REGISTERED NUMBER 451593

TELEGRAPH MEDIA GROUP LIMITED

REPORT AND ACCOUNTS

28 DECEMBER 2008

DIRECTORS' REPORT FOR THE PERIOD ENDED 28 DECEMBER 2008

The directors present their report, together with the audited financial statements of the Company, for the 52 week period ended 28 December 2008.

PRINCIPAL ACTIVITIES

The Company is a multi-platform publisher. At the core of the business is the UK's leading quality newspaper, The Daily Telegraph, as well as The Sunday Telegraph and an internationally available publication, The Weekly Telegraph. Telegraph.co.uk is the UK's foremost quality newspaper website.

BUSINESS REVIEW

The operating profit before exceptional items for the period was £32.0m *(2007:£34.3m)*. On a like for like comparison, operating profit before exceptional items was £1.0m ahead of 2007 due to a one-off credit recognised in 2007.

The results of the Company for the financial period are set out in the Profit and Loss Account on page 6. No dividends were declared *(2007: £nil)*.

During the period the Company changed its printing arrangements to provide its newspapers with full colour on every page. Exceptional items of £47.1m *(see note 6)* include £32.9m to cover the restructuring costs of the printing joint ventures as a result of the termination of the current printing arrangements.

In 2008, the media industry was adversely affected by the material slowdown in the UK economy. In common with all other consumer facing media businesses, our advertising revenues experienced significant declines as the year progressed. Circulation revenues proved more resilient as we benefited from an extremely strong and loyal subscriber base. Despite the challenging trading conditions, management's focus on tightly managing costs and improving operational efficiencies has protected profitability and cash flow. We have continued with our strategy of investment in digital during 2008, increasing our range of products and the depth and quality of our content delivering significant growth in global and UK audiences and advertising and consumer revenues.

The economy is expected to remain difficult and uncertain throughout 2009 with the UK in recession. Advertising conditions are expected to remain extremely tough although we expect better resilience from our circulation revenues. In this environment, the Company will continue to take prudent and considered actions to guide the business through these difficult times, focusing on delivering quality products to its customers, carefully assessing investment opportunities and tightly managing the costs and cash flow of the business.

BUSINESS ENVIRONMENT

The media market is developing rapidly as digital technology, and the spread of broadband internet access, fundamentally change the manner in which consumers access news and information. This is impacting on the business environment in which the industry operates in a number of ways:

- print advertising revenue is now supplemented on-line, as advertisers demand multi-media solutions to creative briefs; while
- there is continuing pressure across the industry on the print circulation volumes, as readers seek their news from an increasing variety of sources.

The changes that the Telegraph Media Group continued to make to the structure of its business in 2008 – with further integration of its print and digital operations – means it is extremely well placed to take advantage of these structural market changes.

STRATEGY

The Company's strategy for a digital future is underpinned by the values of honesty, integrity and accuracy that are inherent in the Telegraph brand. The Company's plans for future growth are based on:

- making news and comment under the Telegraph brand available to readers, listeners and viewers in the format most convenient to them – thereby ensuring not just maximum customer loyalty but also attracting new audiences seeking reliable and up to date information;
- expanding the range of digital products and services available to Telegraph customers;
- offering advertisers and other commercial clients a constantly growing range of multi-media opportunities to reach a high quality, affluent and reliable readership;
- developing the relationships with the Company's extremely strong subscriber database; and
- maintaining the Company's brand reputation for integrity and reliability.

DIRECTORS' REPORT FOR THE PERIOD ENDED 28 DECEMBER 2008 – CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

In common with most broadsheet newspapers, the Company is comparatively reliant on advertising revenues, however the Telegraph titles have performed well in this competitive environment. As noted in the report above on the business environment, printed products are increasingly supplemented by on-line viewers and page impressions. The Company is in an extremely strong position to meet this opportunity as a result of its successful integration, and its growth as a digital publisher.

