

TELEGRAPH MEDIA GROUP LIMITED

REPORT AND ACCOUNTS

30 DECEMBER 2007

REGISTERED NUMBER 451593

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DIRECTORS' REPORT

The directors present their report, together with the audited financial statements, for the 52 week period ended 30 December 2007

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The operating profit before exceptional items for the period was £34.3m (2006 £32.7m). No dividends were declared (2006 nil).

During the period the Company entered into a new printing agreement to provide its newspapers with full colour on every page. Exceptional items of £23.8m (see note 6) include provisions to cover the restructuring costs of the printing joint ventures as a result of the termination of the current printing arrangements.

BUSINESS ENVIRONMENT

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

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

The changes that the Telegraph Media Group continued to make to the structure of its business in 2007 – with further integration of its print and digital operations – means it is extremely well placed to take advantage of these structural market changes.

STRATEGY

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

DIRECTORS' REPORT – CONTINUED**KEY PERFORMANCE INDICATORS**

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

	2007	2006
Turnover	£354.9m	£341.1m
Operating profit pre-exceptional items	£34.3m	£32.7m
Operating margin pre-exceptional items	9.7%	9.6%
Average ABC – Daily Telegraph – no of copies	890,950	901,409
Average Issue Readership* – Daily Telegraph	2,075,000	2,147,000
Average ABC – Sunday Telegraph – no of copies	646,783	666,506
Average Issue Readership* – Sunday Telegraph	1,786,000	1,913,000
Average Monthly Page Views**	83,073,841	52,840,356
Average Monthly Unique Users**	8,969,107	5,868,427

*Source NRS

**Source Visual Sciences HBX 2007

DIVIDENDS

No dividends were declared on the ordinary shares during the period (2006 *nil*) The directors do not recommend the payment of a final dividend (2006 *nil*)

DIRECTORATE

The following acted as directors during the period

A S Barclay – Chairman
M MacLennan – Chief Executive Officer
S P Tucker – Finance Director (appointed 21 March 2007)
C J Allwood – Managing Director (resigned 28 February 2007)
H M Barclay
R K Mowatt
P Peters
M Seal

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

DIRECTORS' REMUNERATION

Details of directors' remuneration for the period are set out in note 4 to the accounts

DIRECTORS' REPORT – CONTINUED**EMPLOYEES**

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

The Company offers equal employment opportunities to disabled persons and suitable retraining is provided wherever practicable for employees who become disabled during service

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

FINANCIAL RISK MANAGEMENT

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

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

Our liquidity risk arises from timing differences between cash inflows and outflows These risks are managed through unutilised committed credit facilities It is our policy to maintain sufficient cash balances and committed facilities to meet anticipated future requirements These resources, together with the expected future cash flows to be generated by the business, are regarded as sufficient to meet the anticipated funding requirements of the Company for at least the next 12 months

CREDITOR PAYMENT POLICY

The Company's policy is to pay creditors as they fall due for payment in accordance with the agreed payment terms At the period end the number of creditor days outstanding was 53 (2006 47)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period, the Company made charitable donations of £116,245 (2006 £76,083), principally to charities associated with the newspapers and their employees The Company made no political donations (2006 nil)

ELECTIVE RESOLUTIONS

At the extraordinary general meeting held on 5 August 1996 the members invoked section 379A of the Companies Act 1985 ("the Act") by passing elective resolutions

- (i) as permitted by section 252 of the Act, to dispense with the laying of accounts and reports before the Company in general meeting,
- (ii) as permitted by section 366A of the Act, to dispense with the holding of annual general meetings, and
- (iii) as permitted by section 386 of the Act, to dispense with the obligation to appoint auditors annually

DIRECTORS' REPORT – CONTINUED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

In preparing those financial statements, the directors are required to

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

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

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF DIRECTOR'S DISCLOSURE OF INFORMATION TO AUDITORS

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

By order of the Board



Telegraph Secretarial Services Limited

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

17 April 2008

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

We have audited the financial statements of Telegraph Media Group Limited for the 52 week period ended 30 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

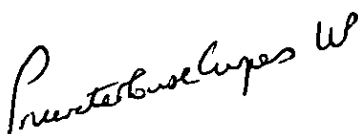
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 December 2007 and of its profit for the 52 week period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

