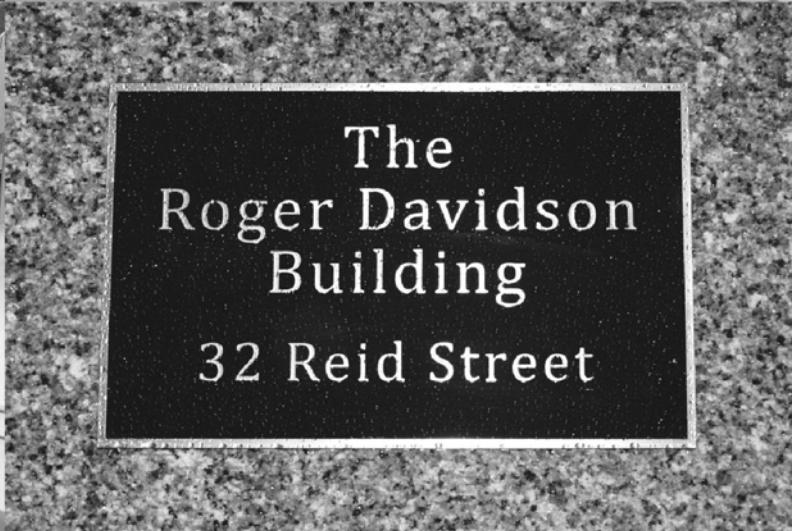
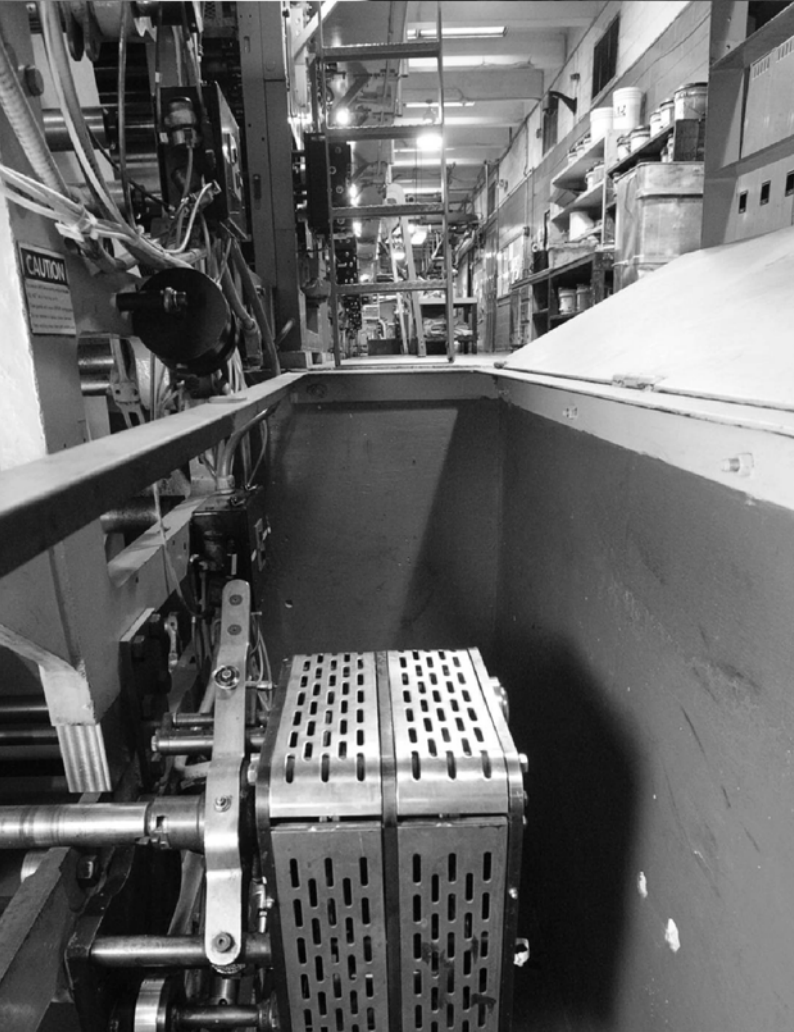
At the time of this report, our shares last traded on the Bermuda Stock Exchange at \$8.00. The dividend to shareholders was \$.40 during fiscal 2012, a yield of 5%. The Board continues to review

the ability of the Company to pay dividends with the goal of increasing return to shareholders. Your Board is confident that the Company is appropriately positioned to take advantage of any future improvement in the local economic climate.

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

**Christopher R. Whittle**  
President

**H. Michael King**  
Vice-President





# Financial Facts

(Thousands of dollars, except for per share amounts)

|  | 2012          | 2011          | 2010          | 2009          | 2008          |
|--|---------------|---------------|---------------|---------------|---------------|
| Operating revenue  | 25,670        | 27,438        | 30,675        | 33,107        | 36,534        |
| Operating expenses   | 25,995        | 27,284        | 29,478        | 32,867        | 34,817        |
| Operating profit (loss)  | (325)         | 154           | 1,197         | 240           | 1,717         |
| Finance income   | 5             | 6             | 7             | -             | -             |
| Finance costs  | (91)          | (97)          | (123)         | -             | -             |
| (Loss) gain on disposal and impairment of assets   | (27)          | 106           | (285)         | (2)           | (507)         |
| Share of losses of affiliate   | -             | (371)         | (334)         | -             | -             |
| Recovery of employee benefits  | -             | -             | -             | -             | 672           |
| <b>Profit (loss) for the year</b>  | <b>(438)</b>  | <b>(202)</b>  | <b>462</b>    | <b>238</b>    | <b>1,882</b>  |
| Profit (loss) attributable to:   |               |               |               |               |               |
| Equity holders of the company  | (793)         | (613)         | 316           | 63            | 1,783         |
| Non-controlling interests  | 355           | 411           | 146           | 175           | 99            |
| Current assets   | 7,676         | 9,537         | 12,413        | 12,836        | 15,600        |
| Available for sale financial assets  | 137           | 150           | 201           | 162           | 245           |
| Investment in leases   | 1,237         | 635           | 972           | 1,508         | 2,209         |
| Property, plant and equipment  | 6,709         | 11,276        | 10,334        | 24,210        | 25,391        |
| Investment properties  | 16,986        | 12,463        | 12,183        | -             | -             |
| Investment in affiliate  | -             | 2,173         | 1,794         | -             | -             |
| Goodwill   | 2,985         | 194           | 194           | 194           | -             |
|  | <b>35,730</b> | <b>36,428</b> | <b>38,091</b> | <b>38,910</b> | <b>43,445</b> |
| Current liabilities  | 5,710         | 4,178         | 5,084         | 7,190         | 9,053         |
| Borrowings   | 1,156         | 1,706         | 1,462         | -             | 1,781         |
| Equity attributable to owners of the parent  | 26,678        | 28,033        | 29,205        | 29,512        | 30,577        |
| Minority interest  | 2,186         | 2,511         | 2,340         | 2,208         | 2,034         |
|  | <b>35,730</b> | <b>36,428</b> | <b>38,091</b> | <b>38,910</b> | <b>43,445</b> |
| Additions to goodwill  | 2,791         | -             | -             | 194           | -             |
| Additions to capital assets  | 1,976         | 3,634         | 943           | 999           | 2,300         |
| Cash dividends paid  | 552           | 552           | 552           | 1,049         | 1,049         |
| Number of issued ordinary shares   | 1,380,245     | 1,380,245     | 1,380,245     | 1,380,245     | 1,380,245     |
| <b>Profit (loss) attributable to equity holders of the company per share</b>                       | <b>(0.57)</b> | <b>(0.44)</b> | <b>0.23</b>   | <b>0.05</b>   | <b>1.29</b>   |
| Cash dividend paid per share   | 0.40          | 0.40          | 0.40          | 0.76          | 0.76          |
| <b>Shareholders' equity per share</b>  | <b>19.33</b>  | <b>20.31</b>  | <b>21.16</b>  | <b>21.38</b>  | <b>22.15</b>  |
| Profit (loss) attributable to equity holders of the company as a percentage of revenue             | (3.1)         | (2.2)         | 1.0           | 0.2           | 5.0           |
| Profit (loss) attributable to equity holders of the company as a percentage of shareholders equity | (3.0)         | (2.2)         | 1.1           | 0.2           | 5.8           |

2012, 2011 and 2010 are presented under IFRS; 2009 and 2008 are presented under Canadian GAAP.



