PRESS ACQUISITIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEK PERIOD ENDED

2 JANUARY 2022

DIRECTORS

A S Barclay
H M Barclay
R J Neal
P L Peters

REGISTERED OFFICE

2nd Floor, 14 St. George Street
London
W1S 1FE

REGISTERED NUMBER

05098596

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered accountants and statutory auditors
1 Embankment Place
London
WC2N 6RH

COUNTRY OF INCORPORATION

England and Wales

CONTENTS

STRATEGIC REPORT

The directors present their Strategic Report of Press Acquisitions Limited ("the Company"), together with its subsidiaries (collectively, "the Group"), for the period ended 2 January 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company, which is limited by shares, is a non-trading, private limited investment holding company. The principal activity of the Group is multi-platform news publishing, including The Daily Telegraph, The Sunday Telegraph, telegraph.co.uk (together "Telegraph"), digital apps for tablet and smartphone and via third party platforms.

The Group 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 subscriptions by the end of 2023 ("10-1-23"), with total subscriptions increasing by 28% in 2021 to reach 720k at December 2021 (December 2020: 562k).

In 2021 turnover was £245.0m (2020: £235.2m), with the increase largely due to growth in digital subscriptions. Revenue from digital subscriptions increased by 40% to £44.1m in 2021 (2020: £31.5m), driven by 49% growth in digital subscription volumes to reach 545k in December 2021 (2020: 366k). In addition, revenue from print subscriptions increased by 3% to £68.6m in 2021 (2020: £66.5m). Other revenue has also risen by 45% to £20.5m (2020: £14.1m), principally due to a £3.2m increase in syndication revenue. These increases in revenue were partially offset by decreases in circulation and advertising revenue, which decreased by £5.4m and £6.0m respectively.

Operating profit before exceptional items and title amortisation increased to £33.3m in 2021 (2020[1]: £26.8m). This substantial improvement is driven by the significant growth in digital subscription revenue, coupled with planned cost savings to better align Group 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 on page 23. The retained profit for the financial period was £16.8m (2020: £8.7m). The results of the Group for the financial period are set out in the Consolidated Statement of Comprehensive Income on page 13. No dividends were declared or paid during the period (2020: £nil). As at 2 January 2022, the Group has a net asset balance of £64.6m (2020: £47.8m), and a cash balance of £33.7m (2020: £25.5m).

KEY PERFORMANCE INDICATORS (KPIs)

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

Financial	**2021**	**2020**
Turnover	£245.0m	£235.2m
EBITDA before exceptional items[2]	£40.4m	£37.5m[1]
Operating profit before exceptional items and title amortisation	£33.3m	£26.8m[1]
Operating profit	£24.5m	£17.0m[1]
Retained profit for the financial period	£16.8m	£8.7m
Non-Financial[3]		
Total subscriptions in December	720,250	561,816
Digital subscriptions in December	544,911	365,743
Print subscriptions in December	175,339	196,073
ARPS[4] in December, blended average across print and digital	£175	£193
Total registrants	6,995,668	6,614,228

1. See note 1(d) on page 18.
2. EBITDA before exceptional items is defined as operating profit from continuing operations before amortisation of intangible assets, depreciation and exceptional items, and is reconciled within note 3 on page 23.
3. The non-financial KPIs for subscription volumes and ARPS are independently assured by a separate PwC assurance team and are published monthly. Details can be found at corporate.telegraph.co.uk.
4. Average Revenue per Subscriber.

STRATEGIC REPORT– CONTINUED

FUTURE DEVELOPMENTS

The Group 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 Group 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. The Covid-19 pandemic has 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 Group's commitment to its subscription-first strategy and indeed the 10-1-23 strategic goal. The Group 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.

The directors are confident that the Group 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 Group adopts a strategically aligned approach to risk management, considering significant risks to strategic and operational delivery and defining comprehensive mitigation strategies and controls appropriately. The Group operates a formal, quarterly risk management process, where the Executive Team and directors complete a robust assessment of the principal risks. Principal risk themes are presented with a high-level overview of the mitigation approach.

Strategic

Risk	Mitigation
Brand and Reputation - protecting the Group's brand is important in maintaining reputation and trust with subscribers, readers, customers and other stakeholders. Events or incidents undermining the brand, either internal or external, could impede the Group's ability to achieve its strategic objectives.	A multi-faceted approach to reputational management is adopted, including proactive and reactive components. Group policies and frameworks, including editorial, legal and risk codes, support staff awareness of procedural and regulatory requirements and expectations.
Economic and geopolitical uncertainty - financial results could be adversely impacted by external factors outside the Group's control, such as inflation, regulation and/or Government policy and market changes.	The Group monitors external developments, considering the implications on business direction and adapting accordingly. The crisis in Ukraine continues to develop and the Group is monitoring the situation closely.
Financial sustainability - delivery of the strategic plan and increasing Group profitability and cash generation.	The Group's subscription-first strategy and active transformation programme, with inbuilt cost efficiencies and resilience supported by an optimised business model, will strengthen the financial position enabling continued growth and engagement with subscribers. Frequent performance monitoring and scenario analysis allow the Group to be responsive to emerging threats and opportunities.

