

REGISTERED NUMBER 00451593

# TELEGRAPH MEDIA GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED

3 JANUARY 2021



**DIRECTORS**

A S Barclay  
H M Barclay  
N D Hugh  
R J Neal  
C M Pape  
P L Peters

**REGISTERED OFFICE**

111 Buckingham Palace Road  
London  
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**REGISTERED NUMBER**

00451593

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered accountants and statutory auditors  
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**COUNTRY OF INCORPORATION**

England and Wales

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**STRATEGIC REPORT**

The directors present their Strategic Report of Telegraph Media Group Limited ("the Company") for the year ended 3 January 2021.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the Company, a private company limited by shares, is multi-platform news publishing, including The Daily Telegraph, The Sunday Telegraph, telegraph.co.uk, digital apps for tablet and smartphone, and via third party platforms.

The Company continues to focus on its subscription-first strategy, and has made further significant progress towards the strategic goal of achieving 10 million registrants and 1 million subscribers by the end of 2023 ("10-1-23"), with total subscriptions increasing by 33% in 2020 to reach 562k at December 2020 (December 2019: 423k).

In 2020 turnover was £235.2m (2019: £265.8m), with the reduction largely due to the decline in advertising revenue that was compounded by the Covid-19 pandemic. This structural decline in advertising revenue is increasingly offset by growth in subscriptions revenue. Indeed, revenue from digital subscriptions increased by 77% to £31.5m in 2020 (2019: £17.8m), driven by 71% growth in digital subscription volumes to reach 366k digital subscriptions in December 2020 (2019: 214k). In addition, revenue from print subscriptions increased by 7% to £66.5m in 2020 (2019: £61.9m), as higher average revenue per subscription ("ARPS") more than offset a modest 6% decline in print subscription volumes. ARPS is a key metric that was introduced in December 2019 that enables management to assess the Company's revenue generation capability and growth at customer level.

Operating profit before exceptional items increased to £28.3m in 2020 (2019: £16.1m). This substantial improvement is driven by the significant growth in digital subscription revenue, coupled with planned cost savings to better align Company resources with the 10-1-23 strategy; although this is a non-GAAP measure, management monitor this as a core metric to track underlying business performance. The nature of exceptional items is disclosed in note 3. The retained profit for the financial year was £18.2m (2019: £5.7m). The results of the Company for the financial year are set out in the Statement of Comprehensive Income on page 13. No dividends were declared or paid during the year (2019: £nil). As at 3 January 2021, the Company has a net asset balance of £158.4m (2019: £140.2m).

**KEY PERFORMANCE INDICATORS (KPIs)**

Management monitor the financial and non-financial performance of the Company through a series of KPIs, including the following:

<b>Financial</b>	<b>2020</b>	<b>2019</b>
Turnover	£235.2m	£265.8m
EBITDA before exceptional items	£39.0m	£25.6m
Operating profit before exceptional items	£28.3m	£16.1m
Operating profit	£24.7m	£9.0m
Retained profit for the financial year	£18.2m	£5.7m
<b>Non-Financial</b>		
Total subscriptions in December	561,816	423,311
Digital subscriptions in December	365,743	213,868
Print subscriptions in December	196,073	209,443
Total registrants in December	6,614,228	5,551,079
ARPS in December, blended average across print and digital	£193	£194

EBITDA before exceptional items is defined as operating profit from continuing operations before amortisation of intangible assets, depreciation and exceptional items. The non-financial KPIs for subscription volumes and ARPS are independently assured by PwC and are published monthly. Details can be found at [corporate.telegraph.co.uk](https://corporate.telegraph.co.uk).

**STRATEGIC REPORT – CONTINUED****COVID-19**

On 30 January 2020 the spread of Covid-19 was declared a public health emergency by the World Health Organisation and subsequently the UK Government implemented the first of several national 'lockdowns' on 23 March 2020. As a result of the pandemic, the Company has experienced:

- a significant reduction in advertising, travel commerce and events revenue, together with a temporary reduction in casual newspaper sales during the 'lockdowns', offset by a substantial increase in digital subscription revenue; and
- operational challenges resulting from increased remote working, and where this was not possible, the need to maintain social distancing where feasible, in line with government guidelines.

The Company's response to Covid-19 has demonstrated strong organisational resilience and an ability to rapidly respond to the dynamic challenges presented, which has allowed the Telegraph to continue to deliver high quality journalism to a growing number of subscribers throughout the pandemic. Operational working practices have been modified as necessary, with the implementation of increased remote working, social distancing in the workplace, the provision of hand sanitisers and new cleaning regimes all becoming standard practice.

It is extremely difficult to quantify the ongoing impact of Covid-19 on the Company. However, the Company's forecasts continue to be regularly stress tested and the Company has successfully deployed strategies and tools to closely manage cash flows and mitigate any issues to date. Actions taken by the Company include cost management, a temporary reduction in capital expenditure and working capital management. The substantial increase in digital subscriptions in 2020 is a clear sign of the continued success of the strategy and provides confidence that the Company can continue to manage and mitigate the financial impact of the pandemic. The directors continue to closely monitor the impact on the business and remain confident in the Company's ability to adapt in these uncertain and unpredictable times.

**FUTURE DEVELOPMENTS**

The Company remains fully committed to delivering and investing in high quality, trusted, award-winning journalism, 24 hours a day and across print and digital platforms.

The Company expects the environment it operates in to remain challenging. Many of the fundamental changes in the industry are now well established, including the need to constantly adapt to how consumers engage with digital content, whilst regulatory developments around ePrivacy and the use and tracking of cookies will continue to be monitored closely. In addition, the ongoing Covid-19 pandemic has created several new challenges and exacerbated the existing structural decline in print circulation and advertising revenue.

Considering these trends and market conditions, the significant progress that has been made in growing subscriptions has reaffirmed the Company's commitment to its subscription-first strategy and indeed the 10-1-23 strategic goal. The Company has a transformation programme in place to ensure the right investments will be made to continue to drive growth in subscriptions, allow the business to adapt to market trends and better align with the subscription-first strategy. This includes ongoing investment in journalism, the newsroom, data, digital products and the subscriber experience.

