451593

TELEGRAPH GROUP LIMITED

(formerly "The Telegraph plc")

Report and Accounts

for the year ended

31 December 1996

TELEGRAPH GROUP LIMITED

Board of directors

Hon C M Black PC OC, chairman
D W Colson, deputy chairman and chief executive
The Hon J W Deedes, managing director
C J Haslum, deputy managing director
A R Hughes, finance director
F D Radler
L M Sanderson, advertisement director

Secretary

A J Davies

Auditors

KPMG Audit Plc
PO Box 695
8 Salisbury Square
London EC4Y 8BB

Company Registration: 451593

Registered Office

1 Canada Square
Canary Wharf
London E14 5DT

Directors' report

The directors present their report, together with the accounts, for the year ended 31 December 1996.

Principal activities

The principal activity of the company is the publication of national newspapers.

Results for the year

The profit on ordinary activities before tax for the year was £41.4 million (*1995: £19.1 million*). After taking dividends into account, the retained loss was £4.5 million (*1995: £0.9 million*).

The directors do not recommend the payment of a final dividend for the year.

Directorate

The directors holding office during the year were:

Hon C M Black, chairman
Mr D W Colson, deputy chairman and chief executive
Mr P J D Cooke, vice chairman - resigned 31.7.96
The Hon A M Berry - resigned 31.7.96
Mr P N Buckley - resigned 31.7.96
The Rt Hon Lord Carrington - resigned 31.7.96
The Hon J W Deedes, managing director - appointed 8.5.96
Mr S Grabiner, managing director - resigned 8.5.96
Mr R N Hambro - resigned 31.7.96
Mr C J Haslum, deputy managing director - appointed 8.5.96
Mr A R Hughes
Mr S A Jarislowsky - resigned 31.7.96
Mr H N L Keswick - resigned 31.7.96
The Lord King of Wartnaby - resigned 31.7.96
Mr F D Radler
The Rt Hon Lord Rawlinson of Ewell - resigned 31.7.96
Sir Frank Rogers - resigned 31.7.96
Sir Evelyn de Rothschild - resigned 31.7.96
Mr L M Sanderson
The Hon R G H Seitz - resigned 31.7.96
Mr H M Stephen - resigned 8.5.96
The Lord Swaythling - resigned 31.7.96

Following the adoption at the extraordinary general meeting held on 26 June 1996 of new articles of association directors are no longer required to retire by rotation.

Directors' interests in shares and remuneration

Details of directors' interests and their remuneration for the year are set out in note 5 to the accounts.

Transactions with directors

Apart from the arrangements disclosed in notes 5 and 24(c) to the accounts and service agreements, at no time during the year was any director interested in any contract with the company or any of its subsidiaries.

Directors' liability insurance

Directors' and officers' liability insurance cover is maintained for directors and officers of the company and its subsidiaries.

Share capital

Details of changes in the company's share capital are set out in note 19 to the accounts. As at 15 May 1997 pursuant to section 198 of the Companies Act 1985 Hollinger International Inc., a subsidiary of Hollinger Inc.("Hollinger") (Mr C M Black) has notified the company of its beneficial interest in 147,474,654 ordinary shares being 100% of the company's issued ordinary share capital.

Within this holding, 125,574,654 shares are registered in the name of First DT Holdings Limited, 7,000,000 in the name of TelHoldco Inc. and 14,900,000 in the name of Hollinger International Publishing Inc.

At the annual general meeting of the company held on 8 May 1996 the board was given authority to purchase up to 6,812,490 ordinary shares representing 5 per cent of the company's then issued share capital within specified maximum and minimum price limits. Shares purchased by the company would not be available for reissue and would be cancelled. No such purchases were made under that authority in 1996.

On 11 December 1996 5,357,143 "B" ordinary shares of 10p each were redeemed for 60p per share. The consideration due to First DT Holdings Limited ("FDTH") was satisfied by the company assuming the liability in respect of a debt of £3,214,285.80 owed by FDTH to Toronto-Dominion Bank.

Scheme of arrangement

On 31 July 1996 the Court approved a scheme of arrangement under section 425 of the Companies Act 1985 under which First DT Holdings Limited acquired all the issued shares of the company that were not already owned by the Hollinger International Group.

