

TELEGRAPH MEDIA GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEK PERIOD ENDED

2 JANUARY 2022



DIRECTORS

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

REGISTERED OFFICE

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REGISTERED NUMBER

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INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
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COUNTRY OF INCORPORATION

England and Wales

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STRATEGIC REPORT

The directors present their Strategic Report of Telegraph Media Group Limited ("the Company") for the period ended 2 January 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The Company continues to focus on its subscription-first strategy, and has made further significant progress towards the strategic goal of achieving 10 million registrants and 1 million subscriptions by the end of 2023 ("10-1-23"), with total subscriptions increasing by 28% in 2021 to reach 720k at December 2021 (December 2020: 562k).

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

Operating profit before exceptional items increased to £33.3m in 2021 (2020¹: £26.7m). This substantial improvement is driven by the significant growth in digital subscription revenue, coupled with planned cost savings to better align Company resources with the 10-1-23 strategy; although this is a non-GAAP measure, management monitor this as a core metric to track underlying business performance. The nature of exceptional items is disclosed in note 3 on page 22. The retained profit for the financial period was £25.9m (2020: £18.2m). The results of the Company for the financial period are set out in the Statement of Comprehensive Income on page 13. No dividends were declared or paid during the period (2020: £nil). As at 2 January 2022, the Company has a net asset balance of £184.3m (2020: £158.4m), and a cash balance of £33.6m (2020: £25.5m).

KEY PERFORMANCE INDICATORS (KPIs)

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

Financial	2021	2020
Turnover	£245.0m	£235.2m
EBITDA before exceptional items ²	£40.4m	£37.5m ¹
Operating profit before exceptional items	£33.3m	£26.7m ¹
Operating profit	£30.7m	£23.1m ¹
Retained profit for the financial period	£25.9m	£18.2m
Non-Financial³		
Total subscriptions in December	720,250	561,816
Digital subscriptions in December	544,911	365,743
Print subscriptions in December	175,339	196,073
ARPS ⁴ in December, blended average across print and digital	£175	£193
Total registrants	6,995,668	6,614,228

1. See note 1(d) on page 17.

2. EBITDA before exceptional items is defined as operating profit from continuing operations before amortisation of intangible assets, depreciation and exceptional items, and is reconciled within note 3 on page 22.

3. The non-financial KPIs for subscription volumes and ARPS are independently assured by a separate PwC assurance team and are published monthly. Details can be found at corporate.telegraph.co.uk.

4. Average Revenue Per Subscriber.

STRATEGIC REPORT – CONTINUED**FUTURE DEVELOPMENTS**

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

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

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Strategic

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

STRATEGIC REPORT - CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES – CONTINUED

Operations

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

People

Risk	Mitigation
Health, Safety and Wellbeing - the health, safety and wellbeing of staff is a key priority, whether in the UK or overseas. Staff mental health, wellbeing, engagement and productivity remain areas of concern. Journalists work overseas in high risk environments with threats to safety and security requiring proactive risk management.	The Human Resources department supports the health and wellbeing of staff with frequent engagement and communication to promote staff wellbeing and support mechanisms to manage stress. The Company operates in line with Government guidance and safety regulations and a Covid-19 incident management team supports decision making in response to the pandemic. Specific policies and procedures are in place to manage threats to journalists working in high risk operating environments, with Crisis Management procedures in place.
Recruiting and retaining people with the right skills - optimising the balance of people and succession planning in a transformative environment is critical to the growth and implementation of the strategy, sustaining existing profitability whilst continuing to develop a new model for the future.	Promoting staff wellbeing and development with frequent staff communication is key. The Company supports flexible working, where viable, maintains competitive pay and reward policies and continually evolves talent recruitment and retention strategies.

STRATEGIC REPORT - CONTINUED**SECTION 172 STATEMENT**

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

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

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

Section 172: The interests of the Company's employees

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

The health, safety and wellbeing of the Company's employees is a top priority, with a continued focus on mental health through 2021 due to the ongoing challenges posed by the Covid-19 pandemic. The Company fosters an integrated approach to health and wellbeing with a range of services and benefits to support employees, an active Employee Assistance Programme, in excess of 50 Mental Health First Aiders and a commitment to the 'Time to Change' Employer Pledge. The Company's approach and policy framework supports a broad range of regulatory requirements common to the media sector and appropriate controls are in place to protect employees working in the UK and overseas.