Despite the ongoing Covid-19 pandemic, the directors are confident that the Company is well placed to compete effectively, strengthen its financial position, and will continue to deliver the high quality, trusted, award-winning journalism that is now more important than ever.

The shareholder remains supportive of the business and is committed to its success.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Company adopts a strategically aligned approach to risk management, considering significant risks to strategic and operational delivery and defining comprehensive mitigation strategies and controls appropriately. Principal risk themes are presented with a high-level overview of the mitigation approach.

The United Kingdom left the European Union on 31 December 2020, and there is limited direct impact or risk on the Company.

## STRATEGIC REPORT – CONTINUED

## PRINCIPAL RISKS AND UNCERTAINTIES - CONTINUED

## Strategic

Risk	Mitigation
<b>Financial sustainability</b> - Delivery of the strategic plan and increasing Company profitability and cash generation.	The Company's subscriptions-first strategy and active transformation programme, with inbuilt cost efficiencies and resilience supported by an optimised business model, will strengthen the financial position enabling the Company to continue to grow reach and deepen engagement through its journalism. Frequent performance monitoring allows the Company to be responsive to emerging threats and opportunities.
<b>Brand and reputation</b> - Protecting the Company's brand is critical in maintaining reputation and trust with readers, customers and partners. Events or incidents undermining the brand, either internal or external, could impede the Company's ability to achieve its strategic objectives.	A multi-faceted approach to reputational management is adopted, including proactive and reactive components. Company policies and frameworks support staff awareness of procedural and regulatory requirements and expectations.

## Operations and Control

<b>Cyber and data</b> - The Company could suffer significant disruption, with potential reputational, financial or regulatory impact, from a cyber-attack, exploitation of a security vulnerability or a data privacy breach.	The Company adopts standardised security practices and methodologies to support and protect the integrity of systems and data, whilst constantly exploring opportunities for improvement. The Company gains assurance from periodic third-party oversight, testing and specialist audits.
<b>Business interruption</b> - The Company could suffer significant disruption to its operations or supply chain, threatening continuity, reputation and financial performance. This risk could incorporate a broad range of incidents, whether pandemic, IT infrastructure or services, or an act of terrorism.	The Company has a tested approach to Business Continuity and Crisis Management to respond to different scenarios across the organisation and its supply chain. The pandemic has proven the Company's resilience in its ability to respond rapidly and stay on track.

## People

<b>Health, safety and wellbeing</b> - The health, safety and wellbeing of staff is a key priority, whether in the UK or overseas, with the sustained pressures of the pandemic forcing new ways of working and uncertainty for extended periods, impacting mental health, modes of operation and productivity. Journalists work overseas in high risk environments with threats to safety and security requiring proactive risk management.	The Human Resources department supports the health and wellbeing of staff with frequent engagement and communication to promote staff wellbeing and support mechanisms to manage stress. The Company operates in line with Government guidance and safety regulations and a Covid-19 incident management team supports decision making in response to the pandemic. Specific policies and procedures are in place to manage threats to journalists working in high risk operating environments, with Crisis Management procedures in place.
<b>Recruiting and retaining people with the right skills</b> - Optimising the balance of people and succession planning in a transformative environment is critical to the growth and implementation of the strategy, sustaining existing profitability whilst developing a new model for the future.	The Human Resources and Talent Management teams focus on staff wellbeing and development, promoting staff support through frequent communication.

**STRATEGIC REPORT – CONTINUED****SECTION 172 STATEMENT**

The Directors must act in accordance with a set of general duties outlined in Section 172 of the Companies Act 2006. The Directors must demonstrate that they act in good faith and promote the success of the Company for the benefit of its stakeholders. Examples of how the Directors respond to these requirements are:

**Section 172: The likely consequences of any decision in the long term**

The Company's Strategic Plan is closely monitored by the Directors and Executive Team, with weekly Executive and monthly Directors' performance reporting, together with iterative consideration of risks and opportunities throughout the year.

**Section 172: The interests of the Company's employees**

The Company's employees and values are central to the company's ethos: fearless, together, informed and open-minded. Regular communication and engagement is achieved via the intranet, The Insider and Workplace, and a number of active employee networks including Outloud (LGBTQ+), Working Families, 10 (Gender Equality), BeMe (ethnic and cultural diversity) and Wellbeing and Able (equal opportunity), aimed at bringing communities together. Further examples of employee engagement can be found in the Employee Engagement section of the Directors' Report.

The health, safety and wellbeing of the Company's employees is a top priority, with an increased focus on mental health through 2020 due to the challenges posed by the Covid-19 pandemic. The Company fosters an integrated approach to health and wellbeing with a range of services and benefits to support employees, an active Employee Assistance Programme, in excess of 50 Mental Health First Aiders and a commitment to the 'Time to Change' Employer Pledge. The Company's approach and policy framework supports a broad range of regulatory requirements common to the media sector and appropriate controls are in place to protect employees working in the UK and overseas.

The Company is committed to developing teams, supporting individuals in their career pathways and recognising the achievement of world class standards. The Company continues to offer career enhancement to its employees through relevant management and personal development courses, and a range of training opportunities through The Academy, with the aim of ensuring that staff have the right skills to operate in the digital landscape. Apprenticeships, internships and work experience policies are in place to ensure that the Company offers high quality opportunities to attract applicants from all backgrounds, to ensure fair and equitable access.

The Company is committed to Diversity, Inclusion and Belonging, creating a sustainable culture of inclusion for its employees. Investment in support activities to reduce the gender pay gap and narrowing the ethnicity pay gap are key goals. Due to the Covid-19 pandemic, gender pay gap reporting regulations were suspended for the 2019/2020 reporting period, however, the Company chose to voluntarily disclose these figures as well as reporting its 2020/2021 figures. The mean gender pay gap was 18.9% at April 2020 compared to 17.7% at April 2019, following decreases in 2018 and 2019. More than one-third (37%) of employees in the highest pay quartile are female, compared to 43% in the second quartile, 54% in the third quartile and 62% in the lowest pay quartile. The Company has made positive progress against its commitments to the Race at Work Charter, appointing an Executive Sponsor and capturing ethnicity data at the application and hire stages of the recruitment process.

