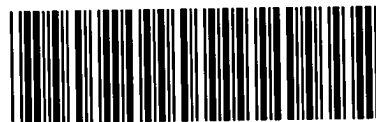


# **PRESS ACQUISITIONS LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED**

**31 DECEMBER 2017**

WEDNESDAY



\*L79HXB6A\*

LD3

04/07/2018

#27

COMPANIES HOUSE

## STRATEGIC REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report of the Company and the Group, for the financial year ended 31 December 2017.

## PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the Group is multi-platform publishing. The principal activity of the Company, incorporated in the United Kingdom (Registered Number 05098596) is that of a private limited investment holding company. No significant changes to these activities are expected in the forthcoming year.

## BUSINESS PERFORMANCE

The consolidated operating profit before exceptional items and the amortisation and impairment of Publishing Titles and Goodwill for the financial year was £20.6 million (2016: £32.5 million). The Group has found it necessary to take an impairment charge against its Publishing Titles and the loss for the year of £121.2 million (2016: profit of £5.0 million) is stated after a charge of £114.4 million (2016: £nil). The results for the Group for the financial year are set out on page 7. No dividends were declared during the year (2016: £nil). The Group has a net asset position of £3.8 million (2016: £124.9 million).

The information that fulfils the requirements of Companies Act 2006 (Directors' Report) Regulations 2005 can be found in the financial statements of the Company's principal subsidiary, Telegraph Media Group Limited (Telegraph). The financial statements of the Telegraph may be obtained from its registered office, 111 Buckingham Palace Road, London SW1W 0DT.

## KEY PERFORMANCE INDICATORS

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

## KPIs of principal trading subsidiaries – Telegraph and Telegraph Events

Financial	2017	2016
Turnover	£284.3m	£303.2m
Operating profit before exceptional items, amortisation and impairment	£20.6m	£32.5m
Operating profit margin before exceptional items, amortisation and impairment	7.2%	10.7%
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 Group's principal subsidiary, the Telegraph, operates in a highly competitive, challenging environment. Competition for the Telegraph 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 Telegraph has an ongoing process for the identification, evaluation and management of significant risks faced by its business, and it 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 the Telegraph's 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 Telegraph's traditional business model and its relative reliance on print circulation, subscription and advertising revenue. To mitigate this risk, the Telegraph has set out a strategy and a plan to diversify its business and reduce its 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**  
Director  
22<sup>nd</sup> June 2018

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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

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

**PRINCIPAL ACTIVITIES**

The principal activity of the Group is multi-platform publishing. The principal activity of the Company (Registered Number 05098596) is that of an investment holding company. No significant changes to these activities are expected in the forthcoming year.

The information that fulfils the requirements of Companies Act 2006 (Directors' Report) Regulations 2005 can be found in the financial statements of the Company's principal subsidiary, Telegraph Media Group Limited (Telegraph). The financial statements of the Telegraph may be obtained from its registered office, 111 Buckingham Palace Road, London SW1W 0DT.

**DIRECTORS**

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  
H M Barclay  
R K Mowatt  
P L Peters  
M Seal

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

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

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

Consultation with Telegraph 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 Telegraph's vision, purpose and strategy and of the financial and economic performance of their business units and of the Group as a whole. Communication with all Telegraph 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 Group made charitable donations of £1,807 (2016: £850), of which £1,807 (2016: £850) was principally to charities associated with the newspapers and their employees. The Company made no political donations (2016: £nil).

**FINANCIAL RISK MANAGEMENT**

The Company, and therefore the Group, is exposed to interest rate risk. In view of the forecast low interest rate environment no debt is hedged at 31 December 2017. The Group seeks to maintain standard terms for all its financial covenants where possible. The Group's covenants are monitored on an ongoing basis with formal testing at each quarter end. Currency transaction risk is not substantial as the majority of the Group's business is transacted in Sterling.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED**

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Group balance sheet are net of allowances for doubtful receivables, 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 unutilised committed credit facilities and parent company support. It is standard policy to maintain sufficient cash balances and committed facilities to meet anticipated future requirements. These resources, together with the expected future cash flows to be generated by the business, are regarded as sufficient to meet the anticipated funding requirements of the Group for at least the next twelve months from the date of signing the financial statements.

