REGISTERED NUMBER 00451593

TELEGRAPH MEDIA GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED

31 DECEMBER 2017

STRATEGIC REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors present their Strategic report of the Company for the financial year ended 31 December 2017.

BUSINESS REVIEW

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

The Company's operating profit before exceptional items and impairment of investment for the financial year was £21.4m *(2016: £32.2m)*. The profit for the financial year was £12.7m *(2016: £22.6m)*. 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 *(2016: £nil)*. The Company has a strong net asset position of £133.8m *(2016: £121.1m)*.

This financial performance demonstrates the ability of the business to continue to generate profits in the face of challenging market conditions, consistent with the overall industry which continues to suffer primarily from advertiser budgets shifting from print to digital platforms and shifting consumer preferences. The talent and commitment of the Telegraph's staff, the strength of its journalism and its brand, and the continued loyalty of its customers continue to return a positive outcome to the Company. Together with several significant investments in technology platforms and digital operations made throughout the year, this performance establishes a platform for growth and a strong foundation for the future of the business.

FUTURE DEVELOPMENTS

The fundamental changes in our industry are now established, including how consumers engage with content, the range of publishing businesses and their different monetisation models, and the competitive landscape for advertising dominated still by Facebook and Google. These trends will only accelerate into 2019 and beyond as new competitors and innovators continue to revolutionise the way content is created, engaged with and monetised. Some of the specific developments that we continue to see are as follows:

- Readers will continue to consume content in changing ways, as engagement with digital and increasingly mobile content meets different customer needs across formats and platforms;
- Traditional print circulation revenue will continue to be difficult to replicate online, with competition from the proliferation of free digital content and the increasing role of large scale digital platforms in distributing and aggregating content; and
- Traditional print advertising revenue will also continue to be difficult to replicate online, with digital content publishers facing challenges from the increasing use of ad blocking technology, pressure on digital advertising yields and the intense competition from large scale digital platforms.

In response to these trends and market conditions, the Company has set out a strategy to use the Telegraph's quality journalism as a foundation to offer new products and services to the customers at the heart of the business. This will balance the business' revenue and profit into areas of sustainable, profitable growth. At the core this strategy is a focus on acquiring registered customers, those who form a direct and explicit relationship with The Telegraph and register with their name and email address. The data collected on these customers, and the continued knowledge (across devices) of their interests and habits allows us to send more targeted offers (increasing up-sell and cross-sell opportunities), and sell targeted and data-informed advertising.

STRATEGIC REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

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

- A new focus on acquiring registered customers who are deeply engaged with The Telegraph
- A continued focus on offering all customers relevant, tailored and timely content, supported by relevant commercial offers, accompanied by a best in class customer experience;
- Protecting the newspaper whilst investing in digital journalism, particularly in line with our *Premium* content strategy which places increasing focus on differentiated content, perspective and advice;
- Expanding the range of market leading products offered to customers, all underpinned by insight, analysis and expert opinion; and
- Offering cutting-edge digital advertising opportunities and increasing our branded content operations, supported by more sophisticated customer insight and analysis.

Above all, the strategy will be delivered in line with the Telegraph's brand values – expertise, intelligence, quality, perspective and progress – and sustain the Telegraph's strong heritage, built up over 160 years.

KEY PERFORMANCE INDICATORS

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

Financial	**2017**	**2016**
Turnover	£278.1m	£295.5m
Operating profit before exceptional items and impairment of investment	£21.4m	£32.2m
Operating profit margin before exceptional items and impairment of investment	7.7%	10.9%

Non - Financial	**2017**	**2016**
Average ABC – Daily Telegraph – number of copies	463,999	474,513
Average ABC – Sunday Telegraph – number of copies	348,096	366,596
Average Issue Readership* – Daily Telegraph	1,031,000	1,139,000
Average Issue Readership* – Sunday Telegraph	1,034,000	1,110,000
Monthly average Print and Digital Data Readership*	23,692,000	21,677,000

*Source: PAMco for 2017 and NRS for 2016.

STRATEGIC REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

On behalf of the Board

R K Mowatt

R K Mowatt
Director
22nd June 2018

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors present their report and the audited financial statements of the Company for the 52 week period ended 31 December 2017.

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 tablet and smartphone. Telegraph.co.uk is the UK's foremost quality newsbrand website.