A long term investment in equal parent pay has resulted in increased uptake in the scheme, with fathers making up 47% of participants. The Company aims to encourage a culture of fair representation and work life balance and committed to this through the launch of a Dynamic Working Guide in 2019, supporting employees to have a successful career inside a thriving business, as well as a fulfilling life outside of work. There is an overall commitment to continuous improvement and engaging with employees across the business with support, community and learning for Diversity, Inclusion and Belonging.

**STRATEGIC REPORT – CONTINUED****SECTION 172 STATEMENT - CONTINUED****Section 172: The need to foster the Company's business relationships with suppliers, customers and others**

The Telegraph's readership is key to its success and the Company invests in developing the right forums and experiences to connect audiences to journalists. A core part of the subscription-first strategy is to build greater and deeper connections with readers and customers at scale and use insights from these connections to develop the journalism offered. Regular forums and focus groups are used to influence the best printed and digital content to meet these needs. Direct engagement with readers through different channels supports this, including: "Letters to the Editor", online subscriber community comments, emails and virtual events.

The Company has categorised a number of suppliers as strategic, with whom regular meetings take place to discuss strategic and value alignment and performance. These meetings are attended by relevant employees and this activity is key to fostering mutually beneficial business relationships. The Procurement Policy promotes an ethical approach to business and Corporate Social Responsibility with respect to supplier management. The Code of Conduct demands high standards of conduct from all employees to foster best practice and broader engagement in business relationships.

**Section 172: The impact of the Company's operations on the community and the environment**

The Company recognises its responsibility to consider its impact on the environment through its direct operations and indirectly through its supply chain. The majority of energy utilisation is through office premises and management of the Company's print and distribution operations. Examples of environmental initiatives and energy usage are provided in the SECR report section of the Directors' Report.

The Telegraph encourages volunteering in the community with a policy offering employees two days of paid volunteering per year. The volunteering scheme launched in mid-2018 and saw increased uptake amongst employees in 2019, however as a direct consequence of Covid-19, volunteering dropped significantly in 2020. Key areas for volunteering during 2020 were 'Environment and Conservation', 'Isolation and Loneliness' and 'Community Projects.' The Telegraph have previously partnered with local schools in the area with a "Technology for Everyone" project working within the community to engage with a younger audience and to help break stereotypes and reduce barriers to jobs in technology. This was put on hold in 2020 but will be explored once again in the future when the current lockdown eases.

The Telegraph hosted two hugely successful fundraising events in 2020, the Coronavirus Appeal, to protect those left in need from the pandemic (raised £1,272k), and the Christmas Charity Appeal, in support of four charities (Refuge, Cruse Bereavement Care, MacMillan Cancer Support and Carers UK) helping those suffering from the knock on effects of pandemic (raised £837k).

**Section 172: The desirability of the Company maintaining a reputation for high standards of business conduct, and the need to act fairly between members of the Company**

The Telegraph has a strong brand and it is critical to uphold the brand and reputation of the Company. The Company has a clear Code of Conduct and framework of Policies and Procedures to support the highest standards of business conduct, integrity and adherence to regulatory requirements, fostering fairness amongst members of the Company.

On behalf of the Board



**N D Hugh**  
**Director**

31 March 2021

## DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the financial year ended 3 January 2021.

The Company has chosen in accordance with section 414c (11) of the Companies Act 2006 to include such matters of strategic importance to the Company in the Strategic Report which would otherwise be required to be disclosed in the Directors' Report. These matters include commentary on future developments and disclosures in relation to dividends.

### DIRECTORS

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  
H M Barclay  
N D Hugh  
C M Pape  
R J Neal  
P L Peters

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 at the approval date of the financial statements.

### GOING CONCERN

The accounts have been drafted under the going concern assumption, which is set out in Note 1(c) to the financial statements. The directors have reviewed the financial position alongside the cash flow forecasts and conclude that the going concern basis for accounting remains appropriate.

The Company cash flows for the 15 months to 30 June 2022 have been carefully considered from the date of signing the audited financial statements. These have been reviewed in the light of the uncertainty in the current economic climate, with particular attention to the impact of the pandemic. Prudent assumptions have been used to determine the level of financial resources available to the Company and to assess liquidity risk.

Except for short term liquidity benefits through the deferral of VAT and PAYE payments, no Government support has been taken by the Company since the onset of the Covid-19 pandemic. Despite the ongoing pandemic, the directors are confident that the Company will continue to strengthen its financial position and indeed trading to date in 2021 has continued to be strong.

A full risk analysis has been carried out against the current financial plans and the directors are satisfied that the plans are robust and deliverable, and will enable the Company to continue to meet its liabilities as they fall due in the foreseeable future and for a period of at least 12 months subsequent to approval of the financial statements.

### EMPLOYEE ENGAGEMENT

The commitment, innovation and drive of our employees are core to the ongoing development and success of the business. The Company pursues a policy of equal opportunities for all employees and potential employees, including disabled persons. 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 the opportunity to join the Company-wide defined contribution pension scheme and other initiatives providing employees with greater flexibility in their work-life choices. 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 staff have the right skills to operate in the digital landscape. Apprenticeships, internships and work experience policies are in place to ensure that the Company offers high quality opportunities to attract applicants from all backgrounds, to ensure fair and equitable access into the business.

Consultation with employees or their representatives continues 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. All employees are aware of the Company's vision, purpose and strategy and of the financial and economic performance of their business units and of the Company. Communication with all employees continues through regular management briefings, staff surveys and the Telegraph intranet.

Further information on employee and other stakeholder engagement is included in the Section 172 Statement of the Strategic Report.

**DIRECTORS' REPORT – CONTINUED****DONATIONS**

During the financial year the Company made charitable donations of £177k (2019: £16k) which was principally to charities associated with the business. The Company made no political donations (2019: £nil).

**STREAMLINED ENERGY AND CARBON REPORTING (SECR)**

The Company recognises the importance of its environmental responsibilities and is committed to continuous improvement in measuring and monitoring social and environmental impact. The Health, Safety and Environment Policy and Procurement Policy articulate the Company's commitment to reducing energy usage and emissions.

The following tables present the Company's energy consumption, greenhouse gas emissions and chosen intensity metric for its UK-based operations for the financial year ended 3 January 2021.

