REGISTERED NUMBER 00451593

TELEGRAPH MEDIA GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED

30 DECEMBER 2018

DIRECTORS

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

REGISTERED OFFICE

111 Buckingham Palace Road
London
SW1W 0DT

REGISTERED NUMBER

00451593

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

STRATEGIC REPORT FOR THE FINANCIAL YEAR ENDED 30 DECEMBER 2018

The directors present their Strategic report of the Company for the financial year ended 30 December 2018.

BUSINESS REVIEW

The Company, a private limited company incorporated in the United Kingdom and registered in England and Wales (Registered Number 00451593), is a multi-platform news publisher. At the core of the business is the UK's leading quality newspaper, The Daily Telegraph, as well as The Sunday Telegraph, telegraph.co.uk and digital apps for tablets and smartphones.

The Company continues to focus resources on the strategic goal of delivering 10 million registrants and 1 million subscribers by 2023 (10-1-23).

In 2018 revenues for the Company were £271.4m, a decline of 2.4% compared to 2017. The small reduction in revenue is due to the continued structural decline in print advertising and newspaper circulation, increasingly offset by growth in subscriber volumes and revenues.

Total subscription revenues increased by 10% in 2018 driven by a 27% improvement in digital subscriptions, which clearly supports the strategy.

Operating profit pre-exceptional items in the financial year was £7.8m (2017: £21.4m), which is attributable to the revenue performance and the ongoing investment in the subscriber-first strategy. The profit for the financial year was £0.7m (2017: £12.7m). The results of the Company for the financial year are set out in the Income Statement on page 8. No dividends were declared or paid during the year (2017: £nil). The Company continues to have a strong net asset position of £134.5m (2017: £133.8m).

The directors are naturally disappointed to report a decline in operating profit, however the result was entirely expected as part of the digital transformation strategy of the Company and indeed the business performed ahead of budget.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The ability to compete effectively depends on a variety of factors, including the ability to:
- Attract, retain and deepen the engagement of its customers;
- Continue to deliver quality insight and perspectives through its journalism;
- Continue to provide a high quality user experience through its range of products;
- Continue to grow the subscriptions market as well as its market share;
- Monitor and manage operating costs effectively;
- Protect customer data and information;
- Protect and strengthen the strong Telegraph brand and reputation; and
- Attract and retain talent.

The terms on which the United Kingdom may withdraw from the European Union are not clear. The Directors have assessed the situation and consider any potential impact on the Company to be limited. The Directors will continue to monitor Brexit developments to assess the ongoing risk and plan accordingly to mitigate any potential impacts on the business.

FUTURE DEVELOPMENTS

The Company expects the environment it operates in to remain challenging, in particular with continued competition and volatility within the advertising market. Many of the fundamental changes in the industry are now established, including how consumers engage with content, and the competitive landscape for advertising being dominated by Google and Facebook.

STRATEGIC REPORT FOR THE FINANCIAL YEAR ENDED 30 DECEMBER 2018 - CONTINUED

FUTURE DEVELOPMENTS – CONTINUED

In response to these trends and market conditions, the Company has set out a strategy to use the Telegraph's quality journalism as a foundation to grow to 10 million registered customers and 1 million subscribers by 2023. At the core of this strategy is a focus on acquiring readers who form a direct and explicit relationship with The Telegraph and its journalism - including paying for an ongoing digital subscription to access this journalism every day. The data collected on these customers, and the continued knowledge (across devices) of their interests and habits also allows us to sensitively send more targeted offers and data-informed advertising - all within a premium context and environment.

The directors expect that the Company financial result for the year ending December 2019 will show improvement as the business continues to deliver on its strategic plan.