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Report and 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 Group and Company 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 Group and the Company and of the profit or loss of the Group 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 Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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 Group and 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 Group and Company's auditors are aware of that information.

On behalf of the Board



**R K Mowatt**

Director

22<sup>nd</sup> June 2018

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRESS ACQUISITIONS LIMITED****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****OPINION**

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's loss and cash flows 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 Sheets as at 31 December 2017; the Consolidated Income Statement, the Information on Consolidated Cash Flows and the Consolidated Cash Flow Statement; and the Group Statement of Changes in Equity and the Company 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**CONCLUSIONS RELATING TO GOING CONCERN**

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 group's and 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 group's and 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 PRESS ACQUISITIONS 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT****RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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](http://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.



Julian Jenkins (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
22<sup>nd</sup> June 2018

## CONSOLIDATED INCOME STATEMENT for the financial year ended 31 December 2017

	Note	2017 £m	2016 £m
<b>Turnover</b>	2	<b>284.3</b>	303.2
Cost of sales		<b>(203.5)</b>	(210.5)
<b>Gross profit</b>		<b>80.8</b>	92.7
Distribution costs		<b>(12.5)</b>	(15.3)
Administrative expenses		<b>(177.4)</b>	(59.7)
<b>Operating (loss)/profit</b>		<b>(109.1)</b>	17.7
Attributable to:			
Operating profit before exceptional items and amortisation and impairment		20.6	32.5
Exceptional items	3	(4.6)	(4.1)
Amortisation of intangible assets – Publishing Titles and Goodwill	9	(10.7)	(10.7)
Impairment of intangible assets – Publishing Titles		(114.4)	-
		<b>(109.1)</b>	17.7
Interest payable and similar charges	6	<b>(10.5)</b>	(8.5)
<b>(Loss)/profit on ordinary activities before taxation</b>	3	<b>(119.6)</b>	9.2
Tax on (loss)/profit on ordinary activities	7	<b>(1.6)</b>	(4.2)
<b>(Loss)/profit for the financial year</b>		<b>(121.2)</b>	5.0

All the above results are derived from continuing operations.

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

The notes on pages 11 to 23 form part of these financial statements.



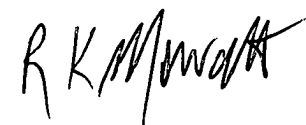
## BALANCE SHEETS

as at 31 December 2017

Company Registered Number: 05098596

	Note	The Group		The Company	
		31 Dec 2017	1 Jan 2017	31 Dec 2017	1 Jan 2017
		£m	£m	£m	£m
<b>Fixed assets</b>					
Intangible assets	9	183.4	311.0	-	-
Tangible assets	10	6.0	6.8	-	-
Investments	11	-	-	164.9	293.3
		<u>189.4</u>	<u>317.8</u>	<u>164.9</u>	<u>293.3</u>
<b>Current assets</b>					
Debtors	12	76.6	64.6	13.0	4.0
Cash at bank and in hand		5.5	14.1	0.1	0.1
		<u>82.1</u>	<u>78.7</u>	<u>13.1</u>	<u>4.1</u>
<b>Creditors: amounts falling due within one year</b>	13	(267.6)	(271.2)	(306.7)	(289.2)
<b>Net current liabilities</b>		<u>(185.5)</u>	<u>(192.5)</u>	<u>(293.6)</u>	<u>(285.1)</u>
<b>Total assets less current liabilities</b>		<u>3.9</u>	<u>125.3</u>	<u>(128.7)</u>	<u>8.2</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(0.1)	(0.2)	-	-
<b>Provisions for liabilities</b>	15	-	(0.2)	-	-
<b>Net assets/(liabilities)</b>		<u>3.8</u>	<u>124.9</u>	<u>(128.7)</u>	<u>8.2</u>
<b>Capital and reserves</b>					
Called up share capital	16	1.0	1.0	1.0	1.0
Profit and loss account		2.8	124.0	(129.7)	7.2
Non-controlling interest		-	(0.1)	-	-
<b>Total equity</b>		<u>3.8</u>	<u>124.9</u>	<u>(128.7)</u>	<u>8.2</u>