<b>Total Energy Consumption</b>	<b>3,662,091 kWh</b>
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Scope	Emission Source	tCO <sub>2</sub> e
Scope 1	Emissions from consumption of gas	89.8
	Emissions from combustion of fuel for transport purposes	17.5
Scope 2	Emissions from purchased electricity - location based	709.7
Scope 3	Emissions from business travel in rental cars or employee vehicles where the company purchases the fuel	14.5
<b>Total</b>	<b>Scope 1, 2 &amp; 3 Emissions</b>	<b>831.5</b>

**Intensity Ratio**

Revenue	£235.2m
Total Scope 1, 2 & 3 Emissions per £1m	3.5 tCO <sub>2</sub> e

The Company's emissions are calculated in line with the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard (revised edition). The boundaries of the GHG inventory are defined using the operational control approach and cover the emissions the Company is responsible for across Scope 1, 2 and Scope 3 business within the UK. The emissions are calculated using the emissions factors for 2020 published by the Department for Business, Energy & Industrial Strategy.

The Company has gathered building consumption information from engaging with the landlords of its occupied premises. Where this data was not available it was estimated in line with the SECR guidance. The transport figures have been estimated in line with the GHG Protocol from employees' expensed mileage. Most of the Company's energy consumption comes from the use of electricity in its headquarters in London. This is the Company's first reporting year for SECR and is unlikely to be representative of the future norm due to the impact of the pandemic.

There is no material risk from climate change.

**DIRECTORS' REPORT - CONTINUED****ENERGY EFFICIENCY**

The Company considers its environmental impact and initiatives to reduce energy consumption through its offices, technology procurement and partnering, and through its printing and distribution supply chain which operate to high environmental standards. Examples of actions to increase the energy efficiency of the Company's operations in 2020 are:

- For the Company's London HQ, sourcing electricity and gas from renewable sources with a target to reduce energy consumption year on year aligns with the sustainable objectives and the Landlord's ISO14001 accreditation. The Landlord monitors building energy use and occupancy, optimising energy efficiency across the building. The building was awarded two Green Apple awards in 2017 and 2019, both Gold awards for environmental best practice regarding waste and energy conservation. The 2020 Awards process was cancelled due to Covid-19.
- Several IT initiatives are in place including reducing printing and shifting to digital where possible, purchasing energy efficient IT equipment and the use of cloud technology to reduce onsite carbon footprint.

**FINANCIAL RISK MANAGEMENT**

Currency transaction risk is not substantial, as most of the Company's business is transacted in Sterling.

Similarly, the Company is not exposed to significant interest rate risk, as although there are loan arrangements in place the exposure to any significant interest rate fluctuations is not deemed material.

The Company's credit risk is primarily attributable to its trade receivables, which is mitigated by regular reviews of customer balances and their contractual payment terms. 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 standard 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 from the date of signing the financial statements.

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, 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.

**DIRECTORS' REPORT – CONTINUED****DIRECTORS' CONFIRMATIONS**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**POST BALANCE SHEET EVENTS**

As at the date of signing these financial statements the Covid-19 pandemic is still ongoing and the United Kingdom remains under lockdown measures; the directors therefore continue to monitor the ongoing effect of the pandemic. There are no other known events affecting the Company.

**INDEPENDENT AUDITORS**

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

On behalf of the Board



**N D Hugh**  
**Director**

31 March 2021

# Independent auditors' report to the members of Telegraph Media Group Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Telegraph Media Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 3 January 2021 and of its profit for the 53 week period (the "year") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 3 January 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 3 January 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, data protection and e-privacy, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed included:

- Making enquiries with management and internal commercial and editorial legal heads, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- Review of meeting minutes with the Board of Directors
- Challenging assumptions and judgements made by management in significant accounting estimates, particularly in relation to the calculation of rebate accruals and impairment reviews of intangible assets

- Testing unusual or unexpected journal entries, particularly those posted by unusual users, those related to related parties and those impacting unusual account combinations such as unusual credits to expenses, unusual credits to revenue, unusual rebate accrual entries and unusual capitalisation journals
- Challenging assumptions and estimates made by management in the cash flow projections underpinning the models supporting the going concern conclusion

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

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.

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Andy Grimby (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

31 March 2021

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2021**

	Note	2020 £'000	2019 £'000
<b>Turnover</b>	2	<b>235,220</b>	265,791
Cost of sales		<b>(151,044)</b>	(192,314)
<b>Gross profit</b>		<b>84,176</b>	73,477
Distribution costs		<b>(10,132)</b>	(11,614)
Administrative expenses		<b>(49,390)</b>	(52,896)
<b>Operating profit</b>	3	<b>24,654</b>	8,967
<b>Attributable to:</b>			
Operating profit before exceptional items		<b>28,266</b>	16,078
Exceptional items	3	<b>(3,612)</b>	(7,111)
		<b>24,654</b>	8,967
Interest payable and similar expenses	6	<b>(2,582)</b>	(2,812)
<b>Profit before taxation</b>		<b>22,072</b>	6,155
Tax on profit	7	<b>(3,868)</b>	(417)
<b>Profit for the financial year</b>		<b>18,204</b>	5,738

All the above results are derived from continuing operations; there is no other comprehensive income for the Company.

The notes on pages 16 to 28 form part of these financial statements.

**BALANCE SHEET**  
**AS AT 3 JANUARY 2021**

	Note	3 Jan 2021 £'000	29 Dec 2019* £'000
<b>Fixed assets</b>			
Intangible assets	8	9,091	13,441
Tangible assets	9	2,709	5,122
Investments	10	136	136
		<u>11,936</u>	<u>18,699</u>
<b>Current assets</b>			
Debtors	11	202,485	200,754
Cash at bank and in hand		<u>25,473</u>	<u>7,497</u>
		227,958	208,251
<b>Creditors: amounts falling due within one year</b>	13	<u>(70,876)</u>	<u>(79,685)</u>
<b>Net current assets</b>		<u>157,082</u>	<u>128,566</u>
<b>Total assets less current liabilities</b>		169,018	147,265
<b>Creditors: amounts falling due after more than one year</b>	14	(8,102)	(4,741)
<b>Provision for other liabilities</b>	15	(2,480)	(2,292)
<b>Net assets</b>		<u>158,436</u>	<u>140,232</u>
<b>Capital and reserves</b>			
Called up share capital	16	44,747	44,747
Retained earnings		113,689	95,485
<b>Total equity</b>		<u>158,436</u>	<u>140,232</u>

\* For details on re-presentation of the prior financial year, see Note 1(d).

