PRESS ACQUISITIONS LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2006

REGISTERED NUMBER 5098596

DIRECTORS' REPORT

The directors present their report together with the audited financial statements, for the 52 week period ended 31 December 2006

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

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

BUSINESS REVIEW

The information that fulfils the requirements of Companies Act 1985 (Operating and Financial Review and Directors' Report etc) Regulations 2005 can be found in the financial statements of the Company's principal subsidiary, Telegraph Media Group Limited (Telegraph) The financial statements of the Telegraph may be obtained from its registered office, 111 Buckingham Palace Road, London SW1W 0DT

The consolidated operating profit before exceptional items for the period was £36 5 million *(2005 £37 7 million)* No dividends were declared (2005 nil)

DIRECTORS

The directors who held office during the period were as follows

A S Barclay
H M Barclay
R K Mowatt
P L Peters
M Seal

EMPLOYEES

The Company's subsidiary, the Telegraph, continues to offer career enhancement to its employees by way of management and personal development courses Information Technology training continues to offer a wide range of internal IT workshops to 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

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole Communication with all employees continues through regular heads of department briefings and Telegraph intranet

FINANCIAL INSTRUMENTS

The Group is exposed to interest rate risk In view of the forecast low interest rate environment no debt is hedged at 31 December 2006 The Group seeks to maintain standard terms for all its financial covenants where possible Currency transaction risk is not substantial as the majority of the Group's business is in sterling The Group seeks to maintain standard terms for all its financial covenants where possible The Group's covenants are monitored on an ongoing basis with formal testing at each quarter end

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period the Group made charitable donations of £76,083 *(2005 £164,375)*, principally to charities associated with the newspaper and its employees The Group made no political donations

DIRECTORS' REPORT - CONTINUED

ELECTIVE RESOLUTION

Elective resolutions have been passed pursuant to the Companies Act 1985 on 9 December 2004

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

STATEMENT OF DIRECTOR'S DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant information and to establish that the company's auditors are aware of that information

By order of the Board

Broomfield Secretarial Services Limited
for and on behalf of Broomfield Secretarial Services Limited in its capacity as secretary
22 June 2007

Independent auditors' report to the members of Press Acquisitions Limited

We have audited the group and parent company financial statements (the "financial statements") of Press Acquisitions Limited for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the group and company balance sheets, the consolidated cash flow statement, the consolidated group statement of total recognised gains and losses and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises only the Directors' Report We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

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 group's and 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 group's and the parent company's affairs as at 31 December 2006 and of the group's loss and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP 22 June 2007
Chartered Accountants and Registered Auditors
London

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 52 week period ended 31 December 2006

	Notes	Before Exceptional Items £m	Exceptional Items (*see note 4*) £m	Total 2006 £m	Before Exceptional Items £m	Exceptional Items (*see note 4*) £m	Total 2005 £m
Turnover (including share of joint ventures)	2	449.7	-	449.7	439 8	-	439 8
Less share of joint ventures' turnover		(108 7)	-	(108.7)	(116 9)	-	(116 9)
Turnover		341.0		341.0	322 9	-	322 9
Cost of sales		(232.9)	-	(232.9)	(219 2)	-	(219 2)
Gross profit		108 1	-	108 1	103 7	-	103 7
Distribution costs		(35.1)	-	(35 1)	(34 7)	-	(34 7)
Administrative expenses		(36.5)	(21.9)	(58 4)	(31 3)	(45 8)	(77 1)
Operating (loss)/profit		36.5	(21.9)	14.6	37 7	(45 8)	(8 1)
Loss on sale of fixed assets		-	(1 6)	(1.6)	-	-	-
Share of operating profit in joint ventures	7	3 2	-	3.2	0 8	-	0 8
Interest receivable and similar income – other income		1 3	-	1 3	1 4	-	1 4
Share of interest receivable and similar income in joint ventures		0 6	-	0 6	0 2	-	0 2
Interest payable and similar charges	8	(23.9)	(1.5)	(25.4)	(26 0)	-	(26 0)
Share of interest payable and similar charges in joint ventures		(1.5)	-	(1.5)	(1 2)	-	(1 2)
(Loss)/profit on ordinary activities before taxation	3	16.2	(25.0)	(8 8)	12 9	(45 8)	(32 9)
Tax on (loss)/profit on ordinary activities	9	(8.5)	7.5	(1.0)	(10 7)	12 9	2 2
Retained (loss)/profit for the period	20	7 7	(17.5)	(9 8)	2 2	(32 9)	(30 7)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 week period ended 31 December 2006

