

REGISTERED NUMBER 451593

# TELEGRAPH MEDIA GROUP LIMITED

REPORT AND ACCOUNTS FOR THE PERIOD ENDED

2 JANUARY 2011

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**DIRECTORS' REPORT FOR THE PERIOD ENDED 2 JANUARY 2011**

The directors present their report and the audited financial statements of the Company, for the 52 week period ended 2 January 2011

**PRINCIPAL ACTIVITIES**

The Company (Registered Number 451593) 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. Telegraph.co.uk is the UK's foremost quality newspaper website.

**BUSINESS REVIEW**

The Company's operating profit before exceptional items for the 52 week period was £60.1m (2009 (53 weeks) £41.4m). The additional week in 2009 contributed revenue of £4.3m and operating profit before exceptional items of £2.1m. The profit for the financial period was £50.3m (2009 £46.7m). 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 (2009 £nil).

Despite the fragility of the UK economy, total revenues in 2010 increased by £6.8m (+2.1%) on a statutory basis and by £11.1m (+3.5%) on an underlying 52 week like for like basis. After weak advertising markets in 2009, the Company saw a return to advertising growth in 2010 and also achieved good growth from circulation, digital and other consumer revenue categories. This improved revenue performance along with management's continued focus on tight cost control, operational efficiencies and lower newsprint prices during the year has enabled the Company to deliver an increased operating profit performance in 2010.

In a challenging market place, focus remained on maximising revenues and the Telegraph titles increased both advertising and circulation volume market share, demonstrating both the resilience of the business and the strength of our brand to customers – both advertisers and readers. The Company has continued with significant investment in digital during 2010, increasing the range of products with the launch of iPad and iPhone applications. Telegraph.co.uk continues to see significant year on year growth in global and UK audiences.

The directors remain cautious about the economic outlook and anticipate a satisfactory performance for 2011.

**KEY PERFORMANCE INDICATORS**

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

<b>Financial</b>	<b>2010 (52 weeks)</b>	<b>2009 (53 weeks)</b>
Turnover	£323.8m	£317.0m
Operating profit pre-exceptional items	£60.1m	£41.4m
Operating profit margin	18.6%	13.1%

The additional week in 2009 contributed revenue of £4.3m and operating profit pre-exceptional items of £2.1m.

**Other**

Average ABC – Daily Telegraph – number of copies	672,874	717,073*
Average ABC – Sunday Telegraph – number of copies	508,604	534,553*
Average NRS Issue Readership – Daily Telegraph	1,680,000	1,905,000
Average NRS Issue Readership – Sunday Telegraph	1,442,000	1,708,000
Average ABCe Monthly Global Unique Users	31,766,128	27,496,604
Average ABCe Monthly UK Unique Users	10,013,718	9,156,678

\*The comparative figures are adjusted to exclude bulk sales

**DIRECTORS' REPORT FOR THE PERIOD ENDED 2 JANUARY 2011 – CONTINUED****FUTURE DEVELOPMENTS**

The directors are planning for a volatile and slow recovery in the UK economy in 2011 as the government's austerity programme of public sector spending cuts and increased taxation will continue to impact consumer confidence. Advertising revenues remain unpredictable with little forward visibility. With this in mind the directors will continue to take prudent and considered actions to manage the business through the next twelve months, focusing on delivering quality products to customers, carefully assessing investment opportunities and tightly managing the costs and cash flow of the business to ensure that the Company is well positioned to maximise value when market conditions improve.

The media landscape continues to change rapidly as technology continues to fundamentally change the manner in which the consumer access news and information and in how they transact. 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
- print circulation volumes remain under pressure as readers seek their news and information from an increasing variety of sources

The Company continues to make progressive changes to the structure of its business – with further integration of its print and digital operations – to ensure it is extremely well placed to take advantage of the structural changes taking place in the market.

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, comment and insights 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 and loyal subscriber base, and
- maintaining the Company's brand reputation for integrity and reliability

**PRINCIPAL RISKS AND UNCERTAINTIES**

There is an ongoing process for the identification, evaluation and management of significant risks faced by the Company. In common with most national quality newspapers, the Company is comparatively reliant on advertising revenues, however the Telegraph titles have performed well in this competitive environment. As noted in the section above on Future Developments, 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.