KEY PERFORMANCE INDICATORS

Management monitor financial and non-financial progress of the Company through the following KPIs:

	2008	2007
Turnover	£343.4m	£354.9m
Operating profit pre-exceptional items	£32.0m	£34.3m
Operating profit pre-exceptional items (like for like)	£32.0m	£31.0m
Average ABC – Daily Telegraph – number of copies	857,914	890,950
Average ABC – Sunday Telegraph – number of copies	625,561	646,783
Average Issue Readership* – Daily Telegraph	1,901,000	2,075,000
Average Issue Readership* – Sunday Telegraph	1,703,000	1,786,000
Average ABCe Monthly Global Page Views	146,492,340	83,073,841
Average ABCe Monthly Global Unique Users	19,124,714	8,969,107

*Source: NRS

DIRECTORS

The following acted as directors during the period up to the date of signing the financial statements or until otherwise stated are as follows:

A S Barclay – Chairman
M MacLennan – Chief Executive Officer
F P Ronayne – Finance Director (appointed 1 October 2008)
H M Barclay
R K Mowatt
P L Peters
M Seal
L Twohill (appointed 1 October 2008)
S P Tucker (resigned 23 May 2008)

The Company has entered into qualifying third party indemnity arrangements for the benefit of all its directors in a form and scope which comply with the requirements of the Companies Act 1985.

DIRECTORS' REPORT FOR THE PERIOD ENDED 28 DECEMBER 2008 – CONTINUED

EMPLOYEES

The commitment, innovation and drive of our employees are core to the ongoing development and success of our business. The Company pursues a policy of equal opportunities for all employees and potential employees. The Company offers equal employment opportunities to disabled persons and suitable retraining is provided wherever practicable for employees who become disabled during service.

The Company continues to offer career enhancement to its employees by way of management and personal development courses. Information Technology training continues to offer a wide range of internal IT workshops to employees.

Work experience students are offered placements during the summer. GCSE students are introduced to areas of the Company's operations and undergraduates are employed for varying periods of time in different departments.

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

FINANCIAL RISK MANAGEMENT

The Company is not exposed to any significant interest rate risk. Currency transaction risk is not substantial as the majority of the Company's business is transacted in sterling.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated on prior experience and assessment of the current economic climate.

Liquidity risk arises from timing differences between cash inflows and outflows. These risks are managed through unutilised committed credit facilities. It is our policy to maintain sufficient cash balances and committed facilities to meet anticipated future requirements. These resources, together with the expected future cash flows to be generated by the business, are regarded as sufficient to meet the anticipated funding requirements of the Company for at least the next twelve months.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period, the Company made charitable donations of £52,300 *(2007: £116,245)*, principally to charities associated with the newspapers and their employees. The Company made no political donations *(2007: £nil)*.

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.

DIRECTORS' REPORT FOR THE PERID ENDED 28 DECEMBER 2008 – CONTINUED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

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

In preparing those financial statements, the directors are required to:

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DIRECTORS' DISCLOSURE OF INFORMATION TO AUDITORS

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

By order of the Board

R K Mowatt

Telegraph Secretarial Services Limited
for and on behalf of Telegraph Secretarial Services Limited in its capacity as secretary.
7th **April 2009**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TELEGRAPH MEDIA GROUP LIMITED

We have audited the financial statements of Telegraph Media Group Limited for the 52 week period ended 28 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 28 December 2008 and of its loss for the 52 week period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

8 **April 2009**

PROFIT AND LOSS ACCOUNT
for the 52 week period ended 28 December 2008

	Notes	Before Exceptional Items £m	Exceptional Items *(see note 6)* £m	Total 2008 £m	Before Exceptional Items £m	Exceptional Items *(see note 6)* £m	Total 2007 £m
Turnover	2	**343.4**	**-**	**343.4**	354.9	-	354.9
Cost of sales		(238.8)	(32.9)	(271.7)	(246.4)	(24.2)	(270.6)
Gross profit		**104.6**	**(32.9)**	**71.7**	108.5	(24.2)	84.3
Distribution costs		**(36.3)**	**(0.6)**	**(36.9)**	(33.7)	-	(33.7)
Administrative expenses		(36.3)	(14.2)	(50.5)	(40.5)	1.7	(38.8)
Operating (loss)/profit		**32.0**	**(47.7)**	**(15.7)**	34.3	(22.5)	11.8
Profit on sale of Investment	6	**-**	**1.6**	**1.6**	-	-	-
Interest receivable and similar income – bank interest		**0.8**	**-**	**0.8**	0.4	-	0.4
Interest payable and similar charges	7	(1.4)	(1.0)	(2.4)	(1.0)	(1.3)	(2.3)
(Loss)/profit on ordinary activities before taxation	3	**31.4**	**(47.1)**	**(15.7)**	33.7	(23.8)	9.9
Tax credit/(charge) on (loss)/profit on ordinary activities	8	**1.0**	**-**	**1.0**	(0.4)	-	(0.4)
(Loss)/profit for the financial period	16	**32.4**	**(47.1)**	**(14.7)**	33.3	(23.8)	9.5

All the above results are derived from continuing operations.
There are no material differences between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the period stated above and the historical cost equivalents.