The notes on pages 16 to 28 form part of these financial statements.

These financial statements on pages 13 to 28 were approved by the board of directors on 31 March 2021 and were signed on its behalf by:

  
**N. D. Hugh**  
**Director**
  
**C. M. Pape**  
**Director**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2021**

	<b>Called-up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
At 31 December 2018	44,747	89,747	134,494
Profit for the year	-	5,738	5,738
<b>Balance at 29 December 2019</b>	<b>44,747</b>	<b>95,485</b>	<b>140,232</b>
Profit for the year	-	18,204	18,204
<b>At 3 January 2021</b>	<b>44,747</b>	<b>113,689</b>	<b>158,436</b>

The notes on pages 16 to 28 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 3 JANUARY 2021****1. ACCOUNTING POLICIES****(a) General information**

Telegraph Media Group Limited ('the Company') operates multi-platform news publishing, including The Daily Telegraph, The Sunday Telegraph, telegraph.co.uk, digital apps for tablet and smartphone, and via third party platforms.

The Company is a private company limited by shares and is incorporated in England, United Kingdom.

**(b) Statement of compliance**

The individual financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

**(c) Basis of preparation**

The financial statements have been prepared in Sterling (rounded to the nearest hundred thousand pounds), the functional currency of the Company, under the historical cost convention.

The Company uses 52/53 week accounting periods and has drawn up its financial statements for the 53 weeks to 3 January 2021. Balances at that date are referred to as relating to 2020 in these financial statements. The 52 weeks to 29 December 2019 and balances at that date are referred to as relating to 2019.

The financial statements have been prepared on the going concern basis.

In determining whether the Company's financial statements can be prepared on the going concern basis, the directors have considered the business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and borrowing facilities as well as the principal risks and uncertainties relating to its business activities.

The Company is partially financed by its parent company, Press Acquisitions Limited. Press Acquisitions Limited holds an external loan facility agreement with Lloyds Banking Group. The facility is not due for renewal until 30 June 2022, however the Directors will continue to review the facility on an ongoing basis.

The directors have prepared cash flow forecasts for the Company for the 15 months to 30 June 2022. Since the initial preparation of these forecasts, the directors note that the Company has been trading well against these plans at both profit and cash flow levels.

A full risk analysis exercise has been carried out against the current financial plans which have included an appraisal based upon the following severe but plausible downside scenario:

- a potential further severe downturn in total revenue of 20% on top of the 2020 Covid-19 depressed outturn - however, the ongoing and successful implementation of the subscription-first strategy reduces the dependence on variable advertising and travel commerce revenues, offset by associated reductions in variable costs; and
- in assessing this severe but plausible downside scenario, the directors also considered potential mitigating actions within their control, such as restricting capital expenditure and working capital management.

This would not impact the going concern assessment. As such, what the directors consider as being prudent assumptions have been used to determine the level of financial resources available to the Company and to assess liquidity risk.

A full risk analysis has been carried out against the current financial plans and the directors are satisfied that the current financial plans are robust and deliverable and will enable the Company to continue to meet its liabilities as they fall due in the foreseeable future and for a period of at least 12 months subsequent to approval of the financial statements.

Accordingly, on that basis, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

**1. ACCOUNTING POLICIES - CONTINUED****(d) 2019 re-presentation**

In the financial statements for the year ended 29 December 2019, the Company presented all Other Creditors within Creditors: Amounts falling due within one year. In these financial statements following a review of the payment profile of these amounts these have been represented. The effect is to increase Creditors (amounts falling due after more than one year) by £4,662k and reduce Creditors (amounts falling due within one year) by the same amount. This change of representation does not have an impact on the statement of income (no profit or loss) or on opening retained earnings.

**(e) Exemptions for qualifying entities under FRS 102**

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, the parent company of the smallest group in which the results of the Company are consolidated and publicly available, established under the law of a member state of the European Economic Area. These financial statements present information about the Company as an individual undertaking.

The Company has taken advantage of the exemption contained in FRS 102 paragraph 1.12(b) and has not published a cash flow statement 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 1.12 (c) and has made only limited disclosures in respect of financial instruments.

The Company has taken advantage of the exemption contained in FRS 102 paragraph 1.12 (e) and has not disclosed key management personnel compensation in total.

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

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

**(f) Turnover**

Turnover represents sales to third parties and is stated net of returns, commissions, discounts and rebates and excludes value-added tax and other sales taxes.

Circulation revenue which includes casual paper sales, is recognised at the time of sale at the cover price, less wholesaler and retailer discounts.

Subscription revenue comprising both digital and print subscriptions, is recognised on a straight-line basis over the term of the subscription. Print Subscription revenue is reduced to net trading income by recognising voucher redemption costs associated with the subscription.

Advertising revenue from the provision of advertising space for third party digital platforms is recognised net of platform provider commissions. Print advertising revenue, net of any commission and rebates, is recognised on the date of publication. Digital advertising revenue, net of any commission and rebates, is recognised over the period of the online campaign in accordance with the provision of services.

Included in other commerce are primarily revenues from travel bookings, events, and syndication. These revenue streams are recognised either at the time of sale, or over the duration of the provision of service as appropriate.

**(g) Exceptional items**

Exceptional items are transactions that fall within the activities of the Company but are presented separately by virtue of their structural and non-recurring nature to assist in understanding the financial performance of the Company.

**(h) Interest receivable and payable**

Interest receivable and payable is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**1. ACCOUNTING POLICIES - CONTINUED****(i) Foreign currency transactions and balances**

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"). All exchange differences are taken to the statement of comprehensive income as a financing cost.

**(j) Taxation**

The charge for taxation is based on the result for the financial year and considers taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Tax is recognised in the profit and loss account.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. It is calculated based on tax rates and laws that have been enacted or substantively enacted by the period end.