KEY PERFORMANCE INDICATORS

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

Financial	**2018**	**2017**
Turnover	£271.4m	£278.1m
Operating profit before exceptional items and impairment of investment	£7.8m	£21.4m
Operating profit margin before exceptional items and impairment of investment	2.9%	7.7%
Non – Financial	**2018**	**2017**
Average ABC – Daily Telegraph – number of copies	371,332	463,999
Average ABC – Sunday Telegraph – number of copies	290,638	348,096
Average Issue Readership* – Daily Telegraph	882,000	1,031,000
Average Issue Readership* – Sunday Telegraph	942,000	1,034,000
Monthly average Print and Digital Data Readership*	22,741,000	23,692,000

**Source: PAMco*

Our 10-1-23 strategy, which is underpinned by investment in quality journalism, puts us in a good place to compete effectively and grow our subscriber base and in turn grow recurring revenues. Our in depth knowledge of our readers allows us to sensitively send more targeted and meaningful offers and communications, thus selling targeted and data informed advertising, all within a premium context and environment.

On behalf of the Board

N D Hugh
Director
10 October 2019

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 DECEMBER 2018

The directors present their report and the audited financial statements of the Company for the financial year ended 30 December 2018.

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

PRINCIPAL ACTIVITIES

The Company is a multi-platform publisher. At the core of the business is the UK's leading quality newspaper, The Daily Telegraph as well as The Sunday Telegraph, telegraph.co.uk and digital apps for tablets and smartphones. Telegraph.co.uk is the UK's foremost quality newsbrand website.

DIRECTORS OF THE COMPANY

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

A S Barclay	– Chairman
N Hugh	– Chief Executive Officer
C M Pape	– Chief Financial Officer, appointed 10 July 2019
H M Barclay	
R J Neal	– appointed 28 June 2019
P L Peters	
L Twohill	– resigned 26 April 2018
F P Ronayne	– resigned 2 January 2019
M Seal	– resigned 7 June 2019
M MacLennan	– resigned 28 June 2019
R K Mowatt	– resigned 31 July 2019

The Company has entered into qualifying third party indemnity arrangements for the benefit of all its directors, which were in force during the financial year and also at the approval date of the financial statements.

EMPLOYEES

The commitment, innovation and drive of our employees are core to the ongoing development and success of our business. The Company pursues a policy of equal opportunities for all employees and potential employees. The Company offers equal employment opportunities to disabled persons and suitable retraining is provided wherever practicable for employees who become disabled during service.

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

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

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

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account, within the limitations of commercial confidentiality, when decisions are made that are likely to affect their interests and that all employees are aware of the Company's vision, purpose and strategy and of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through management briefings, regular heads of department briefings, the establishment of an employee forum, staff surveys and Telegraph intranet.

DONATIONS

During the financial year the Company made charitable donations of £9,832 *(2017: £1,807)*, of which £9,832 *(2017: £1,087)* was principally to charities associated with the newspapers. The Company made no political donations *(2017: £nil)*.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 DECEMBER 2018 – CONTINUED

FINANCIAL RISK MANAGEMENT

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

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

Liquidity risk arises from timing differences between cash inflows and outflows. These risks are managed through maintaining adequate credit facilities. It is standard policy to maintain sufficient cash balances and committed facilities to meet anticipated future requirements. These resources, together with the expected future cash flows to be generated by the business, are regarded as sufficient to meet the anticipated funding requirements of the Company for at least the next twelve months from the date of signing the financial statements.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' CONFIRMATIONS

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

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

On behalf of the Board

N D Hugh
Director
10 October 2019

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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

- give a true and fair view of the state of the company's affairs as at 30 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 December 2018; the income statement, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

BASIS FOR OPINION

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

INDEPENDENCE

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

CONCLUSIONS RELATING TO GOING CONCERN

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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 2016 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

JS Jenkins

Julian Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 October 2019

INCOME STATEMENT
for the financial year ended 30 December 2018

	Note	2018 £m	2017 £m
Turnover	2	**271.4**	278.1
Cost of sales		**(208.4)**	(196.8)
Gross profit		**63.0**	81.3
Distribution costs		**(12.0)**	(12.5)
Administrative expenses		**(47.9)**	(52.5)
Operating profit		**3.1**	16.3
Attributable to			
Operating profit before exceptional items and impairment of investment		**7.8**	21.4
Exceptional items	3	**(3.9)**	(4.2)
Impairment of Investment	10	**(0.8)**	(0.9)
		3.1	16.3
Interest payable and similar expenses	6	**(2.2)**	(2.0)
Profit before taxation	3	**0.9**	14.3
Tax on profit	7	**(0.2)**	(1.6)
Profit for the financial year		**0.7**	12.7

All the above results are derived from continuing operations.