	Notes	2006 £m	2005 £m
Loss for the period		(9 8)	(30 7)
Actuarial gain/(loss) on defined benefit pension schemes		5.6	(2 0)
Tax on actuarial gain/(loss) on defined benefit pension schemes		(1.5)	0 6
	19	4.1	(1 4)
Total losses recognised in period		(5.7)	(32 1)

All the above results relate to continuing activities of Telegraph Media Group Limited
The historical cost profit and loss is the same as that shown above
The notes on pages 7 to 26 form part of these financial statements

BALANCE SHEET
at 31 December 2006

		The Group		The Company	
		2006	2005	2006	2005
	Notes	£m	£m	£m	£m
Fixed assets					
Intangible assets	11	629.3	629 3	-	-
Tangible assets	12	26.4	14 3	-	-
Investments	13				
Investments in joint ventures					
Share of gross assets		73.8	76 3	-	-
Share of gross liabilities		(60 1)	(67 2)	-	-
		13.7	9 1	-	-
Loans to joint ventures		1 5	1 5	-	-
Total investment in joint ventures		15 2	10 6	-	-
Investments in subsidiary undertakings		-	-	736.8	736 8
Other investments		0 1	0 1	-	-
Total investments		15 3	10 7	736.8	736 8
		671.0	654 3	736.8	736 8
Current assets					
Debtors	14	60.4	71 4	-	3 5
Cash at bank and in hand		27.9	36 7	1.2	25 2
		88 3	108 1	1.2	28 7
Creditors amounts falling due within one year	15	(98.4)	(79 3)	(16.8)	(10 3)
Net current assets/(liabilities)		(10 1)	28 8	(15.6)	18 4
Total assets less current liabilities		660 9	683 1	721 2	755 2
Creditors· amounts falling due after more than one year	16	(237 3)	(251 5)	(351 8)	(359 4)
Provisions for liabilities and charges – lease provision	17	(30 7)	(31 8)	-	-
Net assets excluding pension asset		392.9	399 8	369.4	395 8
Pension asset	23	1 5	0 3	-	-
Net assets including pension asset		394 4	400 1	369.4	395 8
Capital and reserves					
Called up share capital	18	429 0	429 0	429.0	429 0
Pensions reserve	19	1.8	(2 3)	-	-
Profit and loss account	20	(36.4)	(26 6)	(59.6)	(33 2)
Total shareholders' funds	21	394 4	400 1	369.4	395 8

These financial statements on pages 4 to 26 were approved by the board of directors on 22 June 2007 and were signed on its behalf by

Director **Director**

The notes on pages 7 to 26 form part of these accounts

INFORMATION ON CONSOLIDATED CASH FLOWS

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATIONS

	2006 £m	2005 £m
Operating (loss)/profit	14.6	(8 1)
Exceptional items *(see note 4)*	21 9	45 8
Operating profit before exceptional items	36.5	37 7
Depreciation	3 6	4 1
	40.1	41 8
Exceptional items paid *(see note 4)*	(15.5)	(13 6)
Movement in		
Debtors	8 1	1 4
Creditors	11.5	(2 5)
Provisions	(4.9)	(0 4)
Net cash inflow from operating activities	39.3	26 7

CONSOLIDATED CASH FLOW STATEMENT

for the 52 week period ended 31 December 2006

	2006		2005	
	£m	£m	£m	£m
Net cash inflow from operating activities		39 3		26 7
Dividends from joint ventures		0.1		-
Interest received	1.3		1 4	
Interest paid	(15 9)		(31 0)	
Returns on investments and servicing of finance		(14.6)		(29 6)
Taxation		(0.4)		(3 2)
Purchase of tangible fixed assets	(22 1)		(2 0)	
Proceeds from sale of tangible fixed assets	4 8		0 1	
Capital expenditure and financial investment		(17 3)		(1 9)
Price adjustment relating to purchase of subsidiary	-		1 9	
Acquisitions and disposals		-		1 9
Proceeds of share issue	-		25 0	
Payment of finance charges	(4.0)		-	
Repayment of bank loan	(11.5)		(11 0)	
Net proceeds/(repayment) of lease financing	0.1		(0 5)	
Net (repayments)/proceeds of loan from parent company	(0.2)		0 2	
Net (repayments)/proceeds of loans from joint venture companies	(0 3)		0 3	
Financing		(15 9)		14 0
Increase in cash and cash equivalents		(8.8)		7 9

The notes on pages 7 to 26 form part of these accounts

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

(a) Basis of preparation

The Group financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards

The Group financial statements consolidate the financial statements of Press Acquisitions Limited and its subsidiary undertakings (over which it exercises control) up to 31 December 2006 together with the joint venture undertakings to the extent of the Group's interest in those undertakings Unless otherwise stated, the acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