The notes on pages 8 to 21 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 week period ended 28 December 2008

	Notes	2008 £m	2007 £m
(Loss)/profit for the financial period		**(14.7)**	9.5
Actuarial (loss)/gain on defined benefit pension	20	**(0.2)**	0.3
Tax on actuarial (loss)/gain on defined benefit pension		**0.1**	(0.1)
		(0.1)	0.2
Total (losses)/gains recognised in the financial period		**(14.8)**	9.7

BALANCE SHEET
as at 28 December 2008

	Notes	2008 £m	2007 £m
Fixed assets			
Tangible assets	9	**26.5**	27.6
Investments	10	**19.4**	4.8
		45.9	32.4
Current assets			
Debtors	11	**231.3**	228.7
Cash at bank and in hand		**44.6**	39.7
		275.9	268.4
Creditors: amounts falling due within one year	12	**(139.6)**	(104.9)
Net current assets		**136.3**	163.5
Total assets less current liabilities		**182.2**	195.9
Creditors: amounts falling due after more than one year	13	**(17.7)**	(37.3)
Provisions for liabilities and charges	14	**(18.9)**	(25.3)
Net assets excluding pension asset		**145.6**	133.3
Pension asset	20	**-**	2.1
Net assets including pension asset		**145.6**	135.4
Capital and reserves			
Called up share capital	15	**44.7**	19.7
Other reserve	16	**0.6**	0.7
Profit and loss account	16	**100.3**	115.0
Total shareholders' funds	17	**145.6**	135.4

These financial statements on pages 6 to 21 were approved by the board of directors on 7th April 2009 and were signed on its behalf by

Director M MacLennan

Director Finbarr P. Ronayne
F P Ronayne

The notes on pages 8 to 21 form part of these accounts.

1. ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout all periods presented, are set out below;

(a) Basis of accounting

The Company uses 52/53 week accounting and has drawn up its accounts for the 52 week period to 28 December 2008. The previous accounting period was the 52 week period to 30 December 2007. The 52 weeks to 28 December 2008 and balances at that date are referred to as relating to 2008 in these financial statements. The period 1 January 2007 to 30 December 2007 and balances at 30 December 2007 are referred to as relating to 2007.

The accounts are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

The Company is exempt under section 228 of the Act from the requirement to prepare group accounts because it is a wholly owned subsidiary of Press Acquisitions Limited established under the law of a member state of the European Community. These financial statements present information about the Company as an individual undertaking.

The Company is exempt from the requirement of FRS 1 (Revised 1996) – "Cash Flow Statements" to prepare a cash flow statement as it is a subsidiary undertaking of Press Acquisitions Limited, whose consolidated accounts are publicly available and include such a statement.

The Company has taken advantage of the exemption contained in FRS 8 – "Related Party Disclosure" and has not disclosed transactions or balances with entities which form part of the group or are disclosed in the group accounts.

(b) Turnover

Turnover represents sales to third parties and is stated net of commissions and trade discounts, and excludes value-added tax and other sales taxes. Advertising revenue is recognised on the date of publication. Circulation revenue is recognised at the time of sale. Digital revenue is recognised over the period of the online campaign in accordance with the provision of services. Other revenue is recognised at the time of sale or provision of services.

(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:	
Leasehold	50 years or the lease term if under 50 years
Plant and machinery:	
Computer equipment	3-5 years
Furniture and fittings	10 years
Other	3-10 years

No depreciation is charged on freehold land.

(d) Investments

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

1. ACCOUNTING POLICIES – CONTINUED

(e) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and the amount can be reliably estimated. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

(f) Finance leases

Where asset purchases are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright and recorded as fixed assets, and the corresponding liabilities are shown as obligations under finance leases.

Rental payments under finance leases are apportioned between capital and interest, the interest portion being charged to the profit and loss account and the capital portion reducing the obligations to the lessor.

(g) Operating leases

Rental costs arising under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

(h) Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised for all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the Company's taxable profit and loss and its results as stated in the financial statements. No deferred tax is recognised on permanent differences.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(i) Pension costs

The Company's pension arrangements are explained in note 20.

Defined contribution schemes

The costs of defined contribution schemes are charged to the profit and loss account as the obligation to pay arises.