**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.

**DIRECTORS' REPORT FOR THE PERIOD ENDED 2 JANUARY 2011 – CONTINUED****DONATIONS**

During the period the Company made charitable donations of £103,375 (2009 £57,900), principally to charities associated with the newspapers and their employees. The Company made no political donations (2009 £nil)

**DIRECTORS**

The directors who held office during the period are as follows

A S Barclay – Chairman  
M MacLennan – Chief Executive Officer  
F P Ronayne – Chief Financial Officer  
H M Barclay  
R K Mowatt  
P L Peters  
M Seal  
L Twohill

The Company has entered into qualifying third party indemnity arrangements for the benefit of all its directors

**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.

**DIRECTORS' REPORT FOR THE PERIOD ENDED 2 JANUARY 2011 – CONTINUED****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' 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). Under company law, the directors must not approve the financial statements unless they are satisfied that they 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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

**AUDITORS**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the Board



**Telegraph Secretarial Services Limited**

for and on behalf of Telegraph Secretarial Services Limited in its capacity as secretary

**16 March 2011**

**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 2 January 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

**OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 2 January 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

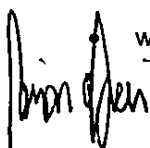
**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
  - the financial statements are not in agreement with the accounting records and returns, or
  - certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



*Simon O'Brien (Senior Statutory Auditor)*

For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

11 March 2011

# **PROFIT AND LOSS ACCOUNT** **for the 52 week period ended 2 January 2011**

		<b>Total 2010</b>	<b>Before Exceptional Items</b>	<b>Exceptional Items (see note 6)</b>	<b>Total 2009</b>
		<b>52 weeks</b>	<b>53 weeks</b>	<b>53 weeks</b>	<b>53 weeks</b>
	<b>Notes</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Turnover</b>	<b>2</b>	<b>323 8</b>	<b>317 0</b>	<b>-</b>	<b>317 0</b>
<b>Cost of sales</b>		<b>(201 2)</b>	<b>(210 2)</b>	<b>4 1</b>	<b>(206 1)</b>
<b>Gross profit</b>		<b>122 6</b>	<b>106 8</b>	<b>4 1</b>	<b>110 9</b>
 <b>Distribution costs</b>		 <b>(28 0)</b>	 <b>(30 0)</b>	 <b>-</b>	 <b>(30 0)</b>
<b>Administrative expenses</b>		<b>(34 5)</b>	<b>(35 4)</b>	<b>-</b>	<b>(35 4)</b>
 <b>Operating profit</b>		 <b>60 1</b>	 <b>41 4</b>	 <b>4 1</b>	 <b>45 5</b>
 <b>Profit on disposal of Fixed Assets</b>		 <b>-</b>	 <b>-</b>	 <b>9 7</b>	 <b>9 7</b>
<b>Profit on sale of Investment</b>		<b>-</b>	<b>-</b>	<b>0 2</b>	<b>0 2</b>
<b>Interest receivable and similar income – bank interest</b>		<b>0 1</b>	<b>0 2</b>	<b>-</b>	<b>0 2</b>
<b>Interest payable and similar charges</b>	<b>7</b>	<b>(1 3)</b>	<b>(1 7)</b>	<b>(0 8)</b>	<b>(2 5)</b>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>58 9</b>	<b>39 9</b>	<b>13 2</b>	<b>53 1</b>
 <b>Tax on profit on ordinary activities</b>	<b>8</b>	 <b>(8 6)</b>	 <b>(6 4)</b>	 <b>-</b>	 <b>(6 4)</b>
 <b>Profit for the financial period</b>	<b>16</b>	 <b>50 3</b>	 <b>33 5</b>	 <b>13 2</b>	 <b>46 7</b>

All the above results are derived from continuing operations

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial period stated above and the historical cost equivalents

The notes on pages 8 to 16 form part of these accounts

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES** **for the 52 week period ended 2 January 2011**

	<b>2010 52 weeks</b>	<b>2009 53 weeks</b>
	<b>£m</b>	<b>£m</b>
<b>Profit for the financial period</b>	<b>50 3</b>	<b>46 7</b>
 <b>Total gains recognised in the financial period</b>	 <b>50 3</b>	 <b>46 7</b>

