REGISTERED NUMBER 00451593

TELEGRAPH MEDIA GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED

3 JANUARY 2016

STRATEGIC REPORT FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2016

The directors present their strategic report of the Company for the financial year ended 3 January 2016.

BUSINESS REVIEW

The Company (incorporated in the United Kingdom, Registered Number 00451593) 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, telegraph.co.uk and digital apps for tablets and smartphones. Telegraph.co.uk is the UK's foremost quality newsbrand website.

The Company's operating profit before exceptional items for the financial year was £51.7m *(2014: £54.9m)*. The profit for the financial year was £39.0m *(2014: £36.7m)*. The results of the Company for the financial year are set out in the Income Statement on page 7. No dividends were declared or paid during the year *(2014: non-cash dividend £350.0m)*.

This financial performance demonstrates the resilience of the business and its ability to continue to generate profits in the face of challenging market conditions. The talent and commitment of the Telegraph's staff, the strength of its content and our brand, and the continued loyalty of its customers made 2015 a year of record audience growth. Together with several significant investments in technology platforms and digital operations made throughout the year, this performance establishes a platform for growth and a strong foundation for the future of the business.

FUTURE DEVELOPMENTS

Looking ahead, the industry faces challenges from fundamental changes in how customers consume and engage with content in a mobile world, and in the range of new possibilities for advertisers to reach and engage with consumers. These trends will only accelerate into 2016 and beyond as new competitors and innovators continue to revolutionise the way content is created, engaged with and monetised. This leaves the role of traditional print publishers less certain, and will impact the business environment in a number of ways:

- Readers will continue to consume content in changing ways, as engagement with digital and increasingly mobile content meets different customer needs across formats and platforms

- Traditional print circulation revenue will continue to be difficult to replicate online, with competition from the proliferation of free digital content and the increasing role of large scale digital platforms in distributing and aggregating content; and

- Traditional print advertising revenue will also continue to be difficult to replicate online, with digital content publishers facing challenges from the increasing use of ad blocking technology, pressure on digital advertising yields and the intense competition from large scale digital platforms.

In response to these trends and market conditions, the Company has set out a strategy to use the Telegraph's quality journalism as a foundation to offer new products and services to the customers at heart of the business. This will balance the business' revenue and profit into areas of sustainable, profitable growth.

The Company continues to make progressive changes to its organisational structure and operations to ensure it is well positioned to respond to changing market conditions and support the delivery of the strategy. The operating costs and cash flow of the business will also continue to be monitored closely to maximise efficiency, whilst investing in new ways to monetise its content, its brand and its customers. This will involve:

- A continued focus on offering all customers relevant, tailored and timely content and commercial offers, accompanied by a best in class customer experience, which is consistent across the expanding range of content, channels, platforms and products;

- Protecting the newspaper whilst investing in digital growth and expanding the range of market leading products offered to customers, all underpinned by insight, analysis and expert opinion; and

- Offering cutting-edge digital advertising opportunities and increasing our branded content operations, supported by more sophisticated customer insight and analysis

Above all, the strategy will be delivered in line with the Telegraph's brand values – to be trustworthy, expert, entertaining and enterprising – and sustain the Telegraph's strong heritage, built up over 160 years.

STRATEGIC REPORT FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2016 - CONTINUED

KEY PERFORMANCE INDICATORS

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

Financial	2015 53 weeks	2014 52 weeks
Turnover	£320.1m	£318.1m
Operating profit before exceptional items	£51.7m	£54.9m
Operating profit margin before exceptional items	16.1%	17.3%

Non - Financial	2015	2014
Average ABC – Daily Telegraph – number of copies	483,210	512,138
Average ABC – Sunday Telegraph – number of copies	370,292	405,118
Average NRS Issue Readership – Daily Telegraph	1,165,000	1,192,000
Average NRS Issue Readership – Sunday Telegraph	1,122,000	1,238,000
Monthly average NRS Print and Digital Data Readership	12,185,000	12,474,000
Monthly ABCe Global Unique User Browsers – December	82,769,500	72,018,659
Monthly ABCe UK Unique User Browsers – December	35,610,053	27,258,871

PRINCIPAL RISKS AND UNCERTAINTIES

The Company operates in a highly competitive, challenging environment. Competition is increasing from traditional and new digital content providers, and there are ongoing fundamental changes underway in how customers consume and engage with content, and in how advertisers can reach and engage with consumers.