Fixed assets

Changes in fixed assets during the year are summarised in notes 12 and 13 to the accounts.

Employees

Under the scheme of arrangement approved by the Court on 31 July 1996 First DT Holdings Limited acquired the shares of the company that were not already owned by the Hollinger International Group. On the scheme becoming effective Telegraph share ownership by employees ceased. Also, prior to that approval, the holders of options granted under The Telegraph Executive Share Option Scheme, the Telegraph Sharesave Scheme and the West Ferry Printers Sharesave Scheme agreed to the cancellation of those options.

During 1996 training and development continued to be available for all employees through a wide variety of internal and externally provided training courses. Suitable programmes were arranged for staff for whom management development or other training needs had been identified.

One hundred work experience students were offered placements during the summer of 1996. GCSE students spent one week being introduced to most areas of the company's operations, while undergraduates were employed for four weeks at a time in various departments.

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

Political and charitable contributions

During the year, the company made charitable donations of £150,000 (*1995: £150,000*). The company made no political donations (*1995: nil*).

Creditor payment policy

The company does not follow any specific codes or industry standards in respect of payments to its suppliers but ensures that as far as is practicable debts are settled on a timely basis having regard to the credit period agreed with each supplier. In the absence of any specific agreement, the company normally makes payment before the end of the month following the month of invoicing. Special arrangements are made in connection with contributors to the newspapers where twice monthly payment runs ensure payment is made in the main within two to three weeks of the relevant date of publication.

Directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities. In the opinion of the directors they have complied with these requirements and fulfilled the said responsibilities.

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.

By order of the board

AJ Davies

A J Davies
Secretary

21 May 1997

Report of the auditors to the members of Telegraph Group Limited

We have audited the financial statements on pages 7 to 24.

Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of affairs of the company as at 31 December 1996 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit plc

KPMG Audit Plc
Chartered Accountants
Registered Auditors
London

5 June 1997

TELEGRAPH GROUP LIMITED

Profit and loss account
for the year ended 31 December 1996

	Notes	1996 £'000	*1995 £'000*
Turnover	2	282,409	*249,534*
Cost of sales	3	(233,098)	*(200,535)*
Gross profit		49,311	*48,999*
Distribution costs		(21,193)	*(13,859)*
Administrative expenses		(23,352)	*(20,332)*
Operating profit	4	4,766	*14,808*
Profit on sale of fixed asset investments	7	41,305	*7,538*
Income from interests in associated companies		-	*3,526*
Interest receivable and similar income	8	1,026	*1,577*
Amounts written off investments		-	*(120)*
Interest payable and similar charges	9	(5,706)	*(8,245)*
Profit on ordinary activities before taxation		41,391	*19,135*
Tax on profit on ordinary activities	10	(1,100)	*(1,970)*
Profit for the financial year		40,291	*17,165*
Dividends paid and proposed on equity and non-equity shares	11	(44,783)	*(18,071)*
Retained loss for the year		(4,492)	*(905)*

There were no other gains or losses recognised during the year.

The notes on pages 9 to 24 form part of these accounts.

TELEGRAPH GROUP LIMITED

Balance sheet
at 31 December 1996

	Notes	1996 £'000	*1995 £'000*
Fixed assets			
Intangible assets	12	175,000	*175,000*
Tangible assets	13	19,304	*21,881*
Investments	14	224,446	*238,580*
		418,750	*435,461*
Current assets			
Stocks - raw materials		3,359	*3,267*
Debtors	15	89,591	*95,258*
Cash at bank and in hand		15,932	*1,987*
		108,882	*100,512*
Creditors: amounts due within one year	16	(104,043)	*(99,367)*
Net current assets		4,839	*1,145*
Total assets less current liabilities		423,589	*436,606*
Creditors: amounts due after more than one year	17	(17,607)	*(110,406)*
Provisions for liabilities and charges	18	(6,033)	*(6,641)*
		399,949	*319,559*
Capital and reserves			
Called up share capital	19	19,747	*18,625*
Share premium account	20	160,064	*73,626*
Revaluation reserve		175,000	*175,000*
Other reserves	21	41,840	-
Profit and loss account	22	3,298	*52,308*
Total equity and non-equity shareholders' funds	23	399,949	*319,559*

Approved by the board on 21 May 1997 and signed on its behalf by

A R Hughes
Director

The notes on pages 9 to 24 form part of these accounts.

