1 Basis of preparation
The separate financial statements of the Company are prepared under the historical cost convention, modified to include the revaluation to fair value of certain financial instruments as described below, in accordance with the Companies Act 1985 and UK Generally Accepted Accounting Principles (UK GAAP). The following paragraphs describe the main accounting policies under UK GAAP, which have been applied consistently.

Profit for the financial year
As permitted by section 230 of the Companies Act 1985, a separate profit and loss account for the Company has not been included in these accounts. The Company's loss after tax for the year, calculated on a UK GAAP basis, was £62.1 million (2005 profit £93.8 million).

2 Accounting policies
Goodwill and other intangible assets
Impairment reviews of intangible assets are carried out at the end of the first financial year after acquisition and where there is any indication of impairment.

Purchased intangible assets relating to newspaper publishing rights, titles, radio licences and certain other intangible assets are capitalised and amortised through the profit and loss account over the lower of their useful economic lives, if any, and a period of 20 years.

Tangible fixed assets
Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is calculated to write down the cost of tangible fixed assets by equal annual instalments over their estimated useful lives as follows:

Plant and equipment	3 to 25 years

Foreign exchange
Exchange differences arising on foreign currency borrowings and derivative financial instruments which are used to provide a hedge against foreign currency investments are also taken to reserves to the extent that they match exchange differences on the investments to which they relate. Other transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, or at the contracted rate where a related hedging contract exists. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates prevailing on the balance sheet date. All such exchange differences are taken to the profit and loss account.

Investments
Investments in subsidiaries are stated at cost, less any provision for impairment, where appropriate.

Other investments which are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gain and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Timing differences arising on tax deductible goodwill written off to reserves are recognised. Due to the indefinite nature of these timing differences the Group believes it is appropriate to discount the resultant deferred tax assets and liabilities as they arise on businesses expected to be held for the long term. As a consequence, all other deferred tax assets and liabilities are also discounted.

Financial instruments
The Company uses various derivative financial instruments to manage its exposure to foreign exchange and interest rate risks. These have included currency swaps, forward foreign currency contracts, interest rate swaps, interest rate caps and interest rate floors. The Company considers its derivative financial instruments to be hedges and matches them with the relevant hedged item.

When forward foreign exchange contracts or cross currency swaps are used to hedge borrowings, the borrowings hedged are translated at the year end at the exchange rate implicit within the respective derivative. Any exchange differences arising are taken to the profit and loss account to match the accounting treatment of exchange gains or losses on the borrowings.

Where forward foreign exchange contracts are used to hedge future revenues or costs, the gain or loss is not recognised until the revenues arise or the costs are incurred.

Payments or receipts on interest rate swaps, caps or floors are accrued with interest payable. The derivatives are not revalued. Arrangement fees on bonds are amortised over the estimated life of the bonds.

Financial liabilities and equity instruments
Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Capital market and bank borrowings
Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised costs, using the effective interest rate method, except where they are identified as a hedged item in a fair value hedge. Any difference between the proceeds, net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing.

2 Accounting policies continued

New accounting standards

The Company has adopted the following accounting standards in the year.

FRS 20 Share-based payments

Under FRS 20, the Company is required to reflect share-based payments in the profit and loss account. In the Company's case, share-based payments comprise primarily share options through the LTIP. The post-tax impact of the standard on the results for the year ended 2nd October, 2005 was a charge of £1.9 million and a decrease of £0.4 million in net assets.

FRS 21 Events after the balance sheet date

The major effect of FRS 21 is to change the approach to dividends declared after the balance sheet date in respect of the year under review such that these dividends are no longer accrued in the balance sheet. As a result, the net assets at 2nd October, 2005 had increased by £32.6 million.

FRS 23 The effects of changes in foreign exchange rates

FRS 23 sets out additional guidance on the translation method for transactions in foreign currencies and on determining the functional and presentation currencies. The adoption of FRS 23 had no effect on the Company's profit or net assets.

The following accounting standards had been deferred until 2nd October, 2005. Commencing on that date, the Company applied hedge accounting where the requirements of FRS 26 were met.

FRS 25 Financial instruments: disclosure and presentation

FRS 25 sets out the requirements for the presentation of, and disclosures relating to, financial instruments. The disclosures complying with the requirements of FRS 25 are included in the Group Financial Statements.

The adoption of this standard increased opening derivative financial assets by £18.9 million, increased derivative financial liabilities by £4.2 million and decreased the carrying value of the Company's bonds by £1.7 million. These revaluations increased the Company's retained earnings by £16.4 million.

FRS 26 Financial instruments: measurement

FRS 26 sets out requirements for measurement, recognition and derecognition of financial instruments.

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The following accounting policies were applied by the Company from implementation of FRS 26 from 2nd October, 2005.

– Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

– Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

The Company has no significant long-term trade receivables or trade payables.

– Available-for-sale investments

Investments and financial assets are recognised and de-recognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are measured at fair value, including transaction costs.

Investments are classified as either held-for-trading or available-for-sale. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. The fair value of listed securities is determined based on quoted market prices, and of unlisted securities on management's estimate of fair value determined by discounting future cash flows to net present value using market interest rates prevailing at the year end.

– Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, short-term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

– Capital market and bank borrowings

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to net proceeds at inception), and are subsequently measured at amortised cost, using the effective interest rate method, except where they are identified as a hedged item in a fair value hedge. Any difference between the proceeds, net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing.

– Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

– Derivative financial instruments and hedge accounting

The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates.

The use of financial derivatives is governed by the Group's policies, which are set out on pages 30 and 31 of the Financial and Treasury Review and approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value and are subsequently re-measured to fair value at each reporting date. The fair value is determined by using market data and the use of established estimation techniques such as discounted cash flow and option valuation models. The Company designates certain derivatives as:

2 Accounting policies continued
(i) Hedges of the change of fair value of recognised assets and liabilities ("fair value hedges"); or
(ii) Hedges of highly probable forecast transactions ("cash flow hedges"); or
(iii) Hedges of net investment in foreign operations ("net investment hedges")

FRS 26 Financial instruments: measurement
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of derivatives that are designated and qualify as net investment hedges or cash flow hedges are recognised in equity. To qualify for hedge accounting, the hedging relationship must be expected to be effective, be designated and documented at its inception and throughout the life of the hedge relationship.

When the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting, hedge accounting is discontinued. The net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period when the net investment is sold or when the hedged cash flow is no longer expected to occur.

Fair value hedges
The Company's policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk with changes in fair value of the hedging instrument recognised in the profit and loss account for the period together with the changes in the fair value of the hedged item, to the extent the hedge is effective. The ineffective portion is recognised immediately in the profit and loss account.

Cash flow hedges
Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the profit and loss account. The Company's policy with respect to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If a hedged firm commitment or forecast transaction results in the recognition of a non financial asset or liability, then, at the time that the asset or liability is recognised, the associated gains and losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the profit and loss account in the same period in which the hedged item affects the profit and loss account.

3 Intangible assets

	Trade marks £m
Cost	
At beginning of year	10.0
Additions	252.7
Disposals	(116.7)
At end of year	146.0
Accumulated amortisation	
At beginning of year	1.5
Charge for the year	7.3
Impairment	3.1
At end of year	11.9
Net book value – 2006	**134.1**
Net book value – 2005	8.5

Additions in the year consist of various trade marks purchased from the Group's regional newspaper division. Trade marks are amortised over the lower of their useful economic life and 20 years.

4 Tangible assets

	Plant and equipment £m
Cost	
At beginning of year	–
Additions	0.8
At end of year	0.8
Accumulated amortisation	
At beginning and end of year	–
Net book value – 2006	**0.8**
Net book value – 2005	–

5 Investments in group undertakings (as listed on pages 121 to 124)

	Cost £m	Provision £m	Net book value £m
At beginning and end of year	1,672.4	(1.7)	1,670.7

6 Other investments

	£m
Cost or valuation	
At beginning of year	1.1
Provided during year	(0.1)
At end of year	1.0

Other investments comprise non-current equity investments which are available-for-sale. They are recorded at fair value and are analysed as follows:

	2006 £m	2005 £m
Unlisted		
JEGI Internet Economy Partners, L.P.	**1.0**	1.1

The Company owns a 23% share of the partnership capital.

7 Debtors

	2006 £m	2005 restated £m
Amounts falling due within one year		
Amounts owed by Group undertakings	–	252.6
Prepayments and accrued income	1.2	1.3
Corporation tax	59.4	43.9
Deferred tax asset	–	0.4
Derivative financial assets	22.8	18.9
Other debtors	1.0	–
	73.6	317.1
Amounts falling due after one year		
Amounts owed by Group undertakings	–	89.2
	84.4	406.3

The restatement of the 2005 figures are the result of the adoption of FRS 26, see accounting policies.

The Company's corporation tax debtor represents amounts due from subsidiaries for Group relief and payments made to UK HM Revenue and Customs on account of the 2006 liability.

8 Cash and cash equivalents

	2006 £m	2005 £m
Cash and cash equivalents	1.5	–

9 Creditors

	2006 £m	2005 restated £m
Due within one year		
Bank overdrafts	–	2.1
Loan notes	3.2	3.4
Interest payable	30.3	28.5
Amounts owing to Group undertakings	203.2	310.1
Accruals and deferred income	1.0	1.4
Derivative financial liabilities	2.3	4.2
Other creditors	–	2.6
	240.0	352.3

The restatement of the 2005 figures are the result of the adoption of FRS 26, see accounting policies.