The Company has an ongoing process for the identification, evaluation and management of significant risks faced by the business, and continues to recognise these challenges to its traditional business model. Its ability to compete effectively depends on a variety of factors, including the ability to:

- Attract, retain and deepen the engagement of its customers;
- Continue to deliver quality insight and perspectives through its journalism;
- Continue to provide a high quality user experience through its range of products;
- Monetise content effectively;
- Monitor and manage operating costs effectively;
- Protect customer data and information;
- Protect and strengthen the strong Telegraph brand and reputation; and
- Attract and retain talent.

Most significantly, the market for newspaper sales and readership continues to decline as audiences consume more and more content online, which is increasingly on mobile devices rather than desktop. This has potential revenue implications for the Company's traditional business model and its relative reliance on print circulation, subscription and advertising revenue. To mitigate this risk, the Company has set out a strategy and a plan to diversify the business and reduce reliance on print by developing its digital operations and extending its portfolio of market leading products and services offered to customers.

On behalf of the Board

R K Mowatt

R K Mowatt
Director
31 May 2016

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2016

The directors present their report and the audited financial statements of the Company for the 53 week period ended 3 January 2016.

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, telegraph.co.uk and digital apps for tablet and smartphone. Telegraph.co.uk is the UK's foremost quality newsbrand website.

DIRECTORS OF THE COMPANY

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

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, which were in force during the financial year and also at the approval date of the financial statements.

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 provide a competitive range of benefits to employees, including opportunity to join the company wide defined contribution pension scheme and other initiatives enabling employees greater flexibility in their work-life choices through our Benefits Xchange scheme.

The Company continues to offer career enhancement to its employees by way of relevant management and personal development courses with the aim of ensuring that our staff have the right skill to operate in the digital landscape.

Internships and work experiences policies are in place to ensure that the Company offers high quality opportunities to attract students from all backgrounds, to ensure fair and equitable access into our business.

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 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 maintaining adequate 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 FINANCIAL YEAR ENDED 3 JANUARY 2016 – CONTINUED

DONATIONS

During the financial year the Company made charitable donations of £3,013,750 *(2014: £1,015,200)*, of which £13,750 *(2014: £15,200)* was principally to charities associated with the newspapers and their employees and £3.0 million *(2014: £1.0 million)* in donations were made to The Barclay Foundation (charity registration number: 803696) which in turn donated £1.0 million (*2014: £1.0 million)* to the Great Ormond Street Hospital Children's Charity and £2.0 million (*2014: £nil)* to The Defence and National Rehabilitation Centre Charity. The Company made no political donations *(2014: £nil*).

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and accounting estimates that are reasonable and prudent;

- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;

- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and

- 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 adequate 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.

On behalf of the Board

R K Mowatt

R K Mowatt
Director
31 May 2016

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

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, Telegraph Media Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the ompany's affairs as at 3 January 2016 and of its profit for the 53 week period (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.

This opinion is to be read in the context of what we say in the remainder of this report.

WHAT WE HAVE AUDITED

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the balance Sheet as at 3 January 2016;
- the income statement for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Directors' Responsibilities Statement, 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) ("ISAs (UK & 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 parent 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.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with ISAs (UK & Ireland). 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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Simon O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 May 2016

INCOME STATEMENT
for the financial year ended 3 January 2016

	Note	Total 2015 53 weeks £m	Total 2014 52 weeks £m
Turnover	2	**320.1**	318.1
Cost of sales		**(208.1)**	(207.7)
Gross profit		**112.0**	110.4
Distribution costs		**(16.0)**	(15.7)
Administrative expenses		**(46.7)**	(48.3)
Operating profit		**49.3**	46.4
Attributable to			
Operating profit before exceptional items		**51.7**	54.9
Exceptional items	3	**(2.4)**	(8.5)
		49.3	46.4
Income from other fixed asset investments	10	**0.2**	0.5
Interest payable and similar charges	6	**(1.4)**	(1.2)
Profit on ordinary activities before taxation	3	**48.1**	45.7
Tax on profit on ordinary activities	7	**(9.1)**	(9.0)
Profit for the financial year	16	**39.0**	36.7

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 year stated above and the historical cost equivalents.