TELEGRAPH GROUP LIMITED

Notes to the accounts
31 December 1996

1. Accounting policies

(a) Basis of accounting

The accounts are prepared under the historical cost convention as modified by the revaluation of titles and in accordance with applicable accounting standards.

The company is exempted by 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.

No cash flow statement is presented as the company is exempted by paragraph 5 of Financial Reporting Standard Number 1 because it is a wholly owned subsidiary and the company's UK parent, DT Holdings Limited, includes a consolidated cash flow statement in its group accounts.

(b) Intangible fixed assets

Newspaper and other titles are stated at current cost in accordance with the valuations described more fully in note 12. Titles are not considered to have a finite life and consequently no amortisation is charged, but provision is made if appropriate for any permanent diminution in value.

(c) 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	
Photocomposition equipment	5 years	
Furniture and fittings	10 years	
Other	3-10 years	

(d) 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.

(e) Finance leases

The company has granted to West Ferry Printers Limited, an associated company, rights approximating to ownership over certain tangible fixed assets. Those assets are treated in the accounts as if they had been sold outright with the long term element of the corresponding debtor being included as part of loans to associated companies within investments. The amount due within one year is included as part of debtors in current assets. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding balance and the interest element is credited to profit in proportion to the balance outstanding.

1. Accounting policies (cont.)

(e) Finance leases (cont.)

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.

(f) Stocks

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

(g) Taxation

Deferred taxation is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the recognition for tax purposes of income and expenditure in periods different from those in which they are included in the accounts. Provision is made at the rates which are expected to apply when the liability or asset is expected to crystallise.

Advance corporation tax recoverable by deduction from future corporation tax liabilities is carried forward by set off against the deferred tax balance with any excess included within debtors.

(h) Pension costs

The company's pension arrangements are explained in note 26. The costs of defined contribution schemes are charged to the profit and loss account as the obligation to pay arises. The costs of defined benefit schemes are charged to the profit and loss account over the period during which the company benefits from employees' services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs. The discounted value of ex gratia pensions and discretionary increases to pensions in payment is charged to the profit and loss account in the period in which they are granted.

(i) Turnover

Turnover represents the invoiced amount of goods sold and advertising space provided net of commission, allowances and value added tax.

(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.

Notes to the accounts
31 December 1996 - continued

3. Cost of sales

Included in cost of sales are amounts paid to West Ferry Printers Limited ("WFP") and Trafford Park Printers Limited ("TPP") of £22,102,000 and £6,533,000 respectively *(1995: £25,707,000 and £6,750,000)* for the contract printing of copies of *The Daily Telegraph* and *The Sunday Telegraph*. In addition, during the year WFP and TPP took over responsibility from the company for certain distribution arrangements in respect of these titles. The amounts paid to WFP and TPP for these services were £1,300,000 and £578,000 respectively *(1995: Nil)* included in distribution costs. WFP and TPP are joint ventures between the company and third parties holding 50% each of the aggregate issued share capital.

4. Operating profit

	1996 £'000	*1995* *£'000*
The operating profit is stated after charging:		
Operating lease rentals:		
Plant and machinery	1,083	*1,007*
Other	4,389	*4,362*
	5,472	*5,369*
Depreciation of tangible fixed assets:		
Assets held under finance leases	-	-
Owned assets	5,355	*5,175*
	5,355	*5,175*
(Gain)/loss on sale of tangible fixed assets	(6)	*302*
Auditors' remuneration - audit services	72	*73*
- non-audit services	122	*103*

5. Directors

Emoluments of the directors:

	1996	*1995*
Fees	208	*277*
Other emoluments - salaries and benefits	1,093	*1,231*
- discretionary bonuses	74	*45*
Pension contributions	322	*295*
Pensions paid to directors and former directors	50	*50*
	1,747	*1,898*

Notes to the accounts
31 December 1996 - continued

5. Directors (cont.)

	1996 £'000	*1995 £'000*
Emoluments of the chairman and the highest paid director:		
Chairman		
Salary and benefits	294	*266*
Pension contributions	-	-
	294	*266*

The highest paid director in 1996 and 1995 was the chairman.

