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Reach plc Annual Report 2018

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Welcome to the Reach plc Annual Report for the 52 weeks ended 30 December 2018.

Reach plc is the largest commercial national and regional news publisher in the UK, producing and distributing content through newspapers, magazines and digital platforms.

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For further information or to
read the Annual Report online,
go to <https://www.reachplc.com>

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Disclaimer

This Annual Report is sent to shareholders who have elected to receive a hard copy and is available on our website www.reachplc.com for those shareholders who have elected to receive a copy electronically. In this document, references to 'the Group', 'the Company', 'we' or 'our' are to Reach plc and its subsidiaries. A reference to a year expressed as 2018 is to the 52 weeks ended 30 December 2018 and a reference to a year expressed as 2017 is to the 52 weeks ended 31 December 2017. References to 'the year' and 'the current year' are to 2018 and references to 'last year' and 'the prior year' are to 2017. The Annual Report contains forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and future assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward-looking statements. No assurance can be given that the forward-looking statements will be realised. Statements about the directors' expectations, beliefs, hopes, plans, intentions and strategies are inherently subject to change and they are based on expectations and assumptions as to future events, circumstances and other factors which are in some cases outside the Company's control. The Annual Report has been prepared on the basis of the knowledge and information available to directors at the date of its preparation and the Company does not undertake any obligation to update or revise the information during the financial year ahead. It is believed that the expectations set out in these forward-looking statements are reasonable, but they may be affected by a wide range of variables which could cause actual results or trends to differ materially. The forward-looking statements should be read in the context of the principal risk factors set out in the Strategic Report.

In summary

Statutory results

Revenue

£723.9m

2017: £623.2m

Operating (loss)/profit

(£107.6)m

2017: £97.9m

(Loss)/earnings per share

(41.0)p

2017: 23.0p

Dividend per share

6.14p

2017: 5.80p

Adjusted results¹

Revenue

£723.9m

2017: £623.2m

Operating profit

£145.6m

2017: £124.7m

EBITDA²

£167.9m

2017: £145.1m

Net debt³

£40.8m

2017: £9.0m

Operating margin

20.1%

2017: 20.0%

Earnings per share

39.2p

2017: 36.1p

Strong adjusted profit performance ahead of market expectations⁴ which benefited from the **acquisition of Express & Star**.

Statutory performance impacted by non-cash impairment charge⁵ and a pensions charge for GMP equalisation⁶ which has no immediate cash implications.

The Board has **confidence** in our strategy and looks forward to another year of progress with clear plans for digital revenue growth and continued tight management of costs **supporting profit and cash flow**.

In addition to the financial performance measures opposite, the Group is focused on a number of other key performance indicators to deliver the Group's strategy. These are set out in the strategy and key performance indicators section of the Strategic Report.

¹ The Company presents the results on a statutory and adjusted basis and revenue trends on a statutory and like for like basis. The Company believes that the adjusted results and like for like trends will provide investors with useful supplemental information about the financial performance of the Group, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key performance indicators used by management in operating the Group and making decisions. Although management believes the adjusted basis is important in evaluating the Group, they are not intended to be considered in isolation or as a substitute for, or as superior to, financial information on a statutory basis. The alternative performance measures are not recognised measures under IFRS and do not have standardised meanings prescribed by IFRS and may be different to those used by other companies, limiting the usefulness for comparison purposes. Note 37 and note 38 respectively set out the reconciliation between the statutory and adjusted results and the reconciliation between the statutory and like for like revenue.

² Adjusted operating profit (£145.6 million) plus depreciation (£22.3 million).

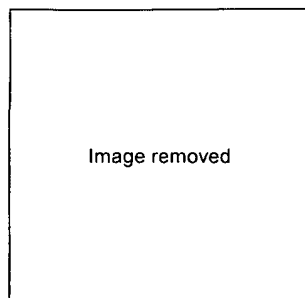
³ Borrowings (£60.0 million) less cash and cash equivalents (£19.2 million).

⁴ The market consensus for adjusted operating profit for the 52 weeks ended 30 December 2018 is £140.3 million based on the four analysts that have issued notes since our trading update on 14 December 2018.

⁵ Impairment charge explained in note 15.

⁶ Guaranteed Minimum Pension ('GMP') equalisation is explained in note 32.

Chairman's introduction



"Reach is a company with significant potential to create value for shareholders."

Nicholas Prettejohn,
Chairman

Key Points

- Significant potential to create value for shareholders
- Dividend increased by 5.9%
- Financial flexibility

See page 29 for Chairman's governance introduction

I am pleased to have joined Reach as Chairman in May 2018. Reach is a company with significant potential to create value for shareholders while meeting all our other obligations, in particular to the members of our defined benefit pension schemes.

2018 has been a transformational year for Reach with the acquisition of the publishing assets of Northern & Shell ('Express & Star'). I'm really pleased with the progress we have made on the integration of the Express & Star business into Reach. We have also changed our name to Reach plc from Trinity Mirror plc to reflect the capabilities of our national and regional brands.

During the year the business operated in what remains a challenging trading environment. I am encouraged by our execution of a large transformational acquisition that fits with our strategy and is delivering the forecasted benefits efficiently. The financial performance and cash generation of the Group provide the right backdrop to deliver our strategy for value growth.

Dividends

I am delighted to confirm that the Board proposes a final dividend of 3.77 pence per ordinary share, bringing the total dividend for the year to 6.14 pence per ordinary share, a year on year increase of 5.9%. The Board continues to adopt a progressive dividend policy and expects dividends to increase by at least 5% per annum.

Financing

I am pleased that the business continues to generate strong operating cash flow which continues to be a core strength of the business. Having completed the acquisition of Express & Star's UK publishing assets in February 2018 and the acquisition of the Ireland publishing assets in December 2018, we still finished the year with net debt of only £40.8 million. This represents an increase in net debt of only £31.8 million during the year. The Group delivered a robust financial performance and the strong cash generation of the business will ensure we maintain secure financing and ongoing financial flexibility.

Historical Legal Issues

We continue to make progress on settling civil claims in relation to historical phone hacking. However, the lengthy legal process continues to increase legal costs and we increased the provision for dealing with these historical matters by £12.5 million in 2018. The Board remains confident that claims arising from these historical events are manageable and do not undermine the delivery of the Group's strategy.

Pensions

We remain totally committed to funding our long-term pension obligations appropriately. We continue to work closely with the Trustees of our pension schemes to balance the need to fund the pension deficit, with the need to invest in the business and ensure we create value for our shareholders.

Total payments to fund historical pension deficits were £90.1 million in 2018. We agreed the 2016 triennial valuations of the former three Trinity Mirror Schemes in December 2017 and also concluded the valuations of the three acquired Express & Star Schemes during 2018. We have agreed to pay annual contributions of £48.9 million in 2019 and 2020. Further details of the full recovery plan are shown on page 8 of the Strategic Report. The next triennial valuation of all six pension schemes will be as at 31 December 2019 and these will need to be completed by March 2021.

Board Composition

Part of my role as your Chairman is to ensure that your Board has the necessary skills, knowledge and experience to make informed judgements that are in the best interests of all stakeholders. I have introduced a non-executive director-only session following each Board meeting to review the proceedings of the meeting. This is good governance and ensures that we maintain an independent perspective.

I would like to pay tribute to David Grigson, who stepped down as Chairman at the completion of the AGM in May 2018, and thank him for his leadership since his appointment in 2012.

Vijay Vaghela will be stepping down as Group Finance Director and Company Secretary on 1 March 2019, having been with the Group for over 24 years. On behalf of the Board, I would like to thank Vijay for his outstanding contribution. We welcome his replacement, Simon Fuller, who will be joining us on 1 March 2019 as the new Chief Financial Officer and Company Secretary. Simon brings a strong set of financial, operational and strategic skills to the Board.

Lee Ginsberg will be stepping down from the Board with effect from 30 April 2019 to focus on his other commitments. A recruitment process to identify Lee's successor will be initiated. We will announce further details in due course. On behalf of the Board, I would like to thank Lee for his valuable contribution to the business and wish him all the best for the future.

Looking Ahead

While March 2019 will bring uncertainty and challenge for the Group in relation to the United Kingdom leaving the European Union, Reach is well placed to weather these uncertainties, and processes are already being put in place to ensure business continuity regardless of the Brexit outcome.

In Conclusion

On behalf of the Board, I would like to thank our colleagues for their dedication throughout the year and their delivery of the Group's resilient performance. Our business depends on our talented team.

I would also like to thank you, our shareholders, for your continued support. I look forward to speaking with many of you at the forthcoming AGM, which I will be chairing for the first time.

Nicholas Prettejohn
Chairman

25 February 2019

Chief Executive's introduction

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"I am delighted to welcome you to the first Annual Report of Reach plc after changing our name from Trinity Mirror plc in May 2018. Our name may have changed but our determination to deliver sustainable growth in revenue, profit and cash flow remain undiminished."

Simon Fox,
Chief Executive

Key Points

- Clear strategy for success
- Completion of the acquisition of Northern & Shell's publishing assets
- Our people are the foundation of our business

I am pleased with the strong financial performance we have delivered with the benefits of the acquisition of the publishing assets of Northern & Shell ('Express & Star') clearly evident in the performance. We have strong brands which I believe will continue to flourish in a changing landscape where accurate, professionally produced news matters more than ever.

At our last AGM in May 2018, we had an overwhelming vote from shareholders in support of the name change of the Company from Trinity Mirror plc to Reach plc. The reasoning behind the name change and subsequent rebrand was to reflect the current composition of the Group following the acquisition of Local World and Express & Star. The new name of 'Reach' represents what we do and our vision, to reach more people, more often, more meaningfully. The name change was at the corporate level only and has not affected any of our individual news-brands.

Clear Strategy for Success

While we have refined the vision of the Group as part of the Reach rebranding, our values remain the same. Our strategic areas of focus are: to 'Optimise' so as to enhance our print brands and improve their longevity through quality journalism and content delivered as efficiently as possible; to 'Grow' by using technology, data and content from across all of our brands to grow our digital reach; and to 'Commercialise' through improving our revenue performance and seeking new opportunities to commercialise our growing digital audience. We will continue to consider merger and acquisition opportunities which would accelerate our strategy where the financial case meets our requirements.

Progress with our strategy and full information on the key achievements against our three key areas of strategic focus is set out on page 10 of the Strategic Report.

Financial Performance

I am pleased to report that adjusted operating profit and adjusted earnings per share grew by 16.8% and 8.6% respectively even though the trading environment for print remained challenging and we were impacted by changes in algorithms by Facebook and Google early in 2018 which adversely impacted our digital audience. Despite these trading challenges we achieved a credible print performance and our digital revenue saw continued growth, with like for like digital revenue growing by 5.3%. In particular, display and transactional revenue grew by 9.6% driven by growth in digital audience with average monthly page views in 2018 growing by 6% year on year to over a billion.

The statutory loss in the year is largely a consequence of the non-cash impairment change in respect of non-current assets.

The strong operating cash flows of the business coupled with the benefits of our focus to drive value from our property portfolio and the disposal of our non-core email marketing business, Communicator Corp, ensured that net debt only increased by £31.8 million to £40.8 million. We have maintained a secure balance sheet with low leverage and financial flexibility which ensures resilience with capacity for investment.

Completion of the Acquisition of Express & Star

I am delighted to confirm that following the approval by shareholders of the acquisition at the general meeting held in February 2018, the Competition and Markets Authority ('CMA'), who had issued a hold separate order in March 2018, approved the acquisition of the UK publishing assets in June 2018. We also received approval from the Irish competition authority for the associated purchase of the Irish publishing assets in December 2018. Our team has been working hard to drive the benefits of the acquisition and I am pleased that we have both improved the underlying financial performance of Express & Star and have made excellent progress in the delivery of £20 million of annualised synergy savings by 2020. More details on the acquisition can be found throughout the Annual Report.

Our People are the Foundation of our Business

Our talented people are the foundation of our business, and we aim to create a dynamic environment that enables our people to embrace their passions and ambitions. I welcome the Express & Star staff to the Group and thank all our staff for their contribution to our strong performance this year, for their hard work and dedication to the Group, and I look forward to working with them in the year ahead.

Looking Ahead

Print markets, in particular advertising revenue trends, are expected to remain challenging during 2019 while digital audience and revenue is expected to continue to grow.

Our relentless focus on efficiencies and growth from digital and new revenue streams provides me with confidence that the delivery of sustainable growth in revenue, profit and cash flow is achievable in the future, for the benefit of all stakeholders.

Simon Fox
Chief Executive

25 February 2019

Our business

Reach plc is the largest commercial national and regional news publisher in the UK, producing and distributing content through newspapers, magazines and digital platforms.

We are the largest commercial news publisher with national and regional newsbrands across the UK, including influential and iconic brands such as the Daily Mirror, Sunday Mirror, Sunday People, Daily Express, Sunday Express, Daily Star, Daily Star Sunday, Daily Record, Sunday Mail, market leading brands in key metropolitan markets across the country and paid-for celebrity brands: OK! and New!.

Our brands have a long heritage of being trusted sources of news and information with our editorial conviction and high standards of journalism providing audiences with timely information and opinion across multiple platforms.

The structure of the Group provides flexibility to drive efficiencies through a unified organisational structure which ensures activity is driven to benefit the Group overall. This helps to support profit and cash flow while print revenue remains under pressure, meaning the Group is able to maximise revenue and drive efficiencies without impacting quality.

The Group owns most of its print plants and printing presses, and a number of its key offices outside London. The information technology and infrastructure is hosted by a third party and the Group has data centres in key locations. The unencumbered printing assets provide flexibility to secure contract printing revenue as spare capacity is created through falling volumes or to retire capacity thereby reducing infrastructure costs. The freehold property assets provide potential disposal opportunities and at the same time also reduce infrastructure costs.

The Group's revenue streams are from print and digital activities. Although print related revenue is expected to remain under pressure in the future, the strength of our unique portfolio of trusted national and regional brands, aided by our ability to provide advertisers with a unique portfolio of national and regional packages, provides confidence that the rate of decline in print revenue is manageable. Within print revenues, more stable circulation revenues represent an increasing percentage. Continued focus on driving our digital audience together with new revenues streams, both organic and acquired, will over time deliver revenue growth to offset the decline in print and drive growth.

Having completed the acquisition of the Express & Star business, we changed the name of the Company to Reach plc to better reflect our audience scale across both print and digital. We have a clear strategy and have refreshed our areas of strategic focus to recognise the opportunity we have to optimise the quality and profitability of our print brands and to accelerate our digital audience and revenue performance.

Our strategic objective remains to deliver sustainable growth in revenue, profit and cash flow.

The Group is clear on the challenges it faces and on ensuring close alignment between our strategic initiatives and their financial outcomes for 2019 and future years. More details can be found on page 10 of the Strategic Report. The strong cash generation of the Group provides financial flexibility to invest, to grow dividends and over time to meet pension obligations.

Operating segments

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Publishing

Publishing includes all of our national and regional newspaper titles, celebrity magazines and digital publishing sites. This segment produces and distributes content to mass market audiences across the UK, through paid-for and free newspapers and magazines and through multi-platform digital sites (desktop, tablet, mobile).

Within our Publishing division, Reach Solutions is the commercial team working with media agencies and advertising clients to help them reach the national, regional, print and digital media audiences of the Reach media brands and other media publishers with tailored marketing solutions and commercial partnerships.