Loan notes attract interest at approximately LIBID to LIBID minus 1% and were issued as part of the consideration for various acquisitions. The loan notes are repayable at the option of the loan note holder.

	2006 £m	2005 restated £m
Due after more than one year		
7.5% Bonds 2013	300.6	301.1
5.75% Bonds 2018	173.6	173.6
10% Bonds 2021	179.7	180.5
Bank loans	38.8	41.2
	692.7	696.4

The restatement of the 2005 figures are the result of the adoption of FRS 26, see accounting policies.

9 Creditors continued

The nominal values of the bonds are as follows:

	2006 £m	2005 £m
7.5% Bonds 2013	**300.0**	300.0
5.75% Bond 2018	**175.0**	175.0
10% Bonds 2021	**165.0**	165.0
	640.0	640.0

The Company's bonds have been adjusted from their nominal values on initial recognition to offset the premium paid on settlement or redemption, direct issue costs and discounts. The issue costs are being amortised over the expected lives of the bonds. The unamortised issue costs amount to £3.2 million (2005 £3.5 million).

The Company's bank loans are denominated in US dollars, Australian dollars and Sterling. The interest rates on these borrowings ranged as follows:

	2006 High %	2006 Low %	2005 High %	2005 Low %
Sterling	**5.61**	**4.72**	5.49	4.50
US dollar	**4.23**	**4.07**	4.23	2.20
Australian dollar	**–**	**–**	5.80	5.75

The maturity profile of the Company's borrowings is as follows:

	Bank loans £m	Bonds £m	Loan notes £m	Total £m
2006				
Within 1 year	**–**	**–**	**3.2**	**3.2**
Between 1 – 2 years	**–**	**–**	**–**	**–**
Between 2 – 5 years	**38.8**	**–**	**–**	**38.8**
Over five years	**–**	**653.9**	**–**	**653.9**
	38.8	**653.9**	**–**	**681.9**
	38.8	**653.9**	**3.2**	**695.9**
2005				
Within 1 year	–	–	3.4	3.4
Between 1 – 2 years	–	–	–	–
Between 2 – 5 years	41.2	–	–	41.2
Over five years	–	696.4	–	696.4
	41.2	696.4	–	737.6
	41.2	696.4	3.4	741.0

10 Provisions for liabilities and charges

	Note	2006 £m	2005 £m
Deferred taxation	11	**0.2**	–
Other provisions		**1.5**	–
		1.7	–

11 Deferred taxation

	2006 £m	2005 £m
Other timing differences	**0.2**	–
	0.2	–

Movements on the provision for deferred taxation were as follows:

	2006 £m	2005 £m
At beginning of year	**–**	–
LTIP charge	**0.1**	0.3
Net charge/(credit) to profit and loss account	**0.1**	(0.3)
At end of year	**0.2**	–

No deferred tax has been provided on revalued assets due to the availability of realised capital losses for which no deferred tax asset has been recognised. There are additional unprovided capital losses carried forward which have not yet been agreed with the UK HM Revenue and Customs.

12 Shares held in treasury

	£m
At beginning of year	(41.2)
Reclassification of provision	2.6
On adoption of FRS 20	(1.4)
As restated	(40.0)
Additions	(32.4)
Disposals	9.3
At end of year	**(63.1)**

The Company's investment in its own shares is classified within shareholders' funds as shares held in treasury. At 1st October, 2006 this investment comprised the cost of 9,692,016 'A' Ordinary Non-Voting shares (2005 6,280,751 shares). The market value of these shares at 1st October, 2006 was £64.4 million (2005 £41.5 million). The treasury shares are considered to be a realised loss for the purposes of calculating distributable reserves.

13 Profit and loss account

	£m
Profit and loss account	
At beginning of year	971.6
Reclassification of provision	(2.6)
On adoption of FRS 20	1.4
On adoption of FRS 21	32.6
On adoption of FRS 26	16.4
Restated	1,019.4
Net loss for the year	(62.1)
Other movements on share option schemes	4.0
At end of year	**961.3**
Total reserves – 2006	**898.2**
Total reserves – 2005	979.4

The Company estimates that £596.1 million of the Company's profit and loss account reserve is not distributable (2005 £656.4 million).

14 Contingent liabilities

At 1st October, 2006 the Company had guaranteed borrowing facilities and finance leases of subsidiaries under which £144.1 million (2005 £182.1 million) were outstanding. The Company had also guaranteed a subsidiary's interest rate derivatives with a principal value of £353.6 million (2005 £42.3 million) and letters of credit of £6.6 million (£3.2 million).