Defined benefit scheme

The Company participated in a defined benefit scheme. The assets of this scheme are measured at their market value at the balance sheet date. The liabilities are measured using the projected unit method with a discount rate equal to the rate of return on a AA corporate bond of equivalent term and currency. The extent to which the scheme's assets exceed its liabilities is shown as a surplus in the balance sheet to the extent that a surplus is recoverable by the Company. The extent to which the scheme's assets fall short of its liabilities is shown as a deficit in the balance sheet, net of the related deferred tax asset, to the extent that a deficit represents an obligation of the Company.

1. **ACCOUNTING POLICIES – CONTINUED**

(i) Pension costs – continued

Defined benefit scheme – continued

The following are charged to operating profit in the period:

(i) The increase in the present value of scheme liabilities arising from employee service in the period; and
(ii) Gains and losses arising on settlements/curtailments in the period.

Any increase in the present value of scheme liabilities resulting from benefit improvements is recognised over the period during which such improvements vest.

Any credit representing the expected return on the scheme's assets and any charge relating to the increase in the present value of the scheme's liabilities are included in other finance income.

Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

(j) Foreign currency translation

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling on the day the transaction occurs. Monetary 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**

Turnover and operating profit arise from media publication activities within the United Kingdom and all relate to continuing operations. Accordingly one segment is reported.

3. **(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

(Loss)/Profit on ordinary activities before taxation is stated after charging:

		2008 £m	2007 £m
Operating lease rentals	- land and buildings	**5.3**	3.7
Depreciation	- owned tangible fixed assets	**6.1**	5.0
	- tangible fixed assets held under finance leases	**0.4**	0.4
Loss on diposal of fixed assets		**-**	0.4
Auditors' remuneration	- for the audit of the Company	**0.2**	0.2

4. DIRECTORS' EMOLUMENTS

(a) Emoluments of the Directors:

	2008 £m	2007 £m
Aggregate emoluments	**1.0**	1.1
Company contributions to money purchase pension schemes	**0.2**	0.2
Compensation for loss of office	**0.2**	0.3
	1.4	1.6

The contributions made by the Company to the money purchase pension scheme were on behalf of three *(2007: three)* directors including the highest paid director.

(b) Emoluments of the highest paid director:

	2008 £m	2007 £m
Aggregate emoluments	**0.7**	0.7
Pension contributions	**0.1**	0.1
	0.8	0.8

5. EMPLOYEE INFORMATION

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

	2008 No.	2007 No.
Editorial and production	**594**	547
Selling, distribution and administration	**442**	449
	1,036	996

Almost all of the staff included above have contracts with Telegraph Publishing Limited, a subsidiary of the Company. As all charges under these contracts are met directly by the Company, for the purposes of the annual accounts of the two companies, the directors regard these staff as being employed by Telegraph Media Group Limited.

(b) Employment costs (including directors):

		2008 £m	2007 £m
Wages and salaries		**61.9**	60.5
Social security costs		**7.3**	7.2
Pension costs	- defined contribution schemes	**5.0**	4.1
(see note 20)	- defined benefit settlement cost	**1.6**	-
	- current service cost of defined benefit schemes	**0.9**	1.2
Total direct costs of employment		**76.7**	73.0

6. EXCEPTIONAL ITEMS

	2008 £m	2008 £m	2007 £m	2007 £m
Charged to Cost of sales				
Printing charge *(see (a) below)*		**(32.9)**		(24.2)
Charged to Distribution costs				
Distribution costs *(see (b) below)*		**(0.6)**		-
(Charged)/credited to Administration costs				
Relocation costs	**(0.1)**		5.2	
Defined Benefit Settlement cost *(see note 20)*	**(1.6)**		-	
Reorganisation costs *(see (c) below)*	**(11.8)**		(2.3)	
Other costs *(see (d) below)*	**(0.7)**		(1.2)	
		(14.2)		1.7
Net exceptional items charged to operating profit		**(47.7)**		(22.5)
Profit on sale of investment *(see (e) below)*		**1.6**		-
Interest payable – imputed interest on discounted creditor		**(1.0)**		(1.3)
Exceptional loss on ordinary activities before taxation		**(47.1)**		(23.8)

(a) Printing charge

This represents charges from the printing joint ventures in relation to restructuring costs that they themselves are incurring following notification of the termination of their printing agreements by the Company and principally comprises of the cost of staff redundancies, pension funding, overhead compensation costs and lease obligations.

(b) Distribution costs

This represents double running distribution costs incurred by the Company during the transition to the new print sites.

(c) Reorganisation costs

This represents the cost of restructuring the Company's operations and includes the cost of staff redundancies carried out to improve the efficiency and effectiveness of those operations.