STRATEGIC REPORT– CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES – CONTINUED

Operations

Risk	Mitigation
Business interruption - the Group 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 Group has a tested approach to Business Continuity and Crisis Management to respond to different scenarios across the organisation and its supply chain. The Covid-19 pandemic continues to prove the Group's resilience in its ability to respond rapidly and stay on track.
Cyber and Data - the Group could suffer significant business interruption due to a cyber-attack or security vulnerability and is subsequently exposed due to weaknesses in information governance with financial and reputational impacts.	The Group adopts standardised security practices, methodologies and governance to support and protect the integrity of systems and data, exploring opportunities for improvement. The Group gains assurance from periodic independent oversight, testing and specialist audits, whilst the Data Protection Officer provides assurance that the business operates in line with regulatory requirements.
Regulatory and governance - the Group operates globally with increasing regulatory complexity.	The Group reviews its regulatory risk quarterly, or by exception, as necessary. Clear governance oversight is established with access to specific expertise as required. Environmental compliance is critical, reflecting increasing regulatory requirements and the Group's commitment to environmental sustainability.

People

Risk	Mitigation
Health, Safety and Wellbeing - the health, safety and wellbeing of staff is a key priority, whether in the UK or overseas. Staff mental health, wellbeing, engagement and productivity remain areas of concern. 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 Group 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.
Recruiting and retaining people with the right skills - 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 continuing to develop a new model for the future.	Promoting staff wellbeing and development with frequent staff communication is key. The Group supports flexible working, where viable, maintains competitive pay and reward policies and continually evolves talent recruitment and retention strategies.

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 Group 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 Group'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 Group's employees

The Group's employees and values are central to the Company's ethos: fearless, together, informed and open-minded. Regular communication and engagement are achieved verbally and through online channels including "Town Hall" meetings and the intranet. Employee networks play an integral role in offering support to colleagues whilst fostering a greater sense of inclusion and belonging across the Group; active employee networks include Out Loud (LGBTQ+), Ethnic and Cultural Diversity, Able (equal opportunities), Wellbeing (supporting wellbeing in the workplace), Working and Women. Further examples of employee engagement can be found in the Employee Engagement section of the Directors' Report.

The health, safety and wellbeing of the Group's employees is a top priority, with a continued focus on mental health through 2021 due to the ongoing challenges posed by the Covid-19 pandemic. The Group 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 Group'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 Group is committed to building a high-performance culture and recognising the achievement of world-class standards in journalism. Employees are supported in developing their careers and learning new skills through The Academy, the Group's internal learning and development scheme. The Group develops its leaders through the delivery of Be a Better Boss Programme and continues to invest in new talent through its long-standing apprenticeship, graduate, internship and work experience programmes. Care is given to attract participants from a diversity of backgrounds through comprehensive diversity and inclusion-related partnerships and policies.

The Group 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. The mean gender pay gap increased to 26.1% (2020: 20.5%) following decreases in 2018 and 2019. More than one-third (37%) of employees in the highest pay quartile are female, compared to 42% in the second quartile, 51% in the third quartile and 64% in the lowest pay quartile. The Group made positive progress against its commitments to the Race at Work Charter, building on from the appointment of an Executive Sponsor in 2020 and continuing to capture 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, 44% of whom are fathers. The Group offers various progressive workplace policies and practices to support wellbeing and promote greater diversity. The aim is to maintain a culture that encourages fair representation and work-life balance.

Section 172: The need to foster the Group's business relationships with suppliers, customers and others

The Telegraph's readership is key to its success and the Group 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. Direct engagement with readers through different channels is achieved through regular forums, focus groups, newsletters, "Letters to the Editor", online subscriber community comments, emails and Telegraph Live events, showcasing The Telegraph's best content.

STRATEGIC REPORT– CONTINUED

SECTION 172 STATEMENT - CONTINUED

The Group saw growth in clicks and engagement across all social channels including YouTube, Snapchat, Twitter and Facebook, with an uplift of 29% since 2020. The Telegraph's campaigns supported increased engagement, including 'Mental Wellness', 'Affordable Housing', 'Britain's Working Women' and 'Our Nation's Children'.

The Group has categorised several 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. Business critical contracts are reviewed on a monthly or quarterly basis with Executive Team representation. 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 Group's operations on the community and the environment

The Group is committed to advancing sustainable initiatives across the business and in its editorial coverage, as well as promoting environmentally conscious behaviours in the workplace, recognising its responsibility to consider Group impacts on the environment through direct operations and indirectly through the supply chain.

The Telegraph's 2021 Christmas Charity Appeal supported 4 charities: The Alzheimer's Society, Dogs Trust, the Duke of Edinburgh's Award and Maggie's, and raised over £700,000. The Telegraph's Annual Charity Appeal launched in 1986 and has raised close to £30m to date.

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 2020, however as a direct consequence of Covid-19, volunteering dropped significantly in 2021 and is now paused and under review for 2022.

In March 2021, The Telegraph launched a Media Literacy Programme for 16 to 18 year olds, investing in the future of journalism and is committed to helping young people navigate the media landscape. Around 30 pupils from state schools took part in the online six-week course during 2021 with plans to expand the programme during 2022.