24 April 2008

PROFIT AND LOSS ACCOUNT

for the 52 week period ended 30 December 2007

	Notes	Before Exceptional Items £m	Exceptional Items (see note 6) £m	Total 2007 £m	Before Exceptional Items £m	Exceptional Items (see note 6) £m	Total 2006 £m
Turnover	2	354.9	-	354.9	341.1	-	341.1
Cost of sales		(246.4)	(24.2)	(270.6)	(237.0)	-	(237.0)
Gross profit		108.5	(24.2)	84.3	104.1	-	104.1
 Distribution costs		(33.7)	-	(33.7)	(35.1)	-	(35.1)
Administrative expenses		(40.5)	1.7	(38.8)	(36.3)	(21.9)	(58.2)
Operating profit		34.3	(22.5)	11.8	32.7	(21.9)	10.8
 Income from joint venture companies		-	-	-	0.1	-	0.1
Profit on sale of fixed assets	6	-	-	-	-	0.2	0.2
Interest receivable and similar income – bank interest		0.4	-	0.4	0.7	-	0.7
Interest payable and similar charges	7	(1.0)	(1.3)	(2.3)	(0.6)	(1.5)	(2.1)
Profit on ordinary activities before taxation	3	33.7	(23.8)	9.9	32.9	(23.2)	9.7
 Tax (charge)/credit on profit on ordinary activities	8	(0.4)	-	(0.4)	(2.5)	7.0	4.5
Retained profit for the period	16	33.3	(23.8)	9.5	30.4	(16.2)	14.2

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 52 week period ended 30 December 2007

	Notes	2007 £m	2006 £m
Profit for the period		9.5	14.2
 Actuarial gain on defined benefit pension	20	0.3	1.2
Tax on actuarial gain on defined benefit pension		(0.1)	(0.4)
		0.2	0.8
Total recognised gains relating to the period		9.7	15.0

All the above results are derived from continuing operations

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

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


BALANCE SHEET **at 30 December 2007**

		2007	2006
	Notes	£m	£m
Fixed assets			
Tangible assets	9	27.6	26.4
Investments	10	4.8	1.6
		<u>32.4</u>	<u>28.0</u>
Current assets			
Debtors	11	228.7	183.4
Cash at bank and in hand		39.7	26.7
		<u>268.4</u>	<u>210.1</u>
Creditors amounts falling due within one year	12	<u>(104.9)</u>	<u>(81.7)</u>
Net current assets		<u>163.5</u>	<u>128.4</u>
Total assets less current liabilities		195.9	156.4
Creditors amounts falling after more than one year	13	(37.3)	(0.7)
Provisions for liabilities and charges	14	(25.3)	(31.5)
		<u>133.3</u>	<u>124.2</u>
Net assets excluding pension asset		133.3	124.2
Pension asset	20	2.1	1.5
Net assets including pension asset		<u>135.4</u>	<u>125.7</u>
Capital and reserves			
Called up share capital	15	19.7	19.7
Other reserve	16	0.7	0.5
Profit and loss account	16	115.0	105.5
		<u>135.4</u>	<u>125.7</u>
Total shareholders' funds	17	<u>135.4</u>	<u>125.7</u>

These financial statements on pages 6 to 21 were approved by the board of directors on 17 April 2008 and signed on its behalf by



Director



Director

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

1. ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently to the prior period, are set out below

(a) Basis of accounting

The Company uses 52/53 week accounting and has drawn up its accounts for the 52 week period to 30 December 2007. The previous accounting period was the 52 week period to 31 December 2006. The 52 weeks to 30 December 2007 and balances at that date are referred to as relating to 2007 in these financial statements. The period 2 January 2006 to 31 December 2006 and balances at 31 December 2006 are referred to as relating to 2006.

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

The Company is exempt under section 228 of the Act from the requirement to prepare group accounts because it is a wholly owned subsidiary of a Company established under the law of a member state of the European Community. These financial statements present information about the Company as an individual undertaking and not about its group.

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

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

(b) Turnover

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

(c) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost represents the cost of acquisition or construction, including the direct costs of financing the acquisition or construction until the asset comes into use.

Depreciation is calculated so as to write off the cost, less residual value, of tangible fixed assets on a straight line basis over their expected useful economic lives which are as follows:

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

No depreciation is charged on freehold land.