There are no material differences between the profit before taxation and the profit for the financial year stated above and the historical cost equivalents.

The notes on pages 11 to 21 form part of these financial statements.

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

BALANCE SHEET
as at 30 December 2018
Company Registered Number: 00451593

	Note	30 Dec 2018 £m	31 Dec 2017 £m
Fixed assets			
Intangible assets	8	**17.0**	18.5
Tangible assets	9	**4.8**	6.0
Investments	10	**0.1**	0.4
		21.9	24.9
Current assets			
Debtors	11	**199.6**	189.8
Cash at bank and in hand		**1.3**	4.9
		200.9	194.7
Creditors: amounts falling due within one year	12	**(88.2)**	(85.7)
Net current assets		**112.7**	109.0
Total assets less current liabilities		**134.6**	133.9
Creditors: amounts falling due after more than one year	13	**(0.1)**	(0.1)
Net assets		**134.5**	133.8
Capital and reserves			
Called up share capital	14	**44.7**	44.7
Profit and loss account		**89.8**	89.1
Total equity		**134.5**	133.8

These financial statements on pages 8 to 21 were approved by the board of directors on 10 October 2019 and were signed on its behalf by

N D Hugh
Director

C M Pape
Director

The notes on pages 11 to 21 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 December 2018

	Called up share capital £m	Profit and loss account £m	Total equity £m
At 1 January 2018	44.7	89.1	133.8
Profit for the financial year	-	**0.7**	**0.7**
At 30 December 2018	**44.7**	**89.8**	**134.5**

for the financial year ended 31 December 2017

	Called up share capital £m	Profit and loss account £m	Total equity £m
At 2 January 2017	44.7	76.4	121.1
Profit for the financial year	-	**12.7**	**12.7**
At 31 December 2017	**44.7**	**89.1**	**133.8**

The notes on pages 11 to 21 form part of these financial statements.

1. ACCOUNTING POLICIES

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

(a) Statement of compliance

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

(b) Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention.

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

The Company uses 52/53 week accounting periods and has drawn up its financial statements for the 52 weeks to 30 December 2018. The 52 weeks to 30 December 2018 and balances at that date are referred to as relating to 2018 in these financial statements. The 52 weeks to 31 December 2017 and balances at that date are referred to as relating to 2017.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements because it is a wholly owned subsidiary of Press Acquisitions Limited, the parent company of the smallest group in which the results of the Company are consolidated and publicly available, established under the law of a member state of the European Economic Area. These financial statements present information about the Company as an individual undertaking.

The Company has taken advantage of the exemption contained in FRS 102 paragraph 1.12(b) and has not published a cash flow statement as it is a subsidiary undertaking of Press Acquisitions Limited, whose consolidated financial statements are publicly available and include such a statement.

The Company has taken advantage of the exemption contained in FRS 102 paragraph 1.12 (c) and has made only limited disclosures in respect of financial instruments.

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

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

(c) Intangible assets

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.

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.

1. ACCOUNTING POLICIES – CONTINUED

(d) *Tangible assets*

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

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

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

(e) *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.

(f) *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 classified as current assets. A provision against trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

(g) *Creditors*

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

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

(h) *Deferred income*

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

(i) *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.

(j) *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 income statement and the capital portion reducing the obligations to the lessor.

1. ACCOUNTING POLICIES – CONTINUED

(k) *Operating leases*

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

(l) *Revenue recognition*

Revenue 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, net of returns and discounts, is recognised at the time of sale. Subscription revenue is recognised on a straight line basis over the term of the subscription. 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. Other revenue is recognised at the time of sale or over the duration of the provision of services as appropriate.

(m) *Exceptional items*

Exceptional items are transactions that fall within the activities of the Company but are presented separately by virtue of their nature or size to assist in understanding the financial performance of the Company.

(n) *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 income statement as a financing cost.

