THE IRISH TIMES LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2004

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004

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COMPANY INFORMATION

DIRECTORS	Michael Austen Alex Burns Gerard Burns Maeve Donovan John Fanning Liam Kavanagh Geraldine Kennedy David McConnell Eoin McVey Paul O'Neill Brian Patterson Gregory Sparks David Went
SECRETARY	Liam Kavanagh
REGISTERED OFFICE	11/15 D'Olier Street, Dublin 2.
REGISTERED NUMBER OF INCORPORATION	2514
SOLICITORS	William Fry, Fitzwilton House, Wilton Place, Dublin 2. Hayes, Lavery House, Earlsfort Terrace, Dublin 2.

COMPANY INFORMATION (Continued)

BANKERS	Bank of Ireland, College Green, Dublin 2.
AUDITORS	Ernst & Young, Chartered Accountants, Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2.

DIRECTORS' REPORT
for the year ended 31 December 2004

The directors present herewith their annual report and audited consolidated financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITY, BUSINESS REVIEW AND LIKELY FUTURE DEVELOPMENTS

The principal activities of the group are the printing, publishing, marketing and sale of newspapers.

The results for 2004 reflect an improved market for advertising and an expansion of contract printing activities. The company will invest further in its print facility in 2005. The core profitability of the newspaper is expected to continue while current economic circumstances prevail.

RESULTS FOR THE YEAR AND STATE OF AFFAIRS AT 31 DECEMBER 2004

The consolidated profit and loss account for the year ended 31 December 2004 and the consolidated balance sheet at that date are set out on pages 10 and 11 respectively.

IMPORTANT EVENTS SINCE YEAR END

The company has concluded negotiations on the lease of new premises at Tara street, Dublin 2, and has commenced a process to relocate to that site.

BOOKS OF ACCOUNT

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990, with regard to books of account. To achieve this, the directors have appointed appropriate accounting personnel who report to the board in order to ensure that those requirements are complied with. Those books are maintained at the company's registered office at 11/15 D'Olier Street, Dublin 2.

REMUNERATION AND NOMINATIONS COMMITTEE

The remuneration responsibilities of the committee, delegated to it by the board, are to enter into contracts and set remuneration levels for the Managing Director, Editor and other Executive Directors.

The members of the committee during the year were Alex Burns, Gerard Burns, John Fanning, David McConnell and Brian Patterson. The objective of the committee is to recruit, motivate and retain management and staff of the highest calibre in a competitive market. It seeks external and independent professional advice, when required, to ensure that payment levels are set with proper regard to market conditions and internal relativities. All payments to Executive Directors are determined by the Remuneration and Nominations Committee independently of the executives concerned.

DIRECTORS' REPORT
for the year ended 31 December 2004 (Continued)

REMUNERATION AND NOMINATIONS COMMITTEE (Continued)

The schedule below provides the detail of each director's service during the year.

Directors		Position	Date Appointed	Date Resigned	Months in Office	Remune -ration	Fees
Michael	Austen	Deputy Managing Director			12	Y	Y
Alex	Burns	Non-Executive			12	N	Y
Gerard	Burns	Non-Executive & Governor of The Irish Times Trust Limited			12	N	Y
Dervilla	Donnelly	Non-Executive & Governor of The Irish Times Trust Limited		7 Sept 2004	8	N	Y
Maeve	Donovan	Managing Director			12	Y	Y
John	Fanning	Non-Executive			12	N	Y
Liam	Kavanagh	Finance Director			12	Y	Y
Seamus	McCague	Technology and Resources Director – retired		23 Nov 2004	11	Y	N
Geraldine	Kennedy	Editor			12	Y	Y
David	McConnell	Non-Executive & Chairman of The Irish Times Trust Limited			12	(Note 1)	Y
Eoin	McVey	Managing Editor			12	Y	Y
Paul	O'Neill	Deputy Editor			12	Y	Y
Brian	Patterson	Non-Executive Chairman			12	(Note 1)	Y
Gregory	Sparks	Non-Executive			12	N	Y
David	Went	Non-Executive & Governor of The Irish Times Trust Limited	30 Sept 2004		3	N	Note 2

Note 1 The chairmen of The Irish Times Limited and The Irish Times Trust Limited receive an annual salary with respect to those positions.

Note 2 Directors' fees payable to David Went were waived by him.

The average number of directors who held office during the year was 14 (2003: 14).
The average number who received executive remuneration was 7 (2003: 7).
The average number is based on the number of months in office divided by 12 months.

Directors' Fees: The basis for the payment of directors' fees in 2004 was as follows:

Chairman of The Irish Times Limited, Chairman of The Irish Times Trust Limited and executive directors – €9,214 per annum (2003: €9,100).

Non-executive directors – €12,000 (2003: €12,000) per annum plus €10,000 (2003: €10,000) for service on board sub-committees.

The average fee per director in 2004 was €12,634 (2003: €13,616).

Consultancy: Alex Burns provided professional services to the group during the year for which he was paid consultancy fees.