The Company is committed to building a high-performance culture and recognising the achievement of world-class standards in journalism. Employees are supported in developing their careers and learning new skills through The Academy, the Company's internal learning and development scheme. The Company develops its leaders through the delivery of Be a Better Boss Programme and continues to invest in new talent through its long-standing apprenticeship, graduate, internship and work experience programmes. Care is given to attract participants from a diversity of backgrounds through comprehensive diversity and inclusion-related partnerships and policies.

The Company is committed to Diversity, Inclusion and Belonging, creating a sustainable culture of inclusion for its employees. Investment in support activities to reduce the gender pay gap and narrowing the ethnicity pay gap are key goals. The mean gender pay gap increased to 26.1% (2020: 20.5%) following decreases in 2018 and 2019. More than one-third (37%) of employees in the highest pay quartile are female, compared to 42% in the second quartile, 51% in the third quartile and 64% in the lowest pay quartile. The Company made positive progress against its commitments to the Race at Work Charter, building on from the appointment of an Executive Sponsor in 2020 and continuing to capture ethnicity data at the application and hire stages of the recruitment process.

A long-term investment in equal parent pay has resulted in increased uptake in the scheme, 44% of whom are fathers. The Company offers various progressive workplace policies and practices to support wellbeing and promote greater diversity. The aim is to maintain a culture that encourages fair representation and work-life balance.

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

The Telegraph's readership is key to its success and the Company invests in developing the right forums and experiences to connect audiences to journalists. A core part of the subscription-first strategy is to build greater and deeper connections with readers and customers at scale and use insights from these connections to develop the journalism offered. Direct engagement with readers through different channels is achieved through regular forums, focus groups, newsletters, "Letters to the Editor", online subscriber community comments, emails and Telegraph Live events, showcasing The Telegraph's best content.

STRATEGIC REPORT - CONTINUED**SECTION 172 STATEMENT - CONTINUED**

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

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

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

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

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

The Telegraph encourages volunteering in the community with a policy offering employees two days of paid volunteering per year. The volunteering scheme launched in mid-2018 and saw increased uptake amongst employees in 2020, however as a direct consequence of Covid-19, volunteering dropped significantly in 2021 and is now paused and under review for 2022.

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

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

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

On behalf of the Board



N D Hugh
Director
31 March 2022

DIRECTORS' REPORT

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

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

DIRECTORS

The directors who held office during the period and up to the date of approval of the financial statements unless otherwise indicated were as follows:

A S Barclay
H M Barclay
N D Hugh
R J Neal
C M Pape (resigned 14 September 2021)
P L Peters

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

GOING CONCERN

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

The Company cash flows for the 15 months to 30 June 2023 have been carefully considered from the date of signing the audited financial statements. These have been reviewed in the light of the uncertainty in the current economic climate. Conservative assumptions have been used to determine the level of financial resources available to the Company and to assess liquidity risk.

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

EMPLOYEE ENGAGEMENT

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

The Company continues to provide a competitive range of benefits to employees, including the opportunity to join the Company-wide defined contribution pension scheme and other initiatives providing employees with greater flexibility in their work-life choices. The Company continues to offer career enhancement to its employees by way of relevant management and personal development courses, with the aim of ensuring that staff have the right skills to operate in the digital landscape. Apprenticeships, internships and work experience policies are in place to ensure that the Company offers high quality opportunities to attract applicants from all backgrounds, to ensure fair and equitable access into the business.

Consultation with employees or their representatives continues at all levels, with the aim of ensuring that their views are taken into account, within the limitations of commercial confidentiality, when decisions are made that are likely to affect their interests. All employees are aware of the Company's vision, purpose and strategy and of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through regular management briefings, staff surveys and the Telegraph intranet. Further information on employee and other stakeholder engagement is included in the Section 172 Statement of the Strategic Report.