The 52 weeks to 31 December 2006 and balances at that date are referred to as relating to 2006 in these financial statements The 52 weeks to 1 January 2006 and balances at that date are referred to as relating to 2005

(b) Joint venture undertakings

A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control The Group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account, its share of other gains and losses is included in the consolidated statement of total recognised gains and losses and its interest in their gross assets and liabilities is included in investments in the consolidated balance sheet

(c) 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

(d) Intangible fixed assets

To give a true and fair view, the financial statements depart from the normal Companies Act requirement to amortise intangible fixed assets over a finite period The Directors consider this departure to be necessary as they believe that the publishing titles owned by the Group have an indefinite useful economic life They believe that the titles have demonstrated value over long periods and that, because of their position in the market, they will continue to do so for the foreseeable future, the *Telegraph* being established as a title in 1855 and trading successfully since that date The Directors believe that the titles' position in the market means that the titles will continue to demonstrate value for the foreseeable future Publishing titles are as a result included at cost less provision, if appropriate, for any permanent diminution in value The holding value is reviewed annually using a discounted cash flow analysis to determine whether any impairment has occurred It is not possible to quantify the impact of the departure from the normal Companies Act requirement as the Directors do not believe that the use of an alternative useful economic life for the purposes of comparison would be meaningful

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. ACCOUNTING POLICIES - CONTINUED

(e) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation Cost represents the cost of acquisition or construction 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	15-50 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
Printing presses	15-20 years
Other	3-10 years

No depreciation is charged on freehold land

(f) Investments

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

In the consolidated accounts, shares in joint ventures are accounted for using the equity method of accounting The consolidated profit and loss account includes the Group's share of the pre-tax results and attributable taxation of the joint ventures In the consolidated balance sheet, the shares in joint ventures are stated at the Group's share of the net asset value, excluding goodwill, of the joint ventures

(g) 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

(h) Operating leases

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

(i) Stocks

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. ACCOUNTING POLICIES - CONTINUED

(j) 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 Group'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, including those relating to losses potentially available for relief in future years, are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

(k) Pension costs

The Group's pension arrangements are explained in note 23

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 Group 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 and 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 Group

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 consolidated statement of total recognised gains and losses as they arise

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. ACCOUNTING POLICIES - CONTINUED

(l) 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 the Group turnover and operating profit arises from the publication of newspapers within the United Kingdom

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

			2006 £m	2005 £m
Operating lease rentals	- land and buildings		**14.4**	6 0
Depreciation	- owned tangible fixed assets		**3.1**	3 8
	- leased tangible fixed assets		**0.5**	0 3
			3.6	4 1
Auditor's remuneration	- audit services	- the Group	**0.2**	0 2
		- the Company	-	-

4. EXCEPTIONAL ITEMS

	2006 £m	2005 £m
Charged to administrative expenses		
Relocation costs *(see (a) below)*	**(2.3)**	(32 2)
Reorganisation costs *(see (b) below)*	**(19.6)**	(13 6)
	(21.9)	(45 8)
Charged to loss on sale of fixed assets *(see (c) below)*	**(1.6)**	-
Charged to interest payable – imputed interest on lease provision	**(1.5)**	-
	(25.0)	(45 8)

(a) Relocation costs

During 2006, the Company's wholly owned subsidiary, Telegraph Media Group Limited ("Telegraph"), relocated its operations previously situated at Canary Wharf, London to premises in central London The Telegraph is seeking tenants for the space, now available at Canary Wharf, which it currently leases The 2005 costs shown above represent the expected net discounted costs less income of this lease The 2006 costs are a further adjustment to the relocation provision *(see note 17)*

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

4. EXCEPTIONAL ITEMS - CONTINUED

(b) Reorganisation costs

The restructuring costs represent the cost of restructuring the operations of the Telegraph and include the costs of staff redundancies carried out to improve the efficiency and effectiveness of those operations

(c) Loss on sale of fixed assets

The loss on sale of fixed assets arises from the sale and disposal of numerous fixed assets due to the office relocation (see (a) above)

5. DIRECTORS' EMOLUMENTS

The directors received no emoluments for services rendered to the Company or its subsidiaries during the period

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

6. EMPLOYEE INFORMATION

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

	2006	2005
Editorial and production	562	573
Selling, distribution and administration	450	498
	1,012	1,071

The Company had no employees at any time during the period *(2005 nil)*

(b) Group employment costs (including directors):

		2006 £m	2005 £m
Wages and salaries		57.4	51 6
Social security costs		6.9	6 1
Pension costs *(see note 23)*	- defined contribution schemes	3.8	3 5
	- current service cost of defined benefit schemes	1.1	1 0
	- ex gratia increase	-	0 8
Total direct costs of employment		69.2	63 0