DIRECTORS OF THE COMPANY

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

A S Barclay	– Chairman
N Hugh	– Chief Executive Officer (appointed 14th June 2017)
F P Ronayne	– Chief Financial Officer
H M Barclay	
M MacLennan	
R K Mowatt	
P L Peters	
M Seal	
L Twohill	– resigned 26th April 2018

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 skill 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 £1,807 *(2016: £850)*, of which £1,807 *(2016: £850)* was principally to charities associated with the newspapers. The Company made no political donations *(2016: £nil)*.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 – 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 Report and the financial statements in compliance 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 compliance 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

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

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

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DIRECTORS' DISCLOSURE OF INFORMATION TO AUDITORS

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

On behalf of the Board

R K Mowatt

R K Mowatt
Director
22nd June 2018

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 31 December 2017 and of its profit for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Income Statement, Statement of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

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

INDEPENDENCE

We remained independent of the 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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 period ended 31 December 2017 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 their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Directors' Responsibilities Statement 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 company 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
22nd June 2018

INCOME STATEMENT

for the financial year ended 31 December 2017

	Note	2017 £m	2016 £m
Turnover	2	**278.1**	295.5
Cost of sales		**(196.8)**	(203.6)
Gross profit		**81.3**	91.9
Distribution costs		**(12.5)**	(15.3)
Administrative expenses		**(52.5)**	(48.5)
Operating profit		**16.3**	28.1
Attributable to			
Operating profit before exceptional items and impairment		**21.4**	32.2
Exceptional items	3	**(4.2)**	(4.1)
Impairment of Investment	10	**(0.9)**	-
		16.3	28.1
Interest payable and similar charges	6	**(2.0)**	(1.3)
Profit on ordinary activities before taxation	3	**14.3**	26.8
Tax on profit on ordinary activities	7	**(1.6)**	(4.2)
Profit for the financial year		**12.7**	22.6

All the above results are derived from continuing operations.

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

The notes on pages 11 to 20 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 31 December 2017
Company Registered Number: 00451593

	Note	31 Dec 2017 £m	1 Jan 2017 £m
Fixed assets			
Intangible assets	8	**18.5**	21.0
Tangible assets	9	**6.0**	6.8
Investments	10	**0.4**	0.4
		24.9	28.2
Current assets			
Debtors	11	**189.8**	168.1
Cash at bank and in hand		**4.9**	13.6
		194.7	181.7
Creditors: amounts falling due within one year	12	**(85.7)**	(88.4)
Net current assets		**109.0**	93.3
Total assets less current liabilities		**133.9**	121.5
Creditors: amounts falling due after more than one year	13	**(0.1)**	(0.2)
Provisions for liabilities	14	**-**	(0.2)
Net assets		**133.8**	121.1
Capital and reserves			
Called up share capital	15	**44.7**	44.7
Profit and loss account		**89.1**	76.4
Total equity		**133.8**	121.1

These financial statements on pages 8 to 20 were approved by the board of directors on 22nd June 2018 and were signed on its behalf by

Finbarr P. Ronayne

N Hugh
Director

F P Ronayne
Director

The notes on pages 11 to 20 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

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**

for the financial year ended 1 January 2017

	Called up share capital £m	Profit and loss account £m	Total equity £m
At 4 January 2016	44.7	53.8	98.5
Profit for the financial year	-	**22.6**	**22.6**
At 1 January 2017	**44.7**	**76.4**	**121.1**

The notes on pages 11 to 20 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 are set out below.

The Company uses 52/53 week accounting periods and has drawn up its financial statements for the 52 weeks to 31 December 2017. The 52 weeks to 31 December 2017 and balances at that date are referred to as relating to 2017 in these financial statements. The 52 weeks to 1 January 2017 and balances at that date are referred to as relating to 2016.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements because it is a wholly owned subsidiary of Press Acquisitions Limited established under the law of a member state of the European Community. These financial statements present information about the Company as an individual undertaking.

The Company 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 accumulated 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.

(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

1. ACCOUNTING POLICIES – CONTINUED

(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) Deferred income

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

(g) Provisions

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

(h) Finance leases

Where asset purchases are financed by leasing agreements that give rights 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.

(i) 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.

(j) Turnover

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

(k) 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.

(l) Foreign currency translation

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange ruling on the day the transaction occurs. Monetary assets and liabilities denominated in a foreign currency are translated at the rate ruling on the balance sheet date ("the closing rate"). All exchange differences are taken to the income statement as a financing cost.