DIRECTORS' REPORT
for the year ended 31 December 2004

REMUNERATION AND NOMINATIONS COMMITTEE (Continued)

Remuneration: The schedule below provides an analysis of directors' remuneration (exclusive of fees) which is disclosed in note 6 to the consolidated financial statements. Remuneration is before all taxes and is inclusive of salary, performance related pay, benefit-in-kind and pension costs.

	Note	*2004* *€'000*	*2003* *€'000*
Salary		1,486	1,603
Performance related pay	(i)	397	418
Benefits-in-kind	(ii)	115	97
Pension contributions		780	709
Other pension costs	(iii)	564	–
Total		3,342	2,827

(i) Performance related pay is set and approved by the Remuneration and Nominations Committee on the basis of the achievement of individual specific targets and objectives. All remuneration is paid in full compliance with tax legislation and all payments are included in the group's annual returns to the Revenue Commissioners.

(ii) The benefit-in-kind arrangements for executive directors relate primarily to company cars. There are no loans to directors.

(iii) A former director Mr Seamus McCague retired on 28 November 2003 under the company's voluntary parting scheme and resigned from the board on 23 November 2004. Other pension costs for 2004 include a non-recurring charge of €564,413 relating to (a) his pension for the period to 31 December 2004 and (b) an amount required by the actuary, under the funding proposal to the Pensions Board, to allow his admission as a pensioner to the scheme.

The annual salaries at the end of the financial year for the continuing executive director positions and the non-executive chairmen were as follows:

	2004 *€'000*	*2003* *€'000*
Continuing Executive Directors		
Managing Director	323	308
Editor	323	308
Deputy Managing Director	240	231
Finance Director	193	185
Deputy Editor	145	132
Managing Editor	123	117
Non-Executive Chairmen		
The Irish Times Limited	95	95
The Irish Times Trust Limited	44	44
Total	1,486	1,420

DIRECTORS' REPORT
for the year ended 31 December 2004 (Continued)

HEALTH AND SAFETY AT WORK
It is the policy of the group to ensure the health and welfare of its employees by maintaining a safe place and system of work. This policy is based on the requirements of employment legislation, including the Safety, Health and Welfare at Work Act, 1989.

STATEMENT OF 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 group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the provisions of the Companies Acts, 1963 to 2003 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS
Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the directors

Brian Patterson	Maeve Donovan
Director	Director

16 June 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE IRISH TIMES LIMITED

We have audited the group's financial statements for the year ended 31 December 2004 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Cash Flow and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable Irish law and accounting standards 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 Auditing Standards issued by the Auditing Practices Board for use in Ireland and the United Kingdom.

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 Acts. We also report to you our opinion as to: whether proper books of account have been kept by the company; whether at the balance sheet date there exists a financial situation which may require the convening of an extraordinary general meeting of the company and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and transactions with the group is not given and, where practicable, include such information in our report.

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

Basis of audit opinion

We conducted our audit in accordance with 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 group's circumstances, consistently applied and adequately disclosed.

Continued /…

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE IRISH TIMES LIMITED (Continued)

Basis of audit opinion (continued)

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 and of the group as at 31 December 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2003 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

In our opinion, the company balance sheet does not disclose a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Ernst & Young
Registered Auditors

Dublin

16 June 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2004

	Note	*2004* €	*2003* €
Turnover – continuing operations	2	104,349,651	95,185,810
Cost of sales		(63,166,004)	(62,968,545)
Gross profit		41,183,647	32,217,265
Distribution costs		(10,315,967)	(9,615,371)
Administrative expenses		(15,599,533)	(15,626,304)
Total operating expenses		(25,915,500)	(25,241,675)
Operating profit – continuing operations		15,268,147	6,975,590
Profit on disposal of operations	3	–	3,306,117
Loss on discontinuance of business	3	–	(1,523,215)
Profit on ordinary activities before investment income, interest and taxation		15,268,147	8,758,492
Interest receivable and similar income	4	427,452	186,172
Interest payable and similar charges	5	(75,697)	(468,955)
Profit on ordinary activities before taxation	6	15,619,902	8,475,709
Tax on profit on ordinary activities	8	(639,443)	(146,112)
Profit for the financial year	9	14,980,459	8,329,597
Profit and loss account at beginning of year		64,170,431	55,840,834
Profit and loss account at end of year		79,150,890	64,170,431

The group had no recognised gains or losses in either year other than the profit attributable to shareholders of the company. Historical cost profit before and after taxation for the financial year does not differ materially from reported profits.