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.

**(k) Intangible assets**

Intangible assets consist of purchased software, and internally developed website assets. Assets that are subject to amortisation are reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount, which is the higher of "value in use" and "fair value less costs to sell".

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is included in administrative expenses in the profit and loss account

Amortisation is calculated to write off the cost, less residual value, of intangible assets on a straight-line basis over their estimated useful economic lives which falls between 3-5 years for this asset class.

Computer software is stated at cost less accumulated amortisation and impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight-line basis. Capitalisation of internally developed website based intangible assets is determined when considering the business case and the strategic importance of the development.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

**(l) Tangible assets**

Tangible assets are stated at cost less accumulated depreciation. Cost comprises the purchase price of the asset, restoration costs and directly attributable costs in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated 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 Buildings	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

**1. ACCOUNTING POLICIES - CONTINUED****(m) Investments**

Investments in subsidiary companies are recorded at cost less accumulated impairment losses.

Other investments are acquired with the intention that they will be held for the long term and 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.

**(n) Debtors**

Trade debtors are amounts due from customers for goods or services sold in the ordinary course of business.

Trade debtors are recognised initially at the transaction price and are subsequently measured at amortised cost and classified as current assets. A provision against trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable.

**(o) Cash and cash equivalents**

Cash and cash equivalents include cash in hand and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

**(p) Creditors**

Trade creditors are obligations to suppliers to pay for goods or services purchased in the ordinary course of business.

Trade creditors are recognised initially at the transaction price and classified as current liabilities. If there is an unconditional right to defer obligation to pay suppliers for at least twelve months after the year end, they are presented as amounts falling due after more than one year.

**(q) Financial instruments**

The Company has chosen to adopt Section 11 & 12 of FRS 102 in respect of the financial instruments.

Basic financial assets, including trade and other receivables and cash and bank balances are recognised at transaction price. Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures are measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and changes in the fair value are recognised in profit and loss, except investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Basic liabilities include trade and other payables, bank loans and loans from fellow group companies and are initially recognised at transaction price. Fees paid on the establishment loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down.

**(r) Accrued and deferred income**

Accrued income represents unbilled, delivered work, predominately for advertising revenue and is classified within debtors. 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.

**(s) 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.

The Company is obligated to pay a restoration charge should the buildings currently occupied be vacated once the rental agreements expire. This has been estimated on a fixed cost per square foot and is recognised in the balance sheet.

**1. ACCOUNTING POLICIES - CONTINUED****(t) Finance leases**

Where asset purchases are financed by leasing agreements that give rights approximate 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 statement of comprehensive income and the capital portion reducing the obligations to the lessor.

**(u) Operating leases**

Rental costs arising under operating leases are charged to the statement of comprehensive income on a straight-line basis over the life of the lease.

**(v) Pension costs**

The costs of defined contribution schemes are charged to the statement of comprehensive income as the obligation to pay arises.

**(w) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(x) Related party transactions**

The Company discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

**CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

No critical judgements have been taken in applying the Company's accounting policies.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**Contract rebate accruals**

The Company enters into agreements with advertising agencies and certain clients, which are subject to a minimum spend and typically include a commitment to deliver rebates to the agency or client based on the level and share of their spend over the contract period. These rebates can take the form of cash payments, free advertising space or a mix of both. The rebate provision is calculated using the forecast spend and share over the contract period and rebate entitlement set out in the trading agreement. Calculating the required provision therefore requires an estimate of future period spend and overall share in determining what tier the agencies may reach over the contract period.

**Provision for libel claims**

The Company is exposed to libel claims in the ordinary course of business and vigorously defends against claims received. The Company makes provision for the estimated costs to defend such claims when incurred and provides for any settlement costs when such an outcome is judged probable.

**2. TURNOVER**

Turnover generated by the Company can be categorised as follows:

	2020 £'000	2019 £'000
Circulation	64,949	69,201
Subscriptions		
- Digital	31,505	17,753
- Print	66,492	61,858
Advertising		
- Digital	14,849	24,788
- Print	43,369	63,835
Other commerce	14,056	28,356
Total Turnover	<u>235,220</u>	<u>265,791</u>

**3. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):	2020 £'000	2019 £'000
Employment costs (including directors)	86,668	93,254
Operating lease rentals - buildings	6,230	7,576
Depreciation - tangible fixed assets	2,738	2,337
Amortisation - intangible assets	8,005	7,193
Impairment - intangible assets	-	1,054
Gain from disposal of tangible assets	(11)	(515)
Allowances for bad and doubtful debts	790	1,083
Auditors' remuneration - for the audit of the Company	275	338
- audit related assurance services	245	191
Exceptional items - reorganisation costs	3,612	6,645
- exceptional credit	-	(875)
- impairment of intangible assets	-	1,341

**Exceptional items**

During both the current and prior years there have been restructuring exercises to improve the efficiency and effectiveness of the Company's 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. These costs included termination and redundancy payments and legal fees, all of which were charged to the Statement of Comprehensive Income as exceptional costs. These projects will be finalised in 2021.

In 2019 there was a non-recurring adjustment relating to excess contract revenue rebate provisions from prior years, which were no longer required. This was released as an exceptional credit. Similarly, there was an exceptional impairment in the 2019 financial statements for software relating to travel revenue.

**4. DIRECTORS' EMOLUMENTS**

<b>(a) Emoluments of the Directors:</b>	2020 £'000	2019 £'000
Aggregate remuneration	1,178	1,205
Company contributions to defined contribution schemes	11	16
	<u>1,189</u>	<u>1,221</u>

During the year, the Company paid two (2019: two) directors for their services. Similarly, contributions made by the Company to defined contribution schemes were on behalf of two (2019: two) directors.