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

The Telegraph has a strong brand and it is critical to uphold the brand and reputation of the Group. The Group 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 Group and its stakeholders.

On behalf of the Board

A S Barclay
Director
31 March 2022

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of the Company and the Group for the financial period ended 2 January 2022.

The Group has chosen in accordance with section 414c (11) of the Companies Act 2006 to include such matters of strategic importance to the Group 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 who held office during the period and up to the date of approval of the financial statements unless otherwise indicated were as follows:

A S Barclay
H M Barclay
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 period and at the approval date of the financial statements.

GOING CONCERN

The accounts have been prepared under the going concern assumption and the basis 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 Group cash flows for the 15 months to 30 June 2023 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. Conservative assumptions have been used to determine the level of financial resources available to the Group 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 plans are robust and deliverable, and will enable the Group 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 Group 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 Group 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 Group 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 Group 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 Group's vision, purpose and strategy and of the financial and economic performance of their business units and of the Group as a whole. 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.

DONATIONS

During the financial period the Group made charitable donations of £7k (2020: £177k) which was to charities associated with the business. The Group made no political donations (2020: £nil).

DIRECTORS' REPORT - CONTINUED

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The Group 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 Group's commitment to reducing energy usage and emissions.

The following tables present the Group's energy consumption, greenhouse gas emissions and chosen intensity metric for its UK-based operations.

	2021	2020
Total energy consumption (kWh)	**2,860,232**	3,622,091
Emissions (tCO_2e)		
Scope 1		
Emissions from consumption of gas	**51.4**	89.8
Emissions from combustion of fuel for transport purposes	**12.3**	17.5
Scope 2		
Emissions from purchased electricity - location based	**514.7**	709.7
Emissions from company electric vehicles	**0.7**	-
Scope 3		
Emissions from business travel in rental cars or employee vehicles where the company purchases the fuel	**25.6**	14.5
Scope 1, 2 & 3 Emissions	**604.7**	831.5
Intensity Ratio		
Revenue (£m)	**245.0**	235.2
Total Scope 1, 2 & 3 Emissions per £1m	**2.5 tCO_2e**	3.5 tCO_2e

The principal reason for the decrease in energy consumption in 2021 was the lower overall building occupancy reflecting UK Government advice for certain periods to work from home, together with the closure of the Manchester office in March 2021 and reduced occupancy at the Chatham site.

The Group'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 Group is responsible for across Scope 1, 2 and Scope 3 business within the UK. The emissions are calculated using the emissions factors for 2021 published by the Department for Business, Energy & Industrial Strategy.

The Group 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 using the distance-based estimation method where data is available and the spend based estimation method where detailed car type data is not available. Most of the Group's energy consumption comes from the use of electricity in its headquarters in London.

There is no material risk from climate change.

DIRECTORS' REPORT - CONTINUED

ENERGY EFFICIENCY

The Group 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 Group's operations in 2021 are:

- For the Group'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 use and occupancy, optimising energy efficiency across the building.
- 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 Group's business is transacted in Sterling.

Similarly, the Group 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 Group'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 Group 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 Group and the Company 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, 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 Group and Company and of the profit or loss of the group 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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 Group and Company's auditors are aware of that information.

INDEPENDENT AUDITORS

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

On behalf of the Board

A S Barclay
Director
31 March 2022

Independent auditors' report to the members of Press Acquisitions Limited

Report on the audit of the financial statements

Opinion

In our opinion, Press Acquisitions Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 2 January 2022 and of the group's profit and the group's cash flows for the 52 week period 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 Consolidated and Company Balance Sheets as at 2 January 2022; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cashflows, and the Consolidated and Company Statements of Changes in Equity for the period 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 group 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 group's and 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 group's and 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 period ended 2 January 2022 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 group and company and their 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 group's and 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 group or 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 group 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 by the engagement team 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;
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias;
- 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;
- Understanding and evaluating the group's control environment; and
- Assessing financial statement disclosures, and testing to supporting documentation, for compliance with applicable laws and regulations.

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. 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andy Grimbly

Andy Grimbly (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 2 JANUARY 2022

	Note	2021 £'000	2020* £'000
Turnover	2	**244,985**	235,220
Cost of sales		**(151,875)**	(152,594)
Gross profit		**93,110**	82,626
Distribution costs		**(9,728)**	(10,132)
Administrative expenses		**(58,891)**	(55,519)
Operating profit	3	**24,491**	16,975
Attributable to:			
Operating profit before exceptional items and title amortisation		**33,345**	26,790
Exceptional items	3	**(2,651)**	(3,612)
Title amortisation	8	**(6,203)**	(6,203)
		24,491	16,975
Loss from shares in group undertakings		**(60)**	-
Interest payable and similar expenses	6	**(3,962)**	(4,447)
Profit before taxation		**20,469**	12,528
Tax on profit	7	**(3,696)**	(3,868)
Profit for the financial period		**16,773**	8,660

* For details on re-presentation of the prior financial period, see note 1(d).