This division also holds events and exhibitions related to publishing activities, such as the 'Pride of...' series, which includes the Pride of Britain and Pride of Sport awards. Additionally within the division, Reach Sport Media provides contract publishing for football clubs and other sport-related organisations.

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Printing

Reach Printing Solutions provides internal print services to the Publishing division and externally to third parties, making it the largest provider of newspaper contract printing services in the UK. Reach Printing Solutions operates six print sites and 24 full colour presses.

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Specialist Digital

Specialist Digital contains our digital classified recruitment business, Reach Work, which comprises digital classified sites including TotallyLegal, GAAPweb and SecsintheCity. During the year we disposed of the digital marketing services business, Communicator Corp.

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Central

Central includes revenue and costs not allocated to the operational divisions and our share of results of associates. The most significant associates are a 21.53% stake in news agency the PA Group Limited, a 50% stake in event organiser Brand Events TM Limited and a 50% stake in Independent Star Limited.

Our business

Our daily print brands in 2018 sitting under Reach plc

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Trends and challenges

The Group's businesses operate in the rapidly evolving media sector and face a challenging trading environment which continues to place structural pressure on the Group's print related revenue while at the same time presenting opportunities to grow the Group's digital revenue.

The print market continues to face challenges with print advertising and paid-for sales declining. While print revenue will remain under pressure due to continued structural challenges, any improvement in the overall macroeconomic environment will help reduce the impact of the structural challenges.

National newsbrands advertising is estimated to have declined by 4.9% in 2018 (8.2% decline in print and 4.2% increase in digital) with a slower decline of 2.3% forecast for 2019 (source: WARC/AA).

Regional newsbrands advertising is estimated to have declined by 7.5% in 2018 (13.4% decline in print and 11.6% increase in digital) with a slower decline of 4.4% forecast for 2019 (source: WARC/AA).

The Group has experienced print advertising declines worse than these market forecasts which we believe are broadly in line with actual market trends. The Group's digital advertising trend has been impacted by algorithm changes by Facebook and Google in early 2018.

Circulation revenue will see lower declines than other print revenues due to the benefit of cover price increases even though volume will remain under pressure.

Contract printing revenue grew for a number of years with spare capacity being utilised by third parties. Whilst we achieved growth in 2018, as publishers have already retired significant capacity in recent years, there now remains limited scope for growth. The Group will continue to maximise revenue to fill spare capacity or retire capacity if it is more efficient to do so as was seen with the closure of four of our smaller print plants in the last few years.

The majority of the Group's revenue is currently generated from print and our strategy is to ensure that declines in print revenue are minimised. At the same time we look to deliver growth in digital revenue by investing in digital capabilities across products, editorial and commercial to grow our digital audience and revenue. Alongside this investment, the Group will seek out new revenue streams, both organic and acquired.

The Group's adjusted cost base in 2018 comprised: labour (42%), newsprint (13%), depreciation (4%) and other (41%). The most significant elements of other costs are printing (including external printing of magazines), distribution, information technology and property related costs.

As a consequence of the challenging print environment, the Group continues to focus on cost efficiency including the delivery of material structural cost savings and synergy savings from the integration of Express & Star.

Our Vision	To reach more people, more often, more meaningfully.
Our Belief	Engaging, differentiated content is at the heart of our business. It is this content that makes us central to our audience's daily lives and our context which makes us so valuable to advertisers.
Our Values	Collaboration. Imagination. Determination.
Our People	Talented people are the core of our business and critical in taking the business forward. We are committed to providing an environment where everyone is supported and encouraged to follow their ambitions and reach their potential.
Our Strategic Objective	To deliver sustainable growth in revenue, profit and cash flow.

Key areas of strategic focus

Optimise	Enhance our print brands and improve their longevity through quality journalism and content delivered as efficiently as possible.
Grow	Using technology, data and content from across all of our brands to grow our digital reach.
Commercialise	Improve our revenue performance and seek new opportunities to commercialise our growing digital audience.

Our business

Vision and Strategy

Our vision and strategy supports our overriding goal of driving shareholder value while over time funding our historical pension obligations.

This section summarises our vision and strategic objective.

Our vision, which we updated as part of the Group's rebranding, is 'to reach more people, more often, more meaningfully'.

Our belief is that engaging, differentiated content is at the heart of our business. It is this content that makes us central to our audience's daily lives and our context which makes us so valuable to advertisers.

Our values were refreshed at the start of 2016 to more accurately reflect the behaviours which we believe are necessary for us to succeed and deliver – collaboration, imagination, determination.

Our talented people are the foundation of our business. We create a dynamic environment that embraces their passions and ambitions.

Our strategic objective remains to deliver sustainable growth in revenue, profit and cash flow.

This will be delivered through three key areas of strategic focus:

- **Optimise:** Enhance our print brands and improve their longevity through quality journalism and content delivered as efficiently as possible;
- **Grow:** Using technology, data and content from across all of our brands to grow our digital reach; and
- **Commercialise:** Improve our revenue performance and seek new opportunities to commercialise our growing digital audience.

We will consider merger and acquisition opportunities which accelerate progress on all three pillars of our strategy and where the financial and business case meets our requirements.

Growth from digital and new revenue streams will begin to outstrip print declines on an aggregate basis, leading to a stabilisation of Group revenue and then a return to top line growth. This, combined with our inbuilt and relentless focus on efficiencies, makes the Board confident that the delivery of sustainable growth in revenue, profit and cash flow is achievable in the future, for the benefit of all stakeholders.

Key highlights of progress on each area of strategic focus and the key performance indicators can be found on page 10 of the Strategic Report. The achievement of the Group's strategic objective and the key performance indicators are all impacted by the risks and uncertainties set out on page 16 of the Strategic Report.

Operating Performance

The Group delivered a strong performance in 2018 with adjusted operating profit increasing by 16.8% to £145.6 million, ahead of market expectations.

Revenue increased by 16.2% or £100.7 million to £723.9 million reflecting the benefit of the acquisition of Express & Star which was completed on 28 February 2018. Since completion, Express & Star contributed revenue of £159.5 million. Excluding revenue from Express & Star, revenue fell by £58.8 million which includes the net £8.8 million impact of portfolio changes (handing back two Metros to DMGT in December 2017, other portfolio changes in 2017 and the disposal of The Communicator Corporation Limited in September 2018).

On a like for like basis, revenue fell by 6.6% with Publishing revenue falling by 6.9%. Publishing print revenue fell by 8.7% and digital revenue grew by 5.3%, with digital display and transactional revenue growing by 9.6% partially offset by a 19.1% fall in digital classified revenue. Publishing digital revenue in 2018 was £103.6 million including revenue from Express & Star of £17.4 million.

The acquisition of Express & Star coupled with our continued focus on tightly managing the cost base ensured we delivered a strong performance with adjusted operating profit growing by 16.8% or £20.9 million to £145.6 million. This was despite a significant increase in the price of newsprint. We delivered structural cost savings of £20 million, £5 million ahead of our original target of £15 million. Synergy cost savings of £3 million were delivered from the integration of Express & Star. We expect further structural cost savings of £10 million in 2019 and incremental synergy cost savings of £12 million (annualised £15 million) from integrating Express & Star. We remain on track to deliver at least £20 million of annualised synergy cost savings by 2020.

Tight working capital management and the strong cash flows generated by the business ensured that adjusted financing costs were £3.7 million, an increase of only £1.5 million from the prior year despite the higher level of borrowings to fund the acquisition of Express & Star. Adjusted profit before tax increased by 15.8% to £141.9 million. Adjusted earnings per share increased by 8.6% to 39.2 pence per share.

A statutory operating loss was reported for the year of £107.6 million compared to a statutory operating profit of £97.9 million in the prior year due to the impact of the non-cash impairment charge of £200.0 million and a GMP equalisation charge of £15.8 million. The total impact of the items excluded from adjusted operating profit (note 5) was a charge of £253.2 million (2017: £26.8 million). Statutory financing costs were £12.3 million (2017: £16.0 million) and statutory loss before tax was £119.9 million compared to a statutory profit before tax of £81.9 million in the prior year. Statutory loss per share for the year of 41.0 pence compares to a statutory profit per share of 23.0 pence in the prior year.

Acquisition of the Publishing Assets of Northern & Shell

The acquisition of the publishing assets of Northern & Shell ('Express & Star') for a total consideration of £126.7 million comprised the UK publishing assets for £121.7 million which was completed on 28 February 2018 and the Ireland publishing assets for £5.0 million which was completed on 6 December 2018.

The UK publishing assets comprised 100% equity in Reach Network Media Limited (formerly Northern & Shell Network Limited) and its subsidiaries for £121.7 million. The consideration comprised an initial cash consideration of £42.7 million and an equity consideration of £20.0 million (issue of 25,826,746 shares at 77.44 pence per share) both on completion and deferred consideration of £59.0 million (£18.9 million, £16.0 million, £17.1 million and £7.0 million payable on the second, third, fourth and fifth anniversaries respectively of completion). Post completion, a merger review was instigated by the Competition and Markets Authority ('CMA') and the transaction was also reviewed by the Secretary of State for Digital, Culture, Media and Sport ('Secretary of State') for public interest considerations. On 20 June 2018 the acquisition was cleared by the Secretary of State and the CMA.

The Ireland publishing assets comprised a 50% equity interest in Independent Star Limited for £4.5 million and 100% equity in International Distribution 2018 Limited for £0.5 million. The acquisition of these assets was subject to clearance by the competition authorities in the Republic of Ireland which was granted on 5 December 2018.

Our business

Acquisition of the Publishing Assets of Northern & Shell continued

Transaction costs (including costs relating to the competition and public interest reviews) amounted to £8.5 million (£2.2 million expensed in the second half of 2017 and £6.3 million expensed in 2018). Costs were £1.5 million higher than the £7.0 million estimated at the time of the acquisition due to higher than expected costs in relation to the regulatory reviews by the CMA and the Secretary of State.

In connection with the acquisition, the Group made an initial pension contribution of £41.2 million to the three defined benefit pension schemes of Express & Star and entered into a schedule of contributions amounting to £29.2 million over the period 2018 to 2027 (£1.9 million per annum from 2018 to 2020, £4.1 million per annum from 2021 to 2023, £3.3 million per annum from 2024 to 2026 and £1.3 million in 2027). The initial pension contribution was made on 2 March 2018. During the year the Group finalised with the Trustees the most recent triennial valuations of the three schemes confirming the schedule of contributions.

Also in connection with the acquisition, the Group agreed to revise the schedule of contributions for the other three defined benefit pension schemes of the Group amounting to an increase of £67.0 million over the period 2018 to 2027 (£3.2 million per annum from 2018 to 2020 and £8.2 million per annum from 2021 to 2027). The revised schedule of contributions were finalised with the Trustees on 1 March 2018.

The Group also agreed, as part of the acquisition, to increase from 50% to 75% the additional contributions that would be paid to the defined benefit pension schemes if dividends paid in 2018 are above 6.16 pence per share. For 2019 and 2020 the threshold increases in line with the increase in dividends capped at 10% per annum.

A new £75 million Acquisition Term Loan was procured in February 2018 and £70 million was drawn to partially fund the acquisition of the UK publishing assets which together with a drawing on the Group's Revolving Credit Facility and cash balances funded the initial consideration to the seller and the initial contribution to the defined benefit pension schemes of Express & Star. The remaining £5 million of the Acquisition Term Loan was available for completion of the acquisition of the Ireland publishing assets and was cancelled in October 2018 as the cash generated by the Group was sufficient to fund this £5 million.

Pension Schemes

The IAS 19 pension deficit in respect of the Group's six defined benefit pension schemes fell by £29.0 million to £348.6 million (£284.1 million net of deferred tax). This includes a net asset of £4.2 million for the Express & Star pension schemes at the end of the year (deficit at the date of acquisition was £38.3 million). Excluding the Express & Star pension schemes, the IAS 19 pension deficit fell by £24.8 million to £352.8 million. A favourable movement in assumptions (an increase in the discount rate and a reduction in the expected rate of improvement in mortality) and Group contributions have been substantially offset by weak asset returns, in particular in the second half of 2018 driven by the volatile equity markets, and by a charge for past service costs of £15.8 million arising from GMP equalisation.

The calculation of GMP is set out in legislation and members of pension schemes that were contracted out of the State Earnings-Related Pension Scheme ('SERPS') between 6 April 1978 and 5 April 1997 will have built up an entitlement to a GMP. GMPs were intended to broadly replicate the SERPS pension benefits but due to their design they give rise to inequalities between men and women, in particular, the GMP for a male comes into payment at age 65 whereas for a female it comes into payment at the age of 60 and GMPs typically receive different levels of increase to non GMP benefits. On 26 October 2018, the High Court handed down its judgement in the *Lloyds Trustees vs Lloyds Bank plc and Others* case relating to the equalisation of member benefits for the gender effects of GMP equalisation. This judgement creates a precedent for other UK defined benefit schemes with GMPs. The judgement confirmed that GMP equalisation was required for the period 17 May 1990 to 5 April 1997 and provided some clarification on legally acceptable methods for achieving equalisation. We have therefore included an allowance for GMP equalisation within liabilities at 30 December 2018. The estimate is subject to change as we undertake more detailed member calculations and/or as a result of future legal judgements.

Group contributions to the defined benefit pension schemes were £90.1 million (£47.0 million to the former Trinity Mirror schemes and £43.1 million to the Express & Star schemes which included an upfront payment of £41.2 million in connection with the acquisition). Contributions have been agreed at £48.9 million per annum for 2019 and 2020, £56.1 million per annum for 2021 to 2023, £55.3 million per annum for 2024 to 2026 and £53.3 million for 2027.

The change in the accounting pension deficit does not have an immediate impact on the agreed funding commitments. The next valuation for funding of all six pension schemes will be as at 31 December 2019 and this is required to be completed by 31 March 2021, although we anticipate this to be completed by 31 December 2020.

Our business

Low Leverage with continued Financial Flexibility

The Group continues to maintain a strong balance sheet with net debt of £40.8 million. This is an increase of £31.8 million during the year after expending £95.1 million in relation to the acquisition of the publishing assets of Northern & Shell (initial cash consideration of £42.7 million for the UK publishing assets, £5.0 million cash consideration for the Ireland publishing assets, transaction costs of £6.3 million and the initial pension contribution of £41.2 million less a net working capital adjustment of £0.1 million).

Net debt at the end of the year comprised £60.0 million drawn on the Acquisition Term Loan ('ATL') less cash balances of £19.2 million. The Group has access to an undrawn £83.3 million amortising Revolving Credit Facility ('RCF') which is committed until December 2021. The RCF amortises by £8.33 million every six months from June 2019 to December 2020 down to £50.0 million for the last year of the term. On 27 July 2018, the Group prepaid the £10.0 million repayment due under the ATL in December 2018 and on 10 October 2018 cancelled the undrawn £5 million. The outstanding £60 million drawn on the facility is repayable in three instalments of £20.3 million, £20.3 million and £19.4 million in December 2019, 2020 and 2021 respectively.

Leverage is below one times full year adjusted EBITDA (adjusted operating profit plus depreciation) and the strong cash flows generated by the Group provide resilience and financial flexibility to invest in the business, meet pension funding obligations and pay dividends.

Impairment Charge

The Group recorded a non-cash impairment charge of £200.0 million (£150.0 million provided in June 2018 in respect of the Regionals cash-generating unit and £50.0 million provided in December 2018 in respect of the Publishing excluding Express & Star cash-generating unit) against the carrying value of goodwill, publishing rights and titles and freehold buildings. This reflects the more challenging than expected trading environment for advertising revenue generated locally and the short term uncertainty arising from the UK's exit from the European Union.