The notes on pages 9 to 19 form part of these financial statements.

The Company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

BALANCE SHEET
as at 3 January 2016
Company Registered Number: 00451593

	Note	3 Jan 2016 £m	28 Dec 2014 £m
Fixed assets			
Intangible assets	8	**18.7**	-
Tangible assets	9	**8.5**	19.1
Investments	10	**0.4**	0.5
		27.6	19.6
Current assets			
Debtors	11	**153.4**	126.6
Cash at bank and in hand		**10.4**	3.3
		163.8	129.9
Creditors: amounts falling due within one year	12	**(91.7)**	(87.4)
Net current assets		**72.1**	42.5
Total assets less current liabilities		**99.7**	62.1
Creditors: amounts falling due after more than one year	13	**(1.0)**	(2.4)
Provisions for liabilities	14	**(0.2)**	(0.2)
Net assets		**98.5**	59.5
Capital and reserves			
Called up share capital	15	**44.7**	44.7
Profit and loss account	16	**53.8**	14.8
Total shareholders' funds	17	**98.5**	59.5

These financial statements on pages 7 to 19 were approved by the board of directors on 31 May 2016 and were signed on its behalf by

M MacLennan
Director

Finbarr P. Ronayne

F P Ronayne
Director

The notes on pages 9 to 19 form part of these financial statements.

1. ACCOUNTING POLICIES

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

(a) *Basis of accounting*

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") applying the reduced disclosure framework as set out in Section 1 of FRS 102.

The financial statements have been prepared in Sterling (rounded to the nearest hundred thousand pounds), which is the presentation currency of the Company under the historical cost convention. A summary of the more important accounting policies which have been applied consistently are set out below.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements 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 publishing a cash flow statement set out in paragraph 1.12(b) of FRS 102 as it is a subsidiary undertaking of Press Acquisitions Limited, whose consolidated financial statements are publicly available and include such a statement.

The Company has taken advantage of the exemption contained in FRS 102 paragraph 33.1(a) and has not disclosed transactions or balances with wholly owned entities.

The Company uses 52/53 week accounting periods and has drawn up its financial statements for the 53 weeks to 3 January 2016.

The 53 weeks to 3 January 2016 and balances at that date are referred to as relating to 2015 in these financial statements. The 52 weeks to 28 December 2014 and balances at that date are referred to as relating to 2014.

(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. Print advertising revenue is recognised on the date of publication. Circulation revenue is recognised at the time of sale. Digital advertising 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) *Intangible assets*

Intangible assets in respect of software for internal use and website design and build costs are stated at cost and are reported net of amortisation.

Amortisation is calculated so as to write off the cost of the intangible assets on a straight line basis over their estimated useful economic lives which is between 3 and 5 years.

1. ACCOUNTING POLICIES – CONTINUED

(d) Tangible assets

Tangible 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 estimated useful economic lives which are as follows:

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

(e) 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.

Dividend income is recognised when the right to receive payment is established.

(f) Deferred income

Deferred income represents receipts from subscribers in advance of goods and services being provided and is classified as part of Creditors due within one year.

(g) 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.

(h) 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.

(i) 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.

1. ACCOUNTING POLICIES – CONTINUED

(j) *Taxation*

The charge for taxation is based on the result for the financial year 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 financial year 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.*(k)* *Pension costs*

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

(l) *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.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with generally accepted accounting principles requires the directors to make estimates and assumptions in certain circumstances that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. In this regard, the directors believe the critical accounting policies where judgements or estimations are necessarily applied are summarised below.

