TELEGRAPH GROUP LIMITED

REPORT AND ACCOUNTS

1 JANUARY 2006

REGISTERED NUMBER 451593

DIRECTORS' REPORT

The directors present their report, together with the accounts, for the 52 week period ended 1 January 2006.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the Company is the publication of national newspapers. No significant change to this activity is expected in the forthcoming year.

On 3 January 2005, the Company sold its investment in The Spectator (1828) Limited to May Corporation Limited, the owner of the Company's parent company, for £20.0 million.

BUSINESS REVIEW

Turnover for 2005 showed a marginal increase from the previous period. In a challenging national newspaper advertising market the Daily Telegraph increased its share of the mid and quality display market. The Company held the overall advertising revenue decline to 4%. This was compensated for by a 2% increase in circulation revenue and a 9% increase in other revenues such as new media and enterprise activities.

Operating profit before exceptional items of £33.7m was 2% ahead of 2004. During the period costs were reduced through headcount and other ancillary cost savings. These savings were re-invested in product improvements, including greater colour availability, increased paginations with the introduction of the three section Monday to Friday Daily Telegraph and launch of new magazines for the Sunday Telegraph. Careful control of costs meant profitability could be maintained despite the difficult advertising market.

Exceptional costs of £45.8m include costs of £13.6m relating to the re-organisation of the company's operation and a provision of £32.2m for costs associated with the Company's move from Canary Wharf to new state of the art premises in Victoria, Central London. These new offices will provide an environment tailored to exploit the new multi-media world.

Conditions in the advertising market place are still challenging, however the strategy of providing increased colour capacity has shown signs of success in the early part of 2006.

After taking exceptional items, taxation and dividends into account, the retained profit was £9.5 million *(2004: £9.5 million)*.

No dividends were declared on the ordinary shares during the period *(2004: nil)*. The directors do not recommend the payment of a final dividend *(2004: nil)*.

DIRECTORATE

The following acted as directors during the period:

A S Barclay – Chairman
M MacLennan – Chief Executive Officer
C J Allwood - Managing Director – appointed as a director 1 May 2005
H M Barclay
R K Mowatt
P Peters
M Seal
The Hon J W Deedes - ceased to be a director 17 October 2005
K T Fletcher – ceased to be a director 31 August 2005
N O'Donnell-Keenan - ceased to be a director 17 January 2005

DIRECTORS' REPORT – CONTINUED

DIRECTORS' INTERESTS IN SHARES AND REMUNERATION

Details of directors' remuneration for the period are set out in note 4 to the accounts.

Under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 directors of the Company are exempt from the obligation otherwise imposed by s324 Companies Act 1985 to notify the Company of an interest in shares in, or debentures of, the Company, or any other body corporate, being the Company's subsidiary or holding Company or a subsidiary of the Company's holding company, which is based overseas.

EMPLOYEES

Work experience students are offered placements during the summer. GCSE students are introduced to areas of the Company's operations and undergraduates are employed for varying periods of time in different departments.

The Company offers equal employment opportunities to disabled persons and suitable retraining is provided wherever practicable for employees who become disabled during service.

FINANCIAL INSTRUMENTS

The Company is not exposed to any significant interest rate risk. Currency transaction risk is not substantial as the majority of the Company's business is transacted in sterling.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period, the Company made charitable donations of £164,375 *(2004: £162,520)*, principally to charities associated with the newspapers and their employees. The Company made no political donations *(2004: nil)*.

ELECTIVE RESOLUTIONS

At the extraordinary general meeting held on 5 August 1996 the members invoked section 379A of the Companies Act 1985 ("the Act") by passing elective resolutions:

(i) as permitted by section 252 of the Act, to dispense with the laying of accounts and reports before the Company in general meeting;
(ii) as permitted by section 366A of the Act, to dispense with the holding of annual general meetings; and
(iii) as permitted by section 386 of the Act, to dispense with the obligation to appoint auditors annually.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board
For and on behalf of Telegraph Secretarial Services Limited in its capacity as secretary.