At each reporting date management review the interdependency of revenues across our portfolio of newspapers and websites to determine the appropriate cash-generating unit. The Group operates its newspaper titles and websites such that the majority of the revenues are interdependent and revenue would be materially lower if titles and websites operated in isolation. As such, management do not consider that an impairment review at an individual title or website level is appropriate or practical. As the Group continues to centralise revenue generating functions and has moved to a matrix operating structure over the past few years all of the individual titles and websites in Publishing excluding Express & Star have increased revenue interdependency and the number of cash-generating units has reduced. Express & Star is being fully integrated with revenue expected to be significantly interdependent within Publishing such that management expect to have a single cash-generating unit relating to the whole of Publishing for 2019.

Historical Legal Issues

The cost associated with the settlement of civil claims in relation to phone hacking has been higher than expected, in particular the legal fees of the claimant's lawyers. Although the utilisation of the provision has slowed during the year with £3.0 million utilised in the second half of 2018 compared to £6.6 million in the first half of 2018, we have increased the provision for settling these historical claims by £12.5 million during the year (£7.5 million provided in June 2018 and £5.0 million provided in December 2018) bringing the total amount provided to £75.5 million. At the end of the year £13.6 million of the provision remains outstanding and this represents the Board's best estimate of the amount required to settle the expected claims. This estimate is based on historical trends and experience of claims and costs, and in some cases, proposed offers to settle claims.

Whilst the Board notes that there is continued uncertainty, the increase in the year is predominantly due to increased legal fees for the claimants lawyers as the number of new claims has slowed. The Group has recorded an increase in the provision in each of the last three years which highlights the challenges in making a best estimate. Certain cases are subject to court proceedings and the outcome of these cases is likely to have an impact on how much is required to settle the remaining claims. Individual court rulings can affect multiple cases and therefore the Group's current ability to settle and so mitigate further legal costs. The Board remains confident that the exposures arising from these historical events are manageable and do not undermine the delivery of the Group's strategy.

Dividends and Share Buyback

The Board proposes a final dividend of 3.77 pence per share for 2018, an increase of 6.2%, bringing the total dividend for 2018 to 6.14 pence per share, an increase of 5.9%. The final dividend which is subject to approval by shareholders at the Annual General Meeting on 2 May 2019 will be paid on 7 June 2019 to shareholders on the register on 10 May 2019.

The Board continues to adopt a progressive dividend policy which is aligned to the free cash generation of the Group. The free cash generation for the purposes of assessing the dividend is the net cash flow generated by the Group before the repayment of debt, dividend payments, other capital returns to shareholders and additional contributions made to the defined benefit pension schemes as a result of any substantial increase in dividends and/or capital returns to shareholders. When setting the level of dividends the Board will ensure that the Group maintains adequate headroom for investment and any unexpected cash flow requirements for historical events or to fund further restructuring. Based on the Board's expectation of future cash flows, the Board expects dividends to increase by at least 5% per annum. The Board will also continue to consider, if appropriate, the return of capital to shareholders through a share buyback if it has generated surplus cash and sees an opportunity to enhance earnings per share and therefore shareholder value. Prior to initiating a share buyback programme the Board will carefully consider the cash generation of the business, investment requirements and the Group's obligations to the Group's defined benefit pension schemes.

Current Trading and Outlook

Revenue in January and February 2019 is expected to fall by 7% on a like for like basis. Subject to there being no significant adverse implications arising from the UK's exit from the European Union, we are confident that our strategy will enable continued progress to support profit and cash flow.

Strategy and KPIs

Key highlights of progress on each area of strategic focus are set out below:

Optimise

Although print circulation volumes and print advertising are in structural decline, we will seek to maximise the returns on our print brands so long as they remain viable by delivering quality journalism and content as efficiently as possible.

The quality of our titles is evident in the numerous journalism awards that our titles have won during the year. These included three awards at the National Press Awards 2018, MEN winning Daily Newspaper of the Year at the Regional Press Awards and Cornwall Live winning Gold in Regional Media Brand of the Year at the 2018 British Media Awards, amongst many others.

A key priority for the Group is maintaining quality journalism whilst maintaining the commercial viability and profitability of our brands into the future. To achieve this we continue to drive efficiencies which do not adversely impact quality journalism and have delivered structural cost savings of £20 million in 2018, £5 million ahead of the target of £15 million. These savings have been achieved by a series of initiatives across the business, including editorial, commercial, printing, senior management structures and all back office functions. We have also been driving longer term infrastructure and operational benefits by reducing office space, moving one of our two data centres to the cloud and investing in new and improved finance systems. We are targeting a further £10 million of structural cost savings in 2019.

In addition to delivery of the structural cost savings we delivered £3 million of synergy cost savings from the integration of Express & Star and remain on track to deliver at least £20 million of annualised synergy cost savings by 2020 with incremental savings of £12 million (£15 million annualised) in 2019.

In 2019 we expect restructuring costs of £15 million to deliver the £22 million of cost savings (£10 million structural and £12 million synergy cost savings noted above).

In addition to cost savings we will drive further optimisation initiatives through:

- Cover price increases, where appropriate;
- Maximising the utilisation of our printing network by securing new or retaining existing print contracts or securing external printing for our newspapers where appropriate; and
- Managing the profitability of our titles and closing titles where there is no path to profitability.

Grow

The growth in display and transactional revenue was impacted in the year by algorithm changes made by Facebook and Google early in 2018 which adversely impacted our audience. Average monthly page views in 2018 grew by 6% year on year to over a billion. Average monthly mobile page views grew by 15% while desktop page views fell by 9%.

To deliver continued growth in audience we are:

- Rolling out new and rebranding our existing regional websites to the Live format. During 2018 we have rebranded the majority of our sites to the Live format and launched Edinburgh Live and MyLondon. We are launching a number of new Live sites in 2019 including Cork Live and Lancashire Live;
- Developing and implementing a differentiated digital editorial strategy for each of our national brands to improve our digital performance and user experience across all platforms and interfaces. We continuously look to improve the functionality of our digital infrastructure through software updates and ongoing development initiatives;
- Improving search engine optimisation across the network;

- Widening the sources of digital traffic to minimise the impact of future changes by platforms that could adversely impact our audience; and
- Investing in the development of new products such as InYourArea, Football.London and Football Scotland.

Commercialise

We strive to be best in class at commercialising the audiences we reach. We will continue to maximise print revenues and optimise our digital advertising yields, both nationally and regionally, using the best technology and people. In addition, we will seek other ways to monetise our audience and reach by:

- Market launch of a new integrated digital sales proposition for our portfolio of digital sites underpinned by a unified advertising stack;
- Working with other publishers in the UK to build scale audiences which provide the opportunity to provide advertisers with enhanced targeted reach and improve their return on investment. We have invested in a 25% stake in Ozone Project Limited which is a joint venture with three other national newsbrands;
- Local standalone commercial sales trials in new markets. The first of these is in Leeds and we plan to roll this out to the other standalone sites; and
- Leverage affiliate partnerships through the use of AI to place links within contextually relevant content.

Key Performance Indicators

To track delivery of our strategy, the following KPIs are reported on for 2018:

Financial measure	Group kpis	Performance in the period
Publishing digital display and transactional revenue growth	At least 20% pa	✗
Circulation revenue	Single digit declines	✓
Print advertising revenue	At least in line with national market trends	✓
Operating margin	Grow operating margin to support profits	✓
Dividend growth	At least 5% pa	✓

Publishing digital display and transactional revenue growth: like for like growth of 9.6% for the year is below the target in part due to our digital audience being negatively impacted by the changes in algorithms undertaken by Facebook and Google early in 2018.

Circulation revenue: like for like decline of 5.1% is in line with the target with cover price increases partially mitigating volume declines.

Print advertising revenue: national print advertising trends have been broadly in line with market trends.

Operating margin: adjusted operating margin improved by 0.1 percentage point from 20.0% in 2017 to 20.1% in 2018. The improvement in margin reflects the tight management of the cost base and has been achieved despite more challenging local advertising trends and the acquisition of Express & Star which operated at a lower operating margin.

Dividend growth: the final dividend for the year of 3.77 pence per share together with the interim dividend of 2.37 represents a total dividend of 6.14 pence per share, an increase of 5.9% on the 2017 total dividend.

2019 Targets

With the exception of the target for Publishing digital display and transactional revenue growth which will be 15%, the KPI targets for 2019 will be the same as 2018.

Our audience

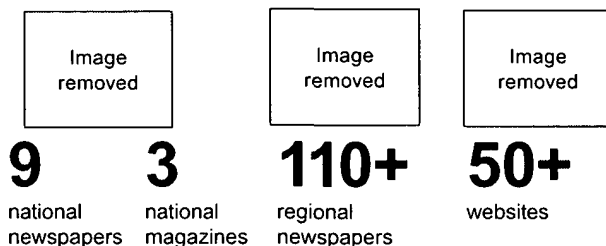
Our newsbrands have a long heritage of being trusted sources of news and information.

We are an essential part of everyday life for millions of people across the country and they are loyal to our brands.

Our readers trust us to do the right thing and they are drawn to our strong social conscience. You can find examples of our successful campaigns and community activity in the Corporate responsibility report.

Our audience is the mass market mainstream and our understanding of their values and their beliefs underpins our editorial approach and helps us work with commercial partners to target them with relevant activity.

In 2018



Total UK reach of our national and regional news brands per month¹

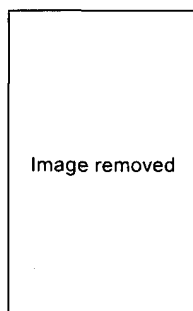
45.8m

2017: 39.3m

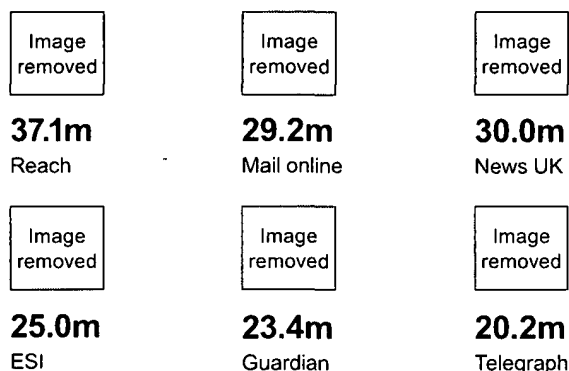
In 2018²

17.7m

people read one of our newspapers or magazines each month

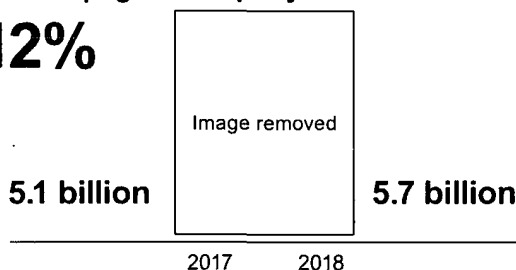


UK monthly online audience³



Mobile UK page views per year⁴

+12%



Total UK page views per year⁴

8.1 billion

2017: 7.9 billion

+2%

Sources

1 IPA Touchpoints 2018 and comScore Sep-Nov 18 average with applied duplication.

2 IPA Touchpoints 2018.

3 ComScore December 2018.

4 Google Analytics March to December 2018, Adobe Analytics January and February 2018 and Adobe Analytics January to December 2017..

Our people

Our business has continued to evolve at pace throughout 2018 and our success is credited to our talented people who demonstrate strength, pride and passion in their work.

We are focused on identifying and developing the right people for the right jobs at the right time and encourage progression for everyone, whatever their ambitions. This benefits employees and gives us agility to adapt to our customers' aspirations in a changing media environment.

Highlights

- Substantial industry recognition for award winning employees and teams
- Post acquisition successful integration of Express & Star staff
- Launch of Talent Programmes, with a focus on developing women, across Reach
- Significant expansion of our apprenticeship scheme
- Launch of a new Employee Benefits Platform

Employee benefits

The Group continues to offer a defined contribution pension scheme, life assurance, sickness benefits and an employee assistance programme for staff and their families giving confidential and impartial advice on a wide range of welfare issues. All employees are also given the opportunity to participate in a range of additional voluntary benefits.

In 2018, we redesigned and launched an improved employee benefits platform to Reach employees. The platform is more user friendly allowing for easier navigation, self service and quick access to choose tailored benefits. It also supports our wellbeing initiatives, offering employee health and wellbeing choices.

2018 saw an increased focus on employee wellbeing. A dedicated Wellbeing Platform was developed to host a number of tools and resources. This was further complemented by the introduction of over 40 Mental Health First Aiders across the Group to provide support for employees. These initiatives aim to ensure all employees have access to appropriate tools and resources to support their wellbeing when required and will continue to be a priority in 2019.

An annual pay award was made to all employees in 2018, with the lowest earning employees receiving a higher increase again this year and we continued our commitment to offering all our employees a true living wage as a minimum standard. Our employees participate in incentive schemes either through a management bonus scheme, local schemes or for all other qualifying staff through inclusion in the Group's employee bonus scheme. For the management scheme the average bonus payable is 45%. For the employee bonus scheme the bonus payable is 54%.

The number of employees participating in our apprenticeship programmes in 2018, funded via the levy in England, significantly increased from 37 to 145 working across 12 programmes. Our offering now includes Management and Leadership covering Masters, Project Management, Finance, Junior Journalism, Digital Marketing, IT and Manufacturing. In 2019 we plan to expand the programme further with the launch of entry-level apprenticeships in journalism and introducing our offering into North and South Wales, enabling us to utilise the levy as a devolved nation.

In 2018, we launched our internal Talent Management Programmes and received 77 nominations from across the Group for our Leaders of the Future and Springboard Programmes. 33 people were selected for the programmes and all 77 nominated will be supported in creating their own personal development plan. During the assessment process a gap in our offering was identified, with some female colleagues falling between the criteria for Springboard and Leaders of the Future so, The Bridge programme was launched with the aim of developing key female talent.

Our new Your Development learning management system was launched in 2018 and is available to all employees in Reach. The system allows employees to access our corporate compliance training and skills development content. We can now more easily report on current completion for corporate compliance and this links into our new performance management approach, Your Success.

Staff numbers

At the year end, the Group employed 4,772 permanent employees across 72 locations.

Graph removed

Graph removed

In 2018, the voluntary rate of employee turnover was 15.2%, up from 13.7% in 2017, and the retention rate, defined as employees in the Group's employment for the full 12 months, was 84.8%, down from 88.2% in 2017. The ongoing restructuring process will have had an impact on retention throughout 2018. We continue to monitor it closely. In 2018, the Group's absenteeism rate, which follows the common definition used by the Advisory, Conciliation and Arbitration Service, reduced slightly to an average of 2.2% from 2.4% in 2017.

Our people

Staff engagement

Employees are kept up to date on Group and local news through intranet articles, email updates and a combination of verbal and written information cascades. Buzz, our internal intranet, was launched in line with Reach this year and is the hub for news and information across the Group.

In 2018, we committed to regularly reviewing our employee engagement through our monthly Your Say Pulse surveys. We have seen an improvement in our overall engagement score in 2018 despite it being a year of significant change and challenge for our people. We take employee feedback to help identify areas of focus and to develop initiatives to drive engagement.