Trade Receivables

The Company reviews trade receivables and makes judgements on the recoverability of the receivables with reference to the age of the outstanding amounts, credit status of the counterparty and the status of any outstanding dispute.

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular the useful economic life and residual values of plant and equipment and intangible assets, and have concluded that asset lives and residual values are appropriate.

2. TURNOVER

Turnover and operating profit arise from media publication activities within the United Kingdom and all relate to continuing operations.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

		2015 £m	2014 £m
Employment costs (including directors)		**79.6**	79.0
Operating lease rentals	- buildings	**6.4**	6.4
Depreciation	- owned tangible fixed assets	**2.9**	3.1
	- tangible fixed assets held under finance leases	**0.2**	0.2
Amortisation	- intangible assets	**3.8**	2.9
Auditors' remuneration	- for the audit of the Company	**0.1**	0.1
	- other services	**-**	-
Exceptional items	- reorganisation costs *(see (a) below)*	**2.4**	8.6
	- reduction in lease obligation *(see (b) below)*	**-**	(0.1)

(a) Reorganisation costs
This represents the costs of restructuring the Company's operations and includes the costs of staff redundancies carried out to improve the efficiency and effectiveness of the operations. This has resulted from the Company continuing to make progressive changes to the structure of its business to ensure it is well positioned to navigate and monetise the digital transition taking place in the media industry.

(b) Reduction in lease obligation
A finance lease obligation, on press assets which had no future economic benefit, and charged to exceptional items in prior years, has been reduced due to changes in the UK corporation tax rate.

4. DIRECTORS' EMOLUMENTS

(a) Emoluments of the Directors:

	2015 £m	2014 £m
Aggregate emoluments	**1.4**	1.3
Company contributions to defined contribution schemes	**0.1**	0.1
	1.5	1.4

The contributions made by the Company to defined contribution schemes were on behalf of one *(2014: two)* director including the highest paid director.

(b) Emoluments of the highest paid director:

	2015 £m	2014 £m
Aggregate emoluments	**0.9**	0.9
Pension contributions	**-**	-
	0.9	0.9

5. EMPLOYEE INFORMATION

(a) Monthly average number of persons (including directors) employed by the Company during the financial year:

	2015 Number	2014 Number
Editorial and production	**664**	662
Selling, distribution and administration	**473**	444
	1,137	1,106

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 financial statements of the two companies, the directors regard these staff as being employed by Telegraph Media Group Limited.

(b) Employment costs (including directors):

	2015 £m	2014 £m
Wages and salaries	**66.7**	66.3
Social security costs	**7.8**	7.8
Other pension costs	**5.1**	4.9
Total	**79.6**	79.0

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £m	2014 £m
Interest payable on loans repayable within five years and bank borrowings	**0.4**	0.4
Bank and other similar charges	**0.9**	0.7
Finance lease charges	**0.1**	0.1
	1.4	1.2

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge for the financial year	2015 £m	2014 £m
Current tax:		
UK corporation tax on profits for the financial year	**(9.1)**	(9.2)
Deferred tax:		
Origination and reversal of timing differences	**-**	0.2
Total timing differences *(see note 11(b))*	**-**	0.2
Total deferred tax credit	**-**	0.2
Tax charge on profits on ordinary activities	**(9.1)**	(9.0)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES - CONTINUED

Factors affecting the tax charge for the financial year

The current tax charge for the financial year is lower *(2014: lower)* than the standard rate of corporation tax in the UK. The differences are explained below:

	2015 £m	2014 £m
Profit on ordinary activities before taxation	**48.1**	45.7
Current tax charge at 20.25% *(2014: 21.50%)*	**(9.7)**	(9.8)
Effects of:		
Expenses not deductible for tax purposes	**(0.3)**	(0.4)
Deemed interest on intercompany loan balances	**(1.1)**	(4.5)
Depreciation in excess of capital allowances	**(0.1)**	(0.2)
Group relief for nil consideration	**2.1**	5.7
Total current tax charge	**(9.1)**	(9.2)

Factors affecting current and future tax charges

The main rate of corporation tax in the UK reduced from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for the accounting year to 3 January 2016 were taxed at an effective rate of 20.25% *(2014: 21.50%)*.