Director
28 June 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TELEGRAPH GROUP LIMITED

We have audited the financial statements of Telegraph Group Limited for the 52 week period ended 1 January 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 1 January 2006 and of its profit for the period then ended; and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

28 June 2006

PROFIT AND LOSS ACCOUNT
for the 52 week period ended 1 January 2006

	Notes	Before Exceptional Items £m	Exceptional Items *(see note 6)* £m	Total 2005 £m	Before Exceptional Items £m	Exceptional Items *(see note 6)* £m	Total 2004 (restated - *see note 2)* £m
Turnover	2	**322.8**	-	**322.8**	321.4	-	321.4
Cost of sales		**(223.3)**	-	**(223.3)**	(219.8)	-	(219.8)
Gross profit		99.5	-	99.5	101.6	-	101.6
Distribution costs		**(34.7)**	-	**(34.7)**	(36.6)	-	(36.6)
Administrative expenses		**(31.1)**	**(45.8)**	**(76.9)**	(31.9)	(1.5)	(33.4)
Operating (loss)/profit		**33.7**	**(45.8)**	**(12.1)**	33.1	(1.5)	31.6
Income from joint venture companies		-	-	-	4.1	-	4.1
Income from other fixed asset investments		-	-	-	0.2	-	0.2
Interest receivable and similar income	7	**1.3**	-	**1.3**	2.3	-	2.3
Profit/(loss) on sale of fixed asset investments	6	-	**17.5**	**17.5**	-	(0.6)	(0.6)
Amounts written off investments		-	-	-	-	(17.8)	(17.8)
Interest payable and similar charges	8	**(1.0)**	-	**(1.0)**	(0.6)	-	(0.6)
Profit on ordinary activities before taxation	3	**34.0**	**(28.3)**	**5.7**	39.1	(19.9)	19.2
Tax credit/(charge) on profit on ordinary activities	9	**(9.1)**	**12.9**	**3.8**	(10.2)	0.4	(9.8)
Profit for the period		24.9	(15.4)	9.5	28.9	(19.5)	9.4
Dividends payable -non-equity shares	10	-	-	-	0.1	-	0.1
Retained profit for the period	18	24.9	(15.4)	9.5	29.0	(19.5)	9.5

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the period ended 1 January 2006

	Notes	2005 £m	2004 £m
Profit for the period		**9.5**	9.4
Actuarial gain/(loss) on defined benefit pension section	22	**0.2**	(0.8)
Tax on actuarial gain/(loss) on defined benefit pension section		-	0.2
		0.2	(0.6)
Total recognised gains relating to the period		9.7	8.8

All the above results are derived from continuing operations.
The historical cost profit and loss is the same as that shown above.

The notes on pages 7 to 21 form part of these accounts.

BALANCE SHEET
at 1 January 2006

	Notes	2005 £m	2004 £m
Fixed assets			
Tangible assets	11	**12.4**	13.7
Investments	12	**1.6**	5.1
		14.0	18.8
Current assets			
Debtors	13	**190.2**	141.3
Cash at bank and in hand		**11.5**	27.9
		201.7	169.2
Creditors: amounts falling due within one year	14	**(72.5)**	(84.4)
Net current assets		**129.2**	84.8
Total assets less current liabilities		**143.2**	103.6
Creditors: amounts falling after more than one year	15	**(0.7)**	(0.5)
Provisions for liabilities and charges	16	**(31.8)**	(2.1)
Net assets		**110.7**	101.0
Capital and reserves			
Called up share capital	17	**19.7**	19.7
Share premium account	18	**-**	160.1
Capital redemption and other reserves	18	**-**	0.5
Pensions reserve	18	**(0.3)**	(0.5)
Profit and loss account	18	**91.3**	(78.8)
Total shareholders' funds	19	**110.7**	101.0

These financial statements on pages 5 to 21 were approved by the board on 28 June 2006 and signed on its behalf by

Director   **Director**

The notes on pages 7 to 21 form part of these accounts.

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Basis of accounting

The Company uses 52/53 week accounting and has drawn up its accounts for the 52 week period to 1 January 2006. The previous accounting period was the year and two days ended 2 January 2005. The 52 weeks to 1 January 2006 and balances at that date are referred to as relating to 2005 in these financial statements. The period 1 January 2004 to 2 January 2005 and balances at 2 January 2005 are referred to as relating to 2004.

The accounts are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

The Company is exempt under section 228 of the Act from the requirement to prepare group accounts because it is a wholly owned subsidiary of a Company established under the law of a member state of the European Community. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company is exempt from the requirement of FRS 1 (Revised) to prepare a cash flow statement as it is a subsidiary undertaking of Press Acquisitions Limited, whose consolidated accounts include such a statement.

The Company has adopted FRS21 - Events After The Balance Sheet Date - and FRS25 - Financial Instruments: Disclosure And Presentation - in these financial statements. The adoption of these accounting statements did not effect the current period or comparative figures.

(b) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost represents the cost of acquisition or construction, including the direct costs of financing the acquisition or construction until the asset comes into use.

Depreciation is calculated so as to write off the cost, less residual value, of tangible fixed assets on a straight line basis over their expected useful economic lives which are as follows:

Buildings:	
Freehold	50 years
Leasehold	50 years or the lease term if under 50 years
Plant and machinery:	
Computer equipment	3-5 years
Furniture and fittings	10 years
Other	3-10 years

No depreciation is charged on freehold land.