# **BALANCE SHEET** as at 2 January 2011

		2 Jan 2011	3 Jan 2010
	Notes	£m	£m
<b>Fixed assets</b>			
Tangible assets	9	21 3	21 3
Investments	10	0 1	0 1
		<u>21 4</u>	<u>21 4</u>
<b>Current assets</b>			
Debtors	11	271 8	259 7
Cash at bank and in hand		38 4	15 7
		<u>310 2</u>	<u>275 4</u>
<b>Creditors</b> amounts falling due within one year	12	<u>(79 8)</u>	<u>(93 5)</u>
<b>Net current assets</b>		<u>230 4</u>	<u>181 9</u>
<b>Total assets less current liabilities</b>		<b>251 8</b>	<b>203 3</b>
<b>Creditors</b> amounts falling due after more than one year	13	(8 8)	(10 3)
<b>Provisions for liabilities and charges</b>	14	(0 4)	(0 7)
		<u>242 6</u>	<u>192 3</u>
<b>Net assets</b>		<u>242 6</u>	<u>192 3</u>
<b>Capital and reserves</b>			
Called up share capital	15	44 7	44 7
Retained earnings and other reserves	16	197 9	147 6
		<u>242 6</u>	<u>192 3</u>
<b>Total shareholders' funds</b>	17	<u>242 6</u>	<u>192 3</u>

These financial statements on pages 6 to 16 were approved by the board of directors on 16 March 2011 and were signed on its behalf by

*F. P. Ronayne*

F P Ronayne  
Director

*R K Mowatt*

R K Mowatt  
Director

The notes on pages 8 to 16 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 periods and has drawn up its accounts for the 52 week period to 2 January 2011. The previous accounting period was the 53 week period to 3 January 2010. The 52 weeks to 2 January 2011 and balances at that date are referred to as relating to 2010 in these financial statements. The period 29 December 2008 to 3 January 2010 and balances at 3 January 2010 are referred to as relating to 2009.

The accounts are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

The Company is exempt under section 400 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

*(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.

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE 52 WEEK PERIOD ENDED 2 JANUARY 2011****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 costs of defined contribution schemes are charged to the profit and loss account as the obligation to pay arises.

*(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.

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE 52 WEEK PERIOD ENDED 2 JANUARY 2011**
**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. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	2010 £m	2009 £m
Operating lease rentals - land and buildings	4.3	4.5
Depreciation - owned tangible fixed assets	5.0	6.4
- tangible fixed assets held under finance leases	0.3	0.3
Auditors' remuneration - for the audit of the Company	0.1	0.2
- other services	0.1	-
Profit on disposal of fixed assets	-	(9.7)

**4. DIRECTORS' EMOLUMENTS****(a) Emoluments of the Directors:**

	2010 £m	2009 £m
Aggregate emoluments	1.0	0.9
Company contributions to money purchase pension schemes	0.2	0.2
	<u>1.2</u>	<u>1.1</u>

The contributions made by the Company to money purchase pension schemes were on behalf of two (2009: two) directors including the highest paid director.

**(b) Emoluments of the highest paid director:**

	2010 £m	2009 £m
Aggregate emoluments	0.6	0.6
Pension contributions	0.2	0.2
	<u>0.8</u>	<u>0.8</u>

5. EMPLOYEE INFORMATION

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

	2010	2009
Editorial and production	619	615
Selling, distribution and administration	385	359
	<u>1,004</u>	<u>974</u>

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).

	2010 £m	2009 £m
Wages and salaries	63.0	58.4
Social security costs	7.5	6.8
Pension costs - defined contribution schemes	4.9	4.5
Total direct costs of employment	<u>75.4</u>	<u>69.7</u>

6. EXCEPTIONAL ITEMS

	2010 £m	2009 £m
Credited to Cost of sales		
Printing charge (see (a) below)	-	4.1
Net exceptional items credited to operating profit	<u>-</u>	<u>4.1</u>
Profit on disposal of fixed assets (see (b) below)	-	9.7
Profit on sale of investment (see (c) below)	-	0.2
Interest payable – imputed interest on discounted creditor	-	(0.8)
Exceptional profit on ordinary activities before taxation	<u>-</u>	<u>13.2</u>

(a) Printing charge

The 2009 credit represents an adjustment to amounts provided in 2008 as a result of the actual exit costs from printing joint ventures being less than anticipated.

(b) Profit on disposal of fixed assets

The 2009 profit on disposal of fixed assets arises from the sale of freehold land.