March 14, 2013

## **Independent Auditor's Report**

### **To the Shareholders of The Bermuda Press (Holdings) Limited**

We have audited the accompanying consolidated financial statements of **The Bermuda Press (Holdings) Limited**, which comprise the consolidated balance sheets as at September 30, 2012 and 2011 and October 1, 2010 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended September 30, 2012 and 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

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

#### **Auditor's responsibility**

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

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

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

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **The Bermuda Press (Holdings) Limited** as at September 30, 2012 and 2011 and October 1, 2010 and of its financial performance and its cash flows for the years ended September 30, 2012 and 2011 in accordance with International Financial Reporting Standards.

A stylized, handwritten-style signature of "PricewaterhouseCoopers" in black ink.

**Chartered Accountants**

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

# Consolidated Balance Sheet

As at September 30, 2012 and 2011 and October 1, 2010

(Amounts in thousands of dollars)

| Assets   |    | Sept 30,<br>2012 | Sept 30,<br>2011 | Oct 01,<br>2010 |
|--|----|------------------|------------------|-----------------|
| <b>Current assets</b>                              |    |                  |                  |                 |
| Cash and cash equivalents                          |    | 899              | 1,737            | 2,757           |
| Trade and other receivables                        | 5  | 4,202            | 5,032            | 6,239           |
| Inventories  | 6  | 2,575            | 2,768            | 3,417           |
|  |    | <u>7,676</u>     | <u>9,537</u>     | <u>12,413</u>   |
| <b>Non-current assets</b>                          |    |                  |                  |                 |
| Available for sale financial assets                | 7  | 137              | 150              | 201             |
| Investment in leases                               | 8  | 1,237            | 635              | 972             |
| Property, plant and equipment                      | 9  | 6,709            | 11,276           | 10,334          |
| Investment properties                              | 10 | 16,986           | 12,463           | 12,183          |
| Investment in affiliate                            | 11 | -                | 2,173            | 1,794           |
| Goodwill   | 12 | 2,985            | 194              | 194             |
|  |    | <u>35,730</u>    | <u>36,428</u>    | <u>38,091</u>   |
| <b>Total assets</b>                                |    |                  |                  |                 |
| <b>Liabilities &amp; Equity</b>                    |    |                  |                  |                 |
| <b>Current liabilities</b>                         |    |                  |                  |                 |
| Accounts payable and accrued liabilities           | 13 | 4,073            | 3,512            | 4,362           |
| Borrowings   | 14 | 1,499            | 528              | 584             |
| Dividend payable                                   |    | 138              | 138              | 138             |
|  |    | <u>5,710</u>     | <u>4,178</u>     | <u>5,084</u>    |
| <b>Non-current liabilities</b>                     |    |                  |                  |                 |
| Borrowings   | 14 | 1,156            | 1,706            | 1,462           |
|  |    | <u>6,866</u>     | <u>5,884</u>     | <u>6,546</u>    |
| <b>Total liabilities</b>                           |    |                  |                  |                 |
| <b>Equity attributable to owners of the parent</b> |    |                  |                  |                 |
| Share capital                                      | 21 | 3,313            | 3,313            | 3,313           |
| Share premium                                      |    | 1,378            | 1,378            | 1,378           |
| Other reserves                                     | 23 | 6,700            | 6,700            | 6,700           |
| Other comprehensive income                         |    | 71               | 81               | 88              |
| Retained earnings                                  |    | 15,216           | 16,561           | 17,726          |
|  |    | <u>26,678</u>    | <u>28,033</u>    | <u>29,205</u>   |
| <b>Non-controlling interest</b>                    | 18 | 2,186            | 2,511            | 2,340           |
|  |    | <u>28,864</u>    | <u>30,544</u>    | <u>31,545</u>   |
| <b>Total equity</b>                                |    |                  |                  |                 |
| <b>Total liabilities &amp; equity</b>              |    | <u>35,730</u>    | <u>36,428</u>    | <u>38,091</u>   |

Approved by the Board of Directors

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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



# Consolidated Statement of Comprehensive Income

For the years ended September 30, 2012 and 2011

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

|  | Notes | 2012          | 2011          |
|--|-------|---------------|---------------|
| <b>Operating revenue</b>                                     |       |               |               |
| Publishing and retail  |       | 19,443        | 20,094        |
| Commercial printing  |       | 3,267         | 4,530         |
| Rental   |       | 2,753         | 2,547         |
| Other  | 8     | 207           | 267           |
|  |       | <u>25,670</u> | <u>27,438</u> |
| <b>Operating expenses</b>                                    |       |               |               |
| Payroll and employee benefits                                | 19    | 13,987        | 14,974        |
| Materials, merchandise and supplies                          |       | 5,664         | 6,063         |
| Administrative expenses                                      | 20    | 4,301         | 4,251         |
| Depreciation and amortization                                | 9,10  | 2,043         | 1,996         |
|  |       | <u>25,995</u> | <u>27,284</u> |
| <b>Operating profit (loss)</b>                               |       | (325)         | 154           |
| Finance income   | 7     | 5             | 6             |
| Finance costs  | 14    | (91)          | (97)          |
| Share of losses of affiliate                                 | 11    | -             | (371)         |
| (Loss) / gain on sale of assets                              | 7,9   | (27)          | 106           |
| <b>Profit (loss) for the year</b>                            |       | <u>(438)</u>  | <u>(202)</u>  |
| <b>Profit (loss) attributable to:</b>                        |       |               |               |
| Equity holders of the company                                |       | (793)         | (613)         |
| Non-controlling interests                                    | 18    | 355           | 411           |
|  |       | <u>(438)</u>  | <u>(202)</u>  |
| <b>Other comprehensive income (loss) for the year</b>        |       |               |               |
| Changes in fair value of available for sale financial assets | 7     | (10)          | (7)           |
| <b>Total comprehensive income (loss) for the year</b>        |       | <u>(448)</u>  | <u>(209)</u>  |
| <b>Comprehensive income attributable to:</b>                 |       |               |               |
| Equity holders of the company                                |       | (803)         | (620)         |
| Non-controlling interests                                    | 18    | 355           | 411           |
|  |       | <u>(448)</u>  | <u>(209)</u>  |
| <b>Earnings per share:</b>                                   |       |               |               |
| Basic and diluted  | 22    | <u>(0.57)</u> | <u>(0.44)</u> |