DIRECTORS' REPORT – CONTINUED

DONATIONS

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

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

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

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

	2021	2020
Total energy consumption (kWh)	2,860,232	3,622,091
Emissions (tCO₂e)		
Scope 1		
Emissions from consumption of gas	51.4	89.8
Emissions from combustion of fuel for transport purposes	12.3	17.5
Scope 2		
Emissions from purchased electricity - location based	514.7	709.7
Emissions from company electric vehicles	0.7	-
Scope 3		
Emissions from business travel in rental cars or employee vehicles where the company purchases the fuel	25.6	14.5
Scope 1, 2 & 3 Emissions	604.7	831.5
Intensity Ratio		
Revenue (£m)	245.0	235.2
Total Scope 1, 2 & 3 Emissions per £1m	2.5 tCO₂e	3.5 tCO₂e

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

The Company's emissions are calculated in line with the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard (revised edition). The boundaries of the GHG inventory are defined using the operational control approach and cover the emissions the Company is responsible for across Scope 1, 2 and Scope 3 business within the UK. The emissions are calculated using the emissions factors for 2021 published by the Department for Business, Energy & Industrial Strategy.

The Company has gathered building consumption information from engaging with the landlords of its occupied premises. Where this data was not available it was estimated in line with the SECR guidance. The transport figures have been estimated in line with the GHG Protocol from employees' expensed mileage using the distance-based estimation method where data is available and the spend based estimation method where detailed car type data is not available. Most of the Company's energy consumption comes from the use of electricity in its headquarters in London.

There is no material risk from climate change.

DIRECTORS' REPORT - CONTINUED**ENERGY EFFICIENCY**

The Company considers its environmental impact and initiatives to reduce energy consumption through its offices, technology procurement and partnering, and through its printing and distribution supply chain which operate to high environmental standards. Examples of actions to increase the energy efficiency of the Company's operations in 2021 are:

- For the Company's London HQ, sourcing electricity and gas from renewable sources with a target to reduce energy consumption year on year aligns with the sustainable objectives and the Landlord's ISO14001 accreditation.
- The Landlord monitors building energy use and occupancy, optimising energy efficiency across the building.
- IT initiatives are in place including reducing printing and shifting to digital where possible, purchasing energy efficient IT equipment and the use of cloud technology to reduce onsite carbon footprint.

FINANCIAL RISK MANAGEMENT

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

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

The Company's credit risk is primarily attributable to its trade receivables, which is mitigated by regular reviews of customer balances and their contractual payment terms. The amounts presented in the Balance Sheet are net of allowances for doubtful debts, estimated on prior experience and assessment of the current economic climate.

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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' REPORT - CONTINUED

DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the directors' report is approved:

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

INDEPENDENT AUDITORS

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

On behalf of the Board



N D Hugh
Director
31 March 2022

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 2 January 2022 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 2 January 2022; the Statement of Comprehensive Income, and the 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

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

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise

appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 2 January 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Making enquiries with management and internal commercial and editorial legal heads, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of meeting minutes with the Board of Directors;
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias;
- Testing unusual or unexpected journal entries, particularly those posted by unusual users, those related to related parties and those impacting unusual account combinations such as unusual credits to expenses, unusual credits to revenue, unusual rebate accrual entries and unusual capitalisation journals;
- Challenging assumptions and estimates made by management in the cash flow projections underpinning the models supporting the going concern conclusion;
- Understanding and evaluating the company's control environment; and

- Assessing financial statement disclosures, and testing to supporting documentation, for compliance with applicable laws and regulations.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

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

	Note	2021 £'000	2020* £'000
Turnover	2	244,985	235,220
Cost of sales		(151,875)	(152,594)
Gross profit		93,110	82,626
 Distribution costs		 (9,729)	(10,132)
Administrative expenses		(52,688)	(49,390)
Operating profit	3	30,693	23,104
Attributable to:			
Operating profit before exceptional items		33,344	26,716
Exceptional items	3	(2,651)	(3,612)
		30,693	23,104
 Loss from shares in group undertakings		 (60)	
Interest payable and similar expenses	6	(1,057)	(1,032)
Profit before taxation		29,576	22,072
 Tax on profit	7	(3,696)	(3,868)
Profit for the financial period		25,880	18,204