1. ACCOUNTING POLICIES – CONTINUED

(m) *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

(n) *Pension costs*

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Trade Receivables

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

Depreciation and residual values

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

2. TURNOVER

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

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

		2017 £m	2016 £m
Employment costs (including directors)		**80.8**	81.6
Operating lease rentals	- buildings	**7.5**	6.4
Depreciation	- owned tangible fixed assets	**2.0**	2.7
	- tangible fixed assets held under finance leases	**0.1**	0.1
Amortisation	- intangible assets	**7.2**	5.9
Impairment	- Investment *(see note 10)*	**0.9**	
Auditors' remuneration	- for the audit of the Company	**0.2**	0.1
	- other services	**0.1**	0.1
Exceptional items	- reorganisation costs *(see (a) below)*	**5.8**	4.1
	- exceptional credits *(see (b) below)*	**(1.6)**	-

(a) Reorganisation costs

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

(b) Exceptional credits

This represents rebates received in respect of prior years costs and excess contract revenue rebate provisions from prior years no longer required.

4. DIRECTORS' EMOLUMENTS

(a) Emoluments of the Directors:

	2017 £m	2016 £m
Aggregate emoluments	**1.9**	1.5
Company contributions to defined contribution schemes	**-**	-
	1.9	1.5

The contributions made by the Company to defined contribution schemes were on behalf of one *(2016: one)* director.

(b) Emoluments of the highest paid director:

	2017 £m	2016 £m
Aggregate emoluments	**0.9**	1.0
Company contributions to defined contribution schemes	**-**	-
	0.9	1.0

5. EMPLOYEE INFORMATION

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

	2017 Number	2016 Number
Editorial and production	**606**	660
Selling, distribution and administration	**478**	471
	1,084	1,131

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):

	2017 £m	2016 £m
Salaries and wages	**68.3**	68.8
Social security costs	**8.0**	7.9
Other pension costs	**4.5**	4.9
	80.8	81.6
Redundancy costs shown in exceptional items *(see note 3(a))*	**4.5**	3.1
Total cost of employment	**85.3**	84.7

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £m	2016 £m
Interest payable on loans repayable within five years and bank borrowings	**1.0**	0.7
Bank and other similar charges	**1.0**	0.5
Finance lease charges	**-**	0.1
	2.0	1.3

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2017 £m	2016 £m
Analysis of charge for the financial year		
Current tax:		
UK corporation tax on profits for the financial year	**(2.1)**	(4.4)
Deferred tax:		
Origination and reversal of timing differences	**0.5**	0.2
Total deferred tax credit *(see note 11(b))*	**0.5**	0.2
Tax charge on profit on ordinary activities	**(1.6)**	(4.2)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES - CONTINUED

Factors affecting the tax charge for the financial year

The charge for the financial year is lower *(2016: lower)* than the standard rate of corporation tax in the UK. The differences are explained below:

	2017 £m	2016 £m
Profit on ordinary activities before taxation	**14.3**	26.8
Tax charge at 19.25% *(2016: 20.00%)*	**(2.8)**	(5.4)
Effects of:		
Expenses not deductible for tax purposes	**(0.4)**	(0.3)
Deemed interest on intercompany loan balances	**(1.4)**	(1.2)
Group relief for nil consideration	**3.0**	2.7
Total tax charge	**(1.6)**	(4.2)

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 31 December 2017 were taxed at an effective rate of 19.25% *(2016: 20.00%)*.

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	46.0
Additions	4.7
Closing balance	50.7
Accumulated depreciation:	
Opening balance	25.0
Charge for the financial year	7.2
Closing balance	32.2
Net book value:	
Closing balance at 31 December 2017	**18.5**
Closing balance at 1 January 2017	21.0

The opening balances have been adjusted by £0.4m to reflect a transfer of tangible assets to intangible assets, which has no impact on net realisable value *(see note 9)*.

9. TANGIBLE ASSETS

	Buildings – short leasehold £m	Plant and Equipment £m	Total £m
Cost:			
Opening balance	15.3	44.5	59.8
Additions	-	1.3	1.3
Disposals	-	(0.2)	(0.2)
Closing balance	15.3	45.6	60.9
Accumulated depreciation:			
Opening balance	11.2	41.8	53.0
Charge for the financial year	0.9	1.2	2.1
Disposals	-	(0.2)	(0.2)
Closing balance	12.1	42.8	54.9
Net book value:			
Closing balance at 31 December 2017	**3.2**	**2.8**	**6.0**
Closing balance at 1 January 2017	4.1	2.7	6.8

The opening balances have been adjusted by £0.4m to reflect a transfer of tangible assets to intangible assets, which has no impact on net realisable value *(see note 8).*

The net book value of assets held under finance leases included in the above was £0.4m *(2016: £0.4m)*

10. INVESTMENTS

Shares in group undertakings

	2017	2016
	£m	£m
Opening balance	**0.4**	0.4
Loan write off	**0.9**	-
Impairment	**(0.9)**	-
Closing balance	**0.4**	0.4

The investment in Telegraph Events Limited has been reviewed for impairment. The recoverable amount is measured through a value in use calculation. Value in use is the future expected cash flow based on the approved 2018 budget. This has resulted in an impairment in the year of £0.9m (2016: £nil).