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

# Consolidated Statement of Changes in Equity

For the years ended September 30, 2012 and 2011

(Amounts in thousands of dollars)

|   |       | Attributable to equity holders of the company |               |                |                   |                                   |               |                           |               |
|---|-------|---|---------------|----------------|-------------------|-----------------------------------|---------------|---------------------------|---------------|
|   | Notes | Share capital                                 | Share premium | Other reserves | Retained earnings | Other comprehensive income (loss) | Total         | Non-controlling interests | Total equity  |
| <b>Balance as of October 1, 2010</b>    |       | <b>3,313</b>                                  | <b>1,378</b>  | <b>6,700</b>   | <b>17,726</b>     | <b>88</b>                         | <b>29,205</b> | <b>2,340</b>              | <b>31,545</b> |
| Operating profit (loss)                 |       | -   | -             | -              | (613)             | -                                 | (613)         | 14                        | (202)         |
| Other comprehensive loss                | 7     | -   | -             | -              | -                 | (7)                               | (7)           | -                         | (7)           |
| Total comprehensive income (loss)       |       | -   | -             | -              | (613)             | (7)                               | (620)         | 411                       | (209)         |
| Dividends                               |       | -   | -             | -              | (552)             | -                                 | (552)         | (240)                     | (792)         |
| <b>Balance as of September 30, 2011</b> |       | <b>3,313</b>                                  | <b>1,378</b>  | <b>6,700</b>   | <b>16,561</b>     | <b>81</b>                         | <b>28,033</b> | <b>2,511</b>              | <b>30,544</b> |
| Operating profit (loss)                 |       | -   | -             | -              | (793)             | -                                 | (793)         | 355                       | (438)         |
| Other comprehensive loss                | 7     | -   | -             | -              | -                 | (10)                              | (10)          | -                         | (10)          |
| Total comprehensive income (loss)       |       | -   | -             | -              | (793)             | (10)                              | (803)         | 355                       | (448)         |
| Dividends                               |       | -   | -             | -              | (552)             | -                                 | (552)         | (680)                     | (1,232)       |
| <b>Balance as of September 30, 2012</b> |       | <b>3,313</b>                                  | <b>1,378</b>  | <b>6,700</b>   | <b>15,216</b>     | <b>71</b>                         | <b>26,678</b> | <b>2,186</b>              | <b>28,864</b> |

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

# Consolidated Statement of Cash Flows

As at September 30, 2012 and 2011

(Amounts in thousands of dollars)

|  | Notes | Sept 30,<br>2012 | Sept 30,<br>2011 |
|--|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>                |       |                  |                  |
| Profit (loss) for year                                     |       | (438)            | (202)            |
| Adjustments for:   |       |                  |                  |
| Depreciation and amortization                              | 9,10  | 2,043            | 1,996            |
| Share of loss of affiliate                                 | 11    | -                | 371              |
| (Gain) loss on disposal of property, plant and equipment   | 9     | 24               | (65)             |
| (Gain) loss on sale of available for sale financial assets | 7     | 3                | (41)             |
| Finance costs  |       | 91               | 97               |
| Investment income  |       | (5)              | (6)              |
| Changes in non-cash working capital:                       |       |                  |                  |
| Trade and other receivables                                |       | 683              | 1,163            |
| Inventories  |       | 193              | 650              |
| Accounts payable and accrued liabilities                   |       | 169              | (835)            |
| Cash generated from operating activities                   |       | 2,763            | 3,128            |
| Interest paid  |       | (93)             | (115)            |
| <b>Net cash generated from operating activities</b>        |       | 2,670            | 3,013            |
| <b>Cash flows (used in) from investing activities</b>      |       |                  |                  |
| Additions to property, plant and equipment                 |       | (1,976)          | (3,634)          |
| Proceeds on property, plant and equipment                  |       | 58               | 482              |
| Proceeds on sale of available for sale financial assets    |       | -                | 85               |
| Dividends received on available for sale financial assets  |       | 5                | 6                |
| Purchase of affiliate                                      |       | -                | (750)            |
| Acquisition of subsidiary, net of cash acquired            | 11    | (426)            | -                |
| Additions to investments in leases                         | 12    | (1,489)          | (1,321)          |
| Repayments from investments in leases                      |       | 1,131            | 1,703            |
| <b>Net cash used for investing activities</b>              |       | (2,697)          | (3,429)          |
| <b>Cash flows from (used in) financing activities</b>      |       |                  |                  |
| Proceeds on borrowings                                     |       | 949              | 704              |
| Repayments of borrowings                                   |       | (528)            | (516)            |
| Dividends paid to company's shareholders                   |       | (552)            | (552)            |
| Dividends paid to non-controlling interests                |       | (680)            | (240)            |
| <b>Net cash used for financing activities</b>              |       | (811)            | (604)            |
| <b>Increase (decrease) in cash and cash equivalents</b>    |       | (838)            | (1,020)          |
| <b>Cash and cash equivalents at beginning of year</b>      |       | 1,737            | 2,757            |
| <b>Cash and cash equivalents at end of year</b>            |       | 899              | 1,737            |
| <b>Cash comprises:</b>                                     |       |                  |                  |
| Cash and cash equivalents                                  |       | 899              | 1,737            |
|  |       | 899              | 1,737            |

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



# Consolidated Notes to the Financial Statements

September 30, 2012 and 2011 and October 1, 2010

(Amounts in thousands of dollars)

## 1 The company and its regulatory framework

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

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

These financial statements were approved by the Directors on January 16, 2013.

## 2 Statement of compliance, basis of preparation and significant accounting policies

### (a) Statement of compliance and adoption of International Financial Reporting Standards (IFRS):

The Company prepares its financial statements in accordance with generally accepted accounting principles in Bermuda and Canada, as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS as issued by the International Accounting Standards Board and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS, and comply with the provisions of the Bermuda Companies Act. In these financial statements, the term "Previous GAAP" refers to generally accepted accounting principles in Bermuda and Canada before the adoption of IFRS.

Subject to certain transition elections disclosed in Note 3, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet as at October 1, 2010 and throughout all financial years presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended September 30, 2011 prepared under previous GAAP.

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

The following new and amended standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after October 1, 2012 or later periods and are expected to be relevant to the Company:

| Standard / Interpretation | Content   | Applicable for financial years beginning on / after |
|---------------------------|---|---|
| IAS 1                     | Presentation of items of other comprehensive income   | July 1, 2012  |
| IFRS 9                    | Financial instruments: classification and measurement | January 1, 2013                                     |
| IFRS 10                   | Consolidated financial statements                     | January 1, 2013                                     |
| IFRS 12                   | Disclosure of interests in other entities             | January 1, 2013                                     |
| IFRS 13                   | Fair value measurement                                | January 1, 2013                                     |

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## **Amendment to IAS 1, 'Presentation of items of other comprehensive income'**

In June 2011, the IASB issued 'Presentation of items of other comprehensive income' (amendments to IAS 1). The amendments improved the consistency and clarity of the presentation of items of other comprehensive income (OCI). The amendments also highlighted the importance that the Board places on presenting profit or loss and OCI together and with equal prominence. The amendments issued in June 2011 retain the requirement to present profit and loss and OCI together, but focus on improving how items of OCI are presented. The main change resulting from the amendments was a requirement for entities to group items presented in OCI on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments did not address which items are presented in OCI. The Company is yet to assess the full impact of the IAS 1 amendments and intends to adopt the amendments to IAS 1 no later than the accounting period beginning on October 1, 2013.

## **IFRS 9, 'Financial instruments' – classification and measurement**

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on October 1, 2013.

## **IFRS 10, 'Consolidated financial statements'**

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

## **IFRS 12, 'Disclosures of interests in other entities'**

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

## **IFRS 13 'Fair value measurement'**

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on October 1, 2013.



# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

| Standard / Interpretation | Content   | Applicable for financial years beginning on / after |
|---------------------------|---|---|
| IAS 27                    | Separate financial statements                             | January 1, 2013                                     |
| IAS 28                    | Investments in associates and joint ventures              | January 1, 2013                                     |
| IFRS 11                   | Joint arrangements  | January 1, 2013                                     |
| IFRIC 20                  | Stripping costs in the production phase of a surface mine | January 1, 2013                                     |

(c) Early adoption of standards

No new standards have been early adopted by the Company in the year ended September 30, 2012.

(d) Basis of preparation:

The financial statements are presented in Bermuda dollars (\$), which is the functional currency of the Company.

(e) Critical estimates and judgements

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

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

(i) **Allowance for impairment losses on receivables**

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

(ii) **Net realizable value of inventories**

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



# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

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

The residual value and the expected useful life of an asset are reviewed at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the Company and its subsidiaries. The recoverable amount of property, plant and equipment is dependent upon management's internal assessment of future cash flows from the individual asset or from the cash generating units to which the asset belongs.