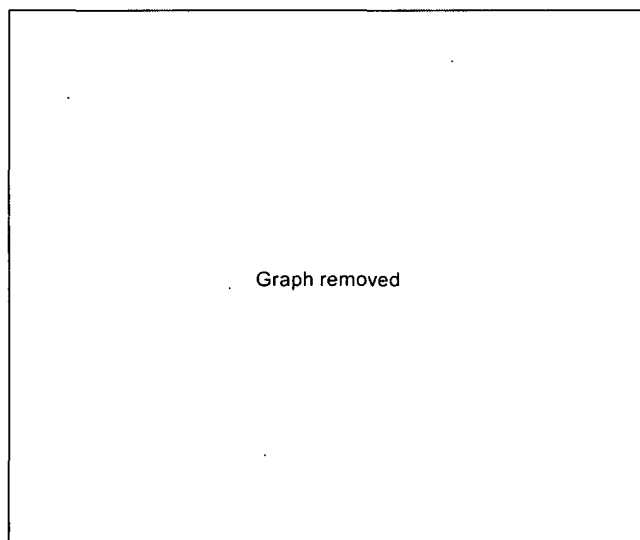
With the change of the Company name to Reach and the integration of Express & Star colleagues we focused on our company values. Linking this to employee recognition is embedding awareness, significance and understanding across the business.

Equal opportunities

The Group continued its commitment to equality of opportunity in all its employment practices to ensure we attract and retain the best people.

In 2018, the number of women within the Group fell to 37% (2017: 41%) with women occupying 30% of senior managerial roles across the Group. Senior managers have responsibility for key businesses or functions within the Group.

The Board policy on gender diversity is set out on page 33 of the Corporate Governance Report along with the composition of the Board.



Gender pay reporting

The Group is required to report data on four of its business entities in line with the UK Government reporting requirements for gender pay reporting on entities with more than 250 employees, however, we also report on the entire business.

The regulations require us to report on "relevant employees" as at 5 April 2018, so this information uses a different definition of employees and contains a wider data set than the employee data reported on elsewhere in the Annual Report.

For Reach overall we see a similar headline position to 2017.

The median hourly pay gap has fallen from 15.0% in 2017 to 14.7% in 2018 while the mean hourly pay gap has increased slightly from 18.0% to 18.5%.

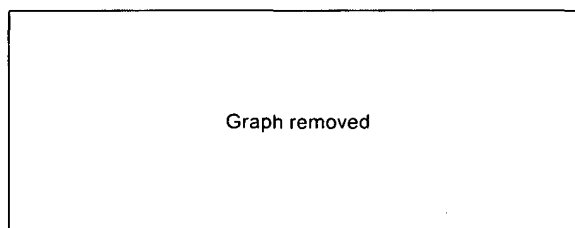
Group level reporting on Gender Pay

% Pay difference between men and women

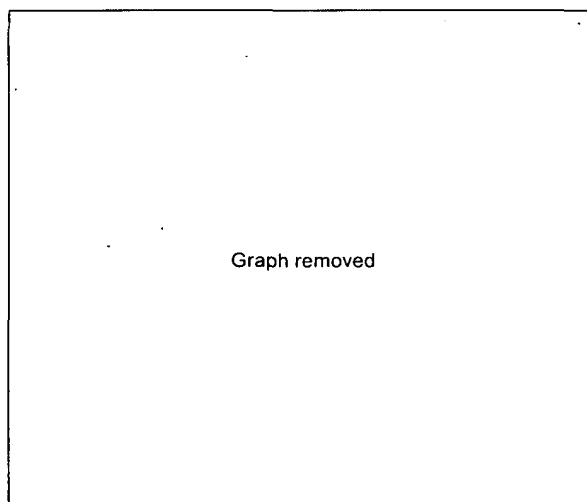
	Mean	Median
Hourly Pay	18.5%	14.7%
Bonus difference	15.2%	0%

% of colleagues paid a bonus

Received bonus
Did not receive a bonus



The charts below show our gender distribution across four evenly distributed quartiles, as prescribed by the reporting regulations:



The Gender Pay Gap reporting gives a transparency which can accelerate change through a better understanding of the challenges we face and how to respond to these as part of a broader ambition for inclusivity across our business.

At Reach we understand the reasons why we have a gender pay gap and where to focus our attention.

There is no single action that can eliminate the gender pay gap and we recognise that making a difference will take time. This is particularly true of a business facing the amount of change we will continue to see as we respond to the changing marketplace. Further, we acknowledge that we have had a traditionally male dominated print workforce throughout all levels and given the nature of this business this is unlikely to change.

We are realistic and committed in the actions we take and the outcomes we anticipate to ensure we are honest, open and fair to all in our approach.

Our people

Gender pay reporting continued

The most important consideration is the progression of women into more senior positions, and the Board is very pleased to see that a number of key indicators are going in the right direction:

- The recent talent initiatives introduced have overall a higher % of women to men on these programmes;
- We introduced the Bridge programme as a specific response to the development needs of some key women in our business;
- There are currently more women taking up the various apprenticeship offerings than men; and
- Proportionally we have seen a slightly higher number of women being promoted and receiving out of cycle increases than men between the April 2017 and April 2018 reporting dates.

We continue to adopt the Living Wage Foundation rates for all employees and remain committed to addressing diversity in our workplace. The Reaching Gender Equality Group (formerly the Women in Trinity Mirror Group Forum) is active and involved in initiatives to address the gender pay gap and involve female participation at all levels in the organisation.

Our legally reportable entities were MGN Limited covering publishing staff mainly in Canary Wharf but also across the UK, Local World Limited employing regional publishing staff across the UK, Media Scotland Limited covering the employees of Scotland and Express Newspapers following the acquisition of Express & Star in 2018 with employees across the UK.

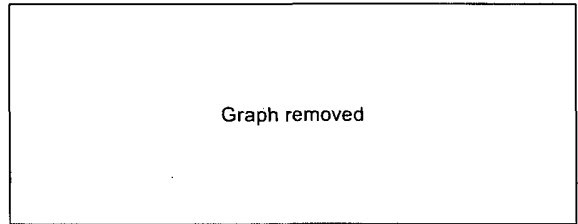
MGN Limited

% Pay difference between men and women

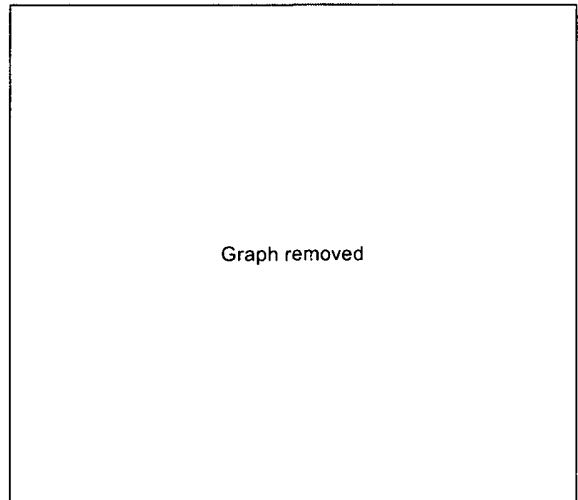
	Mean	Median
Hourly Pay	19.0%	22.5%
Bonus difference	2.3%	0%

% of colleagues paid a bonus

Received bonus
Did not receive a bonus



The charts below show our gender distribution across four evenly distributed quartiles, as prescribed by the reporting regulations:



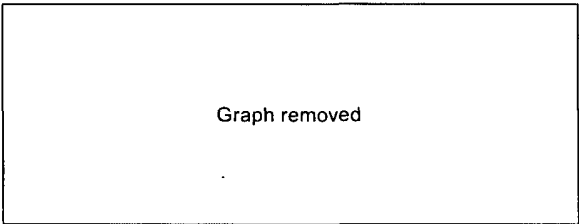
Local World Limited

% Pay difference between men and women

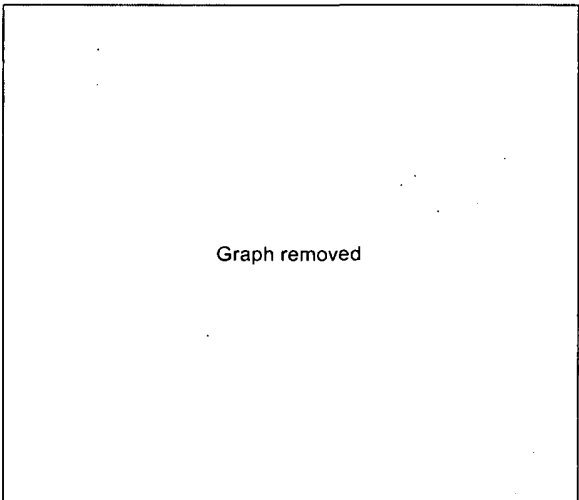
	Mean	Median
Hourly Pay	6.0%	9.1%
Bonus difference	(22.4%)	(122.7%)

% of colleagues paid a bonus

Received bonus
Did not receive a bonus



The charts below show our gender distribution across four evenly distributed quartiles, as prescribed by the reporting regulations:



Our people

Gender pay reporting continued

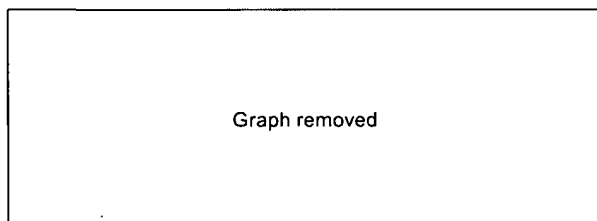
Media Scotland Limited

% Pay difference between men and women

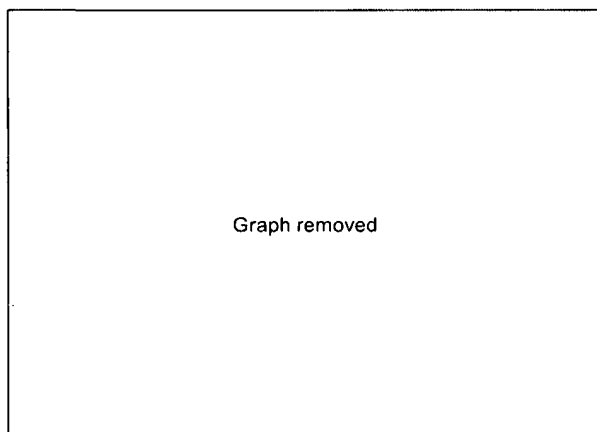
	Mean	Median
Hourly Pay	18.8%	16.9%
Bonus difference	(4.6%)	0%

% of colleagues paid a bonus

Received bonus
Did not receive a bonus



The charts below show our gender distribution across four evenly distributed quartiles, as prescribed by the reporting regulations:



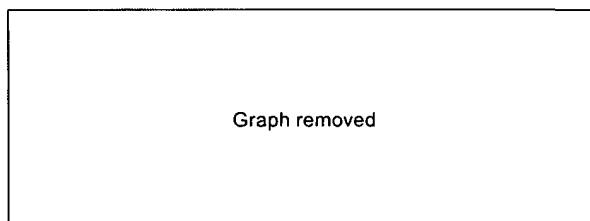
Express Newspapers

% Pay difference between men and women

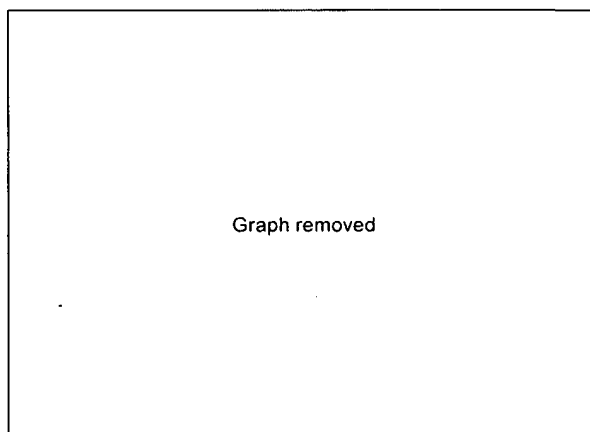
	Mean	Median
Hourly Pay	16.5%	14.6%
Bonus difference	34.8%	12.5%

% of colleagues paid a bonus

Received bonus
Did not receive a bonus



The charts below show our gender distribution across four evenly distributed quartiles, as prescribed by the reporting regulations:



Management changes

Allan Rennie, Managing Director and Editor in Chief for Media Scotland left the business in March 2018 as part of an organisational restructure. Allan had a distinguished career at Reach over 24 years, editing the Daily Record and Sunday Mail and served as editorial director for our national titles. David Dick has been appointed as Editor in Chief of our Scottish national titles and websites.

We would like to thank all our colleagues for their contribution to the full year performance.

Awards

Reach's people continue to be at the heart of all we do and their achievements were recognised externally through various industry awards. A number of our national and regional brands were also successful in being recognised for their achievements.

Some of the main awards won were:

National Press Awards

- Health Journalist of the Year – Daily Mirror
- Columnist of the Year – Daily Mirror
- Feature Writer of the Year – Daily Mirror

Regional Press Awards

- Daily/Sunday Newspaper of the Year and Campaign of the Year – Manchester Evening News

British Media Awards 2018

- Regional Media Brand of the Year – Cornwall Live
- Regional Marketing Team of the Year – Liverpool Echo
- Regional Editorial Content Team of the Year – NCJ Media Newcastle

Scottish Press Awards

- Digital Team of the Year – dailyrecord.co.uk
- Journalism Team of the Year – Sunday Mail

Kent Press and Broadcast Awards

- Best Use of Social Media – Kent Traffic and Travel, Kent Live
- Kent New and Young Journalist of the Year – Kent Live

Manchester Publishing Association Awards

- The MPA Award for Special Recognition – MEN's 150th anniversary

Wales Media Awards

- Website of the Year – Walesonline
- Daily/Sunday Newspaper of the Year – Western Mail

Risks and uncertainties

There is an ongoing process for the identification, evaluation and management of the principal risks faced by the Group. Appropriate mitigating actions are in place to minimise the impact of the risks and uncertainties which are identified as part of the risk process. The principal risks and uncertainties, the risk appetite in relation to these risks as agreed by the Board, together with progress made during the year are set out on these pages. Environmental and health and safety risks are set out in the corporate responsibility section. How the Group manages risks is set out on page 35 of the Corporate Governance Report. In accordance with the Corporate Governance Code 2016 (and Listing Rules), the Board has prepared statements on the Group and Company's going concern and viability. Details can be found on pages 35 and 36 of the Corporate governance report.

Principal risks and uncertainties

Strategy

Risk description and factors

The overall strategy or elements of the strategy are inappropriate and the delivery of the strategy is badly executed. This results in accelerated revenue loss for existing products (print advertising/newspaper sales) and a failure to attract new revenues quickly enough such that the Group is unable to support profit and cash flow and then grow revenue, profit and cash flow.

Risk appetite

Reach has the appetite for taking well balanced risks deemed necessary to develop the business where they are in line with our strategy and do not knowingly compromise our existing brands, reputation or the financial stability of the Group. We recognise the industry-wide trends around print revenue declines and are committed to addressing them through delivery of our strategy.

We seek to ensure the successful delivery of the strategy through robust ongoing monitoring systems and processes. We will only implement changes or invest in areas which are key to the delivery of our strategy and that do not compromise our existing brands, reputation or the financial stability of the Group.

We recognise that investment decisions taken may not always have the desired outcome and aim to create a high performing environment based on openness and integrity where potential issues are identified and remedied quickly to ensure we continue to move in the right direction.