Approved by the Board on 16 June 2005

Brian Patterson
Director

Maeve Donovan
Director

CONSOLIDATED BALANCE SHEET
at 31 December 2004

	Note	*2004* €	*2003* €
FIXED ASSETS			
Tangible assets	10	68,439,838	71,537,998
Financial assets	11	18,367	18,367
		68,458,205	71,556,365
CURRENT ASSETS			
Stocks	12	730,373	319,100
Debtors	13	10,693,302	11,974,238
Cash at bank and in hand		20,805,592	4,768,234
		32,229,267	17,061,572
CREDITORS (amounts falling due within one year)	14	(18,323,150)	(21,152,495)
NET CURRENT ASSETS (LIABILITIES)		13,906,117	(4,090,923)
TOTAL ASSETS LESS CURRENT LIABILITIES		82,364,322	67,465,442
CREDITORS (amounts falling due after more than one year)	15	–	(639,654)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(1,215,805)	(657,730)
		81,148,517	66,168,058
CAPITAL AND RESERVES			
Share capital	18	625,138	625,138
Revaluation reserve	19	1,362,618	1,362,618
Capital conversion reserve fund	19	9,871	9,871
Profit and loss account	19	79,150,890	64,170,431
Shareholders' funds – non-equity	19	81,148,517	66,168,058

Approved by the Board on 16 June 2005

Brian Patterson
Director

Maeve Donovan
Director

COMPANY BALANCE SHEET
at 31 December 2004

	Note	2004 €	2003 €
FIXED ASSETS			
Tangible assets	10	68,041,930	71,114,167
Financial assets	11	1,192,877	1,323,667
		69,234,807	72,437,834
CURRENT ASSETS			
Stocks	12	730,373	319,100
Debtors	13	9,937,029	11,082,237
Cash at bank and in hand		20,745,457	4,585,518
		31,412,859	15,986,855
CREDITORS (amounts falling due within one year)	14	(18,283,344)	(21,086,796)
NET CURRENT ASSETS (LIABILITIES)		13,129,515	(5,099,941)
TOTAL ASSETS LESS CURRENT LIABILITIES		82,364,322	67,337,893
CREDITORS (amounts falling due after more than one year)	15	–	(639,654)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(1,215,805)	(657,730)
		81,148,517	66,040,509
CAPITAL AND RESERVES			
Share capital	18	625,138	625,138
Revaluation reserve	19	1,362,618	1,363,648
Capital conversion reserve fund	19	9,871	9,871
Profit and loss account	19	79,150,890	64,041,852
Shareholders' funds – non-equity	19	81,148,517	66,040,509

Approved by the Board on 16 June 2005

Brian Patterson
Director

Maeve Donovan
Director

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 31 December 2004

	Note	*2004* €	*2003* €
Net cash inflow from operating activities	20	21,693,862	10,838,366
Returns on investments and servicing of finance			
Income from financial fixed assets received		164,619	274,011
Interest received		155,043	71,269
Interest paid		(39,878)	(393,836)
Interest element of finance lease payments		(35,819)	(100,769)
		243,965	(149,325)
Taxation			
Corporation taxation refund		536,176	27,622
Corporation taxation paid		(209,053)	–
		327,123	27,622
Capital expenditure			
Purchase of tangible fixed assets		(3,657,255)	(535,678)
Proceeds on disposal of tangible fixed assets		117,326	167,433
		(3,539,929)	(368,245)
Acquisitions and disposals			
Proceeds from disposals of operations		–	2,843,282
Net cash inflow before financing		18,725,021	13,191,700
Financing			
Repayment of bank loans		(2,000,000)	(8,449,104)
Capital element of finance lease repaid		(598,192)	(730,644)
Net cash outflow from financing		(2,598,192)	(9,179,748)
Increase in cash		16,126,829	4,011,952

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004

1. ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets. The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the Republic of Ireland.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of The Irish Times Limited and all its subsidiary undertakings made up to the balance sheet date.

(c) Currency

Transactions denominated in foreign currencies are translated to Euro at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

(d) Turnover

Turnover represents the invoiced value of goods and services, exclusive of value added tax, to third parties, after deduction of rebates and allowances.

(e) Research and development

Research and development expenditure is written off in full in the year in which the costs are incurred.

(f) Leased assets

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

(g) Advertising and promotional expenditure

Advertising and promotional expenditure is written off in full in the year in which the costs are incurred.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

1. ACCOUNTING POLICIES (Continued)

(h) *Taxation*

The charge for taxation is based on the profit or loss for the year and takes into account taxation advanced and/or deferred because of timing differences.

Deferred tax is calculated on 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.

No provision for deferred tax is made on revaluation surpluses unless a binding sale agreement exists and the profit or loss on disposal has been recognised in the profit and loss account.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax liabilities are recognised in full in respect of net unfavourable timing differences. Deferred tax assets in respect of net favourable timing differences, including taxation losses available for carry forward, are recognised only when it is considered more probable than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is not discounted.

(i) *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at historical cost less accumulated depreciation, except for certain freehold and long leasehold land and premises, which are carried at revalued amount less accumulated depreciation. The company is availing of the transitional arrangements of Financial Reporting Standard No. 15 'Tangible Fixed Assets', and is continuing to carry such revalued assets at their previously revalued amount, which is not being updated for subsequent changes in value except as adjusted for subsequent disposals, if any.

Depreciation

Depreciation is provided at annual rates calculated to write off the cost or valuation, less estimated residual value, of the assets as follows:

Freehold and long leasehold land	nil
Freehold and long leasehold premises	2% to 4% straight line
Plant and machinery	8⅓% to 33⅓% straight line
Motor vehicles	20% straight line
Office equipment	20% to 33⅓% straight line

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

1. ACCOUNTING POLICIES (Continued)

Depreciation is provided on additions with effect from the first day of the month of commissioning and on disposals up to the end of the month prior to retiral.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

(j) *Financial fixed assets*
The investments by the company in subsidiary undertakings are shown at cost less provisions for any impairment in value.