7. SHARE OF OPERATING PROFIT/(LOSS) IN JOINT VENTURE COMPANIES

	2006 £m	2005 £m
West Ferry Printers Limited	2.7	(1 6)
Trafford Park Printers Limited	0.4	2 3
Paper Purchase & Management Limited	0.1	0 1
	3.2	0 8

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

8. INTEREST PAYABLE AND SIMILAR CHARGES

		2006 £m	2005 £m
Interest payable	On loans repayable within five years and bank borrowings	23.0	24.7
	To joint ventures	-	0.2
	Other	0.8	0.7
		23.8	25.6
Imputed interest on lease provision *(see note 4)*		1.5	-
Exchange loss		0.1	0.4
		25.4	26.0

9. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2006 £m	2005 £m
Analysis of (charge)/credit in period		
Current tax		
Adjustments in respect of previous periods *(see below)*	2.2	1.6
Share of joint venture companies' current tax charge	(1.7)	(0.4)
Total current tax credit	0.5	1.2
Deferred tax		
Origination and reversal of pensions timing differences *(see note 23)*	(0.2)	(0.2)
Origination and reversal of other timing differences	(1.5)	1.2
Adjustments in respect of previous periods	(0.7)	(0.4)
Total other timing differences *(see note 14)*	(2.2)	0.8
Share of joint venture companies' deferred tax credit	0.9	0.4
Total deferred tax	(1.5)	1.0
Tax (charge)/credit on loss on ordinary activities	(1.0)	2.2

The adjustments relating to previous period's current taxation in 2006 relate largely to consortium relief received for which no charge will be made to the Group

Factors affecting the tax (charge)/credit for the current period
The current tax (charge)/credit for the period is lower than the corporation tax in the UK (30%) The differences are explained below

	2006 £m	2005 £m
Loss on ordinary activities before taxation	(8.8)	(32.9)
Current tax at 30%	2.6	9.9
Effects of		
Expenses not deductible for tax purposes	(1.0)	(1.3)
Unutilised tax losses	(2.5)	(8.8)
Capital allowances in excess of depreciation	(0.4)	(0.2)
Other timing differences	(0.5)	-
Deemed interest on loan balances	(0.2)	-
Adjustments in respect of previous periods	0.2	1.6
Group relief for nil consideration	2.3	-
Total current tax (charge)/credit	0.5	1.2

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

10. RETAINED LOSS FOR THE PERIOD

As permitted by section 230 of the Companies Act 1985, no profit and loss account and related notes of the Company are presented The loss dealt with in the accounts of the Company was £26 4 million *(2005 £25 0 million)*

11. INTANGIBLE FIXED ASSETS

The intangible assets represent the publishing titles owned by the Group These titles were acquired as part of the purchase of Telegraph Media Group Limited

12. TANGIBLE FIXED ASSETS

THE GROUP

	Land & Buildings £m	Plant & Machinery £m	Total £m
Cost:			
Opening balance	**8.5**	**11.8**	**20.3**
Additions	**13.3**	**8.8**	**22 1**
Disposals	**(7.2)**	**(1.8)**	**(9.0)**
Closing balance	**14.6**	**18.8**	**33.4**
Depreciation:			
Opening balance	**0.7**	**5.3**	**6.0**
Charge for the period	**0.6**	**3.0**	**3.6**
Disposals	**(1.1)**	**(1.5)**	**(2.6)**
Closing balance	**0.2**	**6.8**	**7.0**
Net Book Value:			
Owned assets	**14.4**	**10.8**	**25.2**
Assets held under finance leases	**-**	**1.2**	**1.2**
Closing balance	**14.4**	**12.0**	**26.4**
Opening balance	7 8	6 5	14 3

Land and buildings at net book value as above:

	2006 £m	2005 £m
Freehold land	**1.3**	1 3
Long leasehold buildings	**-**	4 2
Short leasehold buildings	**13.1**	2 3
	14.4	7 8

THE COMPANY

The Company had no tangible fixed assets at 31 December 2006 or at any time during the period

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

13. INVESTMENTS

THE GROUP

	Joint Venture Companies - see (a) below £m	Loans to Joint Venture Companies £m	Other £m	Total £m
Opening balance	9.1	1.5	0.1	10.7
Share of profits	1.4	-	-	1.4
Actuarial gain on joint venture company's defined benefit pension schemes *(see note 19)*	3.2	-	-	3.2
Closing balance	13.7	1.5	0.1	15.3

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

a) Details of Significant Investments in Joint Venture Companies:

The amount included in respect of joint ventures comprises the following

	2006		2005	
	£m	£m	£m	£m
Share of assets				
Share of fixed assets	53.2		59 3	
Share of current assets	20.6		17 0	
Share of gross assets		73.8		76 3
Share of liabilities				
Due within one year	(15.1)		(14 1)	
Due after one year	(26.8)		(30 2)	
Provisions for liabilities and charges				
Deferred taxation	(7.8)		(8 9)	
Pensions provision	(10.4)		(14 0)	
Share of gross liabilities		(60.1)		(67 2)
		13.7		9 1

The funding of the defined benefit pension schemes of the Group's joint ventures (the "JV Schemes") are subject to ongoing negotiation between the joint venture companies, the joint venture shareholders and the JV scheme trustees As at 31 December 2006 the JV Schemes were in deficit on a FRS17 basis The Group's share of the aggregate net deficit on this basis is noted in the tables above and amounts to £10 4 million

There is a risk that the Group will have to provide financial support to the JV Schemes However, the directors believe that the joint venture companies will continue to operate as going concerns and have sufficient resources to meet their obligations to the JV Schemes On this basis, having taken legal advice, the directors do not believe there are any further liabilities which need to be recognised in the financial statements

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

13. INVESTMENTS – CONTINUED

The Group's share of the results and net assets of its principal joint venture companies, adjusted to reflect the accounting policies of the Group, are disclosed below

West Ferry Printers Limited

	2006 £m	2005 £m
Turnover	23.2	32 0
Profit/(loss) before tax	2.7	(1 8)
Taxation	(1.0)	0 5
Profit/(loss) after tax	1.7	(1 3)
Fixed assets	22.5	26 7
Current assets	10.2	6 1
Liabilities due within one year	(5.3)	(3 5)
Liabilities due after more than one year	(5.5)	(7 0)
Provisions for liabilities and charges		
Deferred taxation	(6.5)	(7 6)
Pensions provision	(8.1)	(11 9)
Net assets	7.3	2 8

Trafford Park Printers Limited

	2006 £m	2005 £m
Turnover	12.9	14 0
(Loss)/profit before tax	(0.5)	1 5
Taxation	0.2	(0 5)
(Loss)/profit after tax	(0.3)	1 0
Fixed assets	30.7	32 6
Current assets	2.1	2 4
Liabilities due within one year	(3.0)	(3 7)
Liabilities due after more than one year – including finance lease obligations *(see below)*	(19.8)	(21 7)
Provisions for liabilities and charges		
Deferred taxation	(1.3)	(1 3)
Pensions provision	(2.3)	(2 1)
Net assets	6.4	6 2

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

13. INVESTMENTS – CONTINUED

Paper Purchasing & Management Limited

	2006 £m	2005 £m
Turnover	72.7	70 9
Profit before tax	-	0 1
Taxation	-	-
Profit after tax	-	0 1
Current assets	8.3	8 5
Liabilities due within one year	(6.8)	(6 9)
Liabilities due after more than one year	(1.5)	(1 5)
Net assets	-	0 1

b) Details of the Group's principal subsidiary and joint venture companies

The directors have not shown the share capital and reserves of all subsidiary and joint venture companies as this would lead to a statement of excessive length and all of the companies' accounts are available from Companies House As at 31 December 2006 the principal subsidiaries and joint venture companies were

Name	Nature of business	Class and proportion of nominal value and voting rights of issued shares held
Subsidiaries		
Telegraph Media Group Limited	Publisher	Ordinary shares – 100%
Joint venture companies		
Trafford Park Printers Limited	Printer	A Ordinary shares – 100%
West Ferry Printers Limited	Printer	A Ordinary shares – 100% B Preference shares – 50%
Paper Purchase & Management Limited	Newsprint supplier	A Ordinary shares – 100%

Each of the joint venture companies is a joint venture between Telegraph Media Group Limited and a third party holding 50% each of the aggregate issued ordinary share capital

With the exception of directly held Telegraph Media Group Limited, all investments were held through subsidiaries

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

14. DEBTORS

	The Group		The Company	
	2006	2005	**2006**	2005
	£m	£m	**£m**	£m
Trade debtors	**31.0**	41 2	-	-
Amounts owed by parent and fellow subsidiary companies *(see note (a) below)*	**19.4**	15 9	-	3 5
Deferred taxation *(see note (b) below)*	**2.3**	4 6	-	-
Other taxation and social security	**0.6**	0 4	-	-
Other debtors	**1.0**	1 5	-	-
Prepayments and accrued income	**6.1**	7 8	-	-
	60.4	71 4	-	3 5