(d) Other costs

This represents legal costs surrounding the termination of the joint venture agreements. In 2007 this primarily represented investigative costs in relation to a new press purchase project which was subsequently aborted.

(e) Profit on sale of investment

The profit on sale of investment arose from the sale of the Company's 50% share in Trafford Park Printers Limited.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £m	2007 £m
Interest payable - to joint venture companies	-	0.1
- to banks	**1.1**	0.8
	1.1	0.9
Finance lease charges	**0.3**	0.1
	1.4	1.0
Imputed interest on discounted creditor - Exceptional items	**1.0**	1.3
	2.4	2.3

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

Analysis of credit/(charge) in period	**2008 £m**	2007 £m
Current tax:		
UK corporation tax on (losses)/profits for the period	-	-
Adjustments relating to previous periods	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of pensions timing differences *(see note 20)*	**0.4**	(0.1)
Origination and reversal of other timing differences	**1.6**	(0.3)
Adjustments in respect of previous periods	**(1.0)**	-
Total of other timing differences *(see note 11c)*	**0.6**	(0.3)
Total deferred tax credit/(charge)	**1.0**	(0.4)
Tax credit/(charge) on (losses)/profits on ordinary activities	**1.0**	(0.4)

Factors affecting the tax credit/(charge) for the period

The current tax credit/(charge) for the period is lower *(2007: lower)* than the standard rate of corporation tax in the UK (28%) *(2007: 30%)*. The differences are explained below:

	2008 £m	2007 £m
(Loss)/Profit on ordinary activities before tax	**(15.7)**	9.9
Current tax credit/(charge) at 28% *(2007: 30%)*	**4.4**	(3.0)
Effects of:		
Expenses not deductible for tax purposes	**0.1**	(1.2)
Deemed interest on intercompany loan balances	**(2.1)**	(2.3)
Capital allowances in excess of depreciation	**(0.1)**	0.2
Other timing differences	**(1.6)**	-
Adjustments to tax charge in respect of previous periods	**(4.0)**	-
Group relief for nil consideration	**3.3**	6.3
Total current tax	-	-

9. TANGIBLE FIXED ASSETS

	Land and Buildings £m	Plant and Machinery £m	Total £m
Cost:			
Opening balance	14.8	39.0	53.8
Additions	0.6	5.0	5.6
Disposals	-	(0.6)	(0.6)
Closing balance	15.4	43.4	58.8
Accumulated depreciation:			
Opening balance	1.0	25.2	26.2
Charge for the period	0.9	5.6	6.5
Disposals	-	(0.4)	(0.4)
Closing balance	1.9	30.4	32.3
Net book value:			
Closing balance	13.5	13.0	26.5
Opening balance	13.8	13.8	27.6

The net book value of assets held under finance leases included in the above was £0.7m *(2007: £1.0m)*

Land and buildings above are analysed as follows:

	2008	2007
	£m	£m
Freehold land	**1.3**	1.3
Short leasehold buildings	**12.2**	12.5
	13.5	13.8

10. INVESTMENTS

	Shares in joint venture companies see (a) below £m	Loans to joint venture companies see (b) below £m	Other £m	Total £m
Opening Balance	3.2	1.5	0.1	4.8
Purchase of shares	16.0	-	-	16.0
Repayment of loans	-	(1.4)	-	(1.4)
Closing Balance	19.2	0.1	0.1	19.4

Details of the principal subsidiary and joint venture companies are given in note 23.

(a) Shares in Joint venture companies
During the period the Company subscribed for one additional A ordinary share of 1p in West Ferry Printers Limited ("WFPL") for £16.0 million in cash, to provide the joint venture with working capital.

(b) Loans to joint venture companies
The loans to joint venture companies have no fixed terms of repayment and do not bear interest.

11. DEBTORS

	2008	2007
	£m	£m
Trade debtors	**36.9**	50.8
Amounts owed by parent and fellow subsidiary companies *(see (a) below)*	**183.9**	164.0
Other taxation and social security	**0.3**	1.0
Prepaid printing charges *(see (b) below)*	**-**	6.0
Other debtors	**2.5**	2.7
Other prepayments and accrued income	**7.7**	4.2
	231.3	228.7

(a) Amounts owed by parent and fellow subsidiary companies

Amounts owed by parent and fellow subsidiary companies include £168.1 million *(2007: £148.1 million)* due from Press Acquisitions Limited ("PAL"), the Company's immediate parent company and £15.8 million *(2007: £15.8 million)* due from May Corporation Limited ("May"), the parent company of PAL. The PAL loan is repayable in 2016, the May loan has no fixed term of repayment and none of the balances bear interest. They are all denominated in sterling.