Trade investments are valued at cost less provisions for any impairment in value.

(k) *Stocks*
Stocks are valued at the lower of cost and net realisable value, on the first-in, first-out basis, cost being invoice price including duty and freight. Due provision is made to reduce any obsolete stock to its net realisable value. Net realisable value is the estimated selling price of stock on hand less all further costs to completion and all costs expected to be incurred in marketing, distribution and selling.

(l) *Pensions*
The group accounts for pension costs in accordance with Statement of Standard Accounting Practice No. 24 ‘Accounting for Pension Costs’.

The cost of providing pensions to employees of the group is charged to the profit and loss account on a systematic basis over the service lives of those employees. Pension costs are determined by an actuary by reference to a funding plan and funding assumptions. The regular pension cost is expressed as a substantially level proportion of current and expected future pensionable payroll. Variations from regular cost are spread over the remaining service lives of the current employees. To the extent that the pension cost is different from the cash contributions to the pension scheme, a provision or prepayment is recognised in the balance sheet.

Provision is made for the actuarial valuation of ex-gratia pensions at the time the commitment is made. Subsequent adjustments to the computation of the outstanding commitment are dealt with annually in the profit and loss account.

2. TURNOVER

Turnover by class of business and geographical market is not provided as the Directors are of the opinion that the provision of such information would be seriously prejudicial to the interests of the group.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

3.	NON-OPERATING EXCEPTIONAL ITEMS	*2004* €	*2003* €
	Profit on sale of the ITELIS database	–	928,452
	Profit on sale of The Irish Field	–	2,377,665
	Total profit on disposal of operations	–	3,306,117
	Loss on closure of ICPC Limited	–	(1,523,215)
		–	1,782,902

The tax effect in the profit and loss account relating to the exceptional items was:

	2004 €	*2003* €
Charge on profit on disposal of operations	–	245,123

4.	INTEREST RECEIVABLE AND SIMILAR INCOME	*2004* €	*2003* €
	Interest receivable and similar income	262,833	142,282
	Income from financial fixed assets other than shares in group undertakings	164,619	43,890
		427,452	186,172

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	*2003*
	€	€
Finance lease interest	35,819	81,411
Interest on bank loans repayable otherwise than by installments within five years	39,878	387,544
	75,697	468,955

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004	*2003*
	€	€
The profit on ordinary activities before taxation is stated after charging (crediting):		
Directors' emoluments		
Fees	176,871	190,618
Remuneration:		
Executive directors	1,858,059	1,977,656
Pension contributions	1,344,493	709,400
Chairmen's salaries	139,670	139,670
	3,342,222	2,826,726

Details on directors' remuneration are included in the directors' report on pages 4 to 6

Pension paid to former director	11,514	10,913
Auditors' remuneration	76,000	72,800
Depreciation of tangible fixed assets	6,680,615	7,813,393
(Profit)loss on disposal of fixed assets	(42,526)	23,970
Operating lease rentals – plant and machinery	315,643	172,425
– other	334,567	323,276

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

7. STAFF NUMBERS AND COSTS

The average number of employees, including executive directors, who worked in the group during the year was as follows:

	2004	*2003*
	Number	*Number*
Printing, publishing and distribution	544	560

The aggregate payroll costs comprise:	*2004*	*2003*
	€	€
Wages and salaries	31,944,619	32,538,492
Social welfare costs	3,182,963	3,237,992
Pension and other related costs	8,432,725	6,877,369
	43,560,307	42,653,853

8. TAX ON PROFIT ON ORDINARY ACTIVITIES	*2004*	*2003*
	€	€
(a) Analysis of profit and loss account charge :		
Current tax:		
Tax on profit for the year	362,590	245,123
Credit relating to previous years' losses	–	(99,011)
Overprovision in respect of prior years	(198,330)	–
	164,260	146,112
Deferred tax (Note 17)	475,183	–
Tax on profit on ordinary activities	639,443	146,112

(b) *Factors affecting the tax charge for the year:*
The tax charge for the year differs from the amount computed by applying the standard rate of corporation tax in the Republic of Ireland to the profit on ordinary activities before taxation. The sources and tax effects of the differences are explained below:

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

(b) *Factors affecting the tax charge for the year: (continued)*

	2004 €	*2003* €
Profit on ordinary activities	15,619,902	8,475,709
Profit on ordinary activities multiplied by the standard tax rate 12.5%	1,952,488	1,059,464
Effect of:		
Expenses not deductible and non-taxable income	(142,382)	(52,225)
Other timing differences including differences between capital allowances and depreciation and movement in restructuring provision	(358,298)	(317,045)
Higher tax rates on investment income	106,796	9,668
Higher tax rates on capital gain	–	130,199
Indexation relief on capital gain	–	(140,958)
Manufacturing relief	(288,404)	(81,579)
Utilisation of losses carried forward	(907,610)	(362,401)
Credit relating to previous years' loss	–	(99,011)
Overprovision in respect of previous years	(198,330)	–
Current tax charge for the year	164,260	146,112