Details of the Company's subsidiary companies

As at 31 December 2017 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%
TMG Innovations Limited	Dormant	Ordinary shares – 100%
Telegraph Events Limited	Event Organiser	Ordinary shares – 90% Call option over Ordinary Shares -10%

11. DEBTORS

	2017	2016
	£m	£m
Trade debtors	**35.6**	38.6
Amounts owed by group undertakings *(see (a) below)*	**128.5**	111.2
Other taxation and social security	**0.4**	0.3
Other debtors	**1.1**	1.1
Prepayments and accrued income	**22.6**	15.8
Deferred Tax asset *(see (b) below)*	**1.6**	1.1
	189.8	168.1

(a) Amounts owed by group undertakings

Amounts owed by group undertakings includes £126.6m *(2016: £108.9m)* due from the Company's immediate parent company and £1.9m *(2016: £2.3m)* due from a subsidiary company of TMGL. These loans are repayable on demand and none of the balances bear interest. They are all denominated in Sterling.

(b) Deferred taxation

	2017	2016
	£m	£m
Deferred Tax asset:		
Capital allowances	**1.5**	1.0
Other timing differences	**0.1**	0.1
Deferred tax asset	**1.6**	1.1
Movements in the financial year:		
Opening net deferred tax asset	**1.1**	0.9
Credited to profit on ordinary activities *(see note 7)*	**0.5**	0.2
Closing net deferred tax asset	**1.6**	1.1

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£m	£m
Trade creditors	**29.5**	29.9
Obligations under finance leases *(see note 13)*	**0.2**	0.9
Provision for liabilities *(see note 14)*	**0.2**	-
Other taxation and social security	**3.7**	4.2
Other creditors	**2.3**	1.5
Corporation tax	**1.1**	2.5
Accruals and deferred income	**48.7**	49.4
	85.7	88.4

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

	2017	2016
	£m	£m
Obligations under finance leases	**0.1**	0.2

	2017	2016
	£m	£m
Repayable:		
Within one year	**0.2**	0.9
In more than one year but less than five years	**0.1**	0.2
Total obligations	**0.3**	1.1
Less: classified as a current creditor *(see note 12)*	**(0.2)**	(0.9)
Net long term obligations	**0.1**	0.2

These obligations are secured on the assets leased which includes £nil *(2016: £0.8m)* secured against press assets. The Company believes that these press assets have no future economic benefit and accordingly the carrying value is £nil *(2016:£nil)*.

14. PROVISIONS FOR LIABILITIES

	2017	2016
	£m	£m
Opening balance	**0.2**	0.2
Less: classified as a current creditor *(see note 12)*	**(0.2)**	-
Closing balance	**-**	0.2

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

15. CALLED UP SHARE CAPITAL

	2017	2016
	£m	£m
Authorised:		
1,703,000,000 *(2016: 1,703,000,000)* ordinary shares of £1 each	**1,703.0**	1,703.0
Issued, called up and fully paid:		
44,747,466 *(2016: 44,747,466)* ordinary shares of £1 each	**44.7**	44.7

16. COMMITMENTS

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

	2017	2016
	£m	£m
Not later than one year	**7.5**	7.6
Later than one year and not later than five years	**17.9**	25.1
	25.4	32.7

17. GUARANTEES

The Company has guaranteed certain bank borrowings of its parent Company, Press Acquisitions Limited. At 31 December 2017 these borrowings amounted to £180.0m *(2016: £180.0m)*. Charges in favour of the lender exist over all the Company's assets.

18. 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 31 December 2017 contributions of £nil *(1 January 2017: £nil)* were due to the Plan.

19. 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

	2017	2016
	£m	£m
Telegraph Events Limited		
Debtor transactions with subsidiary company	**0.5**	0.3
Impairment of Investment	**(0.9)**	
Shop Direct Home Shopping Limited		
Rental Income	**1.2**	-

RELATED PARTY BALANCES RECEIVABLE FROM SUBSIDIARY

	2017	2016
	£m	£m
Included in debtors: amounts owed by parent and fellow subsidiary companies		
Telegraph Events Limited	**1.9**	2.3
Included in creditors: Accruals and deferred income		
Shop Direct Home Shopping Limited	**0.6**	-

There were no other related party transactions during the year (2016: £nil).

20. 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.