(o) *Taxation*

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

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

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

Deferred tax is measured at the average tax rates that are expected to apply in the financial year in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(p) *Pension costs*

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

1. ACCOUNTING POLICIES – CONTINUED

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Trade Receivables

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

Depreciation and residual values

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

Amortisation and residual values

The directors have reviewed the intangible asset lives and associated residual values and have concluded that asset lives and residual values are appropriate.

Contract rebate provisions

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

Provision for libel claims

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

2. TURNOVER

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

3. PROFIT BEFORE TAXATION

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

		2018 £m	2017 £m
Employment costs (including directors)		**93.0**	80.8
Operating lease rentals	- buildings	**7.4**	7.5
Depreciation	- owned tangible fixed assets	**2.0**	2.0
	- tangible fixed assets held under finance leases	**0.1**	0.1
Amortisation	- intangible assets	**6.8**	7.2
Impairment	- Investment *(see note 10)*	**0.8**	0.9
Auditors' remuneration	- for the audit of the Company	**0.2**	0.2
	- other services	**0.2**	0.1
Exceptional items	- reorganisation costs *(see (a) below)*	**2.7**	5.8
	- exceptional charge *(see (b) below)*	**1.2**	-
	- exceptional credit *(see (c) below)*	**-**	(1.6)

(a) Reorganisation costs
This represents the costs of restructuring the Company's operations and includes: (i) the costs of staff redundancies £1.2m (2017: £4.5m) and professional services £nil (2017: £1.3m) carried out to improve the efficiency and effectiveness of the operations; (ii) write off of platform development costs £1.1m (2017: £nil) which have no future economic benefit; and (iii) provision for onerous licence fees £0.4m (2017: £nil) in respect of the aforementioned platform. This has resulted from the Company continuing to make progressive changes to the structure of its business to ensure it is well positioned to navigate and monetise the digital transition taking place in the media industry.

(b) Exceptional charge
This relates to a non recurring adjustment to previous years revenues from commercial partners.

(c) Exceptional credits
The credit in 2017 represents cash rebates received in respect of prior year costs and the release of excess contract revenue rebate provisions from prior years no longer required.

4. DIRECTORS' EMOLUMENTS

(a) Emoluments of the Directors:

	2018 £000	2017 £000
Aggregate emoluments	**1,415**	1,747
Company contributions to defined contribution schemes	**15**	8
	1,430	1,755

The contributions made by the Company to defined contribution schemes were on behalf of one *(2017: one)* director.

(b) Emoluments of the highest paid director:

	2018 £000	2017 £000
Aggregate emoluments	**937**	856
Company contributions to defined contribution schemes	**15**	-
	952	856

5. EMPLOYEE INFORMATION

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

	2018 Number	2017 Number
Editorial and production	**611**	606
Selling, distribution and administration	**538**	478
	1,149	1,084

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

(b) Employment costs (including directors):

	2018 £m	2017 £m
Wages and salaries	**79.1**	68.3
Social security costs	**8.9**	8.0
Other pension costs	**5.0**	4.5
	93.0	80.8
Redundancy costs shown in exceptional items *(see note 3(a))*	**1.2**	4.5
Total cost of employment	**94.2**	85.3

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £m	2017 £m
Interest payable on loans repayable within five years and bank borrowings	**1.0**	1.0
Bank and other similar charges	**1.2**	1.0
	2.2	2.0

7. TAX ON PROFIT

Analysis of charge for the financial year	2018 £m	2017 £m
Current tax:		
UK corporation tax on profits for the financial year	**(0.4)**	(2.1)
Deferred tax:		
Origination and reversal of timing differences	**0.2**	0.5
Total deferred tax credit *(see note 11(b))*	**0.2**	0.5
Tax charge on profit	**(0.2)**	(1.6)