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

The notes on pages 17 to 32 form part of these financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEETS
AS AT 2 JANUARY 2022

	Note	The Group 2 Jan 2022 £'000	The Group 3 Jan 2021 £'000	The Company 2 Jan 2022 £'000	The Company 3 Jan 2021 £'000
Fixed assets					
Intangible assets	8	**149,426**	155,368	-	-
Tangible assets	9	**2,991**	2,709	-	-
Investments	10	**295**	430	**164,885**	164,885
		152,712	158,507	**164,885**	164,885
Current assets					
Debtors	11	**45,096**	42,090	**510**	442
Cash at bank and in hand		**33,689**	25,523	**21**	21
		78,785	67,613	**531**	463
Creditors: amounts falling due within one year	13	**(97,313)**	(99,693)	**(201,785)**	(189,563)
Net current liabilities		**(18,528)**	(32,080)	**(201,254)**	(189,100)
Total assets less current liabilities		**134,184**	126,427	**(36,369)**	(24,215)
Creditors: amounts falling due after more than one year	14	**(67,161)**	(76,102)	**(58,750)**	(68,000)
Provisions for liabilities	15	**(2,405)**	(2,480)	-	-
Net assets/(liabilities)		**64,618**	47,845	**(95,119)**	(92,215)
Capital and reserves					
Called up share capital	17	**50,000**	50,000	**50,000**	50,000
Retained earnings/(accumulated losses)		**14,618**	(2,155)	**(145,119)**	(142,215)
Total equity		**64,618**	47,845	**(95,119)**	(92,215)

As permitted by section 408 of the Companies Act 2006, no statement of comprehensive income and related notes of the Company are presented. The loss recorded by the Company was £2,904k (2020: loss of £3,340k).

The notes on pages 17 to 32 are an integral part of these financial statements.

These financial statements on pages 13 to 32 were authorised for issue by the board of directors on 31 March 2022 and were signed on its behalf.

Richard Neal

R J Neal
Director

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

THE GROUP

	Called up share capital	(Accumulated losses)/ Retained earnings	Total equity
	£'000	£'000	£'000
At 30 December 2019	50,000	(10,815)	39,185
Profit for the 53 week period	-	8,660	8,660
Balance at 3 January 2021	50,000	(2,155)	47,845
Profit for the 52 week period	-	16,773	16,773
At 2 January 2022	**50,000**	**14,618**	**64,618**

THE COMPANY

	Called up share capital	Accumulated losses	Total equity
	£'000	£'000	£'000
At 30 December 2019	50,000	(138,875)	(88,875)
Loss for the 53 week period	-	(3,340)	(3,340)
Balance at 3 January 2021	50,000	(142,215)	(92,215)
Loss for the 52 week period	-	(2,904)	(2,904)
At 2 January 2022	**50,000**	**(145,119)**	**(95,119)**

The notes on pages 17 to 32 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 2 JANUARY 2022

	Note	2021 £'000	2020* £'000
Cash flow from operating activities			
Net cash from operations	18	38,260	36,803
Taxation paid		(5,639)	(2,480)
Net cash generated from operating activities		32,621	34,323
Cash flow from investing activities			
Net purchase of intangible and tangible fixed assets		(7,570)	(3,980)
Net purchase of investments		-	(73)
Dividend income		75	-
Net cash outflow from investing activities		(7,495)	(4,053)
Cash flow from financing activities			
Repayment of obligations under finance leases		(48)	(47)
Repayment of bank loans		(8,000)	(7,000)
Repayment of loans paid to parent company		(5,200)	-
Interest paid		(3,712)	(5,232)
Net cash outflow from financing activities		(16,960)	(12,279)
Net increase in cash and cash equivalents		8,166	17,991
Cash and cash equivalents at beginning of year		25,523	7,532
Cash and cash equivalents at the end of year		33,689	25,523

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

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under paragraph 1.12(b) of FRS 102 not to present the Company statement of cash flows.

The notes on pages 17 to 32 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 2 JANUARY 2022

1. ACCOUNTING POLICIES

(a) General information

Press Acquisitions Limited ('the Company') and its subsidiaries (together 'the Group') operate 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 Group and Company 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 thousand pounds), the functional currency of the Company and the Group, under the historical cost convention.

The Group financial statements consolidate the financial statements of Press Acquisitions Limited and its subsidiary undertakings (over which it exercises control) up to 2 January 2022, as they use 52/53 week accounting periods. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the financial year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal. Balances at that date are referred to as relating to 2021 in these financial statements. The 53 weeks to 3 January 2021 and balances at that date are referred to as relating to 2020.

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

In determining whether the Group'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 Group and Company are partially financed by a loan facility agreement with Lloyds Banking Group, of which £65m is drawn down as at the date of approval of the financial statements. There are also several covenants which are dependent on the results of the Telegraph Media Group Limited entity. The facility is not due for renewal until 30 September 2023, however the directors will continue to review the facility on an ongoing basis. Further details on the Group's borrowing facilities, including key terms, are set out in note 14.