(d) Investments

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

1. ACCOUNTING POLICIES – CONTINUED*(e) Provisions*

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

(f) Finance leases

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

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

(g) Operating leases

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

(h) Taxation

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

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

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

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

(i) Pension costs

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

Defined contribution schemes

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

Defined benefit scheme

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

1. ACCOUNTING POLICIES – CONTINUED*(i) Pension costs - continued*

The following are charged to operating profit in the period

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

In addition, any increase in the present value of scheme liabilities resulting from benefit improvements is recognised over the period during which such improvements vest

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

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

(j) Foreign currency translation

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the day the transaction occurs. Assets and liabilities denominated in a foreign currency are translated at the rate ruling on the balance sheet date ("the closing rate") or, if appropriate, at the forward contract rate. All exchange differences are taken to the profit and loss account

2. TURNOVER

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

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	2007 £m	2006 £m
Operating lease rentals – land and buildings	3.7	14.4
Depreciation – owned tangible fixed assets	5.0	2.9
– tangible fixed assets held under finance leases	0.4	0.5
	<u>5.4</u>	<u>3.4</u>
Loss on disposal of fixed assets	0.4	-
Auditor's remuneration – audit services	0.2	0.1

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

	2007 £m	2006 £m
Salaries and benefits	1.1	1.2
Company contributions to money purchase pension schemes	0.2	0.2
Compensation for loss of office	0.3	-
	<u>1.6</u>	<u>1.4</u>

The contributions made by the Company to the money purchase pension scheme were on behalf of three (2006 two) directors

(b) Emoluments of the highest paid director:

	2007 £m	2006 £m
Salary and benefits	0.7	0.7
Pension contributions	0.1	0.1
	<u>0.8</u>	<u>0.8</u>

5. EMPLOYEE INFORMATION**(a) Average number of persons (including directors) employed by the Company during the period:**

	2007	2006
Editorial and production	547	562
Selling, distribution and administration	449	450
	<u>996</u>	<u>1,012</u>

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

(b) Employment costs (including directors):

	2007 £m	2006 £m
Wages and salaries	60.5	57.4
Social security costs	7.2	6.9
Pension costs (see note 20) - defined contribution schemes	4.1	3.8
- current service cost of defined benefit schemes	1.2	1.1
Total direct costs of employment	<u>73.0</u>	<u>69.2</u>

6. EXCEPTIONAL ITEMS

	2007 £m	2006 £m
Charged to Cost of sales		
Printing charge (<i>see (a) below</i>)	(24.2)	-
	(24.2)	-
Credited/(charged) to administrative expenses		
Relocation costs (<i>see (b) below</i>)	5.2	(2.3)
Reorganisation costs (<i>see (c) below</i>)	(3.5)	(19.6)
	1.7	(21.9)
Net exceptional items charged to operating profit	(22.5)	(21.9)
Profit on sale of fixed assets (<i>see (d) below</i>)	-	0.2
Interest payable – imputed interest on lease provision	(1.3)	(1.5)
	(23.8)	(23.2)

(a) Printing charge

This represents provision for a charge expected from the printing joint ventures in relation to restructuring costs that they themselves will incur following notification of the termination of their printing agreements by the company and principally comprises of the cost of staff redundancies and lease obligations

(b) Relocation costs

During 2006 the Company relocated its operations previously situated at Canary Wharf, London to premises in central London. The associated charge principally comprised the lease obligations at Canary Wharf. The Company has now agreed a schedule of payments with Canary Wharf in order to settle these lease obligations, which has resulted in a release of £5.2 million in 2007 from the relocation provision (*see note 14(b)*)

(c) Reorganisation costs

These costs represent the cost of restructuring the Company's operations and include the costs of staff redundancies carried out to improve the efficiency and effectiveness of those operations and investigative costs in relation to a new press purchase project which has been subsequently aborted

(d) Profit on sale of fixed assets

The profit on sale of fixed assets arose from the sale and disposal of numerous fixed assets due to the office relocation in 2006 (*see (b) above*)

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £m	2006 £m
Interest payable – to joint venture companies	0.1	-
– to banks	0.8	0.5
	0.9	0.5
Imputed interest on lease provision (<i>see note 6</i>)	1.3	1.5
Finance lease charges	0.1	0.1
	2.3	2.1