(c) Investments

Investments acquired with the intention that they will be held for the long term are stated at cost less provision, if appropriate, for any permanent diminution in value.

(d) Finance leases

Where asset purchases are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright, and the corresponding liabilities are shown as obligations under finance leases.

Rental payments under finance leases are apportioned between capital and interest, the interest portion being charged to the profit and loss account and the capital portion reducing the obligations to the lessor.

1. ACCOUNTING POLICIES – CONTINUED

(e) Operating leases

Rental costs arising under operating leases are charged to the profit and loss account over the life of the lease.

(f) Stocks

Stocks are stated at the lower of cost and net realisable value.

(g) Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised for all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the Company's taxable profit and loss and its results as stated in the financial statements. No deferred tax is recognised on permanent differences.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised only to the extent that it is considered more likely that not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(h) Pension costs

The Company's pension arrangements are explained in note 22.

Defined contribution schemes

The costs of defined contribution schemes are charged to the profit and loss account as the obligation to pay arises.

Defined benefit scheme

The Company also participates in a defined benefit scheme. The assets of this scheme are measured at their market value at the balance sheet date. The liabilities are measured using the projected unit method with a discount rate equal to the rate of return on a AA corporate bond of equivalent term and currency. The extent to which the scheme's assets exceed its liabilities is shown as a surplus in the balance sheet to the extent that a surplus is recoverable by the Group. The extent to which the scheme's assets fall short of its liabilities is shown as a deficit in the balance sheet, net of the related deferred tax asset, to the extent that a deficit represents an obligation of the Company.

The following are charged to operating profit in the period:

(i) The increase in the present value of scheme liabilities arising from employee service in the period; and

(ii) Gains and losses arising on settlements/curtailments in the period.

In addition, any increase in the present value of scheme liabilities resulting from benefit improvements is recognised over the period during which such improvements vest.

A credit representing the expected return on the scheme's assets and a charge relating to the increase in the present value of the scheme's liabilities are included in other finance income.

Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

1. ACCOUNTING POLICIES – CONTINUED

(i) Turnover

Turnover represents sales to third parties of newspapers (net of returns), advertising space and related goods and services and is stated net of commissions and trade discounts, and excludes value-added tax and other sales taxes. Newspaper and advertising revenue is recognised on the date of publication.

(j) Foreign currency translation

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the day the transaction occurs. Assets and liabilities denominated in a foreign currency are translated at the rate ruling on the balance sheet date ("the closing rate") or, if appropriate, at the forward contract rate. All exchange differences are taken to the profit and loss account.

2. TURNOVER

Substantially all turnover and operating profit arises from the publication of newspapers within the United Kingdom which are all continuing operations.

Allowances given to wholesalers for the insertion of sections into the Company's newspapers totalling £7.6 million *(2004: £8.0 million)* previously deducted from turnover have now been classified as distribution costs in these financial statements. The prior period figures have been amended accordingly. The directors believe that the revised treatment represents a fairer representation of the substance of the transactions.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

		2005 £m	2004 £m
Operating lease rentals	– land and buildings	**6.0**	6.1
Depreciation	- Owned tangible fixed assets	**3.6**	4.4
	- Tangible fixed assets held under finance leases	**0.4**	0.8
		4.0	5.2
Auditor's remuneration	– audit services	**0.1**	0.1

4. DIRECTORS' EMOLUMENTS

(a) Emoluments of the Directors:

	2005 £m	2004 £m
Salaries and benefits	**1.1**	1.4
Company contributions to money purchase pension schemes	**0.1**	0.2
Compensation for loss of office	**0.6**	0.2
	1.8	1.8

The contributions made by the Company to the money purchase pension scheme were on behalf of four *(2004: five)* directors.

(b) Emoluments of the highest paid director:

	2005 £m	2004 £m
Salary and benefits	**0.6**	0.4
Pension contributions	**-**	0.1
	0.6	0.5

4. DIRECTORS' EMOLUMENTS – CONTINUED

(c) Directors' interests in shares and debentures

None of the directors who held office at the period end had any disclosable interest in the shares of the Company or any other company in the UK group.

5. EMPLOYEE INFORMATION

(a) Average number of persons (including directors) employed by the Company during the period:

	2005	2004
Editorial and production	573	599
Selling, distribution and administration	498	559
	1,071	1,158

Almost all of the staff included above have contracts with Telegraph Publishing Limited, a subsidiary of the Company. As all charges under these contracts are met directly by the Company, for the purposes of the annual accounts of the two companies, the directors regard these staff as being employed by Telegraph Group Limited.