These financial statements on pages 7 to 23 were approved by the board of directors on 22<sup>nd</sup> June 2018 and were signed on its behalf by:



**R K Mowatt**  
Director

The notes on pages 11 to 23 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

## THE GROUP

for the financial year ended 31 December 2017

	Called up share capital	Profit and loss account	Non- controlling interest	Total equity
	£m	£m	£m	£m
At 2 January 2017	1.0	124.0	(0.1)	124.9
Loss for the financial year	-	(121.2)	0.1	(121.1)
<b>At 31 December 2017</b>	<b>1.0</b>	<b>2.8</b>	<b>-</b>	<b>3.8</b>

for the financial year ended 1 January 2017

	Called up share capital	Profit and loss account	Non- controlling interest	Total equity
	£m	£m	£m	£m
At 4 January 2016	1.0	119.0	(0.1)	119.9
Profit for the financial year	-	5.0	-	5.0
<b>At 1 January 2017</b>	<b>1.0</b>	<b>124.0</b>	<b>(0.1)</b>	<b>124.9</b>

Non-Controlling interest relates to a minority interest holding of 10% in Telegraph Events Limited.

## THE COMPANY

for the financial year ended 31 December 2017

	Called up share capital	Profit and loss account	Non- controlling interest	Total equity
	£m	£m	£m	£m
At 2 January 2017	1.0	7.2	-	8.2
Loss for the financial year	-	(136.9)	-	(136.9)
<b>At 31 December 2017</b>	<b>1.0</b>	<b>(129.7)</b>	<b>-</b>	<b>(128.7)</b>

for the financial year ended 1 January 2017

	Called up share capital	Profit and loss account	Non- controlling interest	Total equity
	£m	£m	£m	£m
At 4 January 2016	1.0	21.6	-	22.6
Loss for the financial year	-	(14.4)	-	(14.4)
<b>At 1 January 2017</b>	<b>1.0</b>	<b>7.2</b>	<b>-</b>	<b>8.2</b>

The notes on pages 11 to 23 form part of these financial statements.

## INFORMATION ON CONSOLIDATED CASH FLOWS

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATIONS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 £m	2016 £m
Operating profit before exceptional items and amortisation and impairment of Titles and Goodwill	20.6	32.5
Exceptional items	(4.6)	(4.1)
Amortisation of other intangibles	7.2	5.9
Depreciation	2.1	2.8
	<u>25.3</u>	<u>37.1</u>
<b>Movement in:</b>		
Debtors	(2.4)	(3.8)
Creditors	(1.9)	(1.1)
	<u>21.0</u>	<u>32.2</u>
Net cash inflow from operations		

## CONSOLIDATED CASH FLOW STATEMENT

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 £m	2016 £m
<b>Cash flows from operating activities</b>			
Net cash inflow from operations		21.0	32.2
Interest paid		(10.5)	(8.3)
Taxation paid		(3.5)	(6.9)
		<u>7.0</u>	<u>17.0</u>
<b>Net cash inflow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of intangible and tangible fixed assets		(5.8)	(8.4)
		<u>(5.8)</u>	<u>(8.4)</u>
<b>Net cash outflow from investing activities</b>			
<b>Cash flows from financing activities</b>			
Repayment of lease financing		(0.8)	(1.5)
Loans paid to parent company		(9.0)	(4.0)
		<u>(9.8)</u>	<u>(5.5)</u>
<b>Net cash outflow from financing activities</b>			
<b>Net (decrease)/increase in cash and cash equivalents</b>	19	<u>(8.6)</u>	<u>3.1</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>14.1</u>	<u>11.0</u>
<b>Cash and cash equivalents at the end of year</b>		<u>5.5</u>	<u>14.1</u>

The notes on pages 11 to 23 form part of these financial statements.

**1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**

The principal activities of the Group are multi-platform publishing. The principal activity of the Company is that of an investment holding company. The address of the Company's registered office and principal place of business is 2<sup>nd</sup> Floor, 14 St George Street, London W1S 1FE.

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

**(a) Statement of compliance**

The Group and 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 currency of the Company and the Group and under the historical cost convention. A summary of the more significant accounting policies which have been applied consistently are set out below.