Risk action and update

Actions: Monthly review of specific strategic initiatives at Board meetings and, at least annually, a review of the overall strategy.

Update: There has been continued investment to drive digital growth combined with minimising the decline in print revenues and tight management of the cost base.

The key objective of the strategy remains to deliver continued growth in digital (digital growth is not yet offsetting print declines) and to protect print while at the same time seeking out new strategic opportunities as demonstrated by the acquisition of Northern & Shell's publishing assets in the year.

The Strategic Report gives a review of the progress to date and the future expectations of the strategy.

Pensions

Risk description and factors

Pension deficits grow at such a rate so as to affect the viability of the Group itself or so that the annual funding costs consume a disproportionate level of cash flow. The deficit is impacted by discount rates, mortality, inflation, asset returns, court decisions and Government legislation.

Risk appetite

Reach has no appetite for taking risks which inhibit financial flexibility in achieving our strategic aims alongside meeting over time our pension obligations.

We are fully aware of the challenges faced in meeting over time our pension funding obligations and our focus is on working with Trustees to deliver these in a manner which also enables us to respond to strategic challenges for the benefit of all our stakeholders.

We continue to seek opportunities to de-risk our schemes without a material increase in funding obligations.

Risk action and update

Actions: Regular reporting to the Board. Good relationship and regular meetings with Trustees. Review of options to de-risk pension liabilities.

Update: We remain committed to addressing our historical pension deficits and continue to make significant payments to the schemes. Agreement has been reached with Trustees on the most recent valuations.

The next valuation of all six schemes, including those attached to the acquired publishing assets, is as at 31 December 2019.

An update on pensions is set out in the Our Business section of the Strategic Report on page 8 and in note 32 in the notes to the consolidated financial statements.

As there remains uncertainty in relation to GMP equalisation, a contingent liability has been highlighted in note 39 in the notes to the consolidated financial statements.

Risks and uncertainties

Principal risks and uncertainties continued

Historical Legal Issues

Risk description and factors

Damage to our reputation arising from historical events, direct financial impact from legal claims and distraction of senior management time from delivering the strategy. These could result in potential financial exposures, reputational damage to our brands and the inability to attract people to the Group.

Risk appetite

Reach has no appetite for past behaviours that constitute a breach of the criminal law. We take historical legal allegations very seriously and are committed to cooperating with relevant authorities as necessary and dealing with civil claims in the appropriate manner. The Board and management continue to give management attention to the historical legal issues.

Risk action and update

Actions: Standing item on Board agenda. Independent consultant working with external lawyers on civil claims and related investigations.

Update: We continue to deal with the historical legal issues in a professional and efficient manner, and although the final outcome of the civil claims remains uncertain, progress has been made during the year.

An update on historical legal issues is set out in the Our Business section of the Strategic Report on page 9 and in note 22 in the notes to the consolidated financial statements.

As there remains uncertainty in relation to how matters will develop, a contingent liability has been highlighted in note 39 in the notes to the consolidated financial statements. The Board remains confident that the exposures arising from these historical events are manageable and do not undermine the delivery of the Group's strategy.

Brexit

Risk description and factors

There is significant uncertainty created by the process of the UK exiting the European Union. Brexit has increased our overall risk profile in the short term due to the potential implications on several areas of our business. These include an adverse effect on commercial revenue (economic uncertainty, potential data transfer issues), pension deficit levels, supply chain issues (ie newsprint) and cost pressures arising from any further devaluation of Sterling, and employment challenges with EU Nationals.

Risk appetite

Brexit is a new risk this year. Reach recognises the potential impact caused by this uncertainty and has taken a number of actions.

Overall, while the uncertainty around Brexit means the precise risk mitigation responses cannot yet be fully defined in all cases, we feel at this stage that we will be adequately prepared to respond.

Risk action

The Group's response has been considered by the Board. The senior management team undertook a detailed risk assessment exercise to evaluate the implications on our business and consider risk mitigation options, in particular in the event the UK exits the European Union without a trading deal. Each risk area identified has been prioritised and given senior management ownership. Consideration has been given to what, if any, mitigating action can be taken at this stage. In many cases the risk owners are keeping a watching brief as specific actions cannot be defined until more detail emerges as to what Brexit will look like. This assessment has been debated and validated by the Board and will remain under review as the implications of Brexit and the terms attached to the UK's departure become clearer.

The risks are being kept under review by the senior management team. Where possible, mitigating actions have been taken including:

- Reviewing overseas printing arrangements and, where deemed appropriate, making arrangements to mitigate the risk to the publication of our titles;
- Continuing to review stock levels held to ensure sufficient supplies are held should border crossing delays occur;
- Exploring hedging options with pensions trustees and the impact this potentially may have on investment returns and therefore funding objectives;
- Reassessing all interactions with non UK based partners / suppliers / employees across the Group to ensure we can respond quickly to any potential changes to laws and regulations (such as data protection) in the event of a no deal Brexit;
- Incorporating a subsidiary in Ireland to operate our activities there; and
- Consulting with our European banks in our syndicate to understand their views on future funding beyond the current commitment to 2021.

The level of economic turmoil expected with a no deal Brexit is likely to have a direct impact on our advertising revenue and potentially circulation revenue if the economy moves into recession. While the revenue impact is difficult to assess, commercial teams would seek to defend revenue insofar as is possible. Failing this we would seek to mitigate the profit impact of any revenue deficits that may arise through proactive reductions within our cost base across the entire organisation. We have a strong record of delivering additional cost savings when faced with unexpected revenue deficits.

From an operational perspective, the key risk is disruption to our newsprint supply chain. We are reliant on some key overseas suppliers who may be affected by onerous customs practices in the wake of no deal Brexit. Following our risk assessment, at this stage we do not expect a significant production impact as our main suppliers are either UK based or are non EU based with their own terminals in ports. We already carry sufficient stock to be able to mitigate the risks associated with delays of up to one week. However, we, like many other organisations, are largely reliant on the Government initiating appropriate changes to ensure efficient customs operations to properly eliminate the risk.

Risks and uncertainties

Corporate responsibility

The Group believes it has a minimal exposure to the risks contained within the human rights framework. In accordance with the Modern Slavery Act 2015 ('the Act') the Group has an Anti-Slavery Policy which is available to all staff, individuals and entities who perform services for or on behalf of the Group that details our zero-tolerance approach to slavery, child labour, bribery and corruption. The Anti-Slavery Policy details the signs that indicate slavery, servitude, forced or compulsory labour and human trafficking applicable to adults and children, the responsibilities of staff to look out for indications of modern slavery and how to report any suspicions. The Group evaluates new suppliers, via questionnaires and surveys, ensuring they are ethical and lawful. On the introduction of the Act, existing suppliers were contacted regarding their obligations under the Act and the Group's Terms and Conditions and Procurement Policy were updated in line with the new provisions. The key risks associated with non-compliance of the Anti-Slavery Policy arise from failure of employees to comply with the policy and procedures instigated by the Group, and failure of controls when onboarding suppliers or during recruitment processes, including suppliers who complete questionnaires untruthfully. Further details on transparency in supply chains can be found on page 60 of the Corporate Responsibility Report and the Group's Modern Slavery Statement can be found on our website www.reachplc.com.

The Group takes a zero-tolerance approach to bribery and corruption and is committed to implementing and enforcing effective systems to counter bribery and corruption in all forms. The Group has an embedded Anti-Bribery and Payments Policy, which is applicable to all staff across the Group and requires all suppliers, contractors and business partners to comply with the underlying principles of the policy. In relation to all new business relationships, the Group makes relevant enquiries to establish the third parties approach to compliance and corruption risks, including requesting and reviewing their existing anti-bribery policy and whether or not any bribery or corruption has previously taken place.

The Group supports equal opportunities and has in place policies that safeguard the wellbeing and welfare of all employees. The Group does not restrict the freedom of expression of its journalists and size or influence does not inhibit diverse opinions in the Group's news reporting. We have a responsibility to ensure balanced news reporting and we are not unduly influenced by the Government or other organisations.

The Group believes all employees and the public have a right to privacy and aims to protect people against arbitrary, unreasonable or unlawful interference with their privacy, family, home or correspondence, as well as unlawful attacks on their honour and reputation. We have implemented Dignity at Work and Code of Conduct policies across the Group which strictly prohibits discrimination in the workplace. Within the UK, discrimination against employees with protected characteristics such as gender, race, disability, sexuality, religion or age is illegal and the Group is exposed to risks during all stages of the employment life cycle. We reduce potential exposure through communicating our policies to all employees, promoting awareness during recruitment, training managers and making policies accessible to all via our staff self-service platform.

We also provide a confidential whistleblowing line and an employee assistance programme through which employees can confidentially report any breaches and seek advice. The Group has a whistleblowing charter in place where employees may report any concerns about the integrity of the business. This is hosted by an independent third party. The charter is reviewed by the Audit & Risk Committee on a regular basis. We protect the human rights of our employees through ensuring all employees are issued with clear contracts of employment, that working hours as standard are set well within the working time directive maximum thresholds and committing that no employee will be forced to opt out of working time regulations.

Our employees are paid for work undertaken and receive holidays and rest periods in line with regulations. We monitor employee's holiday usage to ensure they take statutory entitlements and reduce the risk of breaches of regulations by publishing employee entitlements. Under our contracts all our employees are paid above national minimum wage thresholds and no one is subject to forced labour. The Group does not have any zero hour contracts. Our Disciplinary and Grievance processes ensure all employees have the right to be heard and a fair hearing in line with Human Rights Principles. The Group may be exposed to risks under employment regulations and data protection regulations were it to breach human rights principles in relation to privacy. The Group monitors employees' usage of emails, internet and phone systems but the Group minimises its risk through its data protection and security policies and control systems. Furthermore, employees are informed of the potential for monitoring within their contracts of employment.

The Group's operations are predominantly in the UK and comprise light manufacturing, office based activities and business travel, and therefore environmental risks are relatively low. The Group is exposed to the risk of failure by employees to comply with its environmental or health and safety policies. It is unlikely that a failure in these areas would be catastrophic.

Under our Environmental Policy we are committed to ensuring that our activities do not create pollution or otherwise damage the environment. The policy sets out our specific commitments in relation to the main areas where we have the potential to cause environmental impacts, such as paper sourcing, sustainable forestry and recycling, energy consumption and greenhouse gases, volatile organic compound emissions from print works, waste management and recycling and the purchase of contracted printing and product distribution services. We systematically monitor the environmental legal requirements and other compliance obligations that apply to our business, including industry codes of practice. We take action to ensure that all parts of the Group remain compliant with the relevant obligations identified. The policy has been adopted by the Board which ensure that it is progressively implemented through a programme of annual targets and action plans. Progress against policy commitments is regularly audited, analysed and reported to ensure that our environmental management system arrangements continually improve and our environmental performance is enhanced.

On 25 May 2018, the General Data Protection Regulation (GDPR) came into force in the EU and the Data Protection Act 2018 (DPA) came into force in the UK. During the first half of 2018, the Group completed an extensive readiness project in preparation for the implementation of the GDPR and the DPA. The Group has implemented policies, controls and procedures across the business to manage personal data in accordance with the provisions of the GDPR and the DPA and these are being embedded through a programme of training and ongoing communication. Due to the timing of acquisition and the regulatory review period, Express & Star implemented and operated standalone policies and procedures relating to the implementation of the GDPR and the DPA. These policies and procedures will be standardised as appropriate over time. The Group has seen minimal impact on revenues since the implementation of the GDPR and the DPA.

Our Corporate Responsibility Report, on pages 58 to 63, sets out our:

- Environmental report, which includes the key environmental risks, further details of the Environmental Policy and a review of our performance during the year and our targets for the future;
- Health and safety report, which includes the initiatives undertaken during the year, our performance during the year and our targets for the future; and
- Social and community matters, community engagement and fundraising.

Group financial review

Income statement (page 77)

	Statutory results		Adjusted results	
	2018 £m	2017 £m	2018 £m	2017 £m
Publishing	679.0	578.5	679.0	578.5
Print	575.4	494.6	575.4	494.6
Digital	103.6	83.9	103.6	83.9
Printing	35.6	31.6	35.6	31.6
Specialist Digital	8.0	9.6	8.0	9.6
Central	1.3	3.5	1.3	3.5
Revenue	723.9	623.2	723.9	623.2
Costs	(832.3)	(525.7)	(579.4)	(499.3)
Associates	0.8	0.4	1.1	0.8
Operating (loss)/profit	(107.6)	97.9	145.6	124.7
Financing	(12.3)	(16.0)	(3.7)	(2.2)
(Loss)/profit before tax	(119.9)	81.9	141.9	122.5
Tax	0.3	(19.1)	(27.7)	(24.0)
(Loss)/profit after tax	(119.6)	62.8	114.2	98.5
(Loss)/earnings per share	(41.0p)	23.0p	39.2p	36.1p

The results have been prepared for the 52 weeks ended 30 December 2018 (2018) and the comparative period has been prepared for the 52 weeks ended 31 December 2017 (2017). The results are presented on a statutory and adjusted basis and revenue trends are presented on a statutory and like for like basis. Note 37 sets out the reconciliation between the statutory and adjusted results and note 38 sets out the reconciliation between the statutory and like for like revenue.

Revenue (note 5)

	2018 £m	2017 £m
Publishing Print	575.4	494.6
Circulation	362.1	284.7
Advertising	176.7	177.6
Other	36.6	32.3
Publishing Digital	103.6	83.9
Display and transactional	91.3	68.7
Classified	12.3	15.2
Printing	35.6	31.6
Specialist Digital	8.0	9.6
Central	1.3	3.5
Revenue	723.9	623.2

Group revenue increased by 16.2% or £100.7 million to £723.9 million. The increase in revenue reflects the benefit of the acquisition of Express & Star on 28 February 2018. On a like for like basis, Group revenue fell by 6.6% or £52.9 million. Further details on the revenue trends for each division are shown in the Divisional Review.

The graphs that follow show the quarterly year on year like for like revenue trends in print and digital during the year. Print revenue is all advertising, circulation, printing and other revenues generated from activities linked to the publishing and printing of newspapers and magazines. Digital revenue is all advertising and other revenue generated by the publishing digital activities and the revenue of the Specialist Digital business.

Print revenue like for like year on year (%)

The graph for print revenue trends has been prepared on a quarterly basis to highlight the overall volatility experienced in the year. The Group had a better finish to the year in print revenues, particularly advertising.

Graph removed

Group financial review

Publishing digital revenue like for like quarter by quarter (£m)

Publishing digital revenues showed growth during the year driven by the growth in digital display and transactional revenue as our strategy of building audience continued to deliver.

Graph removed

Costs (notes 6 to 8)

	Statutory results		Adjusted results	
	2018 £m	2017 £m	2018 £m	2017 £m
Labour	(245.9)	(217.6)	(245.9)	(217.6)
Newsprint	(75.6)	(56.5)	(75.6)	(56.5)
Depreciation	(22.3)	(20.4)	(22.3)	(20.4)
Other	(488.5)	(231.2)	(235.6)	(204.8)
<i>Operating adjusted items</i>	(252.9)	(26.4)	–	–
<i>Other costs</i>	(235.6)	(204.8)	(235.6)	(204.8)
Costs	(832.3)	(525.7)	(579.4)	(499.3)

Statutory operating costs increased by £306.6 million to £832.3 million due to the acquisition of Express & Star, the impact of a non-cash impairment charge and a past service cost for GMP equalisation. Adjusted operating costs increased by £80.1 million to £579.4 million due to the acquisition of Express & Star. Both statutory and adjusted operating costs benefited from structural and synergy cost savings together with ongoing cost mitigation actions.