(b) Employment costs (including directors):

		2005 £m	2004 £m
Wages and salaries		51.6	52.4
Social security costs		6.1	6.4
Pension costs *(see note 22)*	- defined contribution schemes	3.5	4.0
	- current service cost of defined benefit schemes	1.0	0.9
	- ex gratia increase	0.8	-
Total direct costs of employment		63.0	63.7

6. EXCEPTIONAL ITEMS

	2005 £m	2004 £m
Charged to administrative expenses:		
Relocation costs *(see (a) below)*	(32.2)	-
Reorganisation costs *(see (b) below)*	(13.6)	(1.5)
	(45.8)	(1.5)
Credited/(charged) to profit/(loss) on sale of fixed asset investments *(see (c) below)*	17.5	(0.6)
	(28.3)	(2.1)

(a) Relocation costs

In December 2005, the Company announced that during 2006 it intended to relocate its operations currently situated at Canary Wharf, London to premises in central London. The Company will seek tenants for the space it currently leases at Canary Wharf. The costs shown above represent the discounted costs less proceeds of this lease.

(b) Reorganisation costs

The restructuring costs represent the cost of restructuring the Company's operations and include the costs of staff redundancies carried out to improve the efficiency and effectiveness of those operations.

6. EXCEPTIONAL ITEMS - CONTINUED

(c) The Spectator (1828) Limited

The profit on sale of fixed asset investments arises from the sale, on 3 January 2005, of the Company's wholly owned subsidiary, The Spectator (1828) Limited, to May Corporation Limited, the holding company of the Company's parent company, for £20.0 million.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

		2005 £m	2004 £m
Interest receivable	– from subsidiary companies	-	0.4
	– from joint venture companies	-	0.1
	– bank interest	1.3	1.7
		1.3	2.2
Exchange gains		-	0.1
		1.3	2.3

8. INTEREST PAYABLE AND SIMILAR CHARGES

		2005 £m	2004 £m
Interest payable	- to parent company	-	0.1
	- to subsidiary companies	-	0.1
	- to joint venture companies	0.2	0.3
	- to banks	0.4	-
		0.6	0.5
Finance lease charges		-	0.1
Exchange loss		0.4	-
		1.0	0.6

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £m	2004 £m
Analysis of credit/(charge) in period		
Current tax:		
UK corporation tax on profits for the period	-	(10.9)
Adjustments relating to previous periods *(see below)*	2.0	-
Total current tax credit/(charge)	2.0	(10.9)
Deferred tax:		
Origination and reversal of pensions timing differences *(see note 22)*	(0.2)	-
Origination and reversal of other timing differences	2.4	1.0
Adjustments in respect of previous periods	(0.4)	0.1
Total of other timing differences *(see note 13b)*	2.0	1.1
Total deferred tax credit	1.8	1.1
Tax credit/(charge) on profit on ordinary activities	3.8	(9.8)

The adjustments relating to previous period's current taxation relate largely to consortium relief received relating to prior periods for which no charge will be made to the Company.

9. TAX ON PROFIT ON ORDINARY ACTIVITIES - CONTINUED

Factors affecting the tax credit/(charge) for the current period

The current tax credit/(charge) for the period is lower *(2004: higher)* than the standard rate of corporation tax in the UK (30%) *(2004: 30%)*. The differences are explained below:

	2005 £m	2004 £m
Profit on ordinary activities before tax	5.7	19.2
Current tax at 30% *(2004: 30%)*	**(1.7)**	(5.7)
Effects of:		
Expenses not deductible for tax purposes	**(1.3)**	(1.0)
Income not chargeable for tax purposes	-	1.3
Investment write downs not allowable for tax purposes	-	(5.1)
Profit on sale of fixed asset investment not chargeable to tax	**5.2**	-
Capital allowances in excess of depreciation	**0.2**	(0.1)
Unutilised tax losses	**(1.3)**	-
Other timing differences	**(1.1)**	(0.3)
Adjustments to tax charge in respect of previous periods	**2.0**	-
Total current tax credit/(charge) (as stated)	**2.0**	(10.9)

10. DIVIDENDS PAYABLE

The dividend payable credit of £0.1 million in 2004 related to the reversal of an allowance for accrued preference share dividends.