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £m	2006 £m
Analysis of (charge)/credit in period		
<i>Current tax</i>		
UK corporation tax on profits for the period	-	-
Adjustments relating to previous periods (<i>see below</i>)	-	5.7
Total current tax credit	-	5.7
<i>Deferred tax</i>		
Origination and reversal of pensions timing differences (<i>see note 20</i>)	(0.1)	(0.1)
Origination and reversal of other timing differences	(0.3)	0.1
Adjustments in respect of previous periods	-	(1.2)
Total of other timing differences (<i>see note 14a</i>)	(0.3)	(1.1)
Total deferred tax charge	(0.4)	(1.2)
Tax (charge)/credit on profit on ordinary activities	(0.4)	4.5

The adjustments relating to previous periods' current taxation in 2006 relate largely to consortium relief received relating to prior periods for which no charge will be made to the Company

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

The current tax (charge)/credit for the period is lower (2006 higher) than the standard rate of corporation tax in the UK (30%) (2006 30%). The differences are explained below

	2007 £m	2006 £m
Profit on ordinary activities before tax	9.9	9.7
Current tax at 30% (2006 30%)	(3.0)	(2.9)
Effects of		
Expenses not deductible for tax purposes	(1.2)	(0.8)
Deemed interest on intercompany loan balances	(2.3)	(1.9)
Capital allowances in excess of depreciation	0.2	1.2
Other timing differences	-	(0.7)
Adjustments to tax charge in respect of previous periods	-	(0.4)
Group relief for nil consideration	6.3	11.2
Total current tax credit (as stated)	-	5.7

Factors that may affect future tax charges:

The standard rate of corporation tax in the UK changes to 28% with effect from 1 April 2008

9. TANGIBLE FIXED ASSETS

	Land & Buildings £m	Plant & Machinery £m	Total £m
Cost:			
Opening balance	14.6	33.3	47.9
Additions	0.8	6.4	7.2
Disposals	(0.6)	(0.7)	(1.3)
Closing balance	14.8	39.0	53.8
Accumulated Depreciation:			
Opening balance	0.2	21.3	21.5
Charge for the period	1.0	4.4	5.4
Disposals	(0.2)	(0.5)	(0.7)
Closing balance	1.0	25.2	26.2
Net book value			
Owned assets	13.8	12.8	26.6
Assets held under finance leases	-	1.0	1.0
Closing balance	13.8	13.8	27.6
Opening balance	14.4	12.0	26.4

Land and buildings at net book value as above

	2007 £m	2006 £m
Freehold land	1.3	1.3
Short leasehold buildings	12.5	13.1
	13.8	14.4

10. INVESTMENTS

	Shares in Joint Venture Companies see (a) below £m	Loans to Joint Venture Companies see (b) below £m	Other £m	Total £m
Opening Balance	-	1.5	0.1	1.6
Purchase of Shares	3.2	-	-	3.2
Closing Balance	3.2	1.5	0.1	4.8

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

(a) Shares in Joint venture companies

During the period the company subscribed for one additional A Ordinary share of 1p in West Ferry Printers Limited ("WFPL") for £3.2 million in cash, to provide the joint venture with working capital

(b) Loans to joint venture companies

The loans to joint venture companies have no fixed terms of repayment and do not bear interest

(c) Joint venture pension schemes

The funding of the defined benefit pension schemes of the Company's joint ventures (the "JV Schemes") are subject to ongoing negotiation between the joint venture companies, the joint venture shareholders and the JV schemes trustees. As at 30 December 2007 the JV Schemes were in deficit on a FRS17 basis. The Company's share of the aggregate net deficit on this basis amounts to £2.2 million (2006: £10.4 million).

Since the balance sheet date the Company has been charged £10.0 million by WFPL towards the funding of its pension scheme. The directors believe that the joint venture companies will continue to operate as going concerns and have sufficient resources to meet their future obligations to the JV Schemes. The directors do not believe there are any further liabilities which need to be recognised in the financial statements.

11. DEBTORS

	2007	2006
	£m	£m
Trade debtors	50.8	31.0
Amounts owed by parent and fellow subsidiary companies (<i>see (a) below</i>)	164.0	134.6
Other debtors	2.7	1.0
Other taxation and social security	1.0	0.6
Prepaid printing charges (<i>see (b) below</i>)	6.0	10.1
Other prepayments and accrued income	4.2	6.1
	<u>228.7</u>	<u>183.4</u>

(a) Amounts owed by parent and fellow subsidiary companies

Amounts owed by parent and fellow subsidiary companies include £148.1 million (2006 £115.2 million) due from Press Acquisitions Limited ("PAL"), the Company's immediate parent company, £15.8 million (2006 £15.8 million) due from May Corporation Limited ("May"), the parent company of PAL. The comparative for 2006 includes £3.6 million from Press Properties Limited, a group company sold during 2007. The PAL loan is repayable in 2016, the May loan has no fixed term of repayment and all balances do not bear interest and are denominated in sterling.