The directors have prepared cash flow forecasts for the Group for the 15 months to 30 June 2023. Since the initial preparation of these forecasts, the directors note that the Group 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 severe downturn in total revenue of 10% reduction in revenue compared to 2022 Budget and a 7% reduction in 2022 revenue versus 2021 - 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 to be conservative assumptions have been used to determine the level of financial resources available to the Group 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 Group 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. In addition, the directors of the Company's parent undertaking, May Corporation Limited, have indicated their intention to provide financial support should that be required by the Group.

1. ACCOUNTING POLICIES – CONTINUED

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

IBOR reform

Inter-bank Offered Rates (IBOR) are interest rate benchmarks used in a wide variety of financial instruments, which have historically been calculated and published daily by panels of banks. Over time, they have been based less on observable transactions and more upon expert judgements. As a result, financial market authorities have deemed that there needs to be reform, and LIBOR ("London Inter-bank Offered Rate") publication ceased for all currencies except for USD on 31 December 2021.

As at 2 January 2022, the Group did not have any material exposures to the impacted IBOR benchmarks and is not materially impacted by the change to Alternative Reference Rates (ARRs).

(d) 2021 re-presentation

In the financial statements for the period ended 3 January 2021, the Group presented transactional processing fees within Interest payable and similar expenses. In these financial statements following a review of the nature of these amounts these have been re-presented as Cost of Sales. The effect is to increase Cost of Sales by £1,550k and decrease Interest payable and similar charges by the same amount, thus impacting Operating profit. This change of re-presentation does not have an impact on the Balance Sheet or on opening retained earnings, but does impact the classification within the cashflow as it is no longer included within Interest paid.

(e) Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the exemption contained in FRS 102 paragraph 1.12(b) and has not published a cash flow 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 financial periods 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 revenues are primarily revenues from travel bookings, events, and syndication. These revenue streams are recognised either at the time of sale net of a cancellation provision for travel, 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 Group but are presented separately by virtue of their structural and non-recurring nature to assist in understanding the financial performance of the Group.

1. ACCOUNTING POLICIES - CONTINUED

(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.

(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) Joint venture accounting

The Group has applied FRS 102 Section 15 to all Joint Venture arrangements. Under FRS 102 Section 15 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

An entity is treated as a joint venture when the Group holds an interest in a long-term basis and jointly controls the entity with one or more parties.

Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of post-acquisition profits or losses is included in the consolidated statement of comprehensive income. When the Group's share of losses in a joint venture exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or payments on behalf of the undertakings concerned.

(k) Taxation

The charge for taxation is based on the result for the financial period and considers taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Tax is recognised in the consolidated statement of comprehensive income.

Current tax is the amount of income tax payable in respect of the taxable profit for the current and prior periods. 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 Group'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.

(l) Intangible assets

Intangible assets 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.

1. **ACCOUNTING POLICIES – CONTINUED**

Telegraph publishing titles

Publishing titles for the Telegraph are initially recognised as an asset at fair value. These assets are amortised using the straight-line method over the expected life over which these assets will generate revenues and profits for the Group. The directors believe that these particular publishing titles owned by the Group have a finite useful economic life of forty years. They believe that these titles have demonstrated value over long periods and that because of their position in the market they will continue to do so, the Telegraph being established as a title in 1855 and trading successfully since that date. An impairment review is carried out at each reporting date. In assessing the value in use, the estimated future cash flows generated by the titles are discounted to their present value using a post-tax discount rate that reflects the current market assessment of the time value of money and the inherent risks. If the recoverable amount of the titles is estimated to be less than the carrying amount, the carrying value of the titles is reduced to the recoverable amount. Any impairment charge is recognised in the consolidated statement of comprehensive income in the year in which it occurs and may be reversed in subsequent periods.

Other intangibles

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.

IFRS Interpretations Committee (IFRIC) Agenda Decision

The Group prepares the financial statements under FRS 102, however having regard to the IFRS Interpretations Committee (IFRIC) Agenda Decision on IAS 38 "Intangible Assets" which determined that configuration and customisation of Software as a Service (SaaS) solutions should be expensed rather than capitalised unless they meet the definition of separate intangible assets, the Group has reviewed its treatment of its SaaS costs. The revised policy is applicable immediately and retrospectively. At a Group level in 2021 the revised policy results in a net charge of £933k to the statement of comprehensive income and a reduction in adjusted operating profit and adjusted profit before tax, reflecting the reversal of in-year capitalised expense for 2021 and the derecognition of assets capitalised in prior years. It has not been deemed necessary to restate the 2020 numbers nor the non-GAAP measures for the adjustment given the adjustment would not be material to the financial statements.

(m) 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 Improvements	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

(n) 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.

1. ACCOUNTING POLICIES – CONTINUED

(o) 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 Group will not be able to collect all amounts due according to the original terms of the receivable.

(p) 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.

(q) 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 period end, they are presented as amounts falling due after more than one year.

(r) Accrued and deferred income

Accrued income represents unbilled, delivered work, predominately for advertising revenue and is classified within debtors. Deferred income mostly 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 Group has a present obligation as a result of a past event, it is probable that the Group 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 Group 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.

(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.

1. ACCOUNTING POLICIES – CONTINUED

(w) Financial instruments

The Group 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 the consolidated statement of comprehensive income, 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.

(x) 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.