The Group financial statements consolidate the financial statements of Press Acquisitions Limited and its subsidiary undertakings (over which it exercises control) up to 31 December 2017, as they use 52/53 week accounting periods. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the financial year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

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.

**(c) Intangible assets**

**i) *Telegraph* Publishing titles**

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

**ii) Purchased Goodwill**

With respect to the purchased goodwill, this has been calculated as the amounts by which the fair value of the purchased consideration exceeded the aggregated fair values of their identifiable assets and liabilities at the dates of acquisition. Those fair values are determined by applying the rules in FRS 102 and they are used as the carrying amounts for the newly acquired assets and liabilities in the financial statements to give a true and fair view. Purchased Goodwill is capitalised and amortised over its estimated useful economic life of five years, the period over which the Group expects to benefit from company reputations, contacts and skills, using the straight-line method.

**1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**(c) Intangible assets - continued**

**iii) Other Intangibles**

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 fixed assets are stated at cost less accumulated depreciation. Cost represents the cost of acquisition or construction. 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:

**Buildings:**

Short Leasehold 50 years or the lease term if under 50 years

**Plant and equipment:**

Computer equipment 3-5 years

Furniture and fittings 10 years

Other 3-10 years

**(e) Investments**

Investments acquired with the intention that they be held for the long term 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 Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and the amount can be reliably estimated. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

**(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.

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED****(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 into sterling 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.

**(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 Group's taxable profit and loss and its results as stated in the financial statements. No deferred tax is recognised on permanent differences.

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

Deferred tax assets, including those relating to losses potentially available for relief in future years, 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.

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in accordance with generally accepted accounting principals 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 and Group reviews trade receivables and makes judgements on the recoverability of these receivables with reference to the age of the outstanding amounts, credit status of the counterparty and the status of any outstanding dispute.

**Impairment of publishing titles**

The Group considers whether publishing titles are impaired. The recoverable value of the publishing titles requires estimates of the future cash flows and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

**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**

Substantially all the Group turnover and operating profit arises from media publication activities within the United Kingdom. Accordingly only one segment is reported.

**3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

(Loss)/profit on ordinary activities before taxation is stated after charging:

	2017	2016
	£m	£m
Employment costs (including directors) <i>(see note 5 (b))</i>	83.2	84.1
Operating lease rentals - buildings	7.5	6.4
Amortisation - publishing titles <i>(see note 9)</i>	10.5	10.5
- purchased goodwill <i>(see note 9)</i>	0.2	0.2
- other intangibles <i>(see note 9)</i>	7.2	5.9
Impairment - publishing titles <i>(see note 9)</i>	114.4	-
Depreciation - owned tangible assets <i>(see note 10)</i>	2.0	2.7
- leased tangible fixed assets <i>(see note 10)</i>	0.1	0.1
Auditors' remuneration - audit services - the Group	0.2	0.1
- the Company	-	-
- other services	0.1	0.1
Exceptional items - reorganisation costs <i>(see (a) below)</i>	6.2	4.1
- exceptional credits <i>(see (b) below)</i>	(1.6)	-

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION - CONTINUED**

(a) Reorganisation costs

This represents the costs of restructuring the Group'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 Group 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**

The directors received no emoluments for their services rendered to the Company or its subsidiaries during the financial year (2016 - £nil).

**5. EMPLOYEE INFORMATION**

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

	2017 Number	2016 Number
Editorial and production	606	660
Selling, distribution and administration	525	517
	<u>1,131</u>	<u>1,177</u>

(b) Group employment costs (including directors):

	2017 £m	2016 £m
Salaries and wages	70.3	71.0
Social security costs	8.2	8.1
Other pension costs	4.7	5.0
	<u>83.2</u>	<u>84.1</u>
Redundancy costs shown in exceptional items (see note 3(a))	4.6	3.1
Total direct costs of employment	<u>87.8</u>	<u>87.2</u>

There are no employment costs recognised in the Company.