9. PROFIT FOR THE FINANCIAL YEAR

As permitted by Section 3(2) of the Companies (Amendment) Act, 1986, the company has not presented a separate profit and loss account. The profit for the financial year accounted for by the parent undertaking amounted to €15,109,038.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

10. TANGIBLE FIXED ASSETS

	Freehold and long leasehold land and premises	*Plant & machinery*	*Motor vehicles*	*Office equipment*	*Total*
GROUP	€	€	€	€	€
Cost or valuation					
At 31 December 2003					
Cost	44,636,706	51,115,415	1,534,282	7,183,315	104,469,718
Valuation	2,125,542	–	–	–	2,125,542
	46,762,248	51,115,415	1,534,282	7,183,315	106,595,260
Additions during year	34,957	3,435,308	–	186,990	3,657,255
Disposals during year	–	(2,820)	(676,844)	–	(679,664)
At 31 December 2004					
Cost	44,671,663	54,547,903	857,438	7,370,305	107,447,309
Valuation	2,125,542	–	–	–	2,125,542
	46,797,205	54,547,903	857,438	7,370,305	109,572,851
Depreciation					
At 31 December 2003	4,694,333	22,652,841	1,201,067	6,509,021	35,057,262
Charged during year	1,451,435	4,585,820	195,660	447,700	6,680,615
Disposals during year	–	(1,645)	(603,219)	–	(604,864)
At 31 December 2004	6,145,768	27,237,016	793,508	6,956,721	41,133,013
Net book value at					
At 31 December 2004	40,651,437	27,310,887	63,930	413,584	68,439,838
At 31 December 2003	42,067,915	28,462,574	333,215	674,294	71,537,998

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

10. TANGIBLE FIXED ASSETS (Continued)

COMPANY	*Freehold and long leasehold land and premises*	*Plant & machinery*	*Motor vehicles*	*Office equipment*	*Total*
Cost or valuation	€	€	€	€	€
At 31 December 2003					
Cost	44,636,706	50,652,946	1,450,509	2,676,554	99,416,715
Valuation	2,125,542	-	-	-	2,125,542
	46,762,248	50,652,946	1,450,509	2,676,554	101,542,257
Additions during year	34,957	3,435,308	2,609	-	3,472,874
Disposals during year	-	(2,820)	(616,690)	-	(619,510)
At 31 December 2004					
Cost	44,671,663	54,085,434	836,428	2,676,554	102,270,079
Valuation	2,125,542	-	-	-	2,125,542
	46,797,205	54,085,434	836,428	2,676,554	104,395,621
Depreciation					
At 31 December 2003	4,694,333	22,206,084	1,131,392	2,396,281	30,428,090
Charged during year	1,451,435	4,585,820	185,954	248,873	6,472,082
Disposals during year	-	(1,645)	(544,836)	-	(546,481)
At 31 December 2004	6,145,768	26,790,259	772,510	2,645,154	36,353,691
Net book value at					
At 31 December 2004	40,651,437	27,295,175	63,918	31,400	68,041,930
At 31 December 2003	42,067,915	28,446,862	319,117	280,273	71,114,167

10. TANGIBLE FIXED ASSETS (Continued)

Freehold and long leasehold land and premises – group and company
Included in freehold and long leasehold land and premises is an amount for land of €6,828,815 (2003: €6,828,815).

Capitalised leased assets – group and company
Included in the cost of plant and machinery is an amount of capitalised leased assets of €1,797,077 (2003: €1,797,077). The depreciation charge in respect of capitalised leased assets for the year ended 31 December 2004 was €148,128 (2003: €148,128).

Assets under construction – group and company
Included in plant and machinery additions is an amount of €2,745,084 for assets under construction.

Revaluation – group and company
The freehold and long leasehold land and premises were revalued by professional valuers at 3 January 1981 at open market value on an existing use basis at €2,125,542. Subsequent additions are at cost.

The historical cost, and depreciation based on cost, of freehold and long leasehold premises is as follows:

GROUP AND COMPANY	*2004*	*2003*
	€	€
Original cost	45,132,214	45,097,257
Depreciation	(5,405,128)	(3,986,991)
Net book value	39,727,086	41,110,266

11. FINANCIAL FIXED ASSETS

	Group		*Company*	
	2004	*2003*	*2004*	*2003*
	€	€	€	€
Investment in subsidiary undertaking (a)	–	–	1,174,510	1,305,300
Trade investments (b)	18,367	18,367	18,367	18,367
	18,367	18,367	1,192,877	1,323,667

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

11. FINANCIAL FIXED ASSETS (Continued)

(a) *Investment in subsidiary undertaking - company*

	Shares at cost	*Loans to Subsidiary*	*Total*
	€	*€*	*€*
At beginning of year	130,790	1,174,510	1,305,300
Disposal during year	(130,787)	(3)	(130,790)
At end of year	3	1,174,507	1,174,510

In the opinion of the directors, the value of the shares, none of which are listed, is not less than cost.