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

Aggregate remuneration	789	898
Company contributions to defined contribution schemes	6	12
	<u>795</u>	<u>910</u>

**5. EMPLOYEE INFORMATION****(a) Monthly average number of persons (including directors) employed by the Company:**

	<b>2020</b>	<b>2019</b>
	<b>Number of employees</b>	<b>Number of employees</b>
Editorial and production	<b>698</b>	690
Selling, distribution and administration	<b>450</b>	561
	<b><u>1,148</u></b>	<u>1,251</u>

Most members of staff included above hold employment 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):**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>73,355</b>	78,847
Social security costs	<b>8,652</b>	9,164
Pension costs	<b>4,661</b>	5,243
	<b><u>86,668</u></b>	<u>93,254</u>
Redundancy costs included within exceptional items	<b>3,394</b>	5,749
Total costs of employment	<b><u>90,062</u></b>	<u>99,003</u>

The Company operates The Telegraph Retirement Savings Plan which is a defined contribution scheme, and which covers the majority of the Company's employees. During the year, the transition to a Master Trust with Fidelity was completed.

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on loans	<b>1,032</b>	1,530
Bank and other charges	<b>1,550</b>	1,282
Total interest payable and similar charges	<b><u>2,582</u></b>	<u>2,812</u>

The Company has guaranteed certain bank borrowings of its parent company, Press Acquisitions Limited, and reflects an element of the interest incurred on the external loan held in that entity. At 3 January 2021 these borrowings amounted to £73,000k (2019: £80,000k). Charges in favour of the lender exist over all the Company's assets.

**7. TAX ON PROFIT**

	2020 £'000	2019 £'000
<b>Tax expense included in profit or loss</b>		
Current tax:		
UK Corporation tax on profits for the financial year	(4,395)	(1,585)
Tax credits relating to R&D	-	185
Adjustment in respect of prior periods	-	24
Total current tax	<u>(4,395)</u>	<u>(1,376)</u>
Deferred tax:		
Origination and reversal of timing differences	530	1,152
Adjustment in respect of prior periods	(3)	(193)
Total deferred tax (see note 12)	<u>527</u>	<u>959</u>
Tax on profit	<u>(3,868)</u>	<u>(417)</u>

**Reconciliation of tax charge**

Tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for the year ended 3 January 2021 of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before tax	<u>22,072</u>	<u>6,155</u>
Profit multiplied by the standard rate of tax in the UK of 19% (2019: 19%)	(4,194)	(1,170)
Effects of:		
Expenses not deductible for tax purposes	(564)	(169)
Adjustment in respect of prior periods	-	(193)
Deemed interest on intercompany loan balances	(1,707)	(1,566)
Tax credits relating to R&D	-	185
Tax refund	-	24
Group relief for nil consideration	<u>2,597</u>	<u>2,472</u>
Tax charge for the year	<u>(3,868)</u>	<u>(417)</u>

**Tax rate changes**

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

**8. INTANGIBLE ASSETS**

	£'000
<b>Cost:</b>	
Opening balance at 30 December 2019	58,910
Additions	3,655
Disposals	<u>(10,733)</u>
Closing balance at 3 January 2021	<u>51,832</u>
<b>Accumulated depreciation:</b>	
Opening balance at 30 December 2019	(45,469)
Charge for the financial year	(8,005)
Disposals	<u>10,733</u>
Closing balance at 3 January 2021	<u>(42,741)</u>
<b>Net book value:</b>	
Closing balance at 3 January 2021	<u>9,091</u>
Closing balance at 29 December 2019	<u>13,441</u>

**8. INTANGIBLE ASSETS – CONTINUED**

Intangible assets are amortised over their estimated useful lives of three to five years, the period over which the Company expects to benefit from their value using the straight-line method. The additions in the year relate to internally developed intangible assets on the Telegraph's website, specifically on projects around subscriber acquisition and retention. It includes purchased software, as well as internally developed website assets.

**9. TANGIBLE ASSETS**

	<b>Buildings – short leasehold £'000</b>	<b>Plant and Equipment £'000</b>	<b>Total £'000</b>
<b>Cost:</b>			
Opening balance at 30 December 2019	15,529	32,400	47,929
Additions	-	394	394
Disposals	(12,161)	(6,727)	(18,888)
Closing balance at 3 January 2021	<u>3,368</u>	<u>26,067</u>	<u>29,435</u>
<b>Accumulated depreciation:</b>			
Opening balance at 30 December 2019	(12,147)	(30,660)	(42,807)
Charge for the financial year	(1,531)	(1,207)	(2,738)
Disposals	12,161	6,658	18,819
Closing balance at 3 January 2021	<u>(1,517)</u>	<u>(25,209)</u>	<u>(26,726)</u>
<b>Net book value:</b>			
Closing balance at 3 January 2021	<u>1,851</u>	<u>858</u>	<u>2,709</u>
Closing balance at 29 December 2019	<u>3,382</u>	<u>1,740</u>	<u>5,122</u>

The net book value of assets held under finance leases included in the above was £113k (2019: £176k).

**10. INVESTMENTS**

	<b>2020 £'000</b>	<b>2019 £'000</b>
Opening and closing balances	<u>136</u>	<u>136</u>

The list of subsidiaries is as follows. All entities are under direct ownership, except Eagle Publications Limited.

<b>Name</b>	<b>Incorporated</b>	<b>Interest</b>	<b>Registered Address</b>
TMG Innovations Limited	United Kingdom	100%	111 Buckingham Palace Road, London, SW1W 0DT
The Evening Post Limited	United Kingdom	100%	111 Buckingham Palace Road, London, SW1W 0DT
The Morning Post Limited	United Kingdom	100%	111 Buckingham Palace Road, London, SW1W 0DT
The Sunday Telegraph Limited	United Kingdom	100%	111 Buckingham Palace Road, London, SW1W 0DT
Telegraph Publishing Limited	United Kingdom	100%	111 Buckingham Palace Road, London, SW1W 0DT
Telegraph Secretarial Services Limited	United Kingdom	100%	111 Buckingham Palace Road, London, SW1W 0DT
Telegraph Financial Solutions Limited	United Kingdom	100%	111 Buckingham Palace Road, London, SW1W 0DT
Telegraph Events Limited	United Kingdom	100%	111 Buckingham Palace Road, London, SW1W 0DT
Eagle Publications Limited	United Kingdom	100%	111 Buckingham Palace Road, London, SW1W 0DT

**10. INVESTMENTS – CONTINUED**

The list of associated undertakings is below. All are directly owned, except Creative Labs Management Inc.