Number of directors whose emoluments, excluding pension contributions, during the year were within the range:

	1996	*1995*
Nil - £5,000	-	*1*
£5,001 - £10,000	7	*1*
£10,001 - £15,000	5	*7*
£15,001 - £20,000	1	*4*
£20,001 - £25,000	1	*2*
£30,001 - £35,000	-	*1*
£40,001 - £45,000	-	*1*
£75,001 - £80,000	1	-
£80,001 - £85,000	1	*1*
£105,001 - £110,000	1	-
£140,001 - £145,000	1	*1*
£150,001 - £155,000	1	-
£165,001 - £170,000	-	*1*
£175,001 - £180,000	-	*1*
£190,001 - £195,000	1	-
£205,001 - £210,000	-	*1*
£215,001 - £220,000	1	-
£220,001 - £225,000	-	*1*
£265,001 - £270,000	-	*1*
£290,001 - £295,000	1	-

During the year a charge of £1,127,609 was made by Hollinger Inc. under the services agreement referred to in note 24(c). It is not possible to identify whether any portion of the charge relates to services provided by any director of the company.

Sir Evelyn de Rothschild is chairman of N M Rothschild & Sons Limited, which gave financial advice to, and received fees of £754,000 *(1995: £500,756)* including VAT from, the company in relation to the acquisition by certain subsidiaries of Hollinger International Inc. of the entire share capital of the company.

Notes to the accounts
31 December 1996 - continued

5. Directors (cont.)

Directors' interests in shares and debentures

The beneficial interests of directors in office on 31 December 1996 in issued ordinary shares on 1 January 1996 and 31 December 1996 recorded by the company in its register maintained in accordance with section 325 of the Companies Act 1985 were as follows:

	31 December 1996	**1 January 1996**
Mr C M Black	147,474,654	87,237,138
Mr D W Colson	-	-
Mr J W Deedes	-	*69,950
Mr C J Haslum	-	*-
Mr A R Hughes	-	5,000
Mr L M Sanderson	-	-

* On appointment

In addition to the holding of ordinary shares imputed to him, Mr Black is deemed interested in the holding of 5,000,000 7% cumulative redeemable preference shares registered in the name of First DT Holdings Limited.

No changes in the directors' interests in shares disclosed above had been notified up to 21 May 1997.

6. Employee information

	1996	*1995*
(a) Average number of persons (including directors) employed by the company during the year:		
Editorial	12	*13*
Selling, distribution and administration	17	*12*
	29	*25*

The majority of the staff engaged in the publication of the company's titles are employed by a subsidiary company, Telegraph Publishing Limited, which charges for their services. The charge for the year was £43,101,000 *(1995: £40,830,000)*.

(b) Employment costs (including directors):	£'000	*£'000*
Wages and salaries	3,833	*3,309*
National insurance contributions	390	*340*
Pension contributions	149	*545*
Total direct costs of employment	4,372	*4,194*

Notes to the accounts
31 December 1996 - continued

7. Profit on sale of fixed asset investments

The profit on sale of fixed asset investments in the year relates to the transfer of the company's 42% stake in Creditscheme Limited to Deedtask Limited, a wholly owned subsidiary. No tax arises on this transfer. The profit in 1995 related to the sale of ordinary shares of Carlton Communications plc which gave rise to a tax charge of £2,487,000 included in tax on profit on ordinary activities.

8. Interest receivable and similar income

	1996 £'000	*1995 £'000*
Income from fixed asset investments - listed	-	*266*
- unlisted - subsidiary company	7	*-*
- other	-	*189*
Interest receivable - from parent company	12	*-*
- from subsidiary company	22	*22*
- other	381	*348*
Finance lease income	604	*752*
	1,026	*1,577*

The finance lease income is receivable in respect of the long term finance lease debtor owed by West Ferry Printers Limited.