(y) Related party transactions

The Group 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 Group 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 period is addressed below.

Recoverable amount of intangible assets and investments, including publishing titles
Annually, the Group considers whether intangible assets and/or investments are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the future cash flows and economic benefit generated by the asset, using an appropriate discount rate in order to calculate the net present value of those cash flows.

2. TURNOVER

Turnover generated by the Group can be categorised as follows:

		2021 £'000	2020 £'000
Circulation		**59,558**	64,949
Subscriptions	- Digital	**44,094**	31,505
	- Print	**68,598**	66,492
Advertising	- Digital	**11,490**	14,849
	- Print	**40,713**	43,369
Other revenue		**20,532**	14,056
Total Turnover		**244,985**	235,220

2. TURNOVER – CONTINUED

The Group's operations are located in the UK, and the revenue by location of customers is set out below:

	2021 £'000	2020 £'000
United Kingdom and Republic of Ireland	**228,887**	223,516
Europe	**8,481**	4,179
Rest of World	**7,617**	7,525
Total Turnover	**244,985**	235,220

3. OPERATING PROFIT

Operating profit before taxation is stated after charging/(crediting):			2021 £'000	2020 £'000
Employment costs (including directors)			**90,323**	86,668
Operating lease rentals	- buildings		**5,207**	6,230
Amortisation	- publishing titles		**6,203**	6,203
	- other intangibles		**6,214**	8,006
Depreciation	- tangible assets		**814**	2,738
Gain on disposal of tangible assets			**(18)**	(11)
Allowances for bad and doubtful debts			**(183)**	790
Auditors' remuneration	- audit services	- the Group	**325**	275
		- the Company	**-**	-
	- audit related assurance services		**285**	245
Exceptional items			**2,651**	3,612

Audit fees for the Company are borne by Telegraph Media Group Limited.

Exceptional items

During both the current and prior financial periods there have been significant one-off restructuring exercises to improve the efficiency and effectiveness of the Group's operations. This has resulted from the Group continuing to make 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 2022.

EBITDA before exceptional items can be reconciled as follows:	2021 £'000	2020 £'000
Revenue	**244,985**	235,220
Net operating costs	**(220,494)**	(218,245)
Operating profit	**24,491**	16,975
Depreciation	**814**	2,738
Amortisation of publishing titles	**6,203**	6,203
Amortisation of other intangibles	**6,214**	8,005
Exceptional items	**2,651**	3,612
EBITDA before exceptional items	**40,373**	37,533

4. DIRECTORS' EMOLUMENTS

The directors received no emoluments for their services rendered to the Company during the financial year (2020: £nil). The Company considers its directors to be its Key Management Personnel.

5. EMPLOYEE INFORMATION

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

	2021 Number of employees	2020 Number of employees
Editorial and production	**687**	698
Selling, distribution and administration	**360**	450
	1,047	1,148

(b) Group employment costs (including directors)

	2021 £'000	2020 £'000
Wages and salaries	**76,971**	73,355
Social security costs	**8,902**	8,652
Pension costs	**4,450**	4,661
	90,323	86,668
Redundancy costs shown within exceptional items	**2,651**	3,394
Total costs of employment	**92,974**	90,062

The Company had no employees in 2021 and 2020, and therefore no employment costs in both years. Accordingly, there was also no remuneration for any key management personnel.

The Group operates The Telegraph Retirement Savings Plan which is a defined contribution scheme, and which covers the majority of the Group's employees.

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £'000	2020* £'000
Interest payable on loans	**3,962**	4,447

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

7. TAX ON PROFIT

Tax expense included in Statement of Comprehensive Income	**2021 £'000**	2020 £'000
Current tax:		
UK Corporation tax on profit for the financial period	**(4,767)**	(4,395)
Tax credits relating to Double Taxation relief	**13**	-
Adjustment in respect of prior periods	**75**	-
Total current tax	**(4,679)**	(4,395)
Deferred tax:		
Origination and reversal of other timing differences (see note 12)	**(70)**	527
Adjustment in respect of prior periods	**39**	-
Impact of rate change	**1,014**	-
Total deferred tax (see note 12)	**983**	527
Tax charge	**(3,696)**	(3,868)

Reconciliation of tax charge

Tax assessed for the financial period is lower (2020: higher) than the standard rate of corporation tax in the UK for the year ended 2 January 2022 of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before tax	**20,469**	12,528
Profit/loss multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	**(3,889)**	(2,380)
Effects of:		
Expenses not deductible for tax purposes	**(1,456)**	(1,743)
Adjustment in respect of prior periods	**114**	-
Deemed interest on intercompany loan balances	**45**	255
Deferred tax - impact of rate change	**1,014**	-
Deferred tax – current period	**(70)**	
Loss relief from prior periods	**546**	-
Tax charge for the year	**(3,696)**	(3,868)

Tax rate changes

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%, and its effects are included in the analysis above.