(a) Amounts owed by parent and fellow subsidiary companies

Amounts owed by parent and fellow subsidiary companies include £15 8 million *(2005 £15 9 million)* due from May Corporation Limited ("May"), the Company's parent company and £3 6 million *(2005 nil)* due from Press Properties Limited ("PPL"), a fellow subsidiary, under loan agreements The loans are denominated in sterling, do not bear interest and have no fixed repayment terms

(b) Deferred taxation

THE GROUP	**2006**	2005
	£m	£m
Amount provided:		
Capital allowances	**0.9**	1 8
Other timing differences	**1.4**	2 8
	2.3	4 6

Movements on the deferred tax asset:	
Opening balance	**4.6**
Credited to profit on ordinary activities *(see note 9)*	**(1.3)**
Closing balance	**2.3**

In addition, the Company has unutilised tax losses totalling £11 3m *(2005 £7 5m)* available for set off against future taxable profits of the Company The directors cannot foresee when this recovery will be made and so this asset has not been included in these accounts

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Current portion of obligations under finance leases *(see note 16(c))*	**0.4**	0 4	-	-
Current portion of bank loan *(see note 16(a))*	**12.1**	10 0	**12.1**	10 0
Trade creditors	**24.9**	21 6	-	-
Amounts owed to parent and fellow subsidiary companies	**12.0**	2 1	-	0 2
Amounts owed to joint venture companies	**7.8**	8 2	-	-
Corporation tax	**0.1**	0 5	-	-
Other taxation and social security	**0.4**	2 3	-	-
Other creditors	**4.3**	4 1	-	-
Accruals and deferred income	**36.4**	30 1	**4.7**	0 1
	98.4	79 3	**16.8**	10 3

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Bank loan *(see (a) below)*	**236.6**	250 8	**236.6**	250 8
Obligations under finance leases *(see (c) below)*	**0.7**	0 7	-	-
Amounts owed to subsidiary company *(see (b) below)*	-	-	**115.2**	108 6
	237.3	251 5	**351.8**	359 4

a) Bank loan

	2006	2005
	£m	£m
Repayable:		
Within one year	**12.5**	12 0
Between one and two years	-	252 0
After five years	**240.0**	-
	252.5	264 0
Less Unamortised arrangement fee	**(3.8)**	(3 2)
	248.7	260 8
Less classified as a current creditor *(see note 15)*	**(12.1)**	(10 0)
Long term creditor	**236.6**	250 8

The Bank Loan is denominated in sterling and bears interest at LIBOR plus a margin Charges in favour of the lender exist over all the Group's assets

b) Amounts owed to subsidiary company

Amounts owed to subsidiary company represents an interest free loan of £115 2 million *(2005 £108 6 million)* due to Telegraph Media Group Limited under a loan agreement The loan is repayable in 2016

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - CONTINUED

c) Obligations under finance leases

	2006	2005
	£m	£m
Repayable		
Within one year	**0.4**	0 4
In more than one year but less than five years	**0.7**	0 8
Total obligations	**1.1**	1 2
Less future finance charges included in obligations	**(-)**	(0 1)
Net obligations	**1.1**	1 1
Less classified as a current creditor *(see note 15)*	**(0.4)**	(0 4)
Net long term obligations	**0.7**	0 7

These obligations are secured on the assets leased

17. PROVISIONS FOR LIABILITIES AND CHARGES

	2006	2005
	£m	£m
Lease provision *(see below)*	**30.7**	31 8
	30.7	31 8

Provision for losses on lease	**2006**	2005
	£m	£m
Opening balance	**31.8**	-
Imputed interest	**1.5**	-
Additional provision	**2.3**	32 2
Payments made in the period	**(4.9)**	(0 4)
Closing balance	**30.7**	31 8

During 2006, the Company's wholly owned subsidiary, the Telegraph, relocated its operations previously situated at Canary Wharf, London to premises in central London The Telegraph is seeking tenants for the space, now available at Canary Wharf, which it currently leases and the provision shown above represents the expected net discounted costs less income of this lease The provision covers the period to the expiry of the Canary Wharf lease in 2017

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

18. SHARE CAPITAL

THE GROUP AND COMPANY

	2006 £m	2005 £m
Authorised:		
500,000,000 *(2005 500,000,000)* ordinary shares of £1 each	**500.0**	500 0
	500.0	500 0

	£m	£m
Issued, called up and fully paid:		
429,000,000 *(2005 429,000,000)* ordinary shares of £1 each	**429.0**	429 0
	429.0	429 0