11. TANGIBLE FIXED ASSETS

	Land & Buildings £000	Plant & Machinery £000	Total £000
Cost:			
Opening balance	10.2	60.9	71.1
Additions	0.5	2.3	2.8
Disposals	-	(0.8)	(0.8)
Closing balance	10.7	62.4	73.1
Depreciation:			
Opening balance	4.5	52.9	57.4
Charge for the period	0.3	3.7	4.0
Disposals	-	(0.7)	(0.7)
Closing balance	4.8	55.9	60.7
Net book value:			
Owned assets	5.9	5.2	11.1
Assets held under finance leases	-	1.3	1.3
Closing balance	5.9	6.5	12.4
Opening balance	5.7	8.0	13.7

Land and buildings at net book value as above:

	2005 £m	2004 £m
Freehold land	**1.3**	1.3
Long leasehold buildings	**2.3**	2.5
Short leasehold buildings	**2.3**	1.9
	5.9	5.7

12. INVESTMENTS

	Shares in Subsidiary Companies - see (a) below £m	Loans to Joint Venture Companies - see (b) below £m	Other £m	Total £m
Opening balance	2.5	2.5	0.1	5.1
Loans advanced less repayments	-	(1.0)	-	(1.0)
Disposals	(2.5)	-	-	(2.5)
Closing balance	-	1.5	0.1	1.6

Details of the principal subsidiary and joint venture companies are given in note 25.

(a) **Shares in group undertakings - The Spectator (1828) Limited - Nil** ***(2004: £2.5 million)***

On 3 January 2005, the Company sold its investment in its wholly owned subsidiary, The Spectator (1828) Limited, to May Corporation Limited, the owner of the Company's parent company, for £20.0 million.

(b) **Loans to joint venture companies**

The loans to joint venture companies have no fixed terms of repayment and do not bear interest.

(c) **Details of significant investments in joint venture companies**

The Company's share of net assets of joint venture companies was:

	2005 £m	£m	2004 £m	£m
Share of assets				
Share of fixed assets	**59.3**		53.8	
Share of current assets	**17.0**		14.9	
		76.3		68.7
Share of liabilities				
Due within one year	**(18.2)**		(15.8)	
Due after one year	**(40.5)**		(36.4)	
Provisions for liabilities and charges				
Deferred taxation	**(4.6)**		(4.9)	
Pensions provisions	**(14.0)**		(13.7)	
		(77.3)		(70.8)
Company's share of net assets		**(1.0)**		(2.1)

12. INVESTMENTS – CONTINUED

(c) **Details of significant investments in joint venture companies - continued**

The Company's share of the results and net assets of its principal joint venture companies were as shown below. The comparative figures have been adjusted to reflect the adoption by the joint ventures of the provisions of FRS17 – Retirement Benefits – and FRS25 – Financial Instruments.

West Ferry Printers Limited

	2005 £m	2004 £m
Turnover	35.8	38.6
Profit before tax	2.3	4.8
Taxation	(0.7)	(1.5)
Profit after tax	1.6	3.3
Fixed assets	26.7	29.7
Current assets	6.1	6.4
Liabilities due within one year	(7.6)	(7.4)
Liabilities due after more than one year	(17.3)	(22.0)
Provisions for liabilities and charges		
Deferred taxation	(3.3)	(3.0)
Pensions provision	(11.9)	(11.1)
Net liabilities	(7.3)	(7.4)

Trafford Park Printers Limited

	2005 £m	2004 £m
Turnover	14.0	12.8
Profit before tax	1.5	0.5
Taxation	(0.5)	(0.1)
Profit after tax	1.0	0.4
Fixed assets	32.6	24.1
Current assets	2.4	2.4
Liabilities due within one year	(3.7)	(3.8)
Liabilities due after more than one year – including finance lease obligations *(see below)*	(21.7)	(12.9)
Provisions for liabilities and charges		
Deferred taxation	(1.3)	(1.9)
Pensions provision	(2.1)	(2.6)
Net assets	6.2	5.3

Net rentals under finance leases

	2005 £m	2004 £m
Due within one year	2.0	1.4
Due within two to five years	6.8	5.1
Due after five years	10.7	7.0
	19.5	13.5

12. INVESTMENTS – CONTINUED

Paper Purchasing & Management Limited

	2005 £m	2004 £m
Turnover	**70.9**	63.8
Profit before tax	**0.1**	0.1
Taxation	**-**	-
Profit after tax	**0.1**	0.1
Current assets	**8.5**	6.1
Liabilities due within one year	**(6.9)**	(4.6)
Liabilities due after more than one year	**(1.5)**	(1.5)
Net assets	**0.1**	-