9. Interest payable and similar charges

	1996 £'000	*1995 £'000*
Interest payable on loans repayable within five years and bank borrowings	5,339	*7,405*
Interest payable - to parent company	871	*-*
- to subsidiary companies	836	*671*
Finance lease charges	630	*745*
Exchange differences	(1,970)	*(576)*
	5,706	*8,245*

TELEGRAPH GROUP LIMITED

Notes to the accounts
31 December 1996 - continued

10. Tax on profit on ordinary activities

	1996 £'000	*1995* *£'000*
Based on profits for the year:		
Corporation tax at 33%	2,198	*6,624*
Deferred taxation	(1,400)	*118*
Advance corporation tax surrendered to subsidiaries	302	*733*
	1,100	*7,475*
Relating to previous years:		
Corporation tax	-	*(3,257)*
Deferred taxation	-	*(2,248)*
	1,100	*1,970*

11. Dividends

	1996	1995
Equity shares:		
Ordinary - Paid 10p per share *(1995: 5.5p)*	5,055	*7,483*
61.16p per "B" ordinary share	30,000	-
3.18p per share	4,689	-
3.18p per share	4,689	-
- Proposed Nil p per share *(1995: 7.5p)*	-	*10,238*
	44,433	*17,721*
Non-equity shares:		
Preference - Paid	350	*350*
	44,783	*18,071*

12. Intangible fixed assets

Newspaper and other titles have been included at valuations placed on them as at 31 December 1991 by the directors in consultation with professional advisers. In the opinion of the directors there has been no permanent diminution in their value since that date.

The valuations represent the estimated minimum amount realisable from a sale of the titles, arrived at by assessment of their economic value independent of the assets and other rights and interests which make up the business of the company.

The historic cost of the titles is not disclosed as it is not now possible to ascertain it. Provision for corporation tax that could arise if the titles were disposed of at the revalued amount has not been made as it is not the intention of the directors to dispose of them.

TELEGRAPH GROUP LIMITED

Notes to the accounts
31 December 1996 - continued

13. Tangible fixed assets

	Land & Buildings £'000	Plant & Machinery £'000	Total £'000
Cost:			
At 1 January 1996	9,294	36,480	45,774
Additions	19	2,762	2,781
Disposals	-	(498)	(498)
At 31 December 1996	9,313	38,744	48,057
Depreciation:			
At 1 January 1996	1,145	22,748	23,893
Charge for the year	402	4,953	5,355
Disposals	-	(495)	(495)
At 31 December 1996	1,547	27,206	28,753
Net Book Value:			
Assets held under finance leases	-	-	-
Owned assets	7,766	11,538	19,304
At 31 December 1996	7,766	11,538	19,304
At 31 December 1995	8,149	13,732	21,881

	1996 £'000	*1995 £'000*
Land and buildings at net book value as above:		
Freehold land (not depreciated)	1,268	*1,268*
Long leasehold buildings	3,914	*4,088*
Short leasehold buildings	2,584	*2,793*
	7,766	*8,149*

Notes to the accounts
31 December 1996 - continued

14. Investments

	Subsidiary Companies £'000	Associated Companies £'000	Loans to Associated Companies £'000	Other Investments £'000	Total £'000
At 1 January 1996	183,928	5	47,082	7,565	238,580
Additions	55,796	-	4,439	-	60,235
Repayments	-	-	(6,707)	-	(6,707)
Disposals	(67,500)	-	-	-	(67,500)
Movement on amount reclassified as a current debtor	-	-	(162)	-	(162)
At 31 December 1996	172,224	5	44,652	7,565	224,446

Details of the principal subsidiary and associated companies are given in note 28.

Loans to associated companies

These represent balances with joint venture companies as follows:

	1996 £'000	*1995 £'000*
Long term finance lease debtor (see (i) below)	16,948	*23,797*
Advances under printing contract (see (ii) below)	23,756	*20,111*
Loans to associated companies (see (iii) below)	3,948	*3,174*
	44,652	*47,082*

(i) This represents amounts receivable from West Ferry Printers Limited following the transfer to it of rights in certain assets as part of the joint venture agreement. The amount receivable within one year from the balance sheet date is included in debtors. The net book value of these assets at the time the rights were assigned less that of assets subsequently sold and therefore withdrawn from the leasing arrangements was £64,682,000.

(ii) This represents amounts paid in advance to West Ferry Printers Limited under the printing contract with that company.

(iii) The loans to associated companies have no fixed terms of repayment and do not bear interest.

As a result of the terms embodied in the West Ferry Printers Limited joint venture agreement, balances arising under the finance lease and printing contract with that company are considered to represent long term funding.