<b>Name</b>	<b>Incorporated</b>	<b>Interest</b>	<b>Registered Address</b>
Ozone Project Limited	United Kingdom	25%	3 Marshalsea Road, London, SE1 1EP
NLA Media Access Limited	United Kingdom	14%	Mount Pleasant House, Lonsdale Gardens, Tunbridge Wells, Kent, TN1 1HJ
PA Media Group Limited	United Kingdom	1%	The Point 37 North Wharf Road, London, W2 1AF
Creative Labs L.P.	United States of America	<1%	142-757 West Hastings Street, Vancouver, V6C 1A1, Canada
Creative Labs Management Inc (Canada)	Canada	<1%	142-757 West Hastings Street, Vancouver, V6C 1A1, Canada

**11. DEBTORS**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	<b>21,726</b>	28,877
Amounts owed by group undertakings	<b>160,836</b>	149,812
Other taxation and social security	<b>1,578</b>	23
Other debtors	<b>147</b>	1,545
Deferred tax asset (see note 12)	<b>3,242</b>	2,715
Prepayments	<b>5,532</b>	4,606
Accrued income	<b>9,424</b>	13,176
	<b>202,485</b>	200,754

Trade Debtors are stated after provisions for bad and doubtful debts of £1,009k (2019: £2,202k).

Amounts owed by group undertakings include £160,542k (2019: £149,241k) due from the Company's immediate parent company, and £294k (2019: £571k) due from subsidiary undertakings. Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. They are all denominated in Sterling.

**12. DEFERRED TAX ASSET**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Deferred tax asset:</b>		
Capital allowances	<b>3,242</b>	2,715
Deferred tax asset	<b>3,242</b>	2,715
<b>Movements in the financial year:</b>		
Opening net deferred tax asset	<b>2,715</b>	1,756
Adjustments in respect of prior period	<b>(3)</b>	(193)
Credited to statement of comprehensive income (see note 7)	<b>530</b>	1,152
Closing net deferred tax asset	<b>3,242</b>	2,715

The deferred tax asset recognised at 3 January 2021 is made up of the following temporary differences:

Acquired assets	<b>(2,165)</b>	(2,927)
Provisions	<b>351</b>	147
Capital allowances	<b>5,056</b>	5,495
Total deferred tax asset	<b>3,242</b>	2,715

The net deferred tax liability expected to reverse in 2021 is £165k. This primarily relates to the reversal of timing differences on acquired intangible and tangible assets and capital allowances through depreciation and amortisation, offset by expected tax deductions when payments are made to utilise provisions.

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

	2020	2019*
	£'000	£'000
Trade creditors	8,503	9,883
Obligations under finance leases (see note 19)	37	68
Amounts owed to group undertakings	204	505
Other taxation and social security	4,126	4,100
Other creditors	1,546	1,332
Corporation tax payable	2,902	987
Accruals	29,412	38,195
Deferred income	24,146	24,615
	<u>70,876</u>	<u>79,685</u>

\* For details on this re-presentation, see note 1(d).

Amounts owed to group undertakings include £202k (2019: £504k) due to Telegraph Events Limited. Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. They are denominated in Sterling.

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2020	2019*
	£'000	£'000
Obligations under finance leases	64	79
Other creditors	8,038	4,662
	<u>8,102</u>	<u>4,741</u>

\* For details on this re-presentation, see note 1(d).

Other creditors are predominately made up of long-term employee related creditors and a rental lease incentive.

**15. PROVISION FOR LIABILITIES**

	Building £'000
Opening balance at 30 December 2019	2,292
Additional provision	188
Closing balance at 3 January 2021	<u>2,480</u>

The building provision relates to a restoration provision. This is recognised in accordance with the accounting policy referenced in note 1. The provision is calculated based on the expected cost to return property to its original state. The restoration provision is utilised in accordance with the contract.

**16. CALLED UP SHARE CAPITAL**

	2020	2019
	£'000	£'000
<b>Authorised:</b>		
1,703,000,000 (2019: 1,703,000,000) ordinary shares of £1 each	<u>1,703,000</u>	<u>1,703,000</u>
<b>Issued, called up and fully paid:</b>		
44,747,466 (2019: 44,747,466) ordinary shares of £1 each	<u>44,747</u>	<u>44,747</u>

**17. COMMITMENTS AND CONTINGENCIES**

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	<b>5,791</b>	6,855
Later than one year and not later than five years	<b>18,096</b>	19,732
Later than five years	<b>22,699</b>	26,854
	<b>46,586</b>	53,441

Future payments under finance leases for each of the following periods:

Within one year	<b>37</b>	68
In more than one year but less than five years	<b>64</b>	79
Total obligations	<b>101</b>	147

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business on a wide range of matters, including, among others, libel claims. The Company currently does not have any material legal claims outstanding.

**18. RELATED PARTIES**

The Company has taken advantage of the exemption contained in FRS 102 paragraph 33.1A and has not disclosed details of transactions with other wholly owned group companies within the Press Acquisitions Limited group.

<b>RELATED PARTY TRANSACTIONS</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Revenue	<b>3,466</b>	2,401
Rental income	<b>2,034</b>	2,510
Costs	<b>(2,847)</b>	(2,106)
<b>RELATED PARTY BALANCES</b>		
Debtors	<b>948</b>	810
Creditors	<b>1,272</b>	310

The Company traded with the following related party undertakings: Arrow XL Limited, NLA Media Access Limited, PA Media Group Limited, Ozone Project Limited, Shop Direct Home Shopping Limited, and St James's Street Property Management Limited.

These related party transactions relate to sales and expenditure with entities either where the Company held an investment, or, in which the Company has a common majority shareholder, or, with another entity within the wider group. There were no other related party transactions during the year (2019: £nil).

**19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

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

The largest and smallest group in which the results of the Company are consolidated and publicly available is that of Press Acquisitions Limited. The consolidated financial statements of Press Acquisitions Limited may be obtained from its registered office, 2<sup>nd</sup> Floor, 14 St. George Street, London W1S 1FE.

**20. POST BALANCE SHEET EVENTS**

As at the date of signing these financial statements the Covid-19 pandemic is ongoing and the United Kingdom remains under lockdown measures; the directors therefore continue to monitor the ongoing effect of the pandemic. There are no other known events affecting the Company.