(iv) **Estimated impairment of goodwill**

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

|  |                              |
|--|------------------------------|
| Benchmark multiples of earnings                | 10% contraction to 3% growth |
| Discount rate applied in cash flow projections | 11%                          |

(f) **Principles of consolidation**

(i) **Subsidiaries**

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

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

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

(ii) **Transactions eliminated on consolidation**

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

(iii) **Business combinations**

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

Acquisition-related costs are expensed as incurred.

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

(iv) **Affiliates**

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

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

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

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## (g) Financial investments

### (i) **Classification**

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

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

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

### (ii) **Recognition and measurement**

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

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

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

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



# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## (h) Impairment of financial assets

### (i) **Assets carried at amortised cost**

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

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

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

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

### (ii) **Assets classified as available-for-sale**

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

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

(i) Cash and cash equivalents

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

(j) Inventories

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

(k) Investment in leases

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

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

(l) Property, plant and equipment

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

|                        |               |
|------------------------|---------------|
| Buildings              | 15 – 50 years |
| Machinery              | 4 – 15 years  |
| Vehicles               | 3 – 5 years   |
| Fixtures and equipment | 1 – 10 years  |

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

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

(m) Investment properties

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

(n) Impairment of long-lived assets

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

(o) Trade payables

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

(p) Accrued employee and other post retirement benefits

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

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

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

(q) Deferred costs

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

(r) Borrowings

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



# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

(s) Revenue recognition

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

(t) Dividend distribution

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

(u) Segment reporting

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

## 3 Transition to IFRS

The impact of the transition to IFRS on the Company's financial position, financial performance and cash flows is described below in the following notes and tables.

(a) Optional exemptions upon transition:

**Business combinations**

IFRS 1 provides the option to apply IFRS 3, Business Combinations, prospectively from the transition date. The company has elected to apply this exemption and therefore has not restated business combinations occurring prior to the transition date.

**Borrowing costs**

IFRS 1 allows the company to apply IAS 23, Borrowing Costs, prospectively from the transition date. The company has elected to apply this exemption and therefore the borrowing cost on any qualifying assets has not been capitalized prior to the transition date.

**Leases**

IFRS 1 provides the option to first time adopters who have made a determination of whether an arrangement contains a lease under a previous GAAP. If the arrangement under the previous GAAP would have resulted in the same outcome as IFRS, the first time adopter can elect not to reassess their arrangements. The company has elected to apply this exemption and therefore has not reassessed its arrangements.

**Fair value or revaluation as deemed cost**

IFRS 1 provides the option to measure items of property, plant and equipment or investment property at its fair value, or an amount determined by a previous GAAP revaluation and use that amount as its deemed cost at the transition date. The company has elected to not apply this exemption and will continue to apply the cost model

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

- (b) IFRS mandatory exceptions

## Estimates

IFRS estimates as at October 1, 2010 are consistent with the estimates under Canadian GAAP at that date.

- (c) Changes in presentation

## Investment property

Under IFRS investment properties are presented separately from capital assets. Accordingly, as of September 30, 2011 and October 1, 2010, \$12,463 and \$12,183 were reclassified from capital assets to investment property in the consolidated balance sheet.

- (d) Reconciliation of equity from Canadian GAAP to IFRS

|                                  | Explanatory<br>Note | September 30,<br>2011 | October 1,<br>2010 |
|----------------------------------|---------------------|-----------------------|--------------------|
| Total Equity under Canadian GAAP |                     | 28,145                | 29,315             |
| Transitional adjustments:        |                     |                       |                    |
| Non-controlling interest         | i                   | 2,511                 | 2,340              |
| Property, plant and equipment    | ii                  | 22                    | (9)                |
| Investment properties            | iii                 | (134)                 | (101)              |
| Equity as reported under IFRS    |                     | 30,544                | 31,545             |

Explanation of adjustments to shareholders' equity:

- (i) IAS 1- Presentation of financial statements, minority interest is to be referred to as non-controlling interest and is presented as a component of equity. On the statement of earnings, minority interest is presented as an allocation of net earnings rather than as a deduction in the calculation of net income.
- (ii) IAS 16 – Property, plant and equipment requires the Company to componentize items of property, plant and equipment into its significant parts and depreciate each part separately over its respective useful life. The result of depreciating these components over their individually shorter useful lives resulted in a higher depreciation charge of \$22 (2011 - \$9) and a reduction to non-controlling interest upon transition of \$14 (2011 - \$10).
- (iii) IAS 16 – Property, plant and equipment requires the Company to componentize investment properties that are accounted for using the cost model into their significant parts and depreciate each part separately over their respective useful life. The result of depreciating these components over their individually shorter useful lives resulted in a higher depreciation charge.

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## (e) Reconciliation of Comprehensive Income from Canadian GAAP to IFRS

|   | <b>Explanatory<br/>Note</b> | <b>September 30,<br/>2011</b> |
|---|-----------------------------|-------------------------------|
| Comprehensive loss under Canadian GAAP      |                             | (437)                         |
| Transitional adjustments:                   |                             |                               |
| Property, plant and equipment depreciation  | i                           | 31                            |
| Investment properties depreciation          | ii                          | (33)                          |
| Non-controlling interest                    | iii                         | (10)                          |
|   |                             | <u>(449)</u>                  |
| Other reconciling item                      | note 4                      | <u>240</u>                    |
| Comprehensive income as reported under IFRS |                             | <u>(209)</u>                  |

### Explanation of adjustments to comprehensive income:

- (i) Significant components of property, plant and equipment were depreciated separately over a longer useful life resulting in a lower depreciation charge.
- (ii) Significant components of investment properties were depreciated separately over a shorter useful life resulting in a higher depreciation charge.
- (iii) Income attributable to non- controlling interest decreased due to the decrease in depreciation charge related to investment properties.

## (f) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company.



# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## 4 Prior period misclassification

In the prior year, dividends paid to the non-controlling interest were presented as part of administrative expenses. This resulted in an overstatement of administrative expenses and understatement of profit of \$240 and an understatement of minority interest in net income of subsidiaries of \$240. There was no resulting impact on net income or earnings per share as previously reported.

## 5 Trade and other receivables

|   | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|---|-----------------------|-----------------------|--------------------|
| Trade receivables                       | 2,800                 | 3,300                 | 4,380              |
| Current portion of investment in leases | 911                   | 1,156                 | 1,201              |
| Prepaid insurance                       | 117                   | 124                   | 124                |
| Prepaid government taxes                | 61                    | 62                    | 47                 |
| Deferred publishing costs               | 21                    | 31                    | 215                |
| Other prepaid assets                    | 292                   | 359                   | 272                |
|   | 4,202                 | 5,032                 | 6,239              |

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

|                                | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|--------------------------------|-----------------------|-----------------------|--------------------|
| Balance, beginning of the year | 413                   | 656                   | 579                |
| Write-offs                     | (54)                  | (164)                 | (130)              |
| Recoveries                     | (63)                  | (92)                  | -                  |
| Additions                      | 72                    | 13                    | 207                |
| Balance, end of the year       | 368                   | 413                   | 656                |

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

The ageing of trade receivables is as follows:

|                                 | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|---------------------------------|-----------------------|-----------------------|--------------------|
| Current                         | 1,845                 | 2,048                 | 2,808              |
| 30 days                         | 547                   | 718                   | 891                |
| 60 days                         | 309                   | 266                   | 395                |
| 90 days and over                | 467                   | 681                   | 942                |
|                                 | 3,168                 | 3,713                 | 5,036              |
| Allowance for doubtful accounts | (368)                 | (413)                 | (656)              |
|                                 | 2,800                 | 3,300                 | 4,380              |

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

## 6 Inventories

|                            | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|----------------------------|-----------------------|-----------------------|--------------------|
| Materials and supplies     | 787                   | 876                   | 1,289              |
| Merchandise                | 1,877                 | 2,082                 | 2,195              |
| Work-in-progress           | 14                    | 20                    | 93                 |
| Provision for obsolescence | (103)                 | (210)                 | (160)              |
|                            | 2,575                 | 2,768                 | 3,417              |

During the year, the company expensed inventory totalling \$4,452 (2011 - \$5,085) as part of normal operations. Inventory written off during the year totalled \$227 (2011 - \$478) and is included in materials, merchandise and supplies on the consolidated statements of comprehensive income.