The total impact of the items excluded from adjusted operating costs (note 5) was a charge of £252.9 million (2017: £26.4 million). Operating adjusted items comprise a non-cash impairment of goodwill, publishing rights and titles and freehold buildings of £200.0 million (2017: nil), pension past service costs for GMP equalisation and administrative expenses of £18.8 million (2017: £1.0 million), a £12.5 million increase in the provision for dealing with and resolving civil claims arising from phone hacking (2017: £10.5 million), restructuring charges in respect of cost reduction measures of £20.0 million (2017: £12.6 million) and a charge for other items of £1.6 million (2017: £2.3 million).

Associates (note 17)

The Group has a 21.53% investment in PA Group Limited, a 50% investment in Brand Events TM Limited, a 50% stake in Echo Building (Liverpool) Limited (acquired 4 September 2018), a 25% interest in Ozone Project Limited (acquired on 12 September 2018) and a 50% interest in Independent Star Limited (acquired on 6 December 2018), accounted for as associated undertakings.

	Statutory results		Adjusted results	
	2018 £m	2017 £m	2018 £m	2017 £m
Result before operating adjusted items	1.1	0.8	1.1	0.8
Operating adjusted items	(0.3)	(0.4)	–	–
Share of results of associates	0.8	0.4	1.1	0.8

The adjusted share of results of associates increased due to a stronger performance by PA Group partially offset by losses from Brand Events.

Group financial review

Operating (loss)/profit (note 6)

	Statutory results		Adjusted results	
	2018 £m	2017 £m	2018 £m	2017 £m
Operating (loss)/profit pre associates	(108.4)	97.5	144.5	123.9
Associates	0.8	0.4	1.1	0.8
Operating (loss)/profit	(107.6)	97.9	145.6	124.7

Statutory operating loss for the year of £107.6 million compares to a statutory operating profit in the prior year of £97.9 million due to the impact of adjusted operating items while adjusted operating profit increased by £20.9 million or 16.8% to £145.6 million.

Adjusted operating margin increased by 0.1 percentage points from 20.0% in 2017 to 20.1% in 2018 reflecting the benefit of tight management of the cost base and has been achieved despite more challenging local advertising trends and the acquisition of Express & Star which operated at a lower operating margin.

Financing (notes 9, 10 and 33)

Financing costs include investment revenues, the pension finance charge, interest on bank overdrafts and borrowings, the change in derivative financial instruments and the changes on retranslation of foreign currency borrowings.

	Statutory results		Adjusted results	
	2018 £m	2017 £m	2018 £m	2017 £m
Investment revenues	0.1	0.1	0.1	0.1
Pension finance charge	(8.6)	(11.9)	–	–
Finance costs	(3.8)	(4.2)	(3.8)	(2.3)
<i>Interest on bank overdrafts and borrowings</i>	<i>(3.8)</i>	<i>(2.3)</i>	<i>(3.8)</i>	<i>(2.3)</i>
<i>Fair value loss on derivative financial instruments</i>	<i>–</i>	<i>(3.8)</i>	<i>–</i>	<i>–</i>
<i>Foreign exchange gain on retranslation of borrowings</i>	<i>–</i>	<i>1.9</i>	<i>–</i>	<i>–</i>
Financing costs	(12.3)	(16.0)	(3.7)	(2.2)

Statutory financing costs fell by £3.7 million to £12.3 million reflecting the reduction in the pension finance charge on a lower opening pension deficit and no net cost in relation to derivative financial instruments and retranslation of foreign currency borrowings following the repayment in June 2017 of the £68.3 million of private placement loan notes and the maturing of the associated cross-currency interest rate swaps. Adjusted financing costs increased by £1.5 million to £3.7 million reflecting the interest on debt procured for the acquisition of Express & Star.

(Loss)/profit before tax

	Statutory results		Adjusted results	
	2018 £m	2017 £m	2018 £m	2017 £m
(Loss)/profit before tax	(119.9)	81.9	141.9	122.5

Statutory loss before tax for the year of £119.9 million compares to a statutory operating profit in the prior year of £81.9 million due to the impact of adjusted operating items while adjusted profit before tax increased by £19.4 million or 15.8% to £141.9 million.

Tax (note 11)

	Statutory results		Adjusted results	
	2018 £m	2017 £m	2018 £m	2017 £m
Tax credit/(charge)	0.3	(19.1)	(27.7)	(24.0)
Effective tax rate	0.3%	(23.3%)	(19.5%)	(19.6%)

The statutory tax charge of £0.3 million (2017: £19.1 million) comprises a current tax charge of £17.2 million (2017: £17.8 million) and a deferred tax credit of £17.5 million (2017: charge of £1.3 million).

The statutory effective tax rate is lower (2017: higher) than the standard rate of corporation tax for the reasons set out in the reconciliation below:

	2018 %	2017 %
Reconciliation of tax credit/(charge)		
Standard rate of corporation tax	19.0	(19.3)
Items not deductible in determining taxable profit (non-qualifying depreciation/costs/impairment)	(19.5)	(3.6)
Tax effect of items that are not taxable in determining taxable profit (property disposal/utilised losses)	0.7	–
Prior period adjustment (current and deferred tax)	–	(0.5)
Tax effect of share of results of associates (brought in post-tax)	0.1	0.1
Tax credit/(charge) rate	0.3	(23.3)

The adjusted tax charge of £27.7 million (2017: £24.0 million) represents 19.5% (2017: 19.6%) of adjusted profit before tax. The rate is higher than the statutory effective tax rate due to the impact of the adjusted operating items noted above.

Group financial review

Dividends (note 12)

The Board proposes a final dividend for 2018 of 3.77 pence per share. An interim dividend for 2018 of 2.37 pence per share was paid on 26 September 2018 bringing the total dividend in respect of 2018 to 6.14 pence per share. The 2018 final dividend payment is expected to amount to £11.2 million. The 2018 interim dividend payment amounted to £7.0 million.

On 3 May 2018 the final dividend proposed for 2017 of 3.55 pence per share was approved by shareholders at the Annual General Meeting and was paid on 8 June 2018. The 2017 final dividend payment amounted to £10.5 million.

(Loss)/earnings per share (note 13)

	Statutory results		Adjusted results	
	2018 £m	2017 £m	2018 £m	2017 £m
(Loss)/profit after tax	(119.6)	62.8	114.2	98.5
Weighted average number of shares ('000s)	291,478	272,730	291,478	272,730
(Loss)/earnings per share	(41.0p)	23.0p	39.2p	36.1p

Statutory loss after tax for the year of £119.6 million compares to a statutory operating profit in the prior year of £62.8 million due to the impact of adjusted operating items while adjusted profit after tax increased by £15.7 million or 15.9% to £114.2 million.

The weighted average number of shares increased year on year reflecting the shares issued (25,826,746) as part of the purchase of Express & Star more than offsetting the full year impact of the share buyback started in August 2016 and completed in November 2017.

Statutory loss per share of 41.0 pence compared to earnings per share of 23.0 pence in the prior year due to the impact of the impairment charge and GMP equalisation charge. Adjusted earnings per share increased by 3.1 pence or 8.6% to 39.2 pence.

Cash flow (page 78)

	2018 £m	2017 £m
Adjusted operating profit	145.6	124.7
Depreciation	22.3	20.4
Adjusted EBITDA	167.9	145.1
Restructuring charges in respect of cost reduction measures	(20.0)	(13.6)
Historical legal issues	(9.6)	(17.9)
Other including other working capital items	(0.5)	(6.8)
Cash generated from operations	137.8	106.8
Pension deficit funding	(90.1)	(38.7)
Income tax paid	(12.5)	(13.9)
Net interest paid	(3.7)	(2.0)
Capital expenditure	(11.2)	(8.9)
Property disposals	6.6	1.2
Acquisition of subsidiary and associated undertakings	(47.6)	–
Disposal of subsidiary undertaking	6.4	–
Dividends paid and purchase of own shares	(17.5)	(23.0)
Net cash flow	(31.8)	21.5
Borrowings repaid	(45.0)	(68.3)
Draw down on bank facilities	80.0	25.0
Net increase/(decrease) in cash	3.2	(21.8)
Cash at start of period	16.0	37.8
Cash at end of period	19.2	16.0

Other including other working capital items represent: working capital movements, the share of results of associates, the share-based payments charge, the write-off of fixed assets and the pension administrative expenses.

Income tax paid increased due to an increase in taxable income partially offset by a fall in the standard rate of corporation tax.

Net interest paid comprised £3.8 million (2017: £2.1 million) interest paid on borrowings less £0.1 million (2017: £0.1 million) interest received.

Capital expenditure was £11.2 million (2017: £8.9 million) against depreciation of £22.3 million (2017: £20.4 million).

Proceeds of £6.6 million (2017: £1.2 million) were received from the disposal of properties and other fixed assets.

In relation to the acquisition of the UK and Ireland publishing assets of Express & Star, the Group paid £47.6 million. In addition, included in pension deficit funding is an upfront payment of £41.2 million paid into the pension schemes and deferred consideration of £59.0 million is included in creditors greater than one year.

The Group disposed of its subsidiary undertaking, The Communicator Corporation Limited, for net proceeds of £6.4 million.

Group financial review

Dividend payments totalling £17.5 million (2017: £15.3 million) were paid to shareholders. The final dividend payment amounted to £10.5 million (2017: £9.2 million) and the interim dividend payment amounted to £7.0 million (2017: £6.1 million). In 2017, the Group acquired 7.5 million shares for a consideration of £7.7 million under the share buyback programme.

Cash balances increased by £3.2 million during the year to £19.2 million due to strong cash flows. The Group made a drawing of £70.0 million on an Acquisition Term Loan and £10.0 million on the Revolving Credit Facility used to part finance the acquisition of Express & Star in February 2018 and repaid the £10.0 million repayment due on the Acquisitive Term Loan in December 2018 in July 2018 and repaid the £35.0 million drawn on the Revolving Credit Facility in the second half of the year.

Balance sheet (page 79)

	2018 £m	2017 £m
Intangible assets	852.0	901.2
Property, plant and equipment	246.2	247.7
Investment in associates	25.3	16.8
Retirement benefit assets	10.2	–
Deferred tax assets	69.8	66.4
Non-current assets	1,203.5	1,232.1
Cash and cash equivalents	19.2	16.0
Short-term and long-term debt	(60.0)	(25.0)
Deferred consideration	(59.0)	–
Retirement benefit obligation	(358.8)	(377.6)
Deferred tax liabilities	(159.7)	(165.4)
Provisions	(26.4)	(20.3)
Net current other (liabilities)/assets	(1.1)	7.0
Non-current liabilities and net current liabilities	(645.8)	(565.3)
Net assets	557.7	666.8
Share capital	(30.9)	(28.3)
Share premium account	(606.7)	(606.7)
Merger reserve	(17.4)	(37.9)
Capital redemption reserve	(4.4)	(4.4)
Retained earnings and other reserves	101.7	10.5
Equity	(557.7)	(666.8)

Intangible assets (notes 14, 15 and 35)

	2018 £m	2017 £m
Goodwill	42.0	102.0
Publishing rights and titles	810.0	798.9
Customer relationships and domain names	–	0.3
Intangible assets	852.0	901.2

During the year, a non-cash impairment charge of £187.5 million (£171.3 million net of deferred tax) has been made against the carrying value of the goodwill and publishing rights and titles. This reflects the more challenging than expected trading environment for local advertising and, as a result, greater uncertainty over the medium term outlook as well as the requirements of accounting standards to take into account the Group's latest forecasts and projections. However, we continue to believe there are significant benefits in the scale of our local digital audiences and there are opportunities to grow revenue and profit. Goodwill of £35.9 million and publishing rights and titles of £106.1 million relate to the acquisition of Express & Star.

Property, plant and equipment (note 16)

	2018 £m	2017 £m
Land and buildings	125.1	146.9
Plant and equipment	114.8	90.3
Assets under construction	6.3	10.5
Property, plant and equipment	246.2	247.7

The net book value of property, plant and equipment decreased by £1.5 million to £246.2 million during the year. This relates to the acquisition of Express & Star of £28.0 million, depreciation charge of £22.3 million, £0.5 million of asset write offs, £5.4 million of asset disposals partially offset by additions of £11.2 million and a non-cash impairment charge of £12.5 million (£10.4 million net of deferred tax) made against the carrying value of freehold buildings.

Group financial review

Investment in associates (note 17)

The Group has a 21.53% investment in PA Group Limited, a 50% investment in Brand Events TM Limited, a 50% stake in Echo Building (Liverpool) Limited (acquired on 4 September 2018), a 25% interest in Ozone Project Limited (acquired on 12 September 2018) and a 50% interest in Independent Star Limited (acquired on 6 December 2018), accounted for as associated undertakings.

The carrying value of our share in PA Group Limited increased by £4.0 million being the statutory share of results of the associate included in the consolidated income statement of £0.8 million plus our share of income of the associate included in the consolidated statement of comprehensive income of £3.2 million. The carrying value of our share in Brand Events TM Limited remained at £0.6 million.

On 6 December 2018 we acquired a 50% interest in the Independent Star Limited. The carrying value of our share in the Independent Star Limited is £4.5 million. The interest in Echo Building (Liverpool) Limited and Ozone Project Limited are held at nil.

Deferred tax (note 21)

Deferred tax assets increased by £3.4 million from £66.4 million to £69.8 million driven by the inclusion of tax losses in respect of Express & Star.

Deferred tax liabilities decreased by £5.7 million from £165.4 million to £159.7 million with an increase relating to the publishing rights and titles relating to the Express & Star acquisition, more than offset by the impact of the impairment charge and capital allowances.

Pensions (note 32)

The Group operates defined contribution pension schemes with contributions and associated costs charged to operating profit.

The defined benefit pension schemes operated by the Group were closed to future accrual in 2010.

The IAS 19 pension deficit in respect of the Group's six defined benefit pension schemes fell by £29.0 million to £348.6 million (£284.1 million net of deferred tax). This includes a net asset of £4.2 million for the Express & Star pension schemes at the end of the year (deficit at the date of acquisition was £83.3 million). Excluding the Express & Star pension schemes, the IAS 19 pension deficit fell by £24.8 million to £352.8 million. The movement in the deficit reflects Group contributions of £90.1 million (£47.0 million to former Trinity Mirror pension schemes and £43.1 million (including an initial pension contribution of £41.2 million) to the Express & Star pension schemes).

A favourable movement in assumptions (demographic and the discount rate) and Group contributions has been substantially offset by weak asset returns, in particular in the second half of 2018 driven by the volatile equity markets, and by a provision for past service costs of £15.8 million arising from GMP equalisation.

Net debt (note 26)

Net debt at the end of the year comprised £60.0 million drawings on the Acquisition Term Loan ('ATL') less cash balances of £19.2 million. The Group also has access to an undrawn £83.3 million amortising Revolving Credit Facility ('RCF') which is committed until December 2021. The RCF amortises by £8.3 million every six months from June 2019 to December 2020 down to £50.0 million for the last year of the term. On 27 July 2018, the Group prepaid the £10.0 million repayment due under the ATL in December 2018 and on 10 October 2018 cancelled the undrawn £5 million. The outstanding £60 million drawn on the facility is repayable in three instalments of £20.3 million, £20.3 million and £19.4 million in December 2019, 2020 and 2021 respectively.