13. DEBTORS

	2005 £m	2004 £m
Trade debtors	**41.2**	40.0
Amounts owed by parent companies *(see (a) below)*	**124.4**	70.0
Amounts owed by subsidiary companies	**0.1**	0.8
Other debtors	**1.6**	1.6
Corporation tax recoverable	**-**	1.4
Deferred taxation *(see (b) below)*	**0.3**	-
Other taxation and social security	**0.4**	-
Pension asset *(see note 22)*	**0.3**	-
Prepaid printing charges *(see (c) below)*	**14.2**	18.4
Other prepayments and accrued income	**7.7**	9.1
	190.2	141.3

(a) Amounts owed by parent companies

Amounts owed by parent companies include £108.6 million *(2004: £70.0 million)* due from Press Acquisitions Limited ("PAL"), the Company's immediate parent company, and £15.8 million *(2004: nil)* due from May Corporation Limited ("May"), the owner of PAL, under loan agreements. The loans do not bear interest and are denominated in sterling. The PAL loan is repayable in June 2007. The May loan has no fixed repayment terms.

(b) Deferred taxation

	2005 £m	2004 £m
Amount provided, representing the full potential liability:		
Capital allowances	**1.7**	2.3
Other timing differences	**(1.4)**	(4.0)
	0.3	(1.7)

	2005 £m
Movements on the provision:	
Opening provision	**(1.7)**
Credited to profit on ordinary activities *(see note 9)*	**2.0**
Closing asset	**0.3**

(c) Prepaid printing charges

These represent amounts paid in advance to West Ferry Printers Limited under the printing contract with that company. Of the balance shown, only £4.1 million *(2004: £4.1 million)* is recoverable within one year.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £m	2004 £m
Obligations under finance leases *(see note 15)*	**0.4**	0.4
Trade creditors	**21.6**	21.1
Amounts owed to parent companies	**5.4**	7.2
Amounts owed to subsidiary companies	**-**	4.2
Amounts owed to joint venture companies *(see below)*	**8.2**	6.7
Corporation tax	**0.5**	-
Other taxation and social security	**2.3**	5.5
Other creditors	**4.1**	9.2
Accruals and deferred income	**30.0**	30.1
	72.5	84.4

Amounts owed to joint venture companies

Amounts owed to joint venture companies include a balance due to West Ferry Printers Limited of £0.3 million *(2004: nil)* with interest charged at base rate plus 2%. There are no fixed terms of repayment. All other balances are current accounts and are interest free.

15. CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	2005 £m	2004 £m
Obligations under finance leases repayable:		
Within one year	**0.4**	0.4
In more than one year but less than five years	**0.8**	0.6
Total obligations	**1.2**	1.0
Less: future finance charges included in obligations	**(0.1)**	(0.1)
Net obligations	**1.1**	0.9
Less: classified as a current creditor *(see note 14)*	**(0.4)**	(0.4)
Net long term obligations	**0.7**	0.5

These obligations are secured on the assets leased.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	2005 £m	2004 £m
Deferred taxation *(see note 13b)*	**-**	1.7
Lease provision *(see below)*	**31.8**	-
Pensions provision *(see note 22)*	**-**	0.4
	31.8	2.1

Provision for losses on Canary Wharf lease

	2005 £m	2004 £m
Opening balance	-	-
Charged to profit on ordinary activities	32.2	-
Payments made in the period	(0.4)	-
Closing balance	**31.8**	-

In December 2005, the Company announced that during 2006 it intended to relocate its operations currently situated at Canary Wharf, London to premises in central London. The Company will seek tenants for the space it currently leases at Canary Wharf and the provision shown above represents the discounted costs less proceeds of this lease. The provision covers the period to the expiry of the Canary Wharf lease in 2017.

17. CALLED UP SHARE CAPITAL

	£m
Authorised:	
1,703,000,000 ordinary shares of £1 each	**1,703.0**
Issued, called up and fully paid:	
19,747,466 ordinary shares of £1 each	**19.7**

18. SHARE PREMIUM AND RESERVES

	Share Premium Account £m	Capital Redemption Reserve £m	Pension Reserve £m	Profit and Loss Account £m
Opening balance	160.1	0.5	(0.5)	(78.8)
Transfer *(see below)*	(160.1)	(0.5)	-	160.6
Retained profit for the period	-	-	-	9.5
Actuarial gain on pension scheme in period	-	-	0.2	-
Closing balance	-	-	(0.3)	91.3

On 11 January 2005 a court order was obtained under section 138 of the Companies Act 1985 to cancel the entire balance on the Share Premium Account and Capital Redemption Reserve to eliminate the deficit on the Profit and Loss Account of the Company and, subject to the protection of creditors, to create a distributable reserve. These balances were accordingly transferred to the Profit and Loss Reserve at that time.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £m	2004 £m
Profit for the period	**9.5**	9.4
Less: Dividends payable	**-**	0.1
Retained profit for the period	**9.5**	9.5
Actuarial gain/(loss) on defined benefit pension section *(see note 22)*	**0.2**	(0.8)
Deferred tax on actuarial gain/(loss) on defined benefit pension section	**-**	0.2
Net addition to shareholders' funds	**9.7**	8.9
Opening shareholders' funds	**101.0**	92.1
Closing shareholders' funds	**110.7**	101.0