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

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

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

BALANCE SHEET
AS AT 2 JANUARY 2022

	Note	2 Jan 2022 £'000	3 Jan 2021 £'000
Fixed assets			
Intangible assets	8	9,351	9,091
Tangible assets	9	2,991	2,709
Investments	10	<u>1</u>	<u>136</u>
		<u>12,343</u>	<u>11,936</u>
Current assets			
Debtors	11	221,602	202,485
Cash at bank and in hand		<u>33,640</u>	<u>25,473</u>
		<u>255,242</u>	<u>227,958</u>
Creditors: amounts falling due within one year	13	<u>(72,453)</u>	<u>(70,876)</u>
Net current assets		<u>182,789</u>	<u>157,082</u>
Total assets less current liabilities		195,132	169,018
Creditors: amounts falling due after more than one year	14	(8,411)	(8,102)
Provisions for liabilities	15	(2,405)	(2,480)
Net assets		<u>184,316</u>	<u>158,436</u>
Capital and reserves			
Called up share capital	16	44,747	44,747
Retained earnings		<u>139,569</u>	<u>113,689</u>
Total equity		<u>184,316</u>	<u>158,436</u>

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

These financial statements on pages 13 to 28 were approved by the board of directors on 31 March 2022 and were signed on its behalf by:



N D Hugh
Director



R J Neal
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 2 JANUARY 2022**

	Called-up share capital £'000	Retained earnings £'000	Total equity £'000
At 30 December 2019	44,747	95,485	140,232
Profit for the 53 week period		18,204	18,204
Balance at 3 January 2021	44,747	113,689	158,436
Profit for the 52 week period		25,880	25,880
At 2 January 2022	44,747	139,569	184,316

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 2 JANUARY 2022****1. ACCOUNTING POLICIES****(a) General information**

Telegraph Media Group Limited ('the Company') operates multi-platform news publishing, including The Daily Telegraph, The Sunday Telegraph, telegraph.co.uk, digital apps for tablet and smartphone, and via third party platforms. The Company is a private company limited by shares and is incorporated in England, United Kingdom.

(b) Statement of compliance

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

(c) Basis of preparation

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

The Company uses 52/53 week accounting periods and has drawn up its financial statements for the 52 weeks to 2 January 2022. Balances at that date are referred to relating to 2021 in these financial statements. The 53 weeks to 3 January 2021 and balances at that date are referred to as relating to 2020.

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

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

The Company is partially financed by its parent company, Press Acquisitions Limited. Press Acquisitions Limited holds an external loan facility agreement with Lloyds Banking Group. The facility is not due for renewal until 30 September 2023, however the directors will continue to review the facility on an ongoing basis.

The directors have prepared cash flow forecasts for the Company for the 15 months to 30 June 2023. Since the initial preparation of these forecasts, the directors note that the Company has been trading well against these plans at both profit and cash flow levels.

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

- a potential severe downturn in total revenue of 10% reduction in revenue compared to 2022 Budget and a 7% reduction in 2022 revenue versus 2021 - however, the ongoing and successful implementation of the subscription-first strategy reduces the dependence on variable advertising and travel commerce revenues, offset by associated reductions in variable costs; and
- in assessing this severe but plausible downside scenario, the directors also considered potential mitigating actions within their control, such as restricting capital expenditure and working capital management.

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

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

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

1. ACCOUNTING POLICIES – CONTINUED*IBOR Reform*

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

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

(d) 2020 re-presentation

In the financial statements for the period ended 3 January 2021, the Company presented transactional processing fees within Interest payable and similar expenses. In these financial statements, following a review of the nature of these amounts these have been re-presented as Costs of Sales. The effect is to increase Cost of Sales by £1,550k and decrease Interest payable and similar charges by the same amount, thus impacting Operating profit. This change of re-presentation does not have an impact on the Balance Sheet or on opening retained earnings.

(e) Exemptions for qualifying entities under FRS 102

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

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

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

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

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

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

(f) Turnover

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

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

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

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

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

1. ACCOUNTING POLICIES - CONTINUED**(g) Exceptional items**

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

(h) Interest receivable and payable

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

(i) Foreign currency transactions and balances

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

(j) Joint venture accounting

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

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

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

(k) Taxation

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

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

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

(l) Intangible assets

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

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is included in administrative expenses in the statement of comprehensive income.

1. ACCOUNTING POLICIES – CONTINUED

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

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

IFRS Interpretations Committee (IFRIC) Agenda Decision

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

(m) Tangible assets

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

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

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

(n) Investments

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

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

Dividend income is recognised when the right to receive payment is established.