(c) Profit on sale of investment

The 2009 profit on sale of investment arose from the sale of the Company's 50% share in West Ferry Printers Limited.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE 52 WEEK PERIOD ENDED 2 JANUARY 2011

## 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £m	2009 £m
Interest payable and similar charges - to banks	0.7	1.1
Finance lease charges	0.6	0.6
Imputed interest on discounted creditor - Exceptional items	1.3	1.7
	-	0.8
	1.3	2.5

## 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010 £m	2009 £m
<b>Analysis of charge in period</b>		
<i>Current tax</i>		
UK corporation tax on profits for the period	(9.2)	(7.3)
Adjustments in respect of previous periods	0.4	-
Total current tax	(8.8)	(7.3)
<i>Deferred tax</i>		
Origination and reversal of timing differences	0.2	0.6
Adjustments in respect of previous periods	-	0.3
Total timing differences (see note 11(b))	0.2	0.9
Total deferred tax credit	0.2	0.9
Tax charge on profits on ordinary activities	(8.6)	(6.4)

## Factors affecting the tax charge for the period

The current tax charge for the period is lower (2009 lower) than the standard rate of corporation tax in the UK (28%) (2009 28%). The differences are explained below

	2010 £m	2009 £m
Profit on ordinary activities before tax	58.9	53.1
Current tax charge at 28% (2009 28%)	(16.5)	(14.9)
Effects of		
Expenses not deductible for tax purposes	(0.5)	(0.4)
Income not allowable for tax purposes	-	3.3
Deemed interest on intercompany loan balances	(2.0)	(1.7)
Depreciation in excess of capital allowances	(0.1)	(0.6)
Other timing differences	(0.2)	-
Adjustments to tax charge in respect of previous periods	0.4	-
Group relief for nil consideration	10.1	7.0
Total current tax	(8.8)	(7.3)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE 52 WEEK PERIOD ENDED 2 JANUARY 2011

## 9. TANGIBLE FIXED ASSETS

	Land and Buildings £m	Plant and Machinery £m	Total £m
<b>Cost:</b>			
Opening balance	14.1	45.9	60.0
Additions	0.9	4.4	5.3
Disposals	-	(0.2)	(0.2)
Closing balance	15.0	50.1	65.1
<b>Accumulated depreciation:</b>			
Opening balance	2.8	35.9	38.7
Charge for the period	0.1	5.2	5.3
Disposals	-	(0.2)	(0.2)
Closing balance	2.9	40.9	43.8
<b>Net book value:</b>			
Closing balance	12.1	9.2	21.3
Opening balance	11.3	10.0	21.3

The net book value of assets held under finance leases included in the above was £0.5m (2009 £0.5m)

Land and buildings above are analysed as follows

	2010 £m	2009 £m
Short leasehold buildings	12.1	11.3

## 10. INVESTMENTS

<b>Investment in unlisted shares</b>	<b>Total £m</b>
Opening and closing balance	0.1

## 11. DEBTORS

	2010 £m	2009 £m
Trade debtors	31.2	28.8
Amounts owed by parent and fellow subsidiary companies (see (a) below)	231.0	219.6
Other taxation and social security	0.3	0.2
Other debtors	1.7	1.6
Other prepayments and accrued income	7.0	9.1
Deferred Tax asset (see (b) below)	0.6	0.4
	271.8	259.7

## (a) Amounts owed by parent and fellow subsidiary companies

Amounts owed by parent and fellow subsidiary companies include £215.2 million (2009 £203.8 million) due from Press Acquisitions Limited ("PAL"), the Company's immediate parent company and £15.8 million (2009 £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.

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE 52 WEEK PERIOD ENDED 2 JANUARY 2011**
**11. DEBTORS - CONTINUED****(b) Deferred taxation**

	2010 £m	2009 £m
<b>Deferred Tax asset</b>		
Capital allowances	0.1	0.1
Other timing differences	0.5	0.3
Deferred tax asset	<u>0.6</u>	<u>0.4</u>
<b>Movements on the period*</b>		
Opening net deferred tax asset/(liabilities)	0.4	(0.5)
Credited to profit on ordinary activities (see note 8)	0.2	0.9
Closing net deferred tax asset	<u>0.6</u>	<u>0.4</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2010 £m	2009 £m
Trade creditors	26.7	31.4
Amounts owed to parent companies (see below)	-	8.0
Obligations under finance leases (see note 13)	1.8	1.7
Other taxation and social security	3.9	1.3
Other creditors	2.5	9.0
Corporation Tax	3.9	3.6
Accruals and deferred income	<u>41.0</u>	<u>38.5</u>
	<u>79.8</u>	<u>93.5</u>