## 7 Available for sale financial assets

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

|   | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|---|-----------------------|-----------------------|--------------------|
| Balance, beginning of the year  | 150                   | 201                   | 162                |
| Additions   | -                     | -                     | -                  |
| Disposals   | (3)                   | (71)                  | -                  |
| Increase (decrease) in fair value<br>recognized in other comprehensive income | (10)                  | 20                    | 39                 |
| Balance, end of year  | 137                   | 150                   | 201                |

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

Changes in fair value in the amount of \$(10) (2011 – \$20) have been reflected in other comprehensive income. A net loss of \$3 (2011 – gain of \$41) was recognised in the current year and \$Nil (2011 - \$27) was transferred from other comprehensive income to equity resulting in a net movement for the year in other comprehensive income of \$(10) (2011- \$(7)).

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

Dividend income during the year was \$5 (2011 - \$6) and is included in finance income.

## 8 Investment in leases

|   | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|---|-----------------------|-----------------------|--------------------|
| Total investment in sales-type leases                   | 2,349                 | 2,037                 | 2,498              |
| Unearned finance income                                 | (201)                 | (246)                 | (325)              |
|   | 2,148                 | 1,791                 | 2,173              |
| Less allowance for doubtful receivables                 | -                     | -                     | -                  |
| Current portion included in trade and other receivables | 911                   | 1,156                 | 1,201              |
| Long-term portion                                       | 1,237                 | 635                   | 972                |

Finance income arising from the investments in leases amounted to \$207 (2011 - \$267) and is included in other revenue. Upon completion of the lease the leased equipment can be purchased, renewed or returned at the expected fair value at that time. The unguaranteed residual values accruing to the benefit of the Company is \$246 (2011 - \$254).

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

The following is a schedule by year of the future minimum lease payments to be received under finance leases and non-cancellable operating leases at September 30, 2012:

|                | Finance<br>leases | Operating<br>leases |
|----------------|-------------------|---------------------|
| 2013           | 1,107             | 2,375               |
| 2014           | 769               | 2,124               |
| 2015           | 420               | 1,926               |
| 2016           | 49                | 1,653               |
| 2017 and later | 4                 | 7,264               |
|                | 2,349             | 15,342              |



# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## 9 Property, plant and equipment

|                                | Land    | Buildings | Machinery | Vehicles | Fixtures and equipment | Total   |
|--------------------------------|---------|-----------|-----------|----------|------------------------|---------|
| <b>Cost</b>                    |         |           |           |          |                        |         |
| October 1, 2010                | 2,935   | 6,555     | 15,823    | 315      | 4,087                  | 29,715  |
| Additions                      | -       | -         | 2,335     | 124      | 448                    | 2,907   |
| Disposals                      | -       | -         | (3,734)   | -        | (631)                  | (4,365) |
| September 30, 2011             | 2,935   | 6,555     | 14,424    | 439      | 3,904                  | 28,257  |
| Additions                      | -       | 1,007     | 633       | -        | 408                    | 2,048   |
| Transfers                      | (2,542) | (3,645)   | -         | -        | -                      | (6,187) |
| Disposals                      | -       | (83)      | (952)     | (45)     | (177)                  | (1,257) |
| September 30, 2012             | 393     | 3,834     | 14,105    | 394      | 4,135                  | 22,861  |
| <b>Depreciation/impairment</b> |         |           |           |          |                        |         |
| October 1, 2010                | -       | 2,730     | 12,949    | 274      | 3,428                  | 19,381  |
| Charge for the year            | -       | 296       | 652       | 30       | 571                    | 1,549   |
| Depreciation on disposals      | -       | -         | (3,198)   | -        | (751)                  | (3,949) |
| September 30, 2011             | -       | 3,026     | 10,403    | 304      | 3,248                  | 16,981  |
| Charge for the year            | -       | 279       | 897       | 36       | 384                    | 1,596   |
| Transfers                      | -       | (1,239)   | -         | -        | -                      | (1,239) |
| Depreciation on disposals      | -       | -         | (864)     | (44)     | (278)                  | (1,186) |
| September 30, 2012             | -       | 2,066     | 10,436    | 296      | 3,354                  | 16,152  |
| <b>Net book values</b>         |         |           |           |          |                        |         |
| October 1, 2010                | 2,935   | 3,825     | 2,874     | 41       | 659                    | 10,334  |
| September 30, 2011             | 2,935   | 3,529     | 4,021     | 135      | 656                    | 11,276  |
| September 30, 2012             | 393     | 1,768     | 3,669     | 98       | 781                    | 6,709   |

At September 30, 2012 the Company had \$10,638 (2011 - \$10,028) in fully depreciated assets that were still in use.

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## 10 Investment properties

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

|                          | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|--------------------------|-----------------------|-----------------------|--------------------|
| Cost                     | 23,927                | 17,718                | 16,991             |
| Accumulated depreciation | 6,941                 | 5,255                 | 4,808              |
| Net book value           | 16,986                | 12,463                | 12,183             |

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

|                                | September 30,<br>2012 | September 30,<br>2011 |
|--------------------------------|-----------------------|-----------------------|
| Balance, beginning of the year | 12,463                | 12,183                |
| Additions                      | 22                    | 727                   |
| Depreciation                   | (447)                 | (447)                 |
| Transfers                      | 4,948                 | -                     |
| Balance, end of year           | 16,986                | 12,463                |

The fair value of the company's investment properties is \$30 million (2011 - \$30 million). Fair value has been determined using an external valuation for the Mills Creek property and discounted future cash flows for the Roger Davidson and Crown House properties. The company recognized \$2,753 (2011 - \$2,547) in rental income and \$1,059 (2011 - \$993) in operating expenses pertaining to its investment properties. During the year ended September 30, 2012 the Mills Creek property was transferred from property, plant and equipment to investment properties due to a change in use.

## 11 Investment in affiliate

On October 28, 2009, the Company acquired a 25.25% equity interest in each of E-Moo Limited and E-Moo (Bermuda) Limited representing 4,054 and 3,378 shares respectively. The E-Moo group of companies operate and support online classified advertising websites in Bermuda and abroad. Consideration of \$2.0 million, plus transaction costs of \$128, was paid in two tranches with \$1.25 million due on completion and \$0.75 million due 6 months later. An additional \$0.75 million was paid on October 28, 2010. The investment was financed with long term borrowings as disclosed in note 13. On November 10, 2011, the Company acquired the remaining 74.75% interest in E-Moo (Bermuda) Limited ("the Bermuda Company") and obtained control of the Bermuda Company and disposed of its existing 25.25% stake in E-Moo Limited to the sellers of E-Moo (Bermuda) Limited as disclosed in the note below.

## Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

|                                     | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|-------------------------------------|-----------------------|-----------------------|--------------------|
| Balance, beginning of year          | 2,173                 | 1,794                 | 2,128              |
| Additions                           | 500                   | 750                   | -                  |
| Share of loss                       | -                     | (237)                 | (334)              |
| Impairment loss on carrying value   | -                     | (134)                 | -                  |
| E-Moo (Bermuda) Limited acquisition | (2,673)               | -                     | -                  |
| Balance, end of year                | -                     | 2,173                 | 1,794              |

At September 30, 2011, the net liabilities of E-Moo Limited and E-Moo (Bermuda) Limited were \$546 and \$207 respectively.