(o) Debtors

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

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

(p) Cash and cash equivalents

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

1. ACCOUNTING POLICIES – CONTINUED**(q) Creditors**

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

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

(r) Financial instruments

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

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

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

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

(s) Accrued and deferred income

Accrued income represents unbilled, delivered work, predominately for advertising revenue and is classified within debtors. Deferred income represents mostly receipts from subscribers in advance of goods and services being provided and is classified as part of Creditors due within one year.

(t) Provisions

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

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

(u) Finance leases

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

Rental payments under finance leases are apportioned between capital and interest, the interest portion being charged to the statement of comprehensive income and the capital portion reducing the obligations to the lessor.

(v) Operating leases

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

(w) Pension costs

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

1. ACCOUNTING POLICIES – CONTINUED**(x) Share capital**

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

(y) Related party transactions

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

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

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

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

Recoverable amount of intangible assets and investments

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

2. TURNOVER

Turnover generated by the Company can be categorised as follows:

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

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

United Kingdom and Republic of Ireland	228,887	223,516
Europe	8,481	4,179
Rest of World	7,617	7,525
Total Turnover	<u>244,985</u>	<u>235,220</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):	2021 £'000	2020 £'000
Employment costs (including directors)	90,323	86,668
Operating lease rentals - buildings	5,207	6,230
Depreciation - tangible fixed assets	814	2,738
Amortisation - intangible assets	6,214	8,005
Gain from disposal of tangible assets	(18)	(11)
Allowances for bad and doubtful debts	(183)	790
Auditors' remuneration - for the audit of the Company	325	275
- audit related assurance services	285	245
Exceptional items – reorganisation costs	2,651	3,612

Exceptional items

During both the current and prior financial periods there have been significant one-off restructuring exercises to improve the efficiency and effectiveness of the Company's operations. This has resulted from the Company continuing to make changes to the structure of its business to ensure it is well positioned to navigate and monetise the digital transition taking place in the media industry. These costs included termination and redundancy payments and legal fees, all of which were charged to the statement of comprehensive income as exceptional costs. These projects will be finalised in 2022.

EBITDA before exceptional items can be reconciled as follows:

	2021 £'000	2020 £'000
Revenue	244,985	235,220
Net operating costs	(214,292)	(212,116)
Operating profit	30,693	23,104
Depreciation	814	2,738
Amortisation	6,214	8,005
Exceptional items	2,651	3,612
EBITDA before exceptional items	40,372	37,459

4. DIRECTORS' EMOLUMENTS

(a) Emoluments of the directors:	2021 £'000	2020 £'000
Aggregate remuneration	1,994	1,178
Compensation for loss of office	315	-
Company contributions to defined contribution schemes	6	11
	2,315	1,189

During the financial period, the Company paid two (2020: two) directors for their services. Similarly, contributions made by the Company to defined contribution schemes were on behalf of two (2020: two) directors.

(b) Emoluments of the highest paid director:

Aggregate remuneration	1,504	789
Company contributions to defined contribution schemes	3	6
	1,507	795

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

	2021	2020
	Number of employees	Number of employees
Editorial and production	687	698
Selling, distribution and administration	360	450
	<u>1,047</u>	<u>1,148</u>

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

(b) Employment costs (including directors):

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

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

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £'000	2020* £'000
Interest payable on loans	<u>1,057</u>	<u>1,032</u>

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

7. TAX ON PROFIT

	2021 £'000	2020 £'000
Tax expense included in statement of comprehensive income		
Current tax:		
UK Corporation tax on profits for the financial period	(4,767)	(4,395)
Tax credits relating to Double Taxation relief	13	-
Adjustment in respect of prior periods	75	-
Total current tax	<u>(4,679)</u>	<u>(4,395)</u>
Deferred tax:		
Origination and reversal of timing differences	(70)	530
Adjustment in respect of prior periods	39	(3)
Impact of rate change	1,014	-
Total deferred tax (see note 12)	<u>983</u>	<u>527</u>
Tax charge	<u>(3,696)</u>	<u>(3,868)</u>