(b) Prepaid printing charges

These represent amounts paid in advance to West Ferry Printers Limited under the printing contract with that company. Of the balance shown, £4.1 million (2006 £4.1 million) is recoverable within one year.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£m	£m
Obligations under finance leases (<i>see note 13(a)</i>)	0.4	0.4
Trade creditors	35.0	36.9
Bank loan (<i>see(a) below</i>)	19.0	-
Amounts owed to joint venture companies (<i>see (b) below</i>)	9.1	7.8
Corporation tax	-	0.1
Other taxation and social security	2.8	0.5
Other creditors	7.7	4.2
Accruals and deferred income	30.9	31.8
	<u>104.9</u>	<u>81.7</u>

(a) Bank loan

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

(b) Amounts owed to joint venture companies

Amounts owed to joint venture companies include a loan amount of £1.0 million (2006 £nil) due to Trafford Park Printers Limited denominated in sterling. The loan has no fixed terms of repayment and interest is charged at LIBOR.

13. CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	2007	2006
	£m	£m
Obligations under finance leases (<i>see(a) below</i>)	0.5	0.7
Amounts owed to parent companies (<i>see(b) below</i>)	25.0	-
Other creditors (<i>see note 14(b)</i>)	11.8	-
	<u>37.3</u>	<u>0.7</u>

13. CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR - CONTINUED

(a) Obligations under finance leases

	2007	2006
	£m	£m
Obligations under finance leases repayable		
Within one year	0.4	0.4
In more than one year but less than five years	0.5	0.7
Total obligations	0.9	1.1
Less future finance charges included in obligations	-	-
Net obligations	0.9	1.1
Less classified as a current creditor (<i>see note 12</i>)	(0.4)	(0.4)
Net long term obligations	0.5	0.7

These obligations are secured on the assets leased

(b) Amounts owed to parent companies

Amounts owed to parent companies comprise a loan of £25.0 million (2006: £nil) due to Press Holdings Limited, an intermediate parent company denominated in sterling. The loan has no fixed terms of repayment and is interest free.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	2007	2006
	£m	£m
Deferred taxation (<i>see (a) below</i>)	1.1	0.8
Lease provision (<i>see (b) below</i>)	-	30.7
Printing charge (<i>see (c) below</i>)	24.2	-
	25.3	31.5

(a) Deferred taxation

	2007	2006
	£m	£m
Amount provided, representing the full potential liability:		
Capital allowances	(0.4)	(0.9)
Other timing differences	1.5	1.7
	1.1	0.8

Movements on the provision:

Opening asset	0.8
Charged to profit on ordinary activities (<i>see note 8</i>)	0.3
Closing provision	1.1

14. PROVISIONS FOR LIABILITIES AND CHARGES - CONTINUED

(b) Lease Provision

	2007 £m	2006 £m
Opening balance	30.7	31.8
Imputed interest	1.3	1.5
Provision adjustment	(5.2)	2.3
Payments made in the period	(9.1)	(4.9)
Reclassified as Creditors amounts falling due within one year	(5.9)	-
Reclassified as Creditors amounts due after more than one year	(11.8)	-
Closing balance	<u>-</u>	<u>30.7</u>

During 2006 the Company relocated its operations previously situated at Canary Wharf, London to premises in central London. The Company has now agreed a schedule of payments with Canary Wharf in order to settle their lease obligation, which has resulted in a release of £5.2 million from the relocation provision (see note 6(b)).

The lease provision is now classified as a creditor as the uncertainty over the amounts and timing of the payments has been removed. Payments will be made quarterly with the final payment due in November 2010.

(c) Printing charge

During 2007 the Company announced it had entered into a new printing agreement to provide the newspapers with high quality full colour on every page, allowing the Company to meet the demand of advertisers. The existing printing contracts will be terminated by 2009. The directors are currently determining the optimal timing for the transfer of printing.

This printing provision represents a charge from the printing joint ventures for the known costs in relation to the restructuring costs that they will incur following the notification of the termination of their printing agreements by the company. This includes the cost of staff redundancies and lease obligations.