8. INTANGIBLE ASSETS

	Other Intangibles £m
Cost:	
Opening balance	-
Transfer from Tangible Assets	25.7
Additions	13.7
Closing balance	39.4
Accumulated depreciation:	
Opening balance	-
Transfer from Tangible Assets	16.9
Charge for the financial year	3.8
Closing balance	20.7
Net book value:	
Closing balance at 3 January 2016	**18.7**
Closing balance at 28 December 2014	-

At the start of the year, certain Tangible Assets were transferred to Intangibles Assets due to a reclassification of these assets under accounting standard FRS102.

9. TANGIBLE ASSETS

	Buildings – short leasehold £m	Plant and Equipment £m	Total £m
Cost:			
Opening balance	15.3	68.7	84.0
Transfer to Intangible Assets	-	(25.7)	(25.7)
Additions	-	1.3	1.3
Disposals	-	(0.3)	(0.3)
Closing balance	15.3	44.0	59.3
Accumulated depreciation:			
Opening balance	9.3	55.6	64.9
Transfer to Intangible Assets	-	(16.9)	(16.9)
Charge for the financial year	1.0	2.1	3.1
Disposals	-	(0.3)	(0.3)
Closing balance	10.3	40.5	50.8
Net book value:			
Closing balance at 3 January 2016	**5.0**	**3.5**	**8.5**
Closing balance at 28 December 2014	6.0	13.1	19.1

The net book value of assets held under finance leases included in the above was £0.4m *(2014: £0.4m)*

At the start of the year, certain Tangible Assets were transferred to Other Intangibles Assets due to a reclassification of these assets under accounting standard FRS102.

10. INVESTMENTS

	Unlisted Shares £m	Subsidiaries £m	Total £m
Cost and net book value:			
Opening balance	0.1	0.4	**0.5**
Repayment of loan notes during the year	(0.1)	-	**(0.1)**
Closing balance	-	0.4	**0.4**

Loan notes of £0.1m (*2014: £nil)* were repaid by Newspaper Licencing Agency Limited.
During the year the Company received an interim dividend of £0.2m *(2014: £0.5m)* from its investment in PA Group Limited.

11. DEBTORS

	2015	2014
	£m	£m
Trade debtors	**40.9**	47.4
Amounts owed by group undertakings *(see (a) below)*	**99.9**	68.6
Other taxation and social security	**0.3**	0.3
Other debtors	**1.2**	1.3
Prepayments and accrued income	**10.2**	8.1
Deferred Tax asset *(see (b) below)*	**0.9**	0.9
	153.4	126.6

(a) Amounts owed by group undertakings

Amounts owed by group undertakings include £97.9m *(2014: £66.0m)* due from the Company's immediate parent company and £2.0m *(2014: £2.6m)* due from a subsidiary company of TMGL. These loans have no fixed terms of repayment and none of the balances bear interest. They are all denominated in sterling.

(b) Deferred taxation

	2015	2014
	£m	£m
Deferred Tax asset:		
Capital allowances	**0.8**	0.8
Other timing differences	**0.1**	0.1
Deferred tax asset	**0.9**	0.9
Movements in the financial year:		
Opening net deferred tax asset	**0.9**	0.7
Credited to profit on ordinary activities *(see note 7)*	**-**	0.2
Closing net deferred tax asset	**0.9**	0.9

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£m	£m
Trade creditors	**24.3**	22.0
Obligations under finance leases *(see note 13)*	**1.6**	1.5
Other taxation and social security	**4.6**	6.3
Other creditors	**1.6**	1.7
Corporation tax	**5.0**	4.1
Accruals and deferred income	**54.6**	51.8
	91.7	87.4

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

	2015	2014
	£m	£m
Obligations under finance leases	**1.0**	2.4

	2015	2014
	£m	£m
Repayable:		
Within one year	**1.7**	1.3
In more than one year but less than five years	**1.1**	2.9
Total obligations	**2.8**	4.2
Less: future finance charges included in obligations	**(0.2)**	(0.3)
Net obligations	**2.6**	3.9
Less: classified as a current creditor *(see note 12)*	**(1.6)**	(1.5)
Net long term obligations	**1.0**	2.4

These obligations are secured on the assets leased which includes £2.2m *(2014:£3.6m)* secured against press assets. The Company believes that these press assets have no future economic benefit and accordingly the carrying value is £nil *(2014:£nil)*.