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2017 £m	2016 £m
Interest Payable - On loans repayable within five years and bank borrowings	9.5	7.9
Bank and other similar charges	1.0	0.5
Finance lease charges	-	0.1
	<u>10.5</u>	<u>8.5</u>



NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2017 £m	2016 £m
<b>Analysis of charge for the financial year</b>		
<i>Current tax:</i>		
UK corporation tax on (loss)/profit for the financial year	(2.1)	(4.4)
<i>Deferred tax:</i>		
Origination and reversal of other timing differences	0.5	0.2
Total deferred tax credit ( <i>see note 12(b)</i> )	0.5	0.2
Tax charge on (loss)/profit on ordinary activities	(1.6)	(4.2)

**Factors affecting the tax charge for the current financial year**

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

	2017 £m	2016 £m
(Loss)/Profit on ordinary activities before taxation	(119.6)	9.2
Tax credit/(charge) at 19.25% (2016: 20.00%)	23.0	(1.8)
Effects of:		
Expenses not deductible for tax purposes	(24.6)	(2.5)
Other timing differences	-	0.1
Deemed interest on inter company loan balances	(0.1)	-
Group relief for nil consideration	0.1	-
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 Group's profits for the accounting year to 31<sup>st</sup> 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. RETAINED LOSS FOR THE FINANCIAL YEAR

As permitted by section 408 of the Companies Act 2006, no income statement and related notes of the Company are presented. The loss recorded by the Company was £136.9 million (2016: £14.4 million).

**9. INTANGIBLE ASSETS**

**THE GROUP**

	<b>Telegraph Publishing Titles £m</b>	<b>Purchased Goodwill £m</b>	<b>Other Intangibles £m</b>	<b>Total £m</b>
<b>Cost:</b>				
Opening balance	629.3	1.0	46.0	676.3
Additions	-	-	4.7	4.7
Closing balance	<u>629.3</u>	<u>1.0</u>	<u>50.7</u>	<u>681.0</u>
<b>Accumulated Amortisation:</b>				
Opening balance	(339.5)	(0.8)	(25.0)	(365.3)
Amortisation – Titles and Goodwill	(10.5)	(0.2)	-	(10.7)
Amortisation – Other Intangibles	-	-	(7.2)	(7.2)
Impairment - Titles	(114.4)	-	-	(114.4)
Closing balance	<u>(464.4)</u>	<u>(1.0)</u>	<u>(32.2)</u>	<u>(497.6)</u>
<b>Net Book Value:</b>				
Closing balance at 31 December 2017	<u>164.9</u>	<u>-</u>	<u>18.5</u>	<u>183.4</u>
Closing balance at 1 January 2017	<u>289.8</u>	<u>0.2</u>	<u>21.0</u>	<u>311.0</u>

The opening balances have been adjusted to reflect a transfer of tangible assets to intangible assets, which has no impact on net realisable value (*see note 10*)

The Telegraph Publishing Titles were acquired as part of the purchase of Telegraph Media Group Limited. The Directors believe these Titles are positioned in the market to continue to demonstrate value for the foreseeable future and are amortised using the straight-line method over forty years. In addition, each year the Titles are reviewed for impairment. The recoverable amount is measured through a value in use calculation. Value in use is determined by discounting future expected cash flows based on the approved 2018 budget and 2019 and 2020 projections. The growth rates for the three year period are based on both internal and external market information and reflect past experience and a risk assessment. The terminal real growth rate for the business is assumed to be 0%. In compliance with FRS 102, projected cash flows arising from improving or enhancing the Titles performance are excluded. The post tax discount rate applied was 10.2% (2016: 9.5%). This has resulted in an impairment in the year of £114.4m (2016: £nil).

Purchased goodwill is being amortised over its estimated useful economic life of five years, the period over which the Group expects to benefit from the value of industry reputation, contacts and skills, using the straight-line method.

Other intangible assets are being amortised over their estimated useful lives of three to five years, the period over which the Group expects to benefit from the value using the straight-line method.

**THE COMPANY**

The Company had no other intangible assets at 31 December 2017 (2016: £nil) or at any time during the financial year.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 10. TANGIBLE ASSETS

**THE GROUP**

	Buildings – short leasehold £m	Plant & Equipment £m	Total £m
<b>Cost:</b>			
Opening balance	15.3	30.4	45.7
Additions	-	1.3	1.3
Disposals	-	(0.2)	(0.2)
Closing balance	15.3	31.5	46.8
<b>Accumulated Depreciation:</b>			
Opening balance	(11.2)	(27.7)	(38.9)
Charge for the financial year	(0.9)	(1.2)	(2.1)
Disposals	-	0.2	0.2
Closing balance	(12.1)	(28.7)	(40.8)
<b>Net Book Value:</b>			
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 to reflect a transfer of tangible assets to intangible assets, which has no impact on net realisable value (*see note 9*)

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

**THE COMPANY**

The Company had no tangible assets at 31 December 2017 (2016: £nil) or at any time during the financial year.