8. INTANGIBLE ASSETS

GROUP

	Publishing Titles £'000	Other Intangibles £'000	Total £'000
Cost:			
Opening balance at 4 January 2021	629,294	51,832	681,126
Additions	-	6,475	6,475
Disposals	-	(8,689)	(8,689)
Closing balance at 2 January 2022	629,294	49,618	678,912
Accumulated Amortisation:			
Opening balance at 4 January 2021	(483,016)	(42,741)	(525,757)
Charge for the financial period	(6,203)	(6,214)	(12,417)
Disposals	-	8,688	8,688
Closing balance at 2 January 2022	(489,219)	(40,267)	(529,486)
Net Book Value:			
Closing balance at 2 January 2022	**140,075**	**9,351**	**149,426**
Closing balance at 3 January 2021	146,278	9,090	155,368

Telegraph Publishing Titles

The Telegraph Publishing Titles ("Titles") were acquired as part of the purchase of Telegraph Media Group Limited. These Titles are positioned in the market to continue to demonstrate value for the foreseeable future and are amortised using the straight-line method over forty years to 2045. In addition, each year the Titles are reviewed for impairment where the recoverable amount is measured through a value in use calculation. This is determined by discounting future expected cash flows based on approved three-year projections.

The growth rates for the three-year period are based on both internal and external market information and reflect experience plus a risk assessment. A terminal growth rate for the business of 2.0% (2020: 2.0%) has been applied to the remaining period of 24 years. In compliance with FRS102, projected cash flows arising from improving or enhancing the Titles performance are excluded. The post-tax discount rate applied was 10.6% (2020: 10.6%) and this has not resulted in impairment in the year (2020: £nil). Sensitivity analysis has been performed over the terminal growth rate, the growth in digital subscription revenue as well as the discount rate, and management are comfortable that no impairment will arise.

Other Intangibles

Other intangible assets are being amortised over their estimated useful lives of three to five years, the period over which the Group expects to benefit from their value using the straight-line method. The additions include purchased software, as well as internally developed website assets, which relate to projects around subscriber acquisition and retention. In 2021, the IFRS Interpretations Committee (IFRIC) Agenda Decision on IAS 38 "Intangible Assets" has been applied per note 1.

COMPANY

The Company had no intangible assets at 2 January 2022 (2020: £nil) or at any time during the financial year.

9. TANGIBLE ASSETS

GROUP

	Buildings - short leasehold £'000	Plant & Equipment £'000	Total £'000
Cost:			
Opening balance at 4 January 2021	3,368	26,067	29,435
Additions	665	535	1,200
Disposals	(485)	(18,145)	(18,630)
Closing balance at 2 January 2022	3,548	8,457	12,005
Accumulated Depreciation:			
Opening balance at 4 January 2021	(1,517)	(25,209)	(26,726)
Charge for the financial period	(343)	(471)	(814)
Disposals	485	18,041	18,526
Closing balance at 2 January 2022	(1,375)	(7,639)	(9,014)
Net Book Value:			
Closing balance at 2 January 2022	**2,173**	**818**	**2,991**
Closing balance at 3 January 2021	1,851	858	2,709

The net book value of assets held under finance leases included in the above was £68k (2020: £113k).

COMPANY

The Company had no tangible assets at 2 January 2022 (2020: £nil) or at any time during the financial year.

10. INVESTMENTS

GROUP	**2021 £'000**	2020 £'000
Cost and net book value		
Opening balance	**430**	357
Additions	**-**	73
Recognition of losses in joint venture	**(135)**	-
Closing balance	**295**	430

During the financial period, the carrying value of an investment was wholly offset by the recognition of the share in losses in the entity, in accordance with note 1(j).

COMPANY	**Shares in Subsidiaries £'000**
Cost:	
Opening balance and Closing balance	761,830
Provision:	
Opening balance and Closing balance	(596,945)
Net Book Value:	
Opening balance and Closing balance	164,885

The list of subsidiaries and associate undertakings is as follows. These subsidiaries are included in the consolidation. The Company's investment in Telegraph Media Group Limited is direct ownership; all other investments are indirect ownership.

10. INVESTMENTS - CONTINUED

Name	Incorporated	Interest	Registered Address
Telegraph Media Group Limited	United Kingdom	100%	111 Buckingham Palace Road, London, SW1W 0DT
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
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
Caravan L.P.	United States of America	<1%	142-757 West Hastings Street, Vancouver, V6C 1A1, Canada
Caravan Digital L.P	Canada	<1%	142-757 West Hastings Street, Vancouver, V6C 1A1, Canada

11. DEBTORS

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Trade debtors	**21,064**	21,726	-	-
Other debtors	**920**	146	-	-
Other taxation and social security	**158**	1,578	-	-
Deferred taxation asset	**4,225**	3,242	-	-
Accrued income	**13,702**	9,424	-	-
Prepayments	**5,027**	5,974	**510**	442
	45,096	42,090	**510**	442

Trade Debtors are stated after provisions for bad and doubtful debts of £1,013k (2020: £1,009k).