19. PENSIONS RESERVE

THE GROUP

	2006 £m	2005 £m
Actual returns less expected return on pension assets in the period	**(0.4)**	1 2
Experience gain on pension liabilities in the period	**0.5**	0 3
Gain/(loss) due to changes in assumptions underlying the valuation of liabilities in the period	**1.1**	(1 3)
	1.2	0 2
Gross share of actuarial gains/(losses) on defined benefit pension schemes of joint venture companies in the period	**4.4**	(2 2)
	5.6	(2 0)
Deferred tax at 30%	**(0.3)**	-
Tax at 30% on share of actuarial gains/(losses) on defined benefit pension schemes of joint venture companies in the period	**(1.2)**	0 6
	(1.5)	0 6
Charged to consolidated statement of total recognised gains and losses	**4.1**	(1 4)
Opening balance	**(2.3)**	(0 9)
Closing balance	**1.8**	(2 3)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

20. PROFIT AND LOSS ACCOUNT

	The Group £m	The Company £m
Opening balance	(26 6)	(33 2)
Retained loss for the period	(9 8)	(26 4)
Closing balance	(36 4)	(59 6)

21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	The Group £m	The Company £m
Retained loss for the period	(9 8)	(26 4)
Actuarial gain on defined benefit pension section *(see note 23)*	5 9	-
Deferred tax on actuarial gain on defined benefit pension section *(see note 23)*	(1 8)	-
Net movement in equity shareholders' funds	(5 7)	(26 4)
Opening shareholders' funds	400 1	395 8
Closing shareholders' funds	394 4	369 4

22. COMMITMENTS

THE GROUP

Annual commitments under non-cancellable land and buildings operating leases which expire:

	2006 £m	2005 £m
Within one year	-	0 7
Between one to five years	**0.3**	0 2
After five years	**9.8**	5 4
	10.1	6 3

THE COMPANY

The Company had no commitments at the period end *(2005 nil)*

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

23. PENSIONS

At the start of the year the Group operated 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 Group's employees The second, The Telegraph Executive Pension Scheme ("TEPS"), is a defined contribution scheme, which provides benefits for senior executives

During the year the Group closed TEPS by transferring it into the Plan The benefits arising from TEPS are the same as the assets held and so the transfer of TEPS into the Plan did not affect the surplus or deficit within the Plan

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 2006 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 Contribution 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 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 total market value of the Plan's Defined Benefit Section assets was £14 9 million at 31 March 2006 and that the value of those assets represented 92% of the funding target The Company's contributions in excess of those paid to the Defined Contribution Section will continue at 3 5% of basic salaries until 31st March 2010 Thereafter, standard rate of 2 5%

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 31 December 2006 contributions of £0 4m were due to the Plan *(2005 £0 4m)*

During 2005, the Telegraph granted an *ex gratia* increase on certain pensions on payment The capital cost of this increase was estimated to be £0 8m *(2006 nil)* of which £0 7m used to purchase increased annuities during the period

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

23. PENSIONS - CONTINUED

THE GROUP

Protected Fund and Insurance Fund

The full actuarial valuation of the Protected Fund and the Insurance Fund carried out as at 31 March 2003 has been updated to 31 December 2006 by a qualified actuary on the basis required by FRS17 The pension (provision)/asset using these assumptions was

	2006 Actuary's Expected Return	**2006** Value £m	2005 Actuary's Expected Return	2005 Value £m	2004 Actuary's Expected Return	2004 Value £m
Equities	**7.5%**	**2.9**	7 3%	3 0	8 0%	2 4
Gilts	**4.3%**	**11.6**	4 0%	12 1	4 6%	11 8
Other	**4.3%**	**0.1**	4 2%	0 2	4 5%	0 2
Total market value of assets		**14.6**		15 3		14 4
Present value of liabilities		**(12.5)**		(14 9)		(14 9)
Surplus/(deficit) in the Plan		**2.1**		0 4		(0 5)
Related deferred tax at 30% *(see below)*		**(0.6)**		(0 1)		0 1
Net pension asset /(provision)		**1.5**		0 3		(0 4)

Movements on the related deferred tax liability:

	£m
Opening balance	**(0.1)**
Charged to profit on ordinary activities *(see note 9)*	**(0.2)**
Charged to pension reserve *(see note 19)*	**(0.3)**
Closing balance	**(0.6)**

In valuing the Protected Fund and the Insurance Fund the major assumptions used by the actuary were

	2006	2005	2004
Inflation	**2.9%**	2 8%	2 9%
Discount rate	**5.2%**	4 8%	5 3%
Rate of increase in pensions in payment	**2.9%**	2 8%	2 7%
Rate of increase in salaries	**3.9%**	3 8%	3 9%