(b) Prepaid printing charges

These represented amounts paid in advance to our joint venture company, West Ferry Printers Limited under the printing contract with that company.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£m	£m
Bank loan *(see (a) below)*	**24.5**	19.0
Trade creditors	**34.4**	35.0
Amounts owed to parent companies *(see (b) below)*	**40.0**	-
Amounts owed to joint venture companies *(see (c) below)*	**-**	9.1
Obligations under finance leases *(see note 13(a))*	**2.1**	0.4
Other taxation and social security	**2.5**	2.8
Other creditors	**8.6**	7.7
Accruals and deferred income	**27.5**	30.9
	139.6	104.9

(a) Bank loan

The Bank loan is denominated in sterling and bears interest at LIBOR plus a 1.75% margin. Charges in favour of the lender exist over all the Company's assets.

(b) Amounts owed to parent companies

Amounts owed to parent companies comprise a loan of £40.0 million *(2007: £25.0 million (see note 13))* due to Press Holdings Limited, an intermediate parent company denominated in sterling. The loan has no fixed terms of repayment and is interest free.

(c) Amounts owed to joint venture companies

Amounts owed to joint venture companies include a loan amount of £nil *(2007: £1.0million)* due to Trafford Park Printers Limited denominated in sterling. The loan had no fixed terms of repayment and interest was charged at LIBOR.

13. CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	2008	2007
	£m	£m
Obligations under finance leases *(see (a) below)*	**11.6**	0.5
Amounts owed to parent companies *(see note12(b))*	**-**	25.0
Other creditors	**6.1**	11.8
	17.7	37.3

	2008	2007
	£m	£m
(a) Obligations under finance leases repayable:		
Within one year	**2.8**	0.4
In more than one year but less than five years	**7.7**	0.5
In more than five years	**6.0**	-
Total obligations	**16.5**	0.9
Less: future finance charges included in obligations	**(2.8)**	-
Net obligations	**13.7**	0.9
Less: classified as a current creditor *(see note 12)*	**(2.1)**	(0.4)
Net long term obligations	**11.6**	0.5

These obligations are secured on the assets leased.

In 2007, the Company provided £13.4m *(see note 14(a))* for the termination of finance leases at a printing joint venture, following the notification of the termination of their printing agreements by the Company. During 2008, as part of the termination agreement with the joint venture, these finance leases were novated to the Company. The Company believes assets these leases are secured against have no future benefit and accordingly the carrying value of these assets in these financial statements is £nil.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	2008	2007
	£m	£m
Printing charge *(see (a) below)*	**13.4**	24.2
Restructuring Provision *(see (b) below)*	**5.0**	-
Deferred taxation *(see note (c) below)*	**0.5**	1.1
	18.9	25.3

(a) Printing charge

During 2007 the Company announced it had entered into a new printing agreement to provide the newspapers with high quality full colour on every page, allowing the Company to meet the demand of advertisers. The existing printing contract with Trafford Park Printers Limited was terminated in September 2008. The remaining printing contract with West Ferry Printers Limited will be terminated during 2009 and our share of all costs in relation to the restructuring costs that they will incur following the termination of this printing contract will be settled at that time.

(b) Restructuring Provision

This provision represents the outstanding cost of restructuring the Company's operations and includes the cost of staff redundancies carried out to improve the efficiency and effectiveness of those operations. All costs will be settled within one year.

14. PROVISIONS FOR LIABILITIES AND CHARGES - CONTINUED

(c) Deferred taxation

	2008	2007
	£m	£m
Amount provided, representing the full potential liability:		
Capital allowances	**0.6**	(0.4)
Other timing differences	**(0.1)**	1.5
Deferred tax liabilities	**0.5**	1.1

Movements on the provision:	
Opening net deferred tax liability	**1.1**
Credited to profit on ordinary activities *(see note 8)*	**(0.6)**
Closing net deferred tax liability	**0.5**

15. CALLED UP SHARE CAPITAL

	2008	2007
	£m	£m
Authorised:		
1,703,000,000 ordinary shares of £1 each	**1,703.0**	1,703.0
Issued, called up and fully paid:		
44,747,466 *(2007: 19,747,466)* ordinary shares of £1 each	**44.7**	19.7

During the year the Company issued 25,000,000 ordinary shares of £1 each to its immediate parent company for £25.0 million in cash to provide additional working capital for the Company.