### 12 Goodwill

|                            | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|----------------------------|-----------------------|-----------------------|--------------------|
| Balance, beginning of year | 194                   | 194                   | 194                |
| Additions                  | 2,791                 | -                     | -                  |
| Balance, end of year       | 2,985                 | 194                   | 194                |

On October 28, 2009, the Company acquired a 25.25% equity interest in each of E-Moo Limited and E-Moo (Bermuda) Limited as disclosed in the note above. On November 10, 2011, the Company acquired the remaining 74.75% interest in E-Moo (Bermuda) Limited ("the Bermuda Company") and obtained control of the Bermuda Company, an online classified advertising website and directory. As part of this transaction management also disposed of its existing 25.25% stake in E-Moo Limited.

As a result of the acquisition, the Company is expected to increase its presence in online advertising and expects to reduce costs through economies of scale. The cash generating unit has been defined as the Company's combined online and print classified revenue streams. The goodwill of \$2,791 arising from the acquisition is attributable to the acquired customer base and economies of scale expected from combining the operations of E-Moo (Bermuda) Limited and the Company.

The following table summarizes the consideration paid for E-Moo (Bermuda) Limited, the fair value of assets acquired and liabilities assumed at the acquisition date. Equity instruments and other non cash consideration of \$1,498 includes the fair value of the disposed stake in E-Moo Limited.



# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

|   | \$    |
|---|-------|
| Consideration paid at November 10, 2011                                     |       |
| Cash  | 500   |
| Equity instruments and other non cash consideration                         | 1,498 |
| Total consideration transferred   | 1,998 |
| Fair value of existing 25.25% equity interest in E-Moo (Bermuda) Limited    | 675   |
| Total fair value of business acquired                                       | 2,673 |
| Recognized amounts of identifiable assets acquired and liabilities assumed: |       |
| Cash  | 74    |
| Trade and other receivables   | 128   |
| Trade payables and accrued liabilities                                      | (270) |
| Deferred income   | (153) |
| Property, plant and equipment   | 63    |
| Trademarks  | 40    |
| Total identifiable net assets   | (118) |
| Goodwill on acquisition   | 2,791 |
| Total   | 2,673 |

The fair value of the Company's equity interest in E-Moo (Bermuda) Limited held before the business combination amounted to \$675. The company recognized a loss of \$134 as a result of re-measuring the fair value of its 25.25% equity interest in E-Moo (Bermuda) Limited held before the stepped business acquisition. The loss was recorded as an impairment in the consolidated income statement for the year ending September 30, 2011.

Goodwill in the amount of \$194 was recorded on the purchase of Atlantic Print Services on October 3, 2008 and is attributable to the economies of scale expected from the combined operations within the printing segment which has been defined as a separate cash generating unit. The total consideration for the purchase was \$251, including legal fees and taxes, and the fair value of assets acquired was \$57.

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## 13 Accounts payable and accrued liabilities

|                             | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|-----------------------------|-----------------------|-----------------------|--------------------|
| Trade payables              | 2,165                 | 1,382                 | 1,699              |
| Accrued liabilities         | 22                    | 435                   | 645                |
| Accrued payroll liabilities | 1,257                 | 1,055                 | 1,180              |
| Unearned income             | 629                   | 640                   | 838                |
|                             | 4,073                 | 3,512                 | 4,362              |

## 14 Borrowings

|                         | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|-------------------------|-----------------------|-----------------------|--------------------|
| <b>Current</b>          |                       |                       |                    |
| Bank overdraft          | 949                   | -                     | 46                 |
| Third party loan        | 550                   | 528                   | 538                |
|                         | 1,499                 | 528                   | 584                |
| <b>Non-current</b>      |                       |                       |                    |
| Third party loan        | 1,156                 | 1,706                 | 1,462              |
| <b>Total Borrowings</b> | 2,655                 | 2,234                 | 2,046              |

### (a) Bank overdraft

The company has overdraft facilities totalling \$2.25 million bearing interest at the bank's base rate plus 1.5% to 3.0% which are repayable on demand. The base rate at September 30 was 3.75% (2011 – 3.75%; 2010 – 3.75%). The facility renews annually on March 31. Fair value approximates the carrying value as it is short term in nature.

### (b) Third party loan

The Company borrowed \$2.0 million in 2010 in connection with the purchase of the initial equity interest in E-Moo Limited and E-Moo (Bermuda) Limited at a rate of 4% from Bermuda Life Insurance Company Limited, as Trustee for The Bermuda Press (Holdings) Limited Pension Plan. A further \$0.75 million was borrowed to fund the final instalment on October 28, 2010. Repayments are by blended equal monthly instalments of principal and interest of \$50. The first repayment on both loans was made on December 31, 2010. A mortgage against the property at 13 Addendum Lane was issued as security. Expected repayments of principal are as follows:

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

|      | \$           |
|------|--------------|
| 2013 | 550          |
| 2014 | 572          |
| 2015 | 584          |
|      | <u>1,706</u> |

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

Total interest expense of \$91 (2011 - \$97) was recorded during the year.

## 15 Financial instruments by category

|   | September 30, 2012    |                                     | September 30, 2011    |                                     |
|---|-----------------------|-------------------------------------|-----------------------|-------------------------------------|
|   | Loans and receivables | Available for sale financial assets | Loans and receivables | Available for sale financial assets |
| <b>Assets</b>                                       |                       |                                     |                       |                                     |
| Cash and cash equivalents                           | 899                   | -                                   | 1,737                 | -                                   |
| Available for sale financial assets                 | -                     | 137                                 | -                     | 150                                 |
| Trade and other receivables (excluding prepayments) | 3,711                 | -                                   | 4,456                 | -                                   |
| Investment in leases, non current                   | 1,237                 |                                     | 635                   |                                     |
| <b>Total</b>  | <b>5,847</b>          | <b>137</b>                          | <b>6,828</b>          | <b>150</b>                          |

|                          | September 30, 2012            | September 30, 2011            |
|--------------------------|-------------------------------|-------------------------------|
|                          | Liabilities at amortised cost | Liabilities at amortised cost |
| <b>Liabilities</b>       |                               |                               |
| Borrowings               | 2,655                         | 2,234                         |
| Trade and other payables | 4,211                         | 3,650                         |
| <b>Total</b>             | <b>6,866</b>                  | <b>5,884</b>                  |



# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## 16 Financial risk management

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

### (a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises primarily from credit given to customers and deposits with financial institutions. Balances arising from those activities are trade accounts receivable, investment in leases and cash and cash equivalents. The maximum credit exposure to credit risk at the reporting date was:

|                           | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|---------------------------|-----------------------|-----------------------|--------------------|
| Accounts receivable       | 2,800                 | 3,300                 | 4,380              |
| Investment in leases      | 2,148                 | 1,791                 | 2,173              |
| Cash and cash equivalents | 899                   | 1,737                 | 2,757              |
|                           | 5,847                 | 6,828                 | 9,310              |