Notes to the accounts
31 December 1996 - continued

15. Debtors

	1996 £'000	*1995 £'000*
Current portion of finance lease debtor	6,849	*6,687*
Trade debtors	41,482	*31,113*
Amounts owed by parent companies	26,866	-
Amounts owed by subsidiary companies	1,111	*47,266*
Amounts owed by associated companies	290	-
Loan to The Daily Telegraph Group Pension Fund	856	*1,199*
Advance corporation tax recoverable	3,021	*2,055*
Other debtors	3,331	*1,039*
Prepayments and accrued income (see below)	5,785	*5,899*
	89,591	*95,258*

Prepayments and accrued income include prepayments in respect of contributions to pension schemes amounting to £463,000 *(1995 - £1,765,000)*.

16. Creditors: amounts due within one year

	1996	*1995*
Current portion of obligations under finance leases (see note 17 below)	1,595	*1,437*
Bank loans	33,214	*11,500*
Trade creditors	23,526	*12,384*
Amounts owed to ultimate parent company	-	*188*
Amounts owed to subsidiary companies	18,462	*49,413*
Amounts owed to associated companies	199	*1,207*
Advance corporation tax	402	*4,493*
Corporation tax	1,184	*2,594*
Other taxation and social security	4,106	*2,897*
Other creditors	1,290	*1,029*
Accruals and deferred income	19,978	*1,900*
Dividends	87	*10,325*
	104,043	*99,367*

The bank loans are secured by a fixed charge over the company's shareholdings in subsidiary and associated companies.

17. Creditors: amounts due after more than one year

	1996 £'000	*1995 £'000*
Obligations under finance leases (see below)	7,718	*9,313*
Bank loans	-	*87,360*
Loans from subsidiary companies	9,889	*13,733*
	17,607	*110,406*

Notes to the accounts
31 December 1996 - continued

17. Creditors: amounts due after more than one year (cont.)

Obligations under finance leases:

Repayable:		
Within 1 year	2,521	*2,521*
Between 1-2 years	2,521	*2,521*
Between 2-5 years	6,933	*7,563*
After 5 years	-	*1,891*
Total obligations	11,975	*14,496*
Less: future finance charges included in obligations	(2,662)	*(3,746)*
Net obligations	9,313	*10,750*
Less: reclassified as a current creditor	(1,595)	*(1,437)*
Net long term obligations	7,718	*9,313*

Interest has been imputed on these leases at 11.0%.

18. Provisions for liabilities and charges

Deferred taxation (see (a) below)	4,767	*5,318*
Unfunded ex gratia pension costs (see (b) below)	1,266	*1,323*
	6,033	*6,641*

(a) Deferred taxation

Amount provided, representing the full potential liability:

Accelerated capital allowances	1,249	*1,870*
Other timing differences	10,851	*11,630*
Full potential liability	12,100	*13,500*
Advance corporation tax recoverable	(7,333)	*(8,182)*
	4,767	*5,318*

	£'000
Movements on the provision:	
Balance at 1 January 1996	5,318
Credited to profit on ordinary activities	(1,400)
Advance corporation tax recoverable	849
Balance at 31 December 1996	4,767

(b) Unfunded ex gratia pension costs

	£'000
Balance at 1 January 1996	1,323
Charge in the year	101
Pension payments made in the year	(158)
Balance at 31 December 1996	1,266

Notes to the accounts
31 December 1996 - continued

19. Share capital

	1996 £'000	*1995 £'000*
Authorised:		
180,000,000 ordinary shares of 10p each	18,000	*18,000*
5,000,000 7% cumulative redeemable preference shares of £1 each	5,000	*5,000*
100,000,000 2.5% cumulative voting redeemable preference shares of £16.80 each	1,680,000	-
	1,703,000	*23,000*
Issued and fully paid:		
136,249,819 ordinary shares of 10p each	-	*13,625*
88,882,513 "A" ordinary shares of 10p each	8,888	-
43,692,141 "B" ordinary shares of 10p each	4,369	-
14,900,000 "C" ordinary shares of 10p each	1,490	-
5,000,000 7% cumulative redeemable preference shares of £1 each	5,000	*5,000*
	19,747	*18,625*

At an extraordinary general meeting of the company held on 26 June 1996 a special resolution was passed to:

(i) cancel 49,049,284 issued ordinary shares;

(ii) redesignate the remainder of the issued ordinary shares as "A" ordinary shares;

(iii) create and issue 49,049,284 "B" ordinary shares; and

(iv) increase the authorised share capital by the creation of 100,000,000 2.5% cumulative voting redeemable preference shares of £16.80 each.