20. COMMITMENTS

	2005 £m	2004 £m
Annual commitments under non-cancellable land & building leases which expire:		
Within one year	**0.7**	-
Between one to five years	**0.3**	1.0
After five years	**5.4**	5.4
	6.4	6.4

21. GUARANTEES

The Company has guaranteed certain bank borrowings of its parent company, Press Acquisitions Limited. At the period end these borrowings amounted to £264.0 million *(2004: £275.0 million)*. Charges in favour of the lender exist over all the Company's assets.

22. PENSIONS

The Company operates two pension schemes. The first, the Telegraph Staff Pension Plan ("the Plan") is a hybrid pension scheme, being part defined contribution and part defined benefit, and covers the majority of the Company's employees. The second, The Telegraph Executive Pension Scheme ("TEPS"), is a defined contribution scheme, which provides benefits for senior executives.

Benefits from the Defined Contribution Section of the Plan and from TEPS arise directly as a result of contributions paid by members and the Group, and from the investment performance of assets into which contributions were invested.

The Defined Benefit Section of the Plan is made up of the Insurance Fund and the Protected Fund as follows:

- The Insurance Fund is used to pay benefits in respect of active members who die in-service or take ill-health early retirement. In addition it also meets the final salary promise which was given to a closed group of former members of The Daily Telegraph Group Pension Fund ("the Group Fund") who transferred to the Plan. Expenses of the Plan are also met from this section.

- The Protected Fund is used to pay the benefits in respect of a closed group of deferred pensioners from the Group Fund who transferred to the Plan in 1998 following the wind-up of the Group Fund.

Triennially a qualified actuary performs a valuation of the arrangements. The most recent valuation of the Plan was carried out at 31 March 2003 using the Projected Unit Method and involved calculation of a funding target which was then compared to the actual assets held. Contributions are then calculated in order to meet and maintain this target in the future.

The benefits arising from the Defined Contributions Section of the Plan and from TEPS are exactly balanced by the assets held and thus do not contribute towards any surplus or deficit within the Plan; the funding target is equal to the assets held.

The funding target for the Protected Fund and that of the promise provided under the Insurance Fund was set as the estimated cost of purchasing annuities from an insurance company using an approximate basis provided by an insurer. The funding target for the ill-health pensioners was calculated assuming an investment return of 1% pa above gilts.

An appropriate allowance in the future contribution rate is made for future benefits in respect of the defined benefit promise, ill-health retirement, death in service and expenses.

The most recent actuarial valuation showed that the market value of the Plan's assets was £72.7 million at 31 March 2003 and that the value of those assets represented 96% of the funding target. The Company's contributions in excess of those paid to the Defined Contribution Section were increased from 2.0% to 2.5% of basic salaries with effect from 1 January 2004 and further increased to 3.5% on 1 June 2005.

At 1 January 2006 contributions of £0.4 million *(2004: £0.5 million)* were due to the Plan.

During the period, the Company granted an *ex gratia* increase on certain pensions on payment. The capital cost of this increase was estimated to be £0.8 million *(2004: nil)* of which £0.7 million used to purchase increased annuities during the period. The remaining amount outstanding of £0.1 million *(2004: nil)* is included in accruals and deferred income.

22. PENSIONS – CONTINUED

The Protected Fund and the Insurance Fund

The full actuarial valuation carried out for the Protected Fund and the Insurance Fund as at 31 March 2003 has been updated to 1 January 2006 by a qualified actuary on a basis consistent with FRS 17 using the following major assumptions:

	2005	2004	2003
Inflation	**2.8%**	2.9%	2.7%
Discount rate	**4.8%**	5.3%	5.4%
Rate of increase in pensions in payment	**2.8%**	2.7%	2.6%
Rate of increase in salaries	**3.8%**	3.9%	3.7%

The Protected Fund and the Insurance Fund asset/(provision) using these assumptions was:

	2005 Actuary's Expected Return	2005 Value £m	2004 Actuary's Expected Return	2004 Value £m	2003 Actuary's Expected Return	2003 Value £m
Equities	**7.3%**	**3.0**	8.0%	2.4	7.7%	3.7
Bonds	**4.8%**	**-**	5.3%	-	5.4%	0.3
Gilts	**4.0%**	**12.1**	4.6%	11.8	4.7%	9.9
Other	**4.2%**	**0.2**	4.5%	0.2	4.6%	0.3
Total market value of assets		**15.3**		14.4		14.2
Present value of liabilities		**(14.9)**		(14.9)		(14.2)
Surplus/(deficit) in the Plan		**0.4**		(0.5)		-
Related deferred tax at 30% *(see below)*		**(0.1)**		0.1		-
Net pension asset/(provision)		**0.3**		(0.4)		-

Movements on the related deferred tax asset:

	£m
Opening balance	**0.1**
Charged to profit on ordinary activities *(see note 9)*	**(0.2)**
Closing balance	**(0.1)**

Movement in the Protected Fund and the Insurance Fund deficit during the period:

	2005 £m	2004 £m
Deficit at start of period	**(0.5)**	-
Current service cost	**(1.0)**	(0.9)
Contributions	**1.7**	1.2
Estimated actuarial gain/(loss) (included in the statement of total recognised gains and losses)		
Actual returns less expected return on pension assets	**1.2**	0.6
Experience gain on pension liabilities	**0.3**	-
Loss due to changes in assumptions underlying the valuation of liabilities	**(1.3)**	(1.4)
	0.2	(0.8)
Asset/(deficit) at end of period	**0.4**	(0.5)

22. PENSIONS – CONTINUED

History of experience gains and losses

	2005 £m	2004 £m	2003 £m	2002 £m
Actual return less expected return on scheme assets	**1.2**	0.6	(0.3)	(0.7)
Percentage of scheme assets	***8%***	*4%*	*(2%)*	*(4%)*
Experience gains on scheme liabilities	**0.3**	-	0.5	0.5
Percentage of the present value of the scheme liabilities	***2%***	-	*3%*	*3%*
Gains/(losses) recognised in the statement of total recognised gains and losses	**0.2**	(0.8)	(0.5)	(3.1)
Percentage of the present value of the scheme liabilities	***2%***	*(5%)*	*(3%)*	*(20%)*

23. RELATED PARTIES

As all of the Company's voting rights are controlled within the group headed by Press Acquisitions Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group or are disclosed in the group accounts.

RELATED PARTY TRANSACTIONS WITH JOINT VENTURES

	2005 £m	2004 £m
West Ferry Printers Limited		
Printing charges payable	**19.6**	18.9
Dividends receivable	-	4.1
Interest payable	**0.2**	0.3
Loans advanced to Company	**4.5**	4.4
Loans repaid to joint venture	**4.3**	7.9
Trafford Park Printers Limited		
Printing charges payable	**11.5**	11.0
Interest receivable	-	0.1
Loans repaid to Company	**1.0**	-
Paper Purchase & Management Limited		
Newsprint and magazine paper charges payable	**62.5**	60.4

RELATED PARTY BALANCES RECEIVABLE AND PAYABLE FROM AND TO JOINT VENTURES

	2005 £m	2004 £m
Included in creditors: amounts falling due within one year - amounts owed to joint venture companies		
West Ferry Printers Limited	**2.0**	1.3
Trafford Park Printers Limited	-	0.8
Paper Purchase & Management Limited	**6.2**	4.6
	8.2	6.7
Included in investments - loans to joint venture companies		
Trafford Park Printers Limited	-	1.0
Paper Purchase & Management Limited	**1.5**	1.5
	1.5	2.5

24. ULTIMATE CONTROLLING PARTY

The Company's immediate holding company is Press Acquisitions Limited, incorporated in Great Britain, which the directors regard as being ultimately controlled by the Trustees of the David and Frederick Barclay Family Settlements.

The largest and smallest group in which the results of the Company are consolidated is that of which Press Acquisitions Limited is the parent company. The consolidated accounts of Press Acquisitions Limited may be obtained from its registered office, 20 St James's Street, London SW1A 1ES.

25. SUBSIDIARY AND JOINT VENTURE COMPANIES

The directors consider that to give particulars of all subsidiary and joint venture companies would lead to a statement of excessive length. A full list of all such companies will be included in the Company's annual return. At 1 January 2006 the Company had no active subsidiaries. The principal joint venture companies were:

Name	Nature of Business
Trafford Park Printers Limited	Printer
West Ferry Printers Limited	Printer
Paper Purchase & Management Limited	Newsprint supplier

Each of the joint venture companies is a joint venture between the Company and a third party. In each case the Company holds all the A Ordinary shares (including all the voting rights on these shares) and these represent 50% of the aggregate issued ordinary share capital. All the joint ventures are incorporated and principally operate in Great Britain and registered in England and Wales.