## 11. INVESTMENTS

	Shares in Subsidiary Companies £m
<b>THE COMPANY</b>	
<b>Cost:</b>	
Opening balance and Closing balance	761.8
<b>Provision:</b>	
Opening balance	(468.5)
Charge in the financial year ( <i>see (a) below</i> )	(128.4)
Closing balance	(596.9)
<b>Net Book Value:</b>	
Closing balance at 31 December 2017	164.9
Closing balance at 1 January 2017	293.3

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 11. INVESTMENTS (CONTINUED)

- (a) The charge in the financial year of £128.4m (2016: £7.0m) relates to the amount written off the investment in Subsidiary companies and charged to the income statement in the financial year. The Directors believe that the carrying value of investment in Subsidiary Companies is supported by their underlying value in use.

## Details of the Group'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:

<u>Name</u>	<u>Nature of business</u>	<u>Class and proportion of nominal value and voting rights of issued shares held</u>
Telegraph Media Group Limited and its subsidiaries;	Publisher	Ordinary shares – 100%
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 and its subsidiary;	Active	Ordinary shares – 90%
QP Magazine Limited	Dormant	Call option over Ordinary Shares -10%
		Ordinary shares – 100%

Within 12 months from signing this report, the directors of Telegraph Events Limited intend to transfer all its operations to its immediate parent company, Telegraph Media Group Limited.

## 12. DEBTORS

	<b>The Group</b>		<b>The Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Trade debtors	37.1	41.9	-	-
Amounts owed by group undertakings (see (a) below)	13.0	4.0	13.0	4.0
Other taxation and social security	0.4	0.3	-	-
Other debtors	1.2	1.1	-	-
Prepayments and accrued income	23.3	16.2	-	-
Deferred taxation asset (see (b) below)	1.6	1.1	-	-
	<b>76.6</b>	<b>64.6</b>	<b>13.0</b>	<b>4.0</b>

## (a) Amounts owed by group undertakings

Amounts owed by group undertakings are denominated in sterling, do not bear interest and have no fixed repayment terms.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 12. DEBTORS - CONTINUED

## (b) Deferred taxation

<b>THE GROUP</b>	<b>2017 £m</b>	<b>2016 £m</b>
<b>Amount provided:</b>		
Capital allowances	1.5	1.0
Other timing differences	0.1	0.1
Deferred tax asset	<u>1.6</u>	<u>1.1</u>
<b>Movements on the deferred tax:</b>		
Opening balance	1.1	0.9
Credited to (loss)/profit on ordinary activities (see note 7)	0.5	0.2
Closing balance	<u>1.6</u>	<u>1.1</u>

In addition, the Company has unutilised tax losses totalling £51.4m (2016: £51.4m) available for set off against future taxable profits of the Company. The directors cannot foresee when this recovery will be made and so this asset has not been recognised in these financial statements.

## 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>The Group</b>		<b>The Company</b>	
	<b>2017 £m</b>	<b>2016 £m</b>	<b>2017 £m</b>	<b>2016 £m</b>
Bank loans and overdrafts (see (a) below)	180.0	180.0	180.0	180.0
Trade creditors	30.1	30.3	-	-
Amounts owed to group undertakings (see (b) below)	-	-	126.6	108.9
Obligations under finance leases (see note 14(a))	0.2	0.9	-	-
Provision for liabilities (see note 15)	0.2	-	-	-
Other taxation and social security	3.8	4.3	-	-
Other creditors	2.3	1.6	-	-
Corporation tax	1.1	2.5	-	-
Accruals and deferred income	49.9	51.6	0.1	0.3
	<u>267.6</u>	<u>271.2</u>	<u>306.7</u>	<u>289.2</u>

## a) Bank loan

	<b>2016 £m</b>	<b>2016 £m</b>
<b>Repayable:</b>		
Within one year	<u>180.0</u>	<u>180.0</u>

The Bank Loan is denominated in Sterling and bears interest at LIBOR plus a margin. The margin is 5.00% on £180.0m which is due within one year. Charges in favour of the lender exist over all the Group's assets.