7. TAX ON PROFIT – CONTINUED**Reconciliation of tax charge**

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

	2021 £'000	2020 £'000
Profit before tax	<u>29,576</u>	<u>22,072</u>
Profit before tax multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	(5,619)	(4,194)
Effects of:		
Expenses not deductible for tax purposes	(288)	(564)
Deemed interest on intercompany loan balances	(1,759)	(1,707)
Group relief for nil consideration	2,885	2,597
Adjustment in respect of prior periods	114	-
Deferred tax - impact of rate change	1,014	-
Deferred tax – current period	(70)	-
Dividend received	14	-
Tax credits relating to Double Taxation relief	13	-
Tax charge for the financial period	<u>(3,696)</u>	<u>(3,868)</u>

Tax rate changes

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

8. INTANGIBLE ASSETS

	£'000
Cost:	
Opening balance at 4 January 2021	51,832
Additions	6,475
Disposals	(8,689)
Closing balance at 2 January 2022	<u>49,618</u>
Accumulated depreciation:	
Opening balance at 4 January 2021	(42,741)
Charge for the financial period	(6,214)
Disposals	8,688
Closing balance at 2 January 2022	<u>(40,267)</u>
Net book value:	
Closing balance at 2 January 2022	<u>9,351</u>
Closing balance at 3 January 2021	<u>9,091</u>

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

9. TANGIBLE ASSETS

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

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

10. INVESTMENTS

	2021 £'000	2020 £'000
Cost and net book value		
Opening balance	136	136
Recognition of losses in joint venture	(135)	-
Closing balance	<u>1</u>	<u>136</u>

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

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

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

10. INVESTMENTS - CONTINUED

The list of associated and joint venture undertakings is below. All are directly owned, except Caravan Digital L.P.

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

11. DEBTORS

	2021 £'000	2020 £'000
Trade debtors	21,064	21,726
Amounts owed by group undertakings	177,016	160,836
Other taxation and social security	158	1,578
Other debtors	920	147
Deferred tax asset (see note 12)	4,225	3,242
Prepayments	4,516	5,532
Accrued income	13,703	9,424
	<u>221,602</u>	<u>202,485</u>

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

12. DEFERRED TAX ASSET

	2021 £'000	2020 £'000
Deferred tax asset:		
Capital allowances	3,389	2,891
Provisions	836	351
Deferred tax asset	<u>4,225</u>	<u>3,242</u>
Movements in the financial period:		
Opening net deferred tax asset	3,242	2,715
Adjustments in respect of prior period	39	(3)
Credited to statement of comprehensive income (see note 7)	(70)	530
Impact of rate change	1,014	
Closing net deferred tax asset	<u>4,225</u>	<u>3,242</u>

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

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

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020* £'000
Trade creditors	4,505	8,503
Obligations under finance leases (see note 17)	22	37
Amounts owed to group undertakings	204	204
Other taxation and social security	3,221	4,126
Other creditors	2,287	1,546
Corporation tax payable	1,942	2,902
Accruals	37,166	29,412
Deferred income	23,106	24,146
	<u>72,453</u>	<u>70,876</u>

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

Amounts owed to group undertakings include £204k (2020: £202k) due to Telegraph Events Limited. Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. They are denominated in Sterling.

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

	2021 £'000	2020* £'000
Obligations under finance leases (see note 17)	30	64
Other creditors	8,381	8,038
	<u>8,411</u>	<u>8,102</u>

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

15. PROVISIONS FOR LIABILITIES

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

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

16. CALLED UP SHARE CAPITAL

	2021 £'000	2020 £'000
Authorised:		
1,703,000,000 (2020: 1,703,000,000) ordinary shares of £1 each	<u>1,703,000</u>	<u>1,703,000</u>
Issued, called up and fully paid:		
44,747,466 (2020: 44,747,466) ordinary shares of £1 each	<u>44,747</u>	<u>44,747</u>

17. COMMITMENTS AND CONTINGENCIES

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

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

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

Within one year	22	37
In more than one year but less than five years	30	64
Total obligations	<u>52</u>	<u>101</u>

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

18. RELATED PARTIES

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

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

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

These related party transactions relate to sales and expenditure with entities either where the Company held an investment, or, in which the Company has a common majority shareholder, or, with another entity within the wider group. There were no other related party transactions during the financial period (2020: £nil).

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

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