**Amounts owed to parent companies**

Amounts owed to parent companies as at 3 January 2010 comprised a loan of £8.0m due to Press Holdings Limited which was repaid during 2010

**13. CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR**

	2010 £m	2009 £m
Obligations under finance leases	<u>8.8</u>	<u>10.3</u>
<b>Repayable</b>		
Within one year	2.2	2.3
In more than one year but less than five years	7.3	7.6
In more than five years	2.6	4.3
Total obligations	<u>12.1</u>	<u>14.2</u>
Less: future finance charges included in obligations	<u>(1.5)</u>	<u>(2.2)</u>
Net obligations	<u>10.6</u>	<u>12.0</u>
Less: classified as a current creditor (see note 12)	<u>(1.8)</u>	<u>(1.7)</u>
Net long term obligations	<u>8.8</u>	<u>10.3</u>

These obligations are secured on the assets leased £10.1m (2009 £11.5m) of these leases are secured against press assets. The Company believes that these press assets have no future economic benefit and accordingly the carrying value is £nil (2009 £nil)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE 52 WEEK PERIOD ENDED 2 JANUARY 2011

## 14. PROVISIONS FOR LIABILITIES AND CHARGES

	2010 £m	2009 £m
Printing charge	<u>0.4</u>	<u>0.7</u>

This provision represents the ongoing costs of an unused printing press

## 15. CALLED UP SHARE CAPITAL

	2010 £m	2009 £m
<b>Authorised:</b>		
1,703,000,000 ordinary shares of £1 each	<u>1,703.0</u>	<u>1,703.0</u>
<b>Issued, called up and fully paid:</b>		
44,747,466 (2009 44,747,466) ordinary shares of £1 each	<u>44.7</u>	<u>44.7</u>

## 16. RETAINED EARNING AND OTHER RESERVES

	Retained Earnings £m	Other Reserves £m	Total £m
Opening balance	147.0	0.6	147.6
Profit for the financial period	50.3	-	50.3
Reserves transfer	0.6	(0.6)	-
Closing balance	<u>197.9</u>	<u>-</u>	<u>197.9</u>

## 17. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

	2010 £m	2009 £m
Retained profit for the period	50.3	46.7
Opening total shareholders' funds	192.3	145.6
Closing total shareholders' funds	<u>242.6</u>	<u>192.3</u>

## 18. COMMITMENTS

	2010 £m	2009 £m
<b>At 2 January 2011 annual commitments under non-cancellable land and building leases which expire:</b>		
Within one year	0.2	6.8
Between one to five years	0.1	-
After five years	<u>5.7</u>	<u>5.7</u>
	<u>6.0</u>	<u>12.5</u>

## 19. GUARANTEES

The Company has guaranteed certain bank borrowings of its parent company, Press Acquisitions Limited. At the period end these borrowings amounted to £210.0 million (2009 £215.0 million). Charges in favour of the lender exist over all the Company's assets.



**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE 52 WEEK PERIOD ENDED 2 JANUARY 2011**
**20 PENSIONS**

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

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

At 2 January 2011 contributions of £nil (3 January 2010 £nil) were due to the Plan

**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

There were no other related party transactions in the year (2009 £nil)

**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, 3<sup>rd</sup> Floor, 20 St James's Street, London SW1A 1ES

**23. SUBSIDIARY COMPANIES**

As at 2 January 2011 the subsidiary companies, which were incorporated in England and Wales, were

<u>Subsidiary Companies</u>	<u>Nature of business</u>	<u>Class and proportion of nominal value and voting rights of issued shares held</u>
The Sunday Telegraph Limited	Dormant	Ordinary shares – 100%
The Evening Post Limited	Dormant	Ordinary shares – 100%
The Morning Post Limited	Dormant	Ordinary shares – 100%
Telegraph Publishing Limited	Dormant	Ordinary shares – 100%
Telegraph Secretarial Services Limited	Dormant	Ordinary shares – 100%
Telegraph Company Director Limited	Dormant	Ordinary shares – 100%