12. DEFERRED TAX ASSET

GROUP	2021 £'000	2020 £'000
Deferred tax asset:		
Capital allowances	**3,389**	2,891
Provisions	**836**	351
Deferred tax asset	**4,225**	3,242
Movements in the financial period:		
Opening balance	**3,242**	2,715
Credited/(expensed) to statement of comprehensive income (see note 7)	**(70)**	527
Impact of rate change	**1,014**	-
Adjustment in respect of prior year	**39**	-
Closing balance	**4,225**	3,242

The deferred tax asset recognised at 2 January 2022 is made up of the following temporary differences:

Acquired assets	**(2,906)**	(2,165)
Provisions	**836**	351
Capital allowances	**6,295**	5,056
Total deferred tax asset	**4,225**	3,242

In addition, the Company has unutilised tax losses totalling £55.8m,(2020 restated: £58.7m) available for set off against future taxable profits of the Company. The directors cannot foresee when this recovery will be made and so this asset has not been recognised in these financial statements.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Bank loans (see note 14)	**6,250**	5,000	**6,250**	5,000
Trade creditors	**4,506**	8,504	**-**	1
Amounts owed to group undertakings	**18,801**	24,000	**195,523**	184,542
Obligations under finance leases (see note 19)	**22**	37	**-**	-
Other creditors	**2,299**	1,566	**12**	20
Corporation tax	**1,942**	2,902	**-**	-
Other taxation and social security	**3,221**	4,126	**-**	-
Accruals	**37,165**	29,412	**-**	-
Deferred income	**23,107**	24,146	**-**	-
	97,313	99,693	**201,785**	189,563

Included within Accruals is an amount of £1,259k relating to international tax liabilities.

Amounts owed to group undertakings for the Company include a loan of £176,722k (2020: £160,542k) due to a subsidiary company and £18,801k (2020: £24,000k) due to the Company's immediate parent company. Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The loans are denominated in Sterling.

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

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Bank loans	**58,750**	68,000	**58,750**	68,000
Obligations under finance leases (see note 19)	**30**	64	-	-
Other creditors	**8,381**	8,038	-	-
	67,161	76,102	**58,750**	68,000

The outstanding bank loan of £65,000k (2020: £73,000k) is denominated in Sterling and bears interest at SONIA plus 5.00% (2020: LIBOR plus 5.00%) and is split between current and non-current creditors. Charges in favour of the lender exist over all of the Group's assets.

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

15. PROVISIONS FOR LIABILITIES

GROUP

	Building
	£'000
Opening balance at 4 January 2021	**2,480**
Utilisation of provision	**(75)**
Closing balance at 2 January 2022	**2,405**

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. FINANCIAL INSTRUMENTS

GROUP

Financial assets at cost:	Note	**2021** **£'000**	2020 £'000
Trade debtors	**11**	**21,064**	21,726
Other debtors	**11**	**920**	146
		21,984	21,872
Financial liabilities at amortised cost:			
Trade creditors	**13**	**(4,506)**	(8,504)
Finance leases	**13,14**	**(52)**	(101)
Accrued expenses	**13**	**(37,165)**	(29,412)
Other creditors	**13,14**	**(10,680)**	(9,604)
		(52,403)	(47,621)

17. CALLED UP SHARE CAPITAL

GROUP AND COMPANY

	2021	2020
	£'000	£'000
Authorised:		
500,000,000 (2020: 500,000,000) ordinary shares of £1 each	**500,000**	500,000
Issued, called up and fully paid:		
50,000,000 (2020: 50,000,000) ordinary shares of £1 each	**50,000**	50,000

18. NET CASH FROM OPERATIONS

	2021 £'000	2020 £'000
Profit for the financial year	**16,773**	8,660
Adjustments for:		
Tax on profit	**3,696**	3,868
Net interest expense	**3,962**	4,447
Dividend income	**(75)**	-
Loss from associate	**135**	-
Operating profit	**24,491**	16,975
Amortisation of intangible assets	**12,417**	14,209
Depreciation of tangible assets	**814**	2,738
	37,722	35,472
Movement in:		
(Increase)/decrease in debtors	**(2,023)**	9,733
Increase/(decrease) in payables	**2,561**	(6,851)
Net cash inflow from operations	**38,260**	36,803

19. COMMITMENTS AND CONTINGENCIES

GROUP

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

	2021 £'000	2020 £'000
Not later than one year	**4,864**	5,791
Later than one year and not later than five years	**17,260**	18,096
Later than five years	**18,545**	22,699
	40,669	46,586

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

	2021	2020
Within one year	**22**	37
In more than one year but less than five years	**30**	64
Total obligations	**52**	101

The Group 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 Group currently does not have any material legal claims outstanding.

COMPANY

The Company had no commitments at the financial year end (2020: £nil).

20. RELATED PARTY TRANSACTIONS

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

RELATED PARTY TRANSACTIONS	2021	2020
	£'000	£'000
Revenue	**6,160**	3,466
Rental income	**939**	2,034
Dividend income	**75**	-
Costs	**(1,314)**	(2,847)
RELATED PARTY BALANCES		
Debtors	**3,372**	948
Creditors	**670**	1,272

The Group 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 Group 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 financial period (2020: £nil).

21. ULTIMATE CONTROLLING PARTY

The Company's immediate parent company is May Corporation Limited, incorporated in Jersey, which the directors regard as being ultimately controlled by the Sir David and Sir Frederick Barclay Family Settlements.

The results of the Company are not consolidated into any other Company's financial statements that are publicly available.