Subsidiary undertakings:

Name	*Registered Office*	*Proportion held by Company*	*Proportion held by Subsidiary*	*Nature of business*
ITronics Limited	11/15 D'Olier Street Dublin 2	100%	–	Electronic information and electronic publishing, training and related services
Irish Racing Services Limited	11/15 D'Olier Street Dublin 2	–	100%	Non-trading

Unless otherwise stated, all shareholdings represent interests in ordinary share capital.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

11. FINANCIAL FIXED ASSETS (Continued)

(b) *Trade investments – group and company*

	2004	*2003*
Listed investments:	*€*	*€*
Reuters Holdings plc		
7,536 (2003: 7,536) Ordinary Shares of Stg2.5p each at cost	17,757	17,757
Unlisted investments:		
The Press Association Limited		
60,000 (2003: 60,000) Ordinary Shares of Stg£1 each at cost	610	610
	18,367	18,367

The Reuters Holdings plc shares are quoted on a recognised stock exchange. The market value of the holding at 31 December 2004 was €40,349 (2003: €25,610).

12. STOCKS

	Group		*Company*	
	2004	*2003*	*2004*	*2003*
	€	*€*	*€*	*€*
Newsprint and materials	730,373	319,100	730,373	319,100

The replacement cost of the above categories of stock does not differ materially from their stated balance sheet values.

13. DEBTORS

	Group		*Company*	
	2004	*2003*	*2004*	*2003*
	€	*€*	*€*	*€*
Trade debtors	9,724,917	10,346,066	9,231,937	9,944,547
Amounts owed by subsidiary undertakings	–	–	–	22,259
Other debtors	24,587	212,225	24,587	24,725
Corporation tax	–	222,641	–	222,641
Prepayments and accrued income	943,798	1,193,306	680,505	868,065
	10,693,302	11,974,238	9,937,029	11,082,237

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

14. CREDITORS (amounts falling due within one year)

	Group		Company	
	2004	*2003*	*2004*	*2003*
	€	€	€	€
Bank overdraft	–	89,471	–	89,471
Bank loan *(note 16)*	–	2,000,000	–	2,000,000
Trade creditors	4,860,762	4,026,613	4,666,102	3,862,802
Tax and social welfare (a)	2,916,585	2,783,475	2,857,700	2,749,938
Amount due to subsidiary undertakings	–	–	978,488	765,562
Accruals and deferred income	10,077,562	9,340,597	9,312,813	8,706,684
Fundamental re–organisation *(note 17)*	–	2,314,146	–	2,314,146
Finance lease obligations *(note 23(b))*	468,241	598,193	468,241	598,193
	18,323,150	21,152,495	18,283,344	21,086,796

(a) Tax and social welfare comprises:

	Group		Company	
	2004	*2003*	*2004*	*2003*
	€	€	€	€
Value added tax	1,514,905	1,752,463	1,456,184	1,718,926
PAYE/PRSI	1,132,938	1,031,012	1,132,937	1,031,012
Corporation Tax	268,742	–	268,579	–
	2,916,585	2,783,475	2,857,700	2,749,938

15. CREDITORS (amounts falling due after more than one year)

GROUP AND COMPANY	*2004*	*2003*
	€	€
Fundamental re–organisation *(note 17)*	–	171,414
Finance lease obligations *(note 23(b))*	–	468,240
	–	639,654

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

16. BANK LOAN

The group's bank facilities are secured by a fixed and floating charge over certain assets and are subject to compliance with a number of general and financial covenants.

17. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP AND COMPANY

	Fundamental re–organisation(i)	*Ex Gratia Pensions(ii)*	*Deferred Taxation(iii)*	*Total*
	€	*€*	*€*	*€*
At 31 December 2003	2,485,560	657,730	–	3,143,290
Provided during year	11,397	177,107	475,183	663,687
Utilised during year	(1,231,621)	(94,215)	–	(1,325,836)
Reclassified during year	(1,265,336)	–	–	(1,265,336)
At 31 December 2004	–	740,622	475,183	1,215,805

(i) *Fundamental re-organisation*
This provision related to obligations arising from the group's policy of fundamentally re-organising the operations of its ongoing business. The remaining balances of the provision were reclassified to accruals at 31 December 2004.

(ii) *Ex-Gratia Pensions*
The principal actuarial assumptions used in determining the provision were a discount rate of 4.5% (2003: 5.25%) and that pension costs will increase by 4% (2003: 4%) per annum. The provision includes an amount of €183,977 (2003: €152,600), which relates to a former director of the company.

(iii) *Deferred taxation*
Represents the tax effect of timing differences between depreciation and capital allowances on fixed assets and other timing differences.

for the year ended 31 December 2004 (Continued)

18. SHARE CAPITAL

	2004	*2003*
	€	€
GROUP AND COMPANY		
Authorised, allotted, called up and fully paid:		
500,000 ordinary shares of €1.25 each	625,000	625,000
110 preference shares of €1.25 each	138	138
	625,138	625,138

In accordance with the memorandum of association of the company, no portion of the income and property of the company can be paid or transferred, directly or indirectly, by way of dividend, bonus or otherwise, to members of the company except that the holders of all the preference shares retain their entitlement to repayment at par of the amount of capital paid up thereon (€1.25 per share) in a winding up or dissolution of the company.

