

DIRECTORS' REPORT

The Directors present their Report and Accounts for the year ended 2nd October, 2005.

Trading Results and Dividends

The profit after taxation of the Group amounted to £109.9 million. After charging minority interests of £11.1 million, the Group profit for the year amounted to £98.8 million.

An interim dividend of 3.75 pence per share was paid on the Ordinary and 'A' Ordinary Non-Voting shares and the Directors recommend that a final dividend of 8.25 pence per share be paid on 10th February, 2006 making 12.0 pence per share for the year (2004 11.0 pence).

Activities

The principal activities of the Group are set out in the 'Group at a Glance' section at the front of the Annual Report.

The analysis of turnover and operating profit for the years ended 2nd October, 2005 and 3rd October, 2004 are included as Notes 1 and 2 to the Profit and Loss Account. A review of the development of the business of the Group during the year, of its position at the end of the year and of likely future developments in its business is given in the Operating and Financial Review on pages 2 to 20.

Directors

Biographical details of the Directors of the Company at 29th November, 2005 are set out on page 24. The Directors remained unchanged throughout the year, with the exception of Mr Beatty who was appointed to the Board on 1st December, 2004 and Professor Schwab who stood down from the Board on the same day.

The number of shares of the Company and of securities of other Group companies, in which the Directors or their families had an interest at the year end, are stated in the Remuneration Report on page 38.

In accordance with the Articles of Association, Messrs Sinclair, Park, Fallon and Balsemão retire by rotation at the Annual General meeting on 8th February, 2006.

Each of the Directors being eligible, offers himself for re-election with special notice having been given that Mr Park, who is 70 years of age, will be proposed, given his continuing relevant experience and helpful contribution to the Board.

Tangible Fixed Assets and Investments

Changes in tangible fixed assets and investments (other than associates and joint ventures) during the year are set out in Notes 20 and 23 to the balance sheets.

Share Capital

Details of allotments in share capital during the year, which arose solely from the exercise of options, are given in Note 31.

Employees

Under the Group's general policy of decentralised management, it is the responsibility of the management in each subsidiary to encourage the involvement and participation of employees in their company. The methods used depend on the wide variety of the companies, but the linking to performance targets of a significant portion of remuneration is one widely used means.

The Group gives full and fair consideration to suitable applications from disabled persons for employment. If existing employees become disabled they will continue to be employed, wherever practicable, in the same job or, if this is not practicable, every effort will be made to find suitable alternative employment and to provide appropriate training.

Policy on Payment of Suppliers

The Group's policy on supplier payments varies across its subsidiaries. These companies have no formal code or standard which deals specifically with the payment of suppliers. However, their policy is to ensure that the terms of payment, as specified by, and agreed with the supplier at the outset, are not exceeded.

The Company had no trade creditors at the year end date.

The Group's average payment period, calculated on the basis of year end trade creditors, is 56 days (2004 57 days), although this is dependent on the year end date and cannot therefore be regarded as meaningful.

Donations

Charitable donations made by the Group in the year amounted to £880,000 (2004 £902,000). No political donations were made by the Group.

Substantial Shareholdings

As set out in Note 31, the Company has two classes of share capital – Ordinary shares and 'A' Ordinary Non-Voting shares. On 29th November, 2005 the following were interested in more than 3% of the issued Ordinary shares:

Rothermere Continuation Limited (and other parties to an agreement which comes within section 204 of the Companies Act 1985)	62.8%
Codan Trust Company Ltd and Codan Trustees (BVI) Ltd (trustees of the Esmond Harmsworth 1998 Family Settlement)	29.3%

Auditors

The Company's auditors, Deloitte & Touche LLP, have indicated their willingness to continue in office and, in accordance with section 385 of the Companies Act 1985, a resolution proposing their reappointment will be put to the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held on 8th February, 2006 at 9.00 a.m. at the Kensington Roof Gardens, 99 Kensington High Street, London W8. Details of all resolutions to be put as special business are set out in the enclosed circular to shareholders.

By Order of the Board

N D Jennings, FCA

Secretary
29th November, 2005