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

23. PENSIONS - CONTINUED

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

	2006 £m	2005 £m
Charged to operating profit for the period - current service cost	**(1.1)**	(1 0)
Contributions	**1.6**	1 7
Estimated actuarial loss (included in the consolidated statement of total recognised gains and losses)		
Actual returns less expected return on pension assets	**(0.4)**	1 2
Experience gain on pension liabilities	**0.5**	0 3
Gain/(loss) due to changes in assumptions underlying the valuation of liabilities	**1.1**	(1 3)
	1.2	0 2
Opening surplus/(deficit)	**0.4**	(0 5)
Closing surplus	**2.1**	0 4

History of experience gains and losses

	2006 £m	2005 £m	2004 £m
Actual return less expected return on scheme assets	**(0.4)**	1 2	0 9
Percentage of scheme assets	*(3%)*	*8%*	*6%*
Experience gains on scheme liabilities	**0.5**	0 3	0 1
Percentage of the present value of the scheme liabilities	*4%*	*2%*	*1%*
Gains/(losses) recognised in the consolidated statement of total recognised gains and losses	**1.1**	0 2	(0 2)
Percentage of the present value of the scheme liabilities	*8%*	*2%*	*1%*

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 £m	2005 £m
(Decrease)/increase in cash and cash equivalents in the period	**(8 8)**	7 9
Amortisation of bank loan arrangement fee	**(3.4)**	(2 0)
Repayment of/(loan from) parent company	**0.2**	(0 2)
Repayment of subsidiary excluded from consolidation	-	4 2
Net repayment of/(loan from) joint venture companies	**0.3**	(3 8)
Proceeds of lease financing	**(0.6)**	(0 7)
Repayment of lease obligations	**0.6**	0 5
Net repayment of bank loan	**15.5**	11 0
Receipt of printing rebate from joint venture company by cancellation of loan payable	-	3 5
Movement on net debt in period	**3.8**	20 4
Opening net debt	**(225.7)**	(246 1)
Closing net debt	**(221.9)**	(225 7)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

25. ANALYSIS OF NET DEBT

	At start of period £m	Cash flow £m	Other changes £m	At end of period £m
Cash at bank and in hand	36 7	(8 8)	-	27 9
Bank loans	(260 8)	15 5	(3 4)	(248 7)
Finance lease obligations	(1 1)	(0 1)	0 1	(1 1)
Loans from parent companies	(0 2)	0 2	-	-
Loans from joint venture companies	(0 3)	0 3	-	-
	(225 7)	7 1	(3 3)	(221 9)

26. RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption granted by FRS8 – Related Party Transactions – not to disclose details of transactions with subsidiary companies The disclosures below relate to the Group's parent companies and joint ventures

RELATED PARTY TRANSACTIONS

	2006 £m	2005 £m
Press Holdings Limited (parent company)		
Management fee payable	**1.0**	1 0
May Corporation Limited (immediate parent company)		
Group taxation relief (receivable)	**(2.1)**	(0 8)
Press Properties Limited (fellow subsidiary)		
Rental charges payable	**12.1**	-
Rental income receivable	**4.1**	-
West Ferry Printers Limited (joint venture company)		
Printing charges payable	**14.3**	15 5
Interest payable	-	0 2
Loans advanced to Company	**3.0**	4 5
Loans repaid to joint venture	**3.3**	4 2
Trafford Park Printers Limited (joint venture company)		
Printing charges payable	**9.7**	11 5
Loans repaid to Company	-	1 0
Paper Purchase & Management Limited (joint venture company)		
Newsprint and magazine paper charges payable	**71.3**	62 5

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

26. RELATED PARTY TRANSACTIONS - CONTINUED

RELATED PARTY BALANCES RECEIVABLE AND PAYABLE

	2006 £m	2005 £m
Included in Investments - Loans to joint venture companies		
Paper Purchase & Management Limited	**1.5**	1 5
Included in Debtors Amounts owed by parent and fellow subsidiary companies		
May Corporation Limited	**15.8**	15 9
Press Properties Limited	**3.6**	-
Included in Creditors Amounts falling due within one year – Amounts owed to parent company		
May Corporation Limited	**-**	2 1
Press Properties Limited	**12.0**	-
Included in Creditors Amounts falling due within one year - Amounts owed to joint venture companies		
West Ferry Printers Limited	**1.2**	2 0
Trafford Park Printers Limited	**0.8**	-
Paper Purchase & Management Limited	**5.8**	6 2
	7.8	8 2

27. ULTIMATE CONTROLLING PARTY

The Company's immediate holding company is May Corporation Limited, incorporated in Jersey, which the Directors regard as being ultimately controlled by the Trustees of the David and Frederick Barclay Family Settlements

The results of the Company are not consolidated into any other company's accounts that are publicly available