The ordinary shares are non-voting shares.

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital	*Revalu – ation reserve*	*Capital conversion reserve fund*	*Profit and loss account*	*Total*
	€	€	€	€	€
GROUP					
At beginning of year	625,138	1,362,618	9,871	64,170,431	66,168,058
Profit for financial year	–	–	–	14,980,459	14,980,459
At end of year	625,138	1,362,618	9,871	79,150,890	81,148,517
COMPANY					
At beginning of year	625,138	1,363,648	9,871	64,041,852	66,040,509
Profit for financial year *(note 9)*	–	–	–	15,109,038	15,109,038
Other	–	(1,030)	–	–	(1,030)
At end of year	625,138	1,362,618	9,871	79,150,890	81,148,517

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

20. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	2004 €	*2003* €
Operating profit	15,268,147	6,975,590
Depreciation of tangible fixed assets	6,680,615	7,813,393
(Increase) decrease in stocks	(411,273)	920,130
Decrease in debtors	1,166,085	573,908
Increase (decrease) in creditors	170,146	(175,537)
Decrease in provisions	(1,137,332)	(3,769,873)
Loss on discontinuance of business	–	(1,523,215)
(Profit) loss on disposal of fixed assets	(42,526)	23,970
Net cash inflow from operating activities	21,693,862	10,838,366

Cashflows relating to non-operating exceptional items:
Net cash inflow from operating activities includes cash outflows of €1,339,389 in respect of the group's fundamental re-organisation (2003: €3,746,223).

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS (DEBT)

	2004 €	*2003* €
Increase in cash	16,126,829	4,011,952
Decrease in debt	2,000,000	8,449,104
Capital element of finance lease repaid	598,192	730,644
Movement in net funds in the year	18,725,021	13,191,700
Net funds (debt) at beginning of year	1,612,330	(11,579,370)
Net funds at end of year	20,337,351	1,612,330

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

22. ANALYSIS OF CHANGES IN NET FUNDS

	At 31 December 2003 €	*Cash flow* €	*At 31 December 2004* €
Cash	4,768,234	16,037,358	20,805,592
Overdraft	(89,471)	89,471	–
	4,678,763	16,126,829	20,805,592
Term loan	(2,000,000)	2,000,000	–
Finance leases	(1,066,433)	598,192	(468,241)
	1,612,330	18,725,021	20,337,351

23. COMMITMENTS

(a) *Capital commitments – group and company*
Capital commitments contracted for but not provided at 31 December 2004 amounted to €5,169,780 (2003: €Nil). Capital Commitments not contracted for and not provided at 31 December 2004 amounted to €4,585,136 (2003: €Nil).

(b) *Finance leases – group and company*

	2004 €	*2003* €
Finance lease obligations, net of interest, are due as follows:		
Within one year	468,241	598,193
Between one and five years	–	468,240
	468,241	1,066,433

(c) *Operating leases*
The group has operating lease commitments payable in the next twelve months of €848,615, which expire as follows:

GROUP	*Land and buildings* €	*Other* €	*Total* €
Within one year	17,870	32,372	50,242
Between one and five years	12,765	320,213	332,978
In over five years	245,395	–	245,395
	276,030	352,585	628,615

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

23. COMMITMENTS (Continued)

(c) Operating leases (continued)

COMPANY	*Land and buildings* €	*Other* €	*Total* €
Within one year	17,870	32,372	50,242
Between one and five years	12,765	291,544	304,309
In over five years	25,395	–	25,395
	56,030	323,916	379,946

24. PENSION SCHEMES

(a) Statement of Standard Accounting Practice No. 24

The company operates two defined benefit pension schemes. The schemes are funded by the payment of contributions to separately administered trust funds.

The contributions are based on the advice of an independent professionally qualified actuary obtained at three yearly intervals. The latest full actuarial valuations of the plans were at 1 July 2003 and used the attained age method. The actuarial reports showed that the market value of the assets of the schemes at 1 July 2003 was €111,298,000. On a combined basis, the value of the schemes' accrued liabilities on a discontinuance basis exceeded the market value of the schemes' assets by €36,590,000. The market value of the schemes' assets equalled 83% of the value of accrued liabilities on an ongoing basis after allowing for expected future salary increases.

The principal actuarial assumptions used were as follows:

Rate of return on investments pre retirement	6.5%
Rate of return on investments post retirement	6.0%
Rate of pensionable salary increases	4.5%
Rate of post retirement pension increases	1.75% - 2.5%

Following changes in the funding positions arising primarily from falls in investment markets and the rate of growth in wages and salaries, the assets are no longer sufficient to cover accrued liabilities based on current earnings or on projected earnings. The company has agreed a funding plan with the Trustees to meet the deficits.

The actuarial reports are not available for public inspection but all relevant information is supplied to members of the plans.

The pension charge, contribution and related costs for the year of the group amounted to €8,432,725 (2003: €6,877,369). The pension charge for the year relating to ex-gratia pensions amounted to €177,017(2003: €67,491). The assumptions used in relation to ex-gratia pensions are detailed in note 17(ii).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

24. PENSION SCHEMES (Continued)

At the year-end, €739,428 (2003: €471,300) was included in creditors in respect of liabilities to the pension schemes.