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

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

### (b) Liquidity risk

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

## Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

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

| <b>2012</b>                              | <b>Carrying amount</b> | <b>Contractual cash flows</b> | <b>Less than 1 year</b> | <b>1 – 2 Years</b> | <b>2 – 5 Years</b> | <b>More than 5 years</b> |
|--|------------------------|-------------------------------|-------------------------|--------------------|--------------------|--------------------------|
| Accounts payable and accrued liabilities | 4,073                  | 4,073                         | 4,073                   | -                  | -                  | -                        |
| Dividend payable                         | 138                    | 138                           | 138                     | -                  | -                  | -                        |
| Borrowings                               | 2,655                  | 2,655                         | 1,499                   | 572                | 584                | -                        |
|  | <u>6,866</u>           | <u>6,866</u>                  | <u>5,710</u>            | <u>572</u>         | <u>584</u>         | <u>-</u>                 |
| <b>2011</b>                              | <b>Carrying amount</b> | <b>Contractual cash flows</b> | <b>Less than 1 year</b> | <b>1 – 2 Years</b> | <b>2 – 5 Years</b> | <b>More than 5 years</b> |
| Accounts payable and accrued liabilities | 3,512                  | 3,512                         | 3,512                   | -                  | -                  | -                        |
| Dividend payable                         | 138                    | 138                           | 138                     | -                  | -                  | -                        |
| Borrowings                               | 2,234                  | 2,234                         | 528                     | 550                | 572                | 584                      |
|  | <u>5,884</u>           | <u>5,884</u>                  | <u>4,178</u>            | <u>550</u>         | <u>572</u>         | <u>584</u>               |

The Company has \$1.3 million in unutilised overdraft facilities as at 30 September 2012 (2011 - \$2.25 million). Management has frameworks in place to monitor the Group's liquidity and ensure that banking covenants are complied with. The Company does not expect to encounter significant difficulties in meeting its financial liabilities.

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## (c) Market risk

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

### (i) Foreign currency risk

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

### (ii) Price risk

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

The Company has reviewed all available for sale assets held at September 30, 2012 and 2011 for evidence of impairment. The Company has determined that these assets held at September 30, 2012 and 2011 and October 1, 2010 are not impaired and there are no indicators of significant or prolonged decline in the value of the assets. A 10% movement in fair values of the available for sale financial assets would impact other comprehensive income by an increase of \$14 (2011 - \$15) or decrease of \$14 (2011 - \$15). 10% was estimated by management as an appropriate threshold for sensitivity testing based on average price movements on the Bermuda Stock Exchange over a 12 month period.

### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's exposure to the risk of changes in market interest rates relates primarily to its overdraft facilities with a floating interest rate. There are no long-term floating rate financial liabilities.

#### Interest rate sensitivity

A sensitivity to interest rate risk is performed assuming the amount of liability for the bank overdraft outstanding at the year-end was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Based on the analysis performed, the impact on profit would be an increase of \$5 (2011 - \$Nil) or decrease of \$5 (2011 - \$Nil).



# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## 17 Fair value of financial assets and liabilities

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

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

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

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

|                                     | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|---------|---------|-------|
| Available for sale financial assets | 137     | -       | -       | 137   |
| <b>Total assets</b>                 | 137     | -       | -       | 137   |

The following table presents the group's assets that are measured at fair value at September 30, 2011.

|                                     | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|---------|---------|-------|
| Available for sale financial assets | 150     | -       | -       | 150   |
| <b>Total assets</b>                 | 150     | -       | -       | 150   |

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## 18 Related parties

### (a) Transactions with subsidiaries

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

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

|                                 | September 30,<br>2012<br>% | September 30,<br>2011<br>% |
|---------------------------------|----------------------------|----------------------------|
| The Royal Gazette Ltd           | 100                        | 100                        |
| Office Solutions Limited        | 100                        | 100                        |
| BP Media Limited                | 100                        | 100                        |
| The Bermuda Press Limited       | 100                        | 100                        |
| Pronto Print Limited            | 100                        | 100                        |
| Engravers Limited               | 100                        | 100                        |
| Chameleon Print Express Limited | 100                        | 100                        |
| E-Moo (Bermuda) Limited         | 100                        | 25                         |
| Crown House Properties Limited  | 80                         | 80                         |
| Bermuda Directories Limited     | 51                         | 51                         |

### (b) Transactions with key management personnel

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

|  | September 30,<br>2012 | September 30,<br>2011 |
|--|-----------------------|-----------------------|
| Salaries, directors fees and short term benefits | 694                   | 553                   |
| Termination benefits                             | -                     | -                     |
| Post-employment benefits                         | 29                    | 22                    |
| Other long term benefits                         | 73                    | 58                    |
|  | <u>796</u>            | <u>633</u>            |

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## 19 Payroll and employee benefit expenses

|   | September 30,<br>2012 | September 30,<br>2011 |
|---|-----------------------|-----------------------|
| Wages, salaries                                   | 11,109                | 11,666                |
| Termination benefits                              | 174                   | 673                   |
| Pension contributions – defined contribution plan | 437                   | 484                   |
| Other long term benefits and taxes                | 2,267                 | 2,151                 |
|   | <u>13,987</u>         | <u>14,974</u>         |

## 20 Administrative expenses

|                                   | September 30,<br>2012 | September 30,<br>2011 |
|-----------------------------------|-----------------------|-----------------------|
| Consultants and professional fees | 206                   | 239                   |
| Insurance                         | 65                    | 87                    |
| Taxes                             | 144                   | 157                   |
| Telecommunications and utilities  | 948                   | 924                   |
| Other administrative expenses     | 2,938                 | 2,844                 |
|                                   | <u>4,301</u>          | <u>4,251</u>          |

## 21 Share capital

|  | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|--|-----------------------|-----------------------|--------------------|
| Authorized 3,300,000 (2011 – 3,300,000; 2010 – 3,300,000) common shares of par value \$2.40 each             |                       |                       |                    |
| Issued and outstanding 1,380,245 (2011 – 1,380,245; 2010 – 1,380,245) common shares of par value \$2.40 each | 3,313                 | 3,313                 | 3,313              |



# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## 22 Earnings per share and dividends

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

|   | September 30,<br>2012 | September 30,<br>2011 |
|---|-----------------------|-----------------------|
| Profit (loss) attributable to common shareholders | (793)                 | (613)                 |
| Average number of common shares outstanding       | 1,380                 | 1,380                 |
| Basic earnings per share                          | (0.57)                | (0.44)                |

During the year the Company paid dividends of \$552 (2011- \$552) to equity holders of the Company. This represents a payment of \$0.40 per share (2011 - \$0.40 per share).

## 23 Other reserves

The Board of Directors of the Company has made appropriations of retained earnings as set out below. These represent amounts transferred from the unappropriated retained earnings balance on a resolution of the Board. These amounts will be released to unappropriated retained earnings when authorized by the Board.

### (a) General reserve

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

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

In 1994, in an endeavour to reduce the escalating costs of property insurance the Company decided to create a reserve for self-insured risks through an appropriation of retained earnings. In previous years Directors approved transfers from unappropriated retained earnings to increase this reserve which now stands at \$2.2 million. No transfers were made in the current year or in the prior year.

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## 24 Capital management

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

|   | September 30,<br>2012 | September 30,<br>2011 | October 1,<br>2010 |
|---|-----------------------|-----------------------|--------------------|
| Equity attributable to owners of the parent | 26,678                | 28,033                | 29,205             |
| Borrowings                                  | 2,655                 | 2,234                 | 2,046              |
| Cash and cash equivalents                   | (899)                 | (1,737)               | (2,757)            |
|   | 28,434                | 28,530                | 28,494             |

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

## 25 Commitments & Contingencies

### (a) Capital commitments:

There are no commitments for capital expenditure as of September 30, 2012.

### (b) Lease commitments:

There are no lease commitments to disclose as of September 30, 2012.

### (c) Contingent liabilities:

There are no contingent liabilities to disclose as of September 30, 2012.

# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

## 26 Segmented information

The company has identified its reportable segments based on the responsibility for the operations. Publishing and retail covers newspaper, online and magazine publishing and the sale of stationery and office equipment. Printing covers commercial and retail printing and directory publishing. The rental and other segment include property rentals, investment activities and other operations.