At an extraordinary general meeting of the company held on 5 August 1996 a special resolution was passed to designate 14,900,000 of the existing but unissued ordinary shares as "C" ordinary shares.

During the year:

(i) 1,681,978 ordinary shares were allotted for an aggregate consideration of £4,655,247 under the terms of the company's and West Ferry Printers Limited's share option schemes.

(ii) 14,900,000 "C" ordinary shares were allotted to Hollinger International Publishing Inc. ("HIP") for a consideration of £83,440,000 satisfied by repayment of certain of the company's bank indebtedness by HIP.

On 11 December 1996 5,357,143 "B" ordinary shares of 10p each were redeemed for 60p per share. The consideration due to First DT Holdings Limited ("FDTH") was satisfied by the company assuming the liability in respect of a debt of £3,214,285.80 owed by FDTH to Toronto-Dominion Bank.

The company has the right, subject to the provisions of the articles of association, to redeem all or some of the "C" ordinary shares outstanding at any time.

The 7% preference shares, which are non-equity shares, are generally non-voting and are redeemable at par at any time subject to the provisions of the articles of association and the agreement of both the company and the holders of the shares.

Notes to the accounts
31 December 1996 - continued

19. Share capital (cont.)

Subject to the provisions of the articles of association the company may purchase 2.5% preference shares at a price which does not exceed 110% of the nominal amount of the share and has the right to redeem all or some of the shares outstanding at any time after the second anniversary of the date of allotment. On 31 July 2021 the company shall redeem any of the shares remaining in issue.

On liquidation, holders of 7% cumulative redeemable preference shares and 2.5% cumulative voting redeemable preference shares rank pari passu and take priority over ordinary shareholders for repayment of capital but do not participate further in the assets of the company.

20. Share premium account

	£'000
Balance at 1 January 1996	73,626
Premium on shares issued during the year	86,438
Balance at 31 December 1996	160,064

21. Other reserves

	1996 £'000	*1995 £'000*
Capital redemption reserve (see (a) below)	536	-
Other capital reserves (see (b) below)	41,304	-
	41,840	-

(a) Capital redemption reserve

	£'000
Balance at 1 January 1996	-
Redemption of "B" ordinary shares	536
Balance at 31 December 1996	536

(b) Other capital reserves

Balance at 1 January 1996	-
Transfer from profit and loss reserve	41,304
Balance at 31 December 1996	41,304

The transfer during the year represents the profit recorded on the transfer at fair value of the company's investment in Creditscheme Limited to Deedtask Limited, a wholly owned subsidiary.

22. Profit and loss account

	£'000
Retained profit at 1 January 1996	52,308
Retained loss for the year	(4,492)
Transfer arising on redemption of share capital from reserves	(3,214)
Transfer to other capital reserves	(41,304)
Retained profit at 31 December 1996	3,298

Notes to the accounts
31 December 1996 - continued

23. Reconciliation of movements in shareholders' funds

	1996 £'000	*1995 £'000*
Retained profit/(loss) for the year	(4,492)	*(905)*
New share capital subscribed	88,096	*2,599*
Share capital redeemed	(3,214)	-
Net addition to shareholders' funds	80,390	*1,694*
Opening shareholders' funds	319,559	*317,865*
Closing shareholders' funds	399,949	*319,559*
Attributable to equity shareholders	394,949	*314,559*
Attributable to non-equity shareholders	5,000	*5,000*
	399,949	*319,559*

24. Commitments

	1996	*1995*
(a) Capital expenditure contracted for but not provided in the accounts	1,390	*708*

(b) Operating leases

Annual commitments under non-cancellable operating leases which expire:

	1996		*1995*	
	Land & Buildings £'000	Other £'000	*Land & Buildings £'000*	*Other £'000*
Within 1 year	-	117	-	*84*
Between 1 and 5 years	532	595	*216*	*675*
After 5 years	4,014	-	*4,216*	-
	4,546	712	*4,432*	*759*

(c) Services agreement

Under the terms of a services agreement with Hollinger Inc., for so long as Mr Black remains chairman of the board the company will bear 66.7% of the cost of the office of the chairman incurred by Hollinger or such other proportion as may be agreed from time to time. Other services will be provided at cost and may include the arrangement of insurance, assistance in the arrangement of finance and assistance and advice on acquisitions, disposals and joint venture arrangements. Charges to the company in respect of Mr Black's office and these other services amounted to £1,127,609 in 1996 *(1995: £924,337)*.