Provisions (note 22)

Provisions increased by £6.1 million from £20.3 million to £26.4 million driven with payments of £31.4 million more than offset by an additional provision of £34.8 million and £2.7 million in the acquisition balance sheet of Express & Star.

Net current other (liabilities)/assets (notes 19 and 20)

Net current other (liabilities)/assets include current assets excluding cash and cash equivalents, less trade and other payables and current tax liabilities. The decrease is driven by the timing of payments at the year end.

Equity (notes 28, 29, 30 and 31)

Equity at the end of the year was £557.7 million, a decrease of £109.1 million from £666.8 million. This decrease reflects the loss for the year of £119.6 million and dividends of £17.5 million partly offset by £20.0 million on the issue of equity, £7.0 million of other comprehensive income for the year and a credit to equity for equity-settled share-based payments of £1.0 million.

Parent company balance sheet (page 112)

	2018 £m	2017 £m
Called-up share capital	30.9	28.3
Share premium account	606.7	606.7
Merger reserve	25.3	37.9
Capital redemption reserve	4.4	4.4
Profit and loss account	158.1	111.9
Equity shareholders' funds	825.4	789.2

During the year, the Company issued 25,826,746 shares (at 77.44 pence) relating to the acquisition of Express & Star. The total share capital increased to 309,286,317 allotted, called-up and fully paid ordinary shares of 10 pence each. The merger reserve increased by £17.4 million reflecting the premium on the shares allotted in relation to the acquisition of Express & Star and decreased by £30.0 million which has been transferred to the profit and loss account as a result of the impairment during the year. The increase in profit and loss account reserves is due to management charges and dividends received from subsidiaries exceeding operating costs, interest and dividends paid to shareholders.

Divisional financial review

The Group has four operating segments, each of which is a division, that are regularly reviewed for the purposes of allocating resources and assessing performance. The divisional review that follows is presented on an adjusted basis and there is no difference between the operating profit by division and the segment result of each operating segment that is shown in note 4.

The operating segments are: Publishing which includes all of our newspapers and magazines together with digital publishing; Printing which provides printing services to the Publishing segment and to third parties; Specialist Digital which includes our acquired digital classified recruitment business and the digital marketing services business (disposed of in September 2018); and Central which includes revenue and costs not allocated to the operational divisions and our share of results of associates. Express & Star has been included in the Publishing, Printing and Central segments from the date of acquisition (note 35).

The revenue and adjusted operating profit by operating segment is presented below:

	2018 £m	2017 £m	Variance £m	Variance %
Publishing	679.0	578.5	100.5	17.4%
Printing	35.6	31.6	4.0	12.7%
Specialist Digital	8.0	9.6	(1.6)	(16.7%)
Central	1.3	3.5	(2.2)	(62.9%)
Revenue	723.9	623.2	100.7	16.2%
Publishing	153.8	133.2	20.6	15.5%
Printing	–	–	–	–
Specialist Digital	2.1	2.7	(0.6)	(22.2%)
Central	(10.3)	(11.2)	0.9	8.0%
Adjusted operating profit	145.6	124.7	20.9	16.8%

The 2018 results are impacted by the acquisition of Express & Star, portfolio changes relating to the two Metros handed back to DMGT in December 2017, other portfolio changes in 2017 and the sale of Communicator Corp in September 2018. The net revenue impact of portfolio changes and the disposal was £8.8 million.

The results for 2018 include revenue of £159.5 million (Publishing £156.2 million and Printing £3.3 million) from Express & Star post completion (28 February 2018). Group revenue would have increased by £29.9 million (Publishing £29.4 million and Printing £0.5 million) if the acquisition had been made at the beginning of the year.

The like for like revenue trend for 2018 estimates the impact of owning Express & Star from the beginning of 2017 and they exclude from the 2017 comparatives the portfolio changes made in 2017 and both 2018 and 2017 exclude the revenue for Communicator Corp which was disposed of in September 2018. Note 38 sets out the reconciliation between the statutory and like for like revenue. In the divisional review revenue trends are presented on an actual and a like for like basis.

Publishing

The Publishing division publishes paid-for national newspapers, paid-for and free regional newspapers and paid-for magazines and operates a portfolio of related digital products. Key brands include the Daily Mirror, Sunday Mirror, Sunday People, Daily Express, Sunday Express, Daily Star, Daily Star Sunday, Daily Record, Sunday Mail, market leading brands in key metropolitan markets across the country and paid for celebrity brands: OK! and New!. Following the handing back of two Metros at the end of 2017 and four at the end of 2016, we published two Metros in 2018. The Publishing division also holds events and exhibitions related to its publishing activities and undertakes contract publishing for football clubs and other sports organisations.

The revenue and adjusted operating profit for the Publishing division is as follows:

	2018 £m	2017 £m	Variance £m	Variance %
Print	575.4	494.6	80.8	16.3%
Circulation	362.1	284.7	77.4	27.2%
Advertising	176.7	177.6	(0.9)	(0.5%)
Other	36.6	32.3	4.3	13.3%
Digital	103.6	83.9	19.7	23.5%
Display and transactional	91.3	68.7	22.6	32.9%
Classified	12.3	15.2	(2.9)	(19.1%)
Revenue	679.0	578.5	100.5	17.4%
Costs	(525.2)	(445.3)	(79.9)	(17.9%)
Adjusted operating profit	153.8	133.2	20.6	15.5%
Adjusted operating margin	22.7%	23.0%	(0.3%)	n/a

Revenue increased by 17.4% or £100.5 million to £679.0 million with print revenue increasing by 16.3% and digital revenue growing by 23.5%. On a like for like basis revenue fell by 6.9% with print revenue declining by 8.7% and digital revenue growing by 5.3%.

Costs increased by 17.9% or £79.9 million to £525.2 million. This includes the impact of the acquisition of Express & Star partially offset by the impact of handing back two Metros to DMGT in December 2017 and other portfolio changes in 2017 together with the benefit of structural cost savings, synergy savings and ongoing cost mitigation actions.

Operating profit increased by £20.6 million or 15.5% to £153.8 million with operating margin falling by 0.3 percentage points from 23.0% to 22.7%. The margin is impacted by the acquisition of Express & Star which operated at a lower operating margin.

Divisional financial review

Print revenue

Print revenue increased by 16.3%. On a like for like basis print revenue fell by 8.7%.

Circulation revenue increased by 27.2%. On a like for like basis circulation revenues fell by 5.1% with volume declines partially mitigated by cover price increases. Circulation volume declines for the Group's national newspapers (excluding the impact of sampling) fell by 12.7% which compares to a decline for the UK tabloid market of 10.0%. Volume declines for our regional titles were 13.8% for paid-for dailies, 16.5% for paid-for weeklies and 14.0% for paid-for Sundays. The market for paid-for magazines was challenging and during the year we closed the Star magazine in October 2018. The circulation volumes for the paid-for magazines, OK! and New!, declined by 10.0% and 8.1% respectively. The circulation volume trends in the market have been impacted by cover price differentials.

The average monthly circulation volumes for our national newspapers were as follows:

	2018 Volume actual ^a 000	2017 Volume actual ^a 000	Change %	Tabloid Market Change %
Dailies				
Daily Mirror	553	633	(12.7%)	(9.3%)
Daily Star	365	423	(13.6%)	(9.3%)
Daily Express	340	379	(10.3%)	(9.3%)
Daily Record ^b	123	141	(12.7%)	(9.8%)
Sundays				
Sunday Mirror	468	545	(14.1%)	(10.3%)
Sunday Express	296	329	(9.8%)	(10.3%)
Daily Star Sunday	222	251	(11.7%)	(10.3%)
Sunday People	182	217	(15.9%)	(10.3%)
Sunday Mail ^b	126	148	(14.8%)	(12.2%)

a Average ABC circulation excluding sampling for the 12 months to December 2018 and December 2017.

b Within Scottish market only.

The circulation volumes for our key regional titles are set out below:

	2018 Daily circulation ^a	2017 Daily circulation ^a	Change %
Liverpool Echo	33,502	38,990	(14.1%)
The Sentinel (Stoke)	21,422	24,458	(12.4%)
Hull Daily Mail	20,833	24,258	(14.1%)
Evening Chronicle (Newcastle)	19,976	23,364	(14.5%)
Manchester Evening News ^c	19,882	23,297	(14.7%)
Leicester Mercury	18,069	21,704	(16.7%)
South Wales Evening Post	16,081	18,754	(14.3%)
Evening Gazette (Teesside)	15,449	18,166	(15.0%)
Derby Telegraph	15,075	16,492	(8.6%)
Birmingham Mail	15,066	17,281	(12.8%)

a Average net sales volumes excluding sampling for the 12 months to December 2018 and December 2017.

c Daily circulation (Monday – Saturday).

Print advertising revenue fell by 0.5% with display and other up by 14.1% and classified down by 18.1%. Like for like print advertising revenue fell by 16.0% with display and other down 11.5% and classified down 22.9%. Print advertising markets for our regional titles and for our paid-for magazines have been very challenging while our national titles have experienced a better performance. Classified advertising categories which impact the regional titles more than the national titles continued to be under significant pressure, in particular recruitment and property, which experienced like for like declines of 56.3% and 29.2% respectively.

Divisional financial review

Print revenue continued

The national print advertising volume market share for our national newspapers were as follows:

	2018 ^a	2017 ^a
Dailies		
Daily Express	21.4%	23.9%
Daily Mirror	18.1%	16.2%
Daily Star	15.4%	16.7%
Daily Record ^b	21.2%	19.5%
Sundays		
Sunday Express	23.2%	20.6%
Sunday Mirror	16.2%	14.3%
Sunday People	10.9%	10.9%
Daily Star Sunday	7.7%	9.8%
Sunday Mail ^b	32.5%	28.4%

a Nielson Media Research cumulative print advertising market share volumes for the 12 months to December 2018 and December 2017.

b Within Scottish market only.

Other print revenue increased by 13.3%. Like for like other revenue fell by 5.0% driven by business enterprise and Sport Media revenue.

Digital revenue

Digital revenue grew by 23.5% with display and transactional revenue growing by 32.9% and classified revenue declining by 19.1%. Like for like digital revenue grew by 5.3% with growth from display and transactional revenue of 9.6% partly offset by classified revenue, which is predominantly upsold from print, which declined by 19.1%.

The growth in display and transactional revenue was impacted in the year by algorithm changes made by Facebook and Google early in 2018 which adversely impacted our audience. Average monthly page views in 2018 grew by 6% year on year to over a billion. Average monthly mobile page views grew by 15% while average monthly desktop page views fell by 9%.

Page views for our key websites are set out below:

	2018 Page views [^]	2017 Page views [^]	Change %
Daily Express	250,074,871	178,768,061	40%
Mirror	221,139,774	257,566,822	(14%)
Daily Star	95,119,430	84,317,281	13%
Liverpool Echo	53,715,570	50,670,719	6%
Manchester Evening News	53,663,096	56,475,425	(5%)
Daily Record	32,224,094	35,547,017	(9%)
Wales Online	27,589,224	27,015,986	2%
Birmingham Mail	26,280,010	24,378,190	8%
Chronicle Live	19,687,089	20,843,972	(6%)
Irish Mirror	16,075,299	14,047,666	14%
Bristol Post	13,284,348	10,041,308	32%
Hull Daily Mail	13,272,534	12,905,462	3%
Nottingham Post	9,803,205	9,452,269	4%
Stoke Sentinel	9,494,760	8,306,078	14%
Gazette Live	9,249,682	9,922,852	(7%)
Derby Telegraph	8,504,613	7,882,746	8%
Leicester Mercury	8,128,250	7,811,365	4%
Plymouth Herald	7,855,947	8,225,599	(4%)
Belfast Live	7,432,820	6,656,072	12%
Glasgow Live	4,624,123	4,212,541	10%
Dublin Live	3,619,721	2,938,774	23%

[^] Google Analytics average monthly March to December 2018 and Omniture average monthly January and February 2018 versus Omniture average monthly January to December 2017.

Divisional financial review

Printing

The Printing division provides printing services to the Publishing division and to third parties. The division is the largest UK provider of newspaper contract printing services to third parties. The Publishing division accounts for the majority of the volumes for the Printing division with the balance being for third party customers. The Printing division has a nil operating result as the net costs, being all external revenues less costs, are charged to the Publishing division.

The revenue and adjusted costs of the Printing division is as follows:

	2018 £m	2017 £m	Variance £m	Variance %
Contract printing	24.6	21.3	3.3	15.5%
Newsprint supply	8.4	7.6	0.8	10.5%
Other revenue	2.6	2.7	(0.1)	(3.7%)
Revenue	35.6	31.6	4.0	12.7%
External costs	(157.2)	(131.2)	(26.0)	(19.8%)
Publishing division recharge	121.6	99.6	22.0	22.1%
Adjusted operating result	–	–	–	–

Revenue increased by £4.0 million or 12.7% to £35.6 million. This includes £3.3 million from the Express & Star print plant. On a like for like basis revenue increased by 5.2% reflecting the benefit of new print contracts, including the Guardian and a number of Metros, partially offset by lower third party volumes.

External costs increased by £26.0 million or 19.8% to £157.2 million and the net cost to the Publishing division increased by 22.1% to £121.6 million reflecting the increased volume for the Express & Star titles and higher newsprint prices.

Specialist Digital

The Specialist Digital division includes our digital classified recruitment business (Reach Work) and the digital marketing services business (Communicator Corp which was disposed in September 2018). Reach Work operates three specialist job boards: GAAPweb, TotallyLegal and SecsintheCity, each offering their clients access to high quality databases of job candidates within their specific niche areas of finance and accounting, legal and secretarial.

The revenue and adjusted operating profit of the Specialist Digital division is as follows:

	2018 £m	2017 £m	Variance £m	Variance %
Advertising	4.4	4.7	(0.3)	(6.4%)
Other	3.6	4.9	(1.3)	(26.5%)
Revenue	8.0	9.6	(1.6)	(16.7%)
Costs	(5.9)	(6.9)	1.0	14.5%
Adjusted operating profit	2.1	2.7	(0.6)	(22.2%)

Reach Work had revenue of £4.4 million and operating profit of £1.7 million, both marginally down on the prior year. Prior to disposal Communicator Corp delivered revenue of £3.6 million and operating profit of £0.4 million.

Central

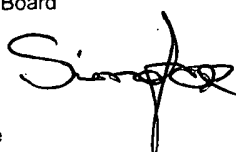
The Central division includes revenue and costs not allocated to the operational divisions and the share of results of associates.

The revenue and adjusted operating loss of the Central division is as follows:

	2018 £m	2017 £m	Variance £m	Variance %
Revenue	1.3	3.5	(2.2)	(62.9%)
Costs	(12.7)	(15.5)	2.8	18.1%
Associates	1.1	0.8	0.3	37.5%
Adjusted operating loss	(10.3)	(11.2)	0.9	8.0%

The loss of £10.3 million compares to a loss of £11.2 million in the prior year. Rental income from surplus office space and revenue from other services to tenants fell as we terminated sub leases following the contraction of office space in Canary Wharf from four to two floors in June 2018. Costs fell by £2.8 million from £15.5 million to £12.7 million reflecting the ongoing tight management of costs and no further costs associated with the sub leases that were terminated. Share of results from associates increased by £0.3 million from £0.8 million to £1.1 million.