Since the reporting date, the Bank Loan has reduced by £100.0m, funded by an interest free loan from the parent company. The Group has extended the terms on the Bank Loan to 30 June 2019. The Bank Loan continues to bear interest at LIBOR plus a margin. The margin for the total £80.0m remains at 5%.

## b) Amounts owed to group undertakings

Amounts owed to group undertakings represents a loan of £126.6m (2016: £108.9m) due to a subsidiary company. The loan is denominated in sterling, does not bear interest and has no fixed repayment terms.

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Obligations under finance leases <i>(see (a) below)</i>	<b>0.1</b>	<b>0.2</b>	<b>-</b>	<b>-</b>
	<b>0.1</b>	<b>0.2</b>	<b>-</b>	<b>-</b>

**a) Obligations under finance leases**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Repayable:</b>		
Within one year	<b>0.2</b>	<b>0.9</b>
In more than one year but less than five years	<b>0.1</b>	<b>0.2</b>
Total obligations	<b>0.3</b>	<b>1.1</b>
Less: classified as a current creditor <i>(see note 13)</i>	<b>(0.2)</b>	<b>(0.9)</b>
Net long term obligations	<b>0.1</b>	<b>0.2</b>

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

**15. PROVISIONS FOR LIABILITIES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Opening provision	<b>0.2</b>	<b>0.2</b>	<b>-</b>	<b>-</b>
Less: classified as a current creditor <i>(see note 13)</i>	<b>(0.2)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Closing provision	<b>-</b>	<b>0.2</b>	<b>-</b>	<b>-</b>

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

**16. CALLED UP SHARE CAPITAL**

**THE GROUP AND COMPANY**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Authorised:</b>		
500,000,000 (2016: 500,000,000) ordinary shares of £1 each	<b>500.0</b>	<b>500.0</b>
	<b>500.0</b>	<b>500.0</b>
	<b>£m</b>	<b>£m</b>
<b>Issued, called up and fully paid:</b>		
1,000,000 (2016: 1,000,000) ordinary shares of £1 each	<b>1.0</b>	<b>1.0</b>
	<b>1.0</b>	<b>1.0</b>

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**17. COMMITMENTS****THE GROUP**

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
	<u>25.4</u>	<u>32.7</u>

**THE COMPANY**

The Company had no commitments at the financial year end (2016: £nil).

**18. PENSIONS**

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

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

**19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2017	2016
	£m	£m
(Decrease)/Increase in cash and cash equivalents in the financial year	(8.6)	3.1
Amortisation of bank loan arrangement fee	-	(0.2)
Loan paid to parent company	9.0	4.0
Repayment of lease obligations	0.8	1.5
Movement on net debt in the financial year	<u>1.2</u>	<u>8.4</u>
Opening net debt	<u>(163.0)</u>	<u>(171.4)</u>
Closing net debt	<u>(161.8)</u>	<u>(163.0)</u>

**20. ANALYSIS OF NET DEBT**

	1 January 2017 £m	Cash flow £m	Other changes £m	31 December 2017 £m
Cash at bank and in hand	14.1	(8.6)	-	5.5
Bank loans	(180.0)	-	-	(180.0)
Finance lease obligations	(1.1)	0.8	-	(0.3)
Loan to parent companies	4.0	9.0	-	13.0
	<u>(163.0)</u>	<u>1.2</u>	<u>-</u>	<u>(161.8)</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 21. RELATED PARTY TRANSACTIONS

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

*RELATED PARTY TRANSACTIONS*

	2017 £m	2016 £m
<b>Shop Direct Home Shopping Limited</b>		
Rental Income	1.2	-

*RELATED PARTY BALANCES RECEIVABLE FROM SUBSIDIARY*

	2017 £m	2016 £m
<b>Included in creditors: Accruals and deferred income</b>		
Shop Direct Home Shopping Limited	0.6	-

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

## 22. ULTIMATE CONTROLLING PARTY

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

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