7. TAX ON PROFIT - CONTINUED

Factors affecting the tax charge for the financial year

The charge for the financial year is the same as *(2017: lower than)* the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £m	2017 £m
Profit before taxation	**0.9**	14.3
Tax charge at 19.00% *(2017: 19.25%)*	**(0.2)**	(2.8)
Effects of:		
Expenses not deductible for tax purposes	**(0.6)**	(0.4)
Deemed interest on intercompany loan balances	**(1.5)**	(1.4)
Group relief for nil consideration	**2.1**	3.0
Total tax charge	**(0.2)**	(1.6)

Factors affecting current and future tax charges

The main rate of corporation tax in the UK is currently 19.00%. Accordingly, the Company's profits for the accounting year to 30 December 2018 were taxed at an effective rate of 19.00% *(2017: 19.25%)*.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

8. INTANGIBLE ASSETS

	Other Intangibles £m
Cost:	
Opening balance	50.7
Additions	5.5
Disposals	(0.2)
Closing balance	56.0
Accumulated depreciation:	
Opening balance	32.2
Charge for the financial year	6.8
Closing balance	39.0
Net book value:	
Closing balance at 30 December 2018	**17.0**
Closing balance at 31 December 2017	18.5

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE FINANCIAL YEAR ENDED 30 DECEMBER 2018

9. TANGIBLE ASSETS

	Buildings – short leasehold £m	Plant and Equipment £m	Total £m
Cost:			
Opening balance	15.3	45.6	60.9
Additions	-	1.0	1.0
Disposals	-	(0.3)	(0.3)
Closing balance	15.3	46.3	61.6
Accumulated depreciation:			
Opening balance	12.1	42.8	54.9
Charge for the financial year	0.9	1.2	2.1
Disposals	-	(0.2)	(0.2)
Closing balance	13.0	43.8	56.8
Net book value:			
Closing balance at 30 December 2018	**2.3**	**2.5**	**4.8**
Closing balance at 31 December 2017	3.2	2.8	6.0

The net book value of assets held under finance leases included in the above was £0.2m *(2017: £0.4m)*

10. INVESTMENTS

	Other Investments *(see (a) below)* £m	Shares in group undertakings *(see (b) below)* £m	Total £m
Cost:			
Opening balance	-	0.4	0.4
Additions	0.1	0.1	0.2
Capital contribution	-	0.3	0.3
Impairment	-	(0.8)	(0.8)
Closing balance	0.1	-	0.1

(a) Other Investments

On 31 July 2018, the Company acquired an equal equity stake alongside three other national newsbrands in Ozone Project Limited at a purchase price of £0.1m (2017: £nil).

(b) Shares in group undertaking

On 14 December 2018, the Company exercised the call option on the remaining 10% shares in its subsidiary, Telegraph Events Limited, at a purchase price of £0.*1m (2017: £nil)*. During the year, the Company increased its capital contribution in its subsidiary, Telegraph Events Limited, by £0.3m *(2017: £0.9m)*. The investment in Telegraph Events Limited has been reviewed for impairment. The recoverable amount is £nil as all business operations were transferred to the Company with effect from 1st January 2019 and the subsidiary will therefore become dormant. This has resulted in an impairment in the year of £0.8m *(2017: £0.9m)*.

10. INVESTMENTS - CONTINUED

Details of the Company's subsidiary companies

As at 30 December 2018 the subsidiary companies, which were incorporated in England and Wales and registered at 111 Buckingham Palace Road, London SW1W 0DT, were:

Subsidiary Companies	Nature of business	Class and proportion of nominal value and voting rights of issued shares held
The Sunday Telegraph Limited	Dormant	Ordinary shares – 100%
The Evening Post Limited	Dormant	Ordinary shares – 100%
The Morning Post Limited	Dormant	Ordinary shares – 100%
Telegraph Publishing Limited	Dormant	Ordinary shares – 100%
Telegraph Secretarial Services Limited	Dormant	Ordinary shares – 100%
Telegraph Events Limited	Event Organiser	Ordinary shares – 100%
TMG Innovations Limited	Investment Holdings	Ordinary shares – 100%

11. DEBTORS

	2018 £m	2017 £m
Trade debtors	**33.0**	35.6
Amounts owed by group undertakings *(see (a) below)*	**139.7**	128.5
Other taxation and social security	**0.4**	0.4
Other debtors	**1.4**	1.1
Prepayments and accrued income	**23.2**	22.6
Corporation tax	**0.1**	-
Deferred tax asset *(see (b) below)*	**1.8**	1.6
	199.6	189.8

(a) Amounts owed by group undertakings

Amounts owed by group undertakings includes £139.3m *(2017: £126.6m)* due from the Company's immediate parent company, £0.3m *(2017: £1.9m)* due from Telegraph Events Limited and £0.1m *(2017: £nil)* due from TMG Innovations Limited. These loans are repayable on demand and none of the balances bear interest. They are all denominated in Sterling.