16. RESERVES

	Other Reserves £m	Profit and loss account £m
Opening balance	**0.7**	**115.0**
Retained Loss for the period	**-**	**(14.7)**
Actuarial loss on pension scheme in period *(see note 20)*	**(0.2)**	**-**
Deferred tax on actuarial loss on pension scheme in period *(see note 20)*	**0.1**	**-**
Closing balance	**0.6**	**100.3**

Other reserves represent actual gains and losses on the Company's pension scheme.

17. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

	2008 £m	2007 £m
Retained (loss)/profit for the period	**(14.7)**	9.5
Actuarial (loss)/gain on defined benefit pension section *(see note 20)*	**(0.2)**	0.3
Deferred tax on actuarial (loss)/gain on defined benefit pension section *(see note 20)*	**0.1**	(0.1)
Increase in share capital	**25.0**	-
Net addition to total shareholders' funds	**10.2**	9.7
Opening total shareholders' funds	**135.4**	125.7
Closing total shareholders' funds	**145.6**	135.4

18. COMMITMENTS

	2008 £m	2007 £m
At 28 December 2008 annual commitments under non-cancellable land and building leases which expire:		
Within one year	**-**	0.7
Between one to five years	**6.8**	5.5
After five years	**5.7**	5.7
	12.5	11.9

19. GUARANTEES

The Company has guaranteed certain bank borrowings of its parent company, Press Acquisitions Limited. At the period end these borrowings amounted to £240.0 million *(2007: £240.0 million)*. Charges in favour of the lender exist over all the Company's assets.

20. PENSIONS

The Company operates the Telegraph Staff Pension Plan ("the Plan") which is a defined contribution scheme as at 28 December 2008 and which covers the majority of the Company's employees.

At the start of the accounting year, the Plan was a hybrid pension scheme, being part defined contribution and part defined benefit. During 2008 the Plan's Trustees discharged all the benefits of the Defined Benefit Section for £11.9m – largely by securing those benefits by purchasing annuities with an insurance company in the name of each member. There are no further liabilities remaining in respect of the Defined Benefit Section as at 28th December 2008. There are however some assets remaining in the Defined Benefit Section of the Plan and the Company intends to use these in future towards paying the expenses of the Plan and the cost of Members' life assurance.

The expected rate of return on assets in the Defined Benefit Section for the financial year ending 28th December 2008 was 4.4% pa (2007 4.9% pa). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the Plan was invested in at 28th December 2008.

The benefits arising from the Defined Contribution Section of the Plan are exactly balanced by the assets held and thus do not contribute towards any surplus or deficit within the Plan.

The estimated amount of total employer contributions expected to be paid to the Defined Contribution Section of the Plan during 2009 is around £4m (2008 actual: £5.06m of which £4.0m was paid into the Defined Contribution Section). No contributions are due in respect of the Defined Benefit Section of the Plan during 2009.

At 28 December 2008 contributions of £nil *(2007: £nil)* were due to the Plan.

20. PENSIONS - CONTINUED

The Defined Benefit section

The full actuarial valuation carried out for the Defined Benefit section as at 31 March 2006 has been updated to 28 December 2008 by a qualified actuary on a basis consistent with FRS 17. The following major assumptions used were:

	2008	2007	2006
Inflation	**n/a**	3.3%	2.9%
Discount rate	**n/a**	5.9%	5.2%
Rate of increase in pensions in payment	**n/a**	3.2%	2.9%
Rate of increase in salaries	**n/a**	4.3%	3.9%

Defined Benefit asset using these assumptions was:

	2008 Actuary's Expected Return	**2008 Value £m**	2007 Actuary's Expected Return	2007 Value £m	2006 Actuary's Expected Return	2006 Value £m
Equities	**n/a**	**-**	7.6%	-	7.5%	2.9
Gilts	**3.6%**	**1.2**	4.4%	14.1	4.3%	11.6
Other	**n/a**	**-**	4.4%	0.3	4.3%	0.1
Total market value of assets		**1.2**		14.4		14.6
Present value of liabilities		**-**		(11.5)		(12.5)
Surplus in the Plan		**1.2**		2.9		2.1
Related deferred tax at 28% *(2007: 28%, 2006: 30%) (see below)*		**(0.3)**		(0.8)		(0.6)
Net pension asset		**0.9**		2.1		1.5
Reclassified as a debtor-prepayment		**(0.9)**		-		-
Net pension asset		**-**		2.1		1.5