14. PROVISIONS FOR LIABILITIES

	2015	2014
	£m	£m
Opening and closing balance	**0.2**	0.2

This provision represents the ongoing costs of an unused printing press.

15. CALLED UP SHARE CAPITAL

	2015	2014
	£m	£m
Authorised:		
1,703,000,000 *(2014: 1,703,000,000)* ordinary shares of £1 each	**1,703.0**	1,703.0
Issued, called up and fully paid:		
44,747,466 *(2014: 44,747,466)* ordinary shares of £1 each	**44.7**	44.7

16. PROFIT AND LOSS ACCOUNT

	Total
	£m
Opening balance	**14.8**
Profit for the financial year	**39.0**
Closing balance	**53.8**

17. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

	2015	2014
	£m	£m
Opening total shareholders' funds	**59.5**	372.8
Profit for the financial year	**39.0**	36.7
Dividend paid (note 18)	**-**	(350.0)
Closing total shareholders' funds	**98.5**	59.5

18. DIVIDEND PAID

	2015 £m	2014 £m
Ordinary shares:		
Dividend paid	-	350.0

No dividends were declared and paid during the financial year *(2014: a non-cash dividend was declared and paid by way of set-off against the amount owed by its parent company).*

19. COMMITMENTS

Future payments under non-cancellable land and building operating leases for each of the following periods:

	2015 £m	2014 £m
Not later than one year	**6.4**	6.4
Later than one year and not later than five years	**24.3**	24.9
Later than five years	**2.9**	8.7
	33.6	40.0

20. GUARANTEES

The Company has guaranteed certain bank borrowings of its parent company, Press Acquisitions Limited. At 3 January 2016 these borrowings amounted to £180.0m *(2014: £195.0m)*. Charges in favour of the lender exist over all the Company's assets.

21. 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.

At 3 January 2016 contributions of £nil *(28 December 2014: £nil)* were due to the Plan.

22. RELATED PARTIES

The Group has taken advantage of the exemption contained in FRS 102 paragraph 33.1(a) and has not disclosed details of transactions with other wholly owned group companies within the Press Holdings Limited group.

RELATED PARTY TRANSACTIONS WITH SUBSIDIARY

	2015 £m	2014 £m
Telegraph Events Limited		
Debtor transactions with subsidiary company	**(0.6)**	0.9
Loans advanced to subsidiary	-	0.3

RELATED PARTY BALANCES RECEIVABLE FROM SUBSIDIARY

	2015 £m	2014 £m
Included in debtors: amounts owed by parent and fellow subsidiary companies		
Telegraph Events Limited	**2.0**	2.6

There were three *(2014: one)* related party transactions during the financial year which totalled £3.0m *(2014: £1.0m)* in charity donations to The Barclays Foundation (charity registration number: 803696) which in turn donated £1.0m *(2014: £1.0m)* to the Great Ormond Street Hospital Children's Charity and £2.0m *(2014: £nil)* to The Defence and National Rehabilitation Centre Charity.

23. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's immediate parent 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 financial statements of Press Acquisitions Limited may be obtained from its registered office, 2nd Floor, 14 St. George Street, London W1S 1FE.

24. SUBSIDIARY COMPANIES

As at 3 January 2016 the subsidiary companies, which were incorporated in England and Wales, were:

Subsidiary Companies	Nature of business	Class and proportion of nominal value and voting rights of issued shares held
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 Events Limited	Event Organiser	Ordinary shares – 90%