15. CALLED UP SHARE CAPITAL

	£m
Authorised:	
1,703,000,000 ordinary shares of £1 each	<u>1,703.0</u>
Issued, called up and fully paid:	
19,747,466 ordinary shares of £1 each	<u>19.7</u>

16. RESERVES

	Other Reserve £m	Profit and Loss Account £m
Opening balance	0.5	105.5
Retained profit for the period	-	9.5
Actuarial gain on pension scheme in period (see note 20)	0.3	-
Deferred tax on actuarial gain on pension scheme in period (see note 20)	(0.1)	-
Closing balance	<u>0.7</u>	<u>115.0</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £m	2006 £m
Retained profit for the period	9.5	14.2
Actuarial gain on defined benefit pension section (see note 20)	0.3	1.2
Deferred tax on actuarial gain on defined benefit pension section (see note 20)	(0.1)	(0.4)
Net addition to shareholders' funds	9.7	15.0
Opening shareholders' funds	125.7	110.7
Closing shareholders' funds	135.4	125.7

18. COMMITMENTS

	2007 £m	2006 £m
Annual commitments under non-cancellable land and building leases which expire:		
Within one year	0.7	-
Between one to five years	5.5	0.3
After five years	5.7	9.2
	11.9	9.5

19. GUARANTEES

The Company has guaranteed certain bank borrowings of its parent company, Press Acquisitions Limited. At the period end these borrowings amounted to £240.0 million (2006 £252.5 million). Charges in favour of the lender exist over all the Company's assets.

20. PENSIONS

The Company operates the Telegraph Staff Pension Plan ("the Plan") which is a hybrid pension scheme, being part defined contribution and part defined benefit, and which covers the majority of the Company's employees.

Benefits from the Defined Contribution Section of the Plan arise directly as a result of contributions paid by members and the Company, and from the investment performance of assets into which contributions were invested.

The Defined Benefit Section of the Plan is made up of the Insurance Fund and the Protected Fund as follows:

- The Insurance Fund is used to pay benefits in respect of active members who take ill-health early retirement and to pay premiums to secure benefits for members who die in service. In addition it also meets the final salary promise which was given to a closed group of former members of The Daily Telegraph Group Pension Fund ("the Group Fund") who transferred to the Plan. Expenses of the Plan are also met from this section.
- The Protected Fund is used to pay the benefits in respect of a closed group of deferred pensioners from the Group Fund who transferred to the Plan in 1998 following the wind-up of the Group Fund.

Triennially a qualified actuary performs a valuation of the arrangements. The most recent valuation of the Plan was carried out at 31 March 2006 and involved calculation of a funding target which was then compared to the actual assets held. Contributions are then calculated in order to meet and maintain this target in the future.

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

20. PENSIONS - CONTINUED

The funding target for the Protected Fund and that of the promise provided under the Insurance Fund was set as the estimated cost of purchasing annuities from an insurance company. The funding target for the ill-health pensioners was calculated assuming an investment return of 1% pa above gilts.

An appropriate allowance in the future contribution rate is made for future benefits in respect of the defined benefit promise, ill-health retirement, death in service and expenses.

The most recent actuarial valuation showed that the total market value of the Plan's Defined Benefit Section assets was £14.9 million at 31 March 2006 and that the value of those assets represented 92% of the funding target. The Company's contributions in excess of those paid to the Defined Contribution Section will continue at 3.5% of basic salaries until 31 March 2010. Thereafter, standard rate of 2.5%.

At 30 December 2007 contributions of £nil (2006: £0.4 million) were due to the Plan.

The Protected Fund and the Insurance Fund

The full actuarial valuation carried out for the Protected Fund and the Insurance Fund as at 31 March 2006 has been updated to 30 December 2007 by a qualified actuary on a basis consistent with FRS 17. As required by FRS 17, the value of the defined benefit liabilities has been measured using the projected unit method. The following major assumptions used were:

	2007	2006	2005
Inflation	3.3%	2.9%	2.8%
Discount rate	5.9%	5.2%	4.8%
Rate of increase in pensions in payment	3.2%	2.9%	2.8%
Rate of increase in salaries	4.3%	3.9%	3.8%