Movements on the related deferred tax asset:	**2008 £m**	2007 £m
Opening balance	**(0.8)**	(0.6)
Credited/(charged) to (loss)/profit on ordinary activities *(see note 8)*	**0.4**	(0.1)
Credited/(charged) to other reserves *(see note 16)*	**0.1**	(0.1)
Closing balance	**(0.3)**	(0.8)

Movement in the Defined Benefit asset during the period:

	2008 £m	2007 £m
Asset at start of period	**2.9**	2.1
Current service cost	**(0.9)**	(1.2)
Contributions	**1.0**	1.7
Settlement cost (included in exceptional costs)	**(1.6)**	-
Estimated actuarial (loss)/gain (included in the statement of total recognised gains and losses)		
Actual returns less expected return on pension assets	**(0.4)**	(0.2)
Experience (loss)/gain on pension liabilities	**(0.1)**	0.5
Gain due to changes in assumptions underlying the valuation of liabilities	**0.3**	-
	(0.2)	0.3
Asset at end of period	**1.2**	2.9

20. PENSIONS - CONTINUED

History of experience gains and losses

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Actual return less expected return on scheme assets	**(0.4)**	(0.2)	(0.4)	1.2	0.6
Percentage of scheme assets	***(33%)***	*(1%)*	*(3%)*	*8%*	*4%*
Experience gains on scheme liabilities	**(0.1)**	0.5	0.5	0.3	-
Percentage of the present value of the scheme liabilities	***n/a***	*4%*	*4%*	*2%*	-
(Losses)/gains recognised in the statement of total recognised gains and losses	**(0.2)**	0.3	1.2	0.2	(0.8)
Percentage of the present value of the scheme liabilities	***(17%)***	*2%*	*8%*	*2%*	*(5%)*

21. RELATED PARTIES

As all of the Company's voting rights are controlled within the group headed by Press Acquisitions Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group or are disclosed in the group accounts.

RELATED PARTY TRANSACTIONS WITH JOINT VENTURES

	2008 £m	2007 £m
West Ferry Printers Limited		
Printing charges payable (including exceptional items)	**40.1**	17.7
Interest payable	-	0.1
Loans advanced to Company	-	3.2
Loans repaid to joint venture	-	3.2
Purchase of Shares	**16.0**	3.2
Trafford Park Printers Limited		
Printing charges payable (including exceptional items)	**10.1**	10.6
Loans advanced to Company	-	1.0
Loan repaid to joint venture	**1.0**	-

RELATED PARTY BALANCES RECEIVABLE AND PAYABLE FROM AND TO JOINT VENTURES

	2008 £m	2007 £m
Included in creditors: amounts falling due within one year - amounts owed to joint venture companies		
West Ferry Printers Limited	-	1.1
Trafford Park Printers Limited – Trading	-	1.0
Trafford Park Printers Limited – Loan	-	1.0
Paper Purchase & Management Limited	-	6.0
	-	9.1
Included in provisions – printing charges		
West Ferry Printers Limited	**12.7**	7.3
	12.7	7.3
Included in investments - loans to joint venture companies		
Paper Purchase & Management Limited	**0.1**	1.5
	0.1	1.5

22. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's immediate holding company is Press Acquisitions Limited, incorporated in Great Britain, which the directors regard as being ultimately controlled by Sir David and Sir Frederick Barclay's Family Settlements.

The largest and smallest group in which the results of the Company are consolidated and publicly available is that of which Press Acquisitions Limited is the parent company. The consolidated accounts of Press Acquisitions Limited may be obtained from its registered office, 20 St James's Street, London SW1A 1ES.

23. SUBSIDIARY AND JOINT VENTURE COMPANIES

The directors consider that to give particulars of all subsidiary and joint venture 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. At 28 December 2008 the Company had no active subsidiaries. The principal joint venture company on 28th December 2008 was:

Name	**Nature of Business**
West Ferry Printers Limited	Printer

The joint venture company is a joint venture between the Company and a third party. The Company holds all the A ordinary shares (including all the voting rights on these shares) and these represent 50% of the aggregate issued ordinary share capital. The joint venture is incorporated and principally operates in Great Britain and registered in England and Wales.

The Company is in negotiations with its joint venture partner in West Ferry Printers Limited, for the sale of its interests in the joint venture. The directors believe that the proceeds of the sale will exceed the carrying value of the Company's investment.

The Company's 50% share in Trafford Park Printers Limited was sold on 1 October 2008 resulting in a profit on disposal of £1.6m which has been included in exceptional items *(see note 6)*.

The Company also has a 50% holding in Paper Purchase & Management Limited which ceased trading with effect from 1 January 2008 and is in the process of being liquidated.