(b) *Financial Reporting Standard No. 17*

The assumptions used are based on the valuation by the scheme's actuary at 1 July 2003 updated at the balance sheet date. The valuation of liabilities has been performed using the projected unit method. The details are as follows:

The financial assumptions used to calculate scheme liabilities at 31 December are:

	2004	*2003*	*2002*
Inflation rate	2.25%	2.25%	2.25%
Rate of increase in pensionable salaries	4.00%	4.00%	4.00%
Rate of increase of pensions in payment	2.0%−2.25%	2.0%−2.25%	2.0%−2.25%
Discount rate	4.70%	5.25%	5.50%

The market value of the assets in the schemes, the expected rate of return, and the scheme liabilities were:

	Long term rate of return 2004	*Value at 2004 €'000*	*Long term rate of return 2003*	*Value at 2003 €'000*	*Long tem rate of return 2002*	*Value at 2002 €'000*
Equities	7.30%	99,398	7.75%	85,437	7.75%	68,867
Property	5.30%	10,092	5.75%	9,845	6.50%	9,381
Bonds	3.80%	20,875	4.75%	22,071	4.75%	25,439
Other	3.00%	8,287	3.00%	4,788	3.00%	5,433
Total market value of assets		138,652		122,141		109,120
Actuarial value of liability		(178,086)		(153,165)		(139,961)
Deficit		(39,434)		(31,024)		(30,841)
Related deferred tax asset		3,943		3,102		3,084
Net pension liability		(35,491)		(27,922)		(27,757)

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

24. PENSION SCHEMES (Continued)

The net assets and reserves of the group incorporating the pension liability are as follows:

Net assets:	*2004*	*2003*
	€'000	*€'000*
Net assets excluding pension liability	81,149	66,168
Pension liability	(35,491)	(27,922)
Net assets including pension liability	45,658	38,246

Reserves:	*2004*	*2003*
	€'000	*€'000*
Profit and loss reserve	79,151	64,170
Other reserves	1,372	1,372
Reserves excluding pension liability	80,523	65,542
Pension liability	(35,491)	(27,922)
Reserves including pension liability	45,032	37,620

If Financial Reporting Standard No. 17 had been fully adopted, the following additional amounts would have been recognised in the profit and loss account:

Amounts charged into operating profit:	*2004*	*2003*
	€'000	*€'000*
Current service cost	3,482	3,854
Past service cost	302	89
	3,784	3,943

Amounts charged (credited) to other finance charges(income):	*2004*	*2003*
	€'000	*€'000*
Expected return on pension scheme assets	(8,490)	(7,362)
Interest on pension scheme liabilities	8,047	7,694
Net (income) expense	(443)	332

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

24. PENSION SCHEMES (Continued)

If Financial Reporting Standard No. 17 had been adopted, the following amounts would have been recognised in the Statement of Total Recognised Gains and Losses:

	2004	*2003*
	€'000	*€'000*
Actual return less expected return on asset	4,777	4,348
Experience gains and losses on liabilities	(662)	687
Changes in assumptions underlying the present value of the scheme liabilities	(15,986)	(6,304)
Actuarial loss recognised in statement of total recognised gains and losses	(11,871)	(1,269)

Movements in deficit during the year:	*2004*	*2003*
	€'000	*€'000*
Deficit at the beginning of the year	(31,024)	(30,841)
Movement in year:		
Current service cost	(3,482)	(3,854)
Contributions	6,802	5,361
Past service cost	(302)	(89)
Other finance income (charges)	443	(332)
Actuarial loss	(11,871)	(1,269)
Deficit at end of year	(39,434)	(31,024)

History of experience gains and losses	*2004*	*2003*	*2002*
	€'000	*€'000*	*€'000*
Difference between the expected and actual return on scheme assets:			
Amount (€'000)	4,777	4,348	(23,719)
Percentage of year-end scheme assets	3.4%	4%	22%
Experience gains and losses on scheme liabilities:			
Amount (€'000)	(662)	687	(7,500)
Percentage of the present value of the scheme liabilities	0.4%	0.5%	5.0%
Total amount recognised in statement of total recognised gains and losses:			
Amount (€'000)	(11,871)	(1,269)	(31,720)
Percentage of the present value of the scheme liabilities	6.6%	1%	23%

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2004 (Continued)

25. CONTINGENT LIABILITIES

There were no material contingent liabilities affecting the group or the company at 31 December 2004.

26. GROUP RELATIONSHIPS AND CONTROLLING PARTIES

The company is a wholly owned subsidiary of The Irish Times Holdings, a company incorporated in the Republic of Ireland that does not prepare consolidated financial statements. The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up, and of which the company is a member, is The Irish Times Trust Limited, a company incorporated in the Republic of Ireland. The ultimate controlling party is The Irish Times Trust Limited. The consolidated financial statements of The Irish Times Trust Limited are filed in the Companies Registration Office, Parnell House, Parnell Square, Dublin 1.