Notes to the accounts
31 December 1996 - continued

25. Guarantees

The company has given joint and several guarantees and indemnities and sole guarantees in respect of certain leasing obligations of West Ferry Printers Limited and Trafford Park Printers Limited amounting to £18,099,000 at 31 December 1996 *(1995: £28,484,000)*.

The company has given a guarantee in respect of a borrowing made under a £235,000,000 credit facility made available to certain of the company's parent companies. This guarantee is secured by a fixed charge over the company's shareholdings in subsidiary and associated companies. At the year end this indebtedness stood at £78,440,671. During April 1997 this was replaced by a similar guarantee in respect of a US $900,000,000 revolving credit facility.

26. Pensions

The company operates two principal pension arrangements, a defined contribution scheme and a defined benefit scheme. It also operates a defined contribution scheme to provide pension benefits for senior executives. In addition to these funded arrangements the group pays ex gratia pensions out of its own resources.

The defined contribution scheme, The Telegraph Staff Pension Plan, covers the majority of the company's employees. It also provides final salary benefits on death and incapacity and a defined benefit underpin for certain members.

The defined benefit scheme, The Daily Telegraph Group Pension Fund, was closed on 1 July 1991 and provides only benefits accrued up to that date. The liabilities of the scheme have been actuarially valued as at 31 December 1996. At that date the market value of the scheme's assets was £38,876,006, representing 101.7% of the estimated cost of purchasing the scheme's benefits from an insurance company. The actuary assumes a discount rate of 7.62%. Increases to pensions in payment are discretionary and are awarded by the trustees, with the company's consent, from surpluses arising in the fund from time to time.

27. Ultimate parent company

Hollinger Inc., incorporated in Canada and listed on the Toronto, Montreal and Vancouver stock exchanges, is regarded by the directors of the company as the company's ultimate parent company.

The largest group in which the results of the company are consolidated is that of which Hollinger Inc. is the parent company. The consolidated accounts of Hollinger Inc. may be obtained from Montreal Trust Company of Canada, 151 Front Street West, 8th Floor, Toronto, Ontario, Canada M5J 2N1.

The smallest such group is that of which DT Holdings Limited is the parent company, whose consolidated accounts may be obtained at the offices of Stikeman, Elliott, Cottons Centre, Cottons Lane, London SE1 2QL. DT Holdings Limited is registered in England and Wales.

Notes to the accounts
31 December 1996 - continued

28. Subsidiary and associated companies

The directors consider that to give particulars of all subsidiary and associated 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. As at 31 December 1996 the principal subsidiaries and associated companies were:

Name	Nature of business	Class and proportion of nominal value of issued shares held
SUBSIDIARIES		
Incorporated and principally operating in Great Britain and registered in England and Wales		
The Spectator (1828) Limited	Publisher	Ordinary shares - 100%
Telegraph Publishing Limited	Management services	Ordinary shares - 100%
Deedtask Limited	Holding company	Ordinary shares - 100%
Creditscheme Limited*	Holding company	Ordinary shares - 100%
Telegraph Australian Holdings Limited*	Holding company	Ordinary shares - 100%

* held by a subsidiary

Incorporated and principally operating in The Netherlands and held by a subsidiary

Name	Nature of business	Class and proportion of nominal value of issued shares held
Deedtask Holding BV	Holding company	Ordinary shares - 100%
Daily Telegraph Holdings BV	Holding company	Ordinary shares - 100%

ASSOCIATES

Incorporated and principally operating in Great Britain and registered in England and Wales

Name	Nature of business	Class and proportion of nominal value of issued shares held
Trafford Park Printers Limited	Printer	A Ordinary shares - 100%
West Ferry Printers Limited	Printer	A Ordinary shares - 100%

Each of these associated companies is a joint venture between the company and a third party holding 50% each of the aggregate issued ordinary share capital.