The Protected Fund and the Insurance Fund asset using these assumptions was

	2007		2006		2005	
	Actuary's Expected Return	Value £m	Actuary's Expected Return	Value £m	Actuary's Expected Return	Value £m
Equities	7.6%	-	7.5%	2.9	7.3%	3.0
Gilts	4.4%	14.1	4.3%	11.6	4.0%	12.1
Other	4.4%	0.3	4.3%	0.1	4.2%	0.2
Total market value of assets		14.4		14.6		15.3
Present value of liabilities		(11.5)		(12.5)		(14.9)
Surplus in the Plan		2.9		2.1		0.4
Related deferred tax at 28% (2006 30%, 2005: 30%) (see below)		(0.8)		(0.6)		(0.1)
Net pension asset		2.1		1.5		0.3

Movements on the related deferred tax asset:

	£m
Opening balance	(0.6)
Charged to profit on ordinary activities (see note 8)	(0.1)
Charged to other reserve (see note 16)	(0.1)
Closing balance	(0.8)

20. PENSIONS – CONTINUED

Movement in the Protected Fund and the Insurance Fund deficit during the period:

	2007 £m	2006 £m
Asset at start of period	2.1	0.4
Current service cost	(1.2)	(1.1)
Contributions	1.7	1.6
Estimated actuarial gain/(loss) (included in the statement of total recognised gains and losses)		
Actual returns less expected return on pension assets	(0.2)	(0.4)
Experience gain on pension liabilities	0.5	0.5
Gain due to changes in assumptions underlying the valuation of liabilities	-	1.1
	0.3	1.2
Asset at end of period	2.9	2.1

History of experience gains and losses

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Actual return less expected return on scheme assets	(0.2)	(0.4)	1.2	0.6	(0.3)
<i>Percentage of scheme assets</i>	(1%)	(3%)	8%	4%	(2%)
Experience gains on scheme liabilities	0.5	0.5	0.3	-	0.5
<i>Percentage of the present value of the scheme liabilities</i>	4%	4%	2%	-	3%
Gains/(losses) recognised in the statement of total recognised gains and losses	0.3	1.2	0.2	(0.8)	(0.5)
<i>Percentage of the present value of the scheme liabilities</i>	2%	8%	2%	(5%)	(3%)

21. RELATED PARTIES

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

RELATED PARTY TRANSACTIONS WITH JOINT VENTURES

	2007 £m	2006 £m
West Ferry Printers Limited		
Printing charges payable	17.7	18.4
Interest payable	0.1	-
Loans advanced to Company	3.2	3.0
Loans repaid to joint venture	3.2	3.2
Purchase of Shares	3.2	-
Trafford Park Printers Limited		
Printing charges payable	10.6	9.7
Loans advanced to Company	1.0	-
Paper Purchase & Management Limited		
Newsprint and magazine paper charges payable	71.6	71.3

21. RELATED PARTIES – CONTINUED*RELATED PARTY BALANCES RECEIVABLE AND PAYABLE FROM AND TO JOINT VENTURES*

	2007 £m	2006 £m
Included in creditors amounts falling due within one year - amounts owed to joint venture companies		
West Ferry Printers Limited - Trading	1.1	1.2
Trafford Park Printers Limited - Trading	1.0	0.8
Trafford Park Printers Limited - Loan	1.0	-
Paper Purchase & Management Limited - Trading	6.0	5.8
	<u>9.1</u>	<u>7.8</u>
Included in investments - loans to joint venture companies		
Paper Purchase & Management Limited	1.5	1.5
	<u>1.5</u>	<u>1.5</u>

22. ULTIMATE CONTROLLING PARTY

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

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

23. SUBSIDIARY AND JOINT VENTURE COMPANIES

The directors consider that to give particulars of all subsidiary and joint venture companies would lead to a statement of excessive length. A full list of all such companies will be included in the Company's annual return. At 30 December 2007 the Company had no active subsidiaries. The principal joint venture companies were

Name	Nature of Business
Trafford Park Printers Limited	Printer
West Ferry Printers Limited	Printer
Paper Purchase & Management Limited	Newsprint supplier

Each of the joint venture companies is a joint venture between the Company and a third party. In each case the Company holds all the A Ordinary shares (including all the voting rights on these shares) and these represent 50% of the aggregate issued ordinary share capital. All the joint ventures are incorporated and principally operate in Great Britain and registered in England and Wales.

Paper Purchase & Management Limited ceased trading with effect from 1 January 2008.