(b) Deferred taxation

	2018 £m	2017 £m
Deferred Tax asset:		
Capital allowances	**1.8**	1.5
Other timing differences	**-**	0.1
Deferred tax asset	**1.8**	1.6
Movements in the financial year:		
Opening net deferred tax asset	**1.6**	1.1
Credited to Income Statement *(see note 7)*	**0.2**	0.5
Closing net deferred tax asset	**1.8**	1.6

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£m	£m
Trade creditors	**34.0**	29.5
Obligations under finance leases *(see note 13)*	**0.1**	0.2
Provision for liabilities *(see note (a) below)*	**-**	0.2
Amounts owed to group undertaking *(see note (b) below)*	**0.7**	-
Other taxation and social security	**3.3**	3.7
Other creditors	**2.1**	2.3
Corporation tax	**-**	1.1
Accruals and deferred income	**48.0**	48.7
	88.2	85.7

(a) Provision for liabilities

This provision which represented the ongoing costs of an unused printing press was fully utilised during the year.

(b) Amounts owed to group undertaking

Amounts owed to group undertakings includes £0.7m *(2017: £nil)* due to Telegraph Events Limited. This balance is repayable on demand and does not bear interest. It is denominated in Sterling.

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

	2018	2017
	£m	£m
Obligations under finance leases	**0.1**	0.1

	2018	2017
	£m	£m
Repayable:		
Within one year	**0.1**	0.2
In more than one year but less than five years	**0.1**	0.1
Total obligations	**0.2**	0.3
Less: classified as a current creditor *(see note 12)*	**(0.1)**	(0.2)
Net long term obligations	**0.1**	0.1

14. CALLED UP SHARE CAPITAL

	2018	2017
	£m	£m
Authorised:		
1,703,000,000 *(2017: 1,703,000,000)* ordinary shares of £1 each	**1,703.0**	1,703.0
Issued, called up and fully paid:		
44,747,466 *(2017: 44,747,466)* ordinary shares of £1 each	**44.7**	44.7

15. COMMITMENTS

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

	2018	2017
	£m	£m
Not later than one year	**7.3**	7.5
Later than one year and not later than five years	**11.4**	17.9
Later than five years	**0.2**	-
	18.9	25.4

16. GUARANTEES

The Company has guaranteed certain bank borrowings of its parent Company, Press Acquisitions Limited. At 30 December 2018 these borrowings amounted to £80.0m *(2017: £180.0m)*. Charges in favour of the lender exist over all the Company's assets.

17. PENSIONS

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

At 30 December 2018 contributions of £nil *(31 December 2017: £nil)* were due to the Plan.

18. RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

	2018	2017
	£m	£m
Telegraph Events Limited		
Event management services costs	**(1.0)**	(1.3)
Shop Direct Home Shopping Limited		
Rental Income	**2.4**	1.2

RELATED PARTY BALANCES RECEIVABLE FROM SUBSIDIARY

	2018	2017
	£m	£m
Included in debtors: Amounts owed by group undertakings		
Telegraph Events Limited – Trading balance	**-**	1.3
Telegraph Events Limited – Loan	**0.3**	0.6
Included in creditors: Amounts owed to group undertakings		
Telegraph Events Limited – Trading balance	**0.7**	-
Included in creditors: Accruals and deferred income		
Shop Direct Home Shopping Limited	**0.6**	0.6

There were no other related party transactions during the year *(2017: £nil)*.

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

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

20. SUBSEQUENT EVENTS

There were no subsequent events.