By order of the Board



Simon Fox
Chief Executive

25 February 2019

Chairman's governance introduction

Image removed

"The Board continues to function effectively, with sound, skilled and knowledgeable contributions from all its members."

Nicholas Prettejohn,
Chairman

Welcome to our Corporate Governance Report for 2018. This report sets out, amongst other things, our approach to governance in practice, how the Board works, how it has spent its time during the year and includes reports from each of the Board's Committees. The Board recognises the importance of the application of the UK Corporate Governance Code (the 'Code'), effective stewardship and strong corporate values that contribute to the success of the Company. I believe that the values your Board believe in are demonstrably embedded throughout the organisation. Every company should be headed by an effective Board which is collectively responsible for the long-term success of the Company and, as Chairman, I am responsible for ensuring that the Board operates effectively and efficiently and we remain committed to maintaining a strong momentum in our pursuit of excellence in the way our Company is governed. The Board is satisfied that each Board member is able to devote sufficient time to the Company and external appointments are considered on a regular basis.

The Board has overall responsibility for oversight of the Group's operations and each year formally revisits its level of oversight and monitoring, ensuring a robust system of internal control and risk management is upheld, and determines the nature and extent of risks the Company is willing to take. More detail on the Company's principal risks and risk appetite is set out on pages 16 and 17.

David Grigson stepped down as Chairman at the completion of the AGM in May 2018. I would like to express my gratitude to David for his leadership and guidance during his time at Reach. Further changes to our Board include the appointment of Simon Fuller who will be joining us from 1 March 2019 as the new Chief Financial Officer and Company Secretary following the resignation of Vijay Vaghela, Reach's current Group Finance Director and Company Secretary. Vijay has made a considerable contribution to the Company over the past 24 years and I wish him all the best in his future endeavours. As mentioned in my introduction on page 2 of the Strategic Report, Lee Ginsberg will be stepping down from the Board with effect from 30 April 2019 to focus on his other commitments. More details of our succession process and the work of the Nomination Committee can be found on page 37.

We continually challenge ourselves as a Board to ensure that we are appropriately balanced. I believe that the current makeup of the Board, coupled with a strong senior management team, which presents regularly to the Board, provides us with a good balance of skills, experience and ability to enable us to achieve effective corporate governance. The Board's regular interaction with the senior management team ensures that good governance extends beyond the boardroom.

As a Board, we regularly discuss and review our ways of working to ensure we continue to improve our effectiveness. In light of the Chairman Succession process, we took the view that the Board effectiveness evaluation held in December 2018 would be most appropriately conducted internally. To be in line with best practice we will undertake an external Board evaluation in the second half of 2019 and report on its outcome in the next Annual Report.

During the year we carried out a comprehensive internal review of the Board's performance which built upon the Corporate Governance conclusions and action plans from our last external Board evaluation, held in 2014, and our internal evaluations to date. We are working through an action plan to build on our strong foundations and are confident that the Board continues to function effectively, with sound, skilled and knowledgeable contributions from all its members. More information on our Board evaluation process is set out on page 34.

Auditor

In light of the introduction of the EU Audit Regulation in 2016, which requires mandatory tendering and rotation for all public interest entity audits every 10 years, with a maximum tenure of 20 years for an individual audit firm to continue with an audit engagement, the external audit was put out to tender during the latter part of 2018. After a detailed tender process which scored against a broad list of selection criteria, the Audit & Risk Committee recommended to the Board that PricewaterhouseCoopers LLP be appointed as the Group's auditor for the 2019 financial year. The Board approved this recommendation which will be put to shareholders for approval at the 2019 AGM. Deloitte LLP ('Deloitte') have been the Company's external auditor since 1999 and due to the longevity of their appointment they were not invited to tender. Deloitte will be stepping down as the Company's auditor at the 2019 AGM and on behalf of the Board I would like to thank Deloitte for their professionalism over the years.

Compliance with the Code

As a premium listed company, Reach plc is required to report on how it has applied the main principles of the Code. The Board considers that the Company complied in all material respects with the provisions of the Code for the whole of 2018, and has explained appropriately any exceptions on page 34. A copy of the Code is available at www.frc.org.uk. We comply with the Corporate Governance Statement requirements pursuant to the Financial Conduct Authority ('FCA') Disclosure Guidance and Transparency Rules by virtue of the information included in this Corporate Governance section of the Annual Report together with information contained in the Shareholder Information section on pages 120 and 121. I believe we enter 2019 with a strong Board well equipped with the skills, experience, independence and knowledge needed to deliver on the Company's strategy.

Annual General Meeting

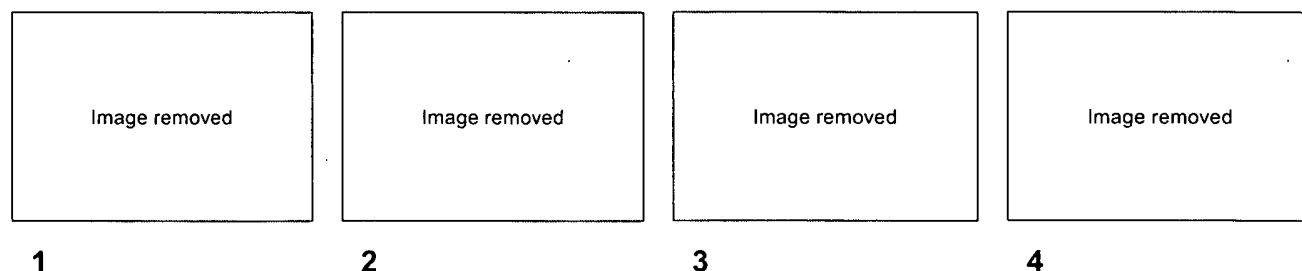
Shareholders will have the opportunity to meet and put questions to the directors at the Company's AGM, which will be held at the Museum of London Docklands, No.1 Warehouse, West India Dock Road, London E14 4AL on Thursday 2 May 2019 at 11:30 am. We continue to hold the AGM at the Museum of London Docklands as it forms a central part of the community surrounding our offices in Canary Wharf. Further details on the museum can be found on page 63 in the Corporate Responsibility Report.

A detailed explanation of each item of business to be considered at the AGM is included in the Notice of Meeting which will either be sent to the shareholders in advance of the AGM or will be available to download from our website www.reachplc.com. Shareholders who are unable to attend the AGM are encouraged to vote in advance of the meeting, either online at www.shareview.co.uk or by using the proxy card which will be sent to all shareholders.

Nicholas Prettejohn
Chairman

25 February 2019

Board of directors



1

Nicholas Prettejohn Chairman

Appointment date: March 2018 (Appointed as Chairman in May 2018)

Committee membership: N R

Experience: Nick was a member of the BBC Trust, Chairman of the Financial Advice Working Group and Chairman of the Britten-Pears Foundation. His prior appointments include non-executive director of the Prudential Regulation Authority, Chairman of Brit Insurance and a non-executive director of Legal and General Plc. From 2006 to 2009 he was Chief Executive of Prudential UK & Europe and he is a former Chief Executive of Lloyd's of London and a member of the Lloyd's Council.

External appointments: Nick is currently Chairman of Scottish Widows and has been a non-executive director on the Lloyds Banking Group plc board since June 2014. Nick is also Chairman of the Royal Northern College of Music and a member of the board of Opera Ventures.

2

Simon Fox Chief Executive

Appointment date: September 2012

Committee membership: N

Experience: Simon was previously Chief Executive Officer of HMV Group plc. Prior to this he was Chief Operating Officer for Kesa Electricals plc with responsibility for Kesa's subsidiaries in the UK and Continental Europe and its e-commerce businesses. Simon began his career as a graduate trainee at Security Pacific Bank and then worked at Boston Consulting Group. Thereafter, he founded Office World, the UK's first out-of-town office supplies retailer. Simon was previously a non-executive director at Guardian Media Group plc.

External appointments: Non-executive director of PA Group Limited.

3

Vijay Vaghela Group Finance Director and Company Secretary

Appointment date: May 2003

Committee membership: None

Experience: Vijay is a Chartered Accountant and worked in private practice with Deloitte. He joined Mirror Group in 1994 as an Internal Auditor. He was subsequently Group Treasurer and then Director of Accounting and Treasury. Vijay previously held the position of Independent Member of the Audit Committee of The Football Association.

External appointments: None.

4

Helen Stevenson Senior Independent Director

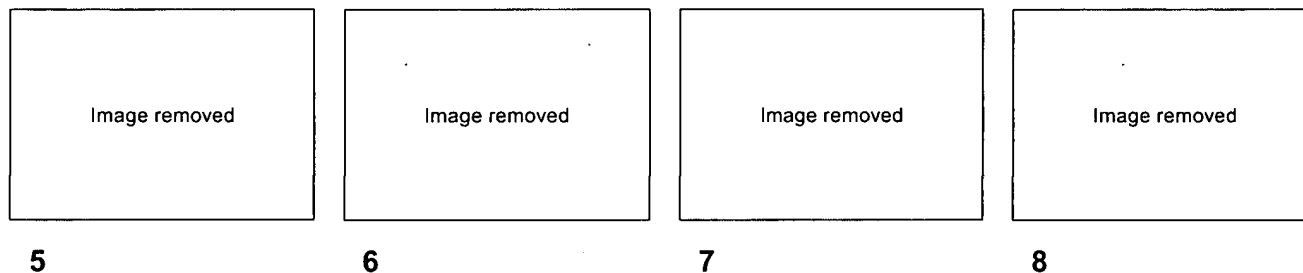
Appointment date: January 2014 (Appointed as SID in December 2015)

Committee membership: A N R

Experience: Helen was Chief Marketing Officer UK at Yell Group plc from 2006 to 2012 and prior to this she served as Lloyds TSB Group Marketing Director. Helen started her career with Mars Inc where she spent 19 years, culminating in her role as European Marketing Director, leading category strategy development across Europe. Helen has in the past served as a non-executive director on the main Board of the Department of Work and Pensions.

External appointments: Helen is non-executive director of Kin and Carta plc and the Skipton Building Society. Helen also serves on the Strategic Advisory Board of Henley Business School and is a Governor of Wellington College.

Board of directors



5

David Kelly Non-Executive Director

Appointment date: December 2014

Committee membership: A N R*

Experience: David was Operations Director of Amazon, COO of lastminute.com, and COO and Vice President Operations of eBay Europe. He was subsequently founder and CEO of mydeco and Senior Vice-President and MD International of Rackspace Hosting. Up until recently David was a non-executive director of the Qliro Group and Chairman of Love Home Swap and MBA & Company Group.

External appointments: David is Chairman of Simply Business, the ATCORE Group, Prezola and Pure360. He is interim Chairman, senior independent director and Remuneration Committee and Nomination Committee Chairman of On the Beach Group plc and independent non-executive director of The Gym Group plc. David is also a non-executive director of Holiday Extras.

6

Lee Ginsberg Non-Executive Director

Appointment date: January 2014

Committee membership: A* N R

Experience: Lee is a Chartered Accountant by profession and was previously Chief Financial Officer of Domino's Pizza Group plc. Lee joined Domino's Pizza in 2004 and retired during April 2014. Prior to his role at Domino's Pizza, Lee held the post of Group Finance Director at Health Club Holdings Limited, formerly Holmes Place plc, where he also served for 18 months as Deputy Chief Executive. Previously, Lee held the position of Group Finance Director at Etam plc, non-executive director and Chairman of the Audit & Risk Committee of Mothercare plc and Senior Independent Director and Chairman of the Audit Committee of Patisserie Valerie Holdings plc. Until recently Lee was a non-executive director of On the Beach Group plc.

External appointments: Lee is non-executive Chairman of Oriole Restaurants Limited and non-executive director and senior independent director of Softcat plc.

7

Olivia Streatfeild Non-Executive Director

Appointment date: January 2016

Committee membership: A N R

Experience: Olivia was previously the Commercial Director of TalkTalk's Consumer Business. Until recently, Olivia was a Partner at Sir Charles Dunstone's investment vehicle Freston Ventures, was an Associate Principal at McKinsey & Company and a leader in McKinsey & Company's Consumer Retail practice.

External appointments: Olivia is the Managing Director, International of Flamingo Horticulture.

8

Steve Hatch Non-Executive Director

Appointment date: December 2015

Committee membership: A N R

Experience: Prior to joining Facebook in 2014, Steve worked in Y&R, Omnicom and WPP where he spent 15 years, with his final role as CEO of MEC.

External appointments: Steve is the VP: Northern Europe of Facebook.

Key:

- A Member of the Audit & Risk Committee
- N Member of the Nomination Committee
- R Member of the Remuneration Committee
- ⊙ Denotes Committee Chairman

Corporate governance report

The Code sets out specific principles and provisions on how a company should be directed and controlled in order to achieve standards of good corporate governance. The purpose of corporate governance is to facilitate effective, entrepreneurial and appropriate management that can deliver the long-term success of the Company. The version of the Code applicable to the Company for 2018 was published in April 2016. A copy of the Code is available at www.frc.org.uk. We are mindful of the changes to the Code which were published in July 2018 and we endeavour to adopt best practice recommendations where appropriate in time for the implementation for the 2019 financial year.

The Board supports the principles under the Code and considers that the Company complied in all material respects with the Code for the whole 52 week period in 2018 with the exception of provision B.6.2 – Evaluation of the Board should be externally facilitated at least every three years. As set out on page 34 the Board did not undertake an external Board Evaluation during the year due to the change in Chairman, an external evaluation will be undertaken during 2019 and reported on in the 2019 Annual Report.

The role of the Board

The Board has responsibility for promoting the long-term success of the Company for its shareholders and to provide leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board sets the Company's strategic aims and ensures that the necessary resources are in place to allow the Company's objectives to be met. Some of the Board's key roles include the establishment, monitoring and review of the Group's internal control systems, governance and risk management, management performance, succession planning and approval of major transactions. The Board establishes the Company's culture, values and ethics and it is important that the correct 'tone from the top' is set.

The Board has a formal schedule of matters reserved to it for decision. Other specific responsibilities are delegated to Board Committees, each of which has clear written terms of reference. The terms of reference for the Audit & Risk Committee, the Nomination Committee and the Remuneration Committee are available on the Company's website at www.reachplc.com. The Administration Committee consists of the executive directors and it meets as necessary to deal with administrative matters of a day-to-day nature.

The current Board composition is six non-executive directors and two executive directors. The Company's governance framework is set out in the diagram below.

Chairman and Chief Executive

There is a clear division of responsibility at the head of the Company between the running of the Board and the executive responsibility for running the Company's business. The roles of the Chairman and Chief Executive are separated. Their responsibilities are clearly defined, set out in writing and agreed by the Board and the clear and appropriate delineation of responsibility between Chairman and Chief Executive is considered annually as part of the Board's annual effectiveness review. It was agreed in respect of 2018 that these roles are clear and appropriate and that there exists a shared understanding of all Board and Committee roles and responsibilities.

Role of the Chairman

The Chairman, Nicholas Prettejohn, is responsible for the leadership of the Board and ensures that the directors receive accurate, timely and clear information. He is responsible for cultivating a boardroom culture of honesty and openness which encourages debate, challenge where appropriate, and enables non-executive directors to make an effective contribution. The Chairman sets the Board's agenda and ensures sufficient time is allocated for the discussion of all agenda items. The Chairman also consults with the non-executive directors, in particular the Senior Independent Director, on matters of corporate governance and ensures all directors are made aware of any major shareholders' issues and concerns.

Role of the Chief Executive