Sales of goods and services between segments occur on terms agreed between those responsible for the segments. There are no significant differences between segment amounts and consolidated totals other than those arising from inter-segment transactions. The accounting policies of the segments do not differ from those reported in Note 2.

| 2012                            | Publishing and<br>retail<br>\$ | Printing<br>\$ | Rental<br>and other<br>\$ | Inter-segment<br>eliminations<br>\$ | Total<br>\$ |
|---------------------------------|--------------------------------|----------------|---------------------------|-------------------------------------|-------------|
| Revenue from external customers | 19,443                         | 3,267          | 2,960                     |                                     | 25,670      |
| Revenue from internal customers | 141                            | 286            | 1,967                     | (2,394)                             | -           |
|                                 | 19,584                         | 3,553          | 4,927                     | (2,394)                             | 25,670      |
| Expenses                        | 20,863                         | 4,329          | 1,148                     | (2,388)                             | 23,952      |
| Depreciation and amortisation   | 892                            | 392            | 765                       | (6)                                 | 2,043       |
| Interest expense                | 11                             | -              | 80                        | -                                   | 91          |
|                                 | 21,766                         | 4,721          | 1,993                     | (2,394)                             | 26,086      |
| Segment income (loss)           | (2,182)                        | (1,168)        | 2,934                     | -                                   | (416)       |
| Finance income                  | -                              | -              | 5                         | -                                   | 5           |
| Loss on sale of assets          | (52)                           | 28             | (3)                       | -                                   | (27)        |
| Total income (loss)             | (2,234)                        | (1,140)        | 2,936                     | -                                   | (438)       |
| Segment assets                  | 16,995                         | 2,258          | 32,164                    | (15,687)                            | 35,730      |



# Consolidated Notes to the Financial Statements

(Amounts in thousands of dollars)

| 2011                            | Publishing and<br>retail<br>\$ | Printing<br>\$ | Rental<br>and other<br>\$ | Inter-segment<br>eliminations<br>\$ | Total<br>\$ |
|---------------------------------|--------------------------------|----------------|---------------------------|-------------------------------------|-------------|
| Revenue from external customers | 20,094                         | 4,530          | 2,814                     | -                                   | 27,438      |
| Revenue from internal customers | 680                            | 466            | 2,218                     | (3,364)                             | -           |
|                                 | 20,774                         | 4,996          | 5,032                     | (3,364)                             | 27,438      |
| Expenses                        | 21,058                         | 6,632          | 954                       | (3,356)                             | 25,288      |
| Depreciation and amortisation   | 857                            | 497            | 650                       | (8)                                 | 1,996       |
| Interest expense                | -                              | -              | 97                        | -                                   | 97          |
|                                 | 21,915                         | 7,129          | 1,701                     | (3,364)                             | 27,381      |
| Segment income (loss)           | (1,141)                        | (2,133)        | 3,331                     | -                                   | 57          |
| Finance income                  | -                              | -              | 6                         | -                                   | 6           |
| Gain (loss) on sale of assets   | (3)                            | 68             | 41                        | -                                   | 106         |
| Share of losses of affiliate    | -                              | -              | (371)                     | -                                   | (371)       |
| Total income (loss)             | (1,144)                        | (2,065)        | 3,007                     | -                                   | (202)       |
| Segment assets 2011             | 14,023                         | 3,362          | 30,561                    | (11,518)                            | 36,428      |
| Segment assets 2010             | 14,337                         | 5,064          | 29,282                    | (10,592)                            | 38,091      |

## Entity wide information

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

# Companies of the Bermuda Press (Holdings) Ltd

## **The Royal Gazette**

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

## **STATIONERY STORE**

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



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

## **office** **solutions**

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

## **CROWN HOUSE PROPERTIES LIMITED**

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

## **BP Media Limited**

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



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

## **bp The Bermuda Press Ltd.**

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



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



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



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



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](mailto:info@bermudadirectory.com)  
Web: [www.bermudadirectory.com](http://www.bermudadirectory.com)



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

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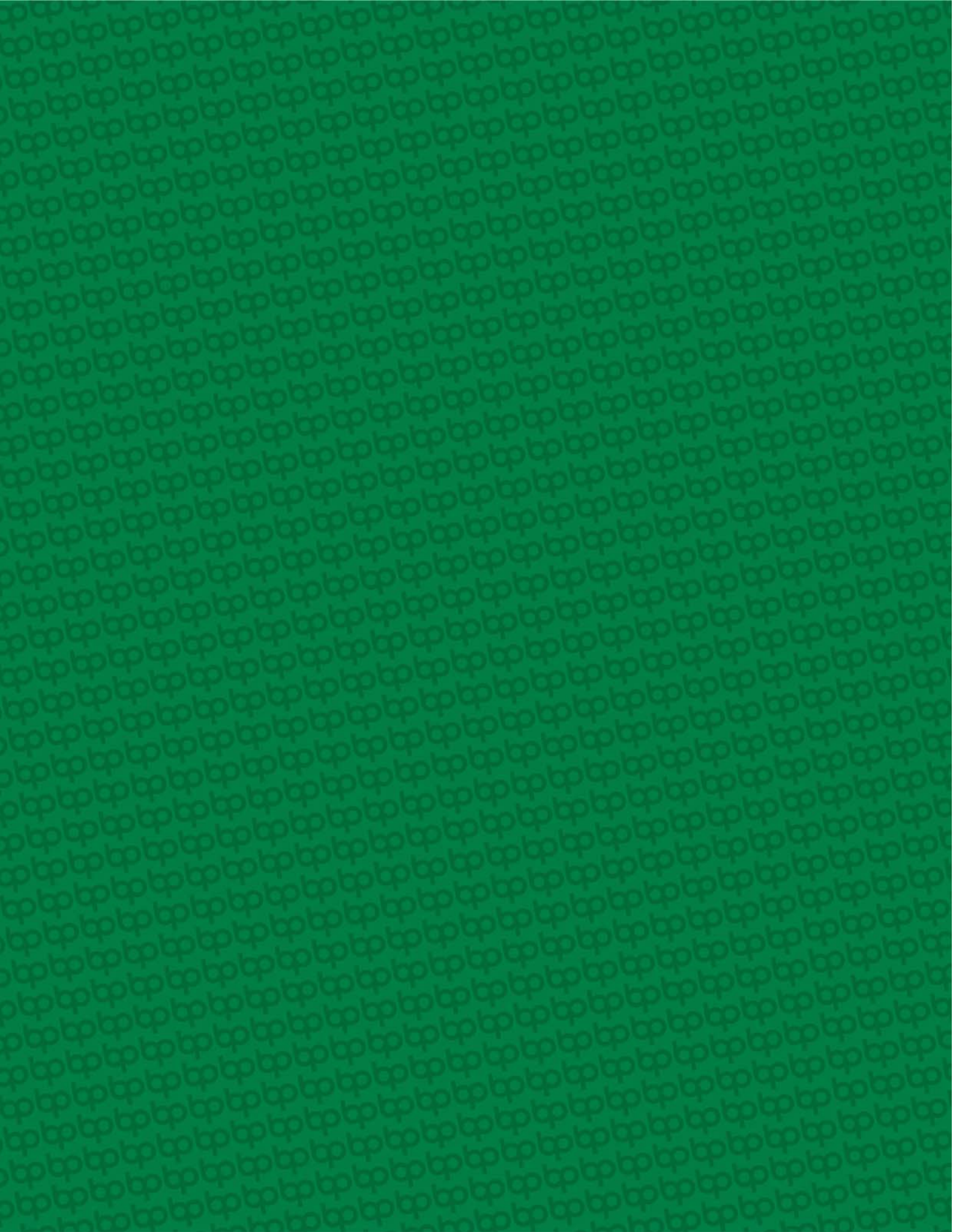
#### **The Bermuda Press (Holdings) Ltd.**

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

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









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(Holdings) Limited**  
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P.O. Box HM 1025,  
Hamilton,  
HM DX,  
Bermuda  
Tel: 441-295-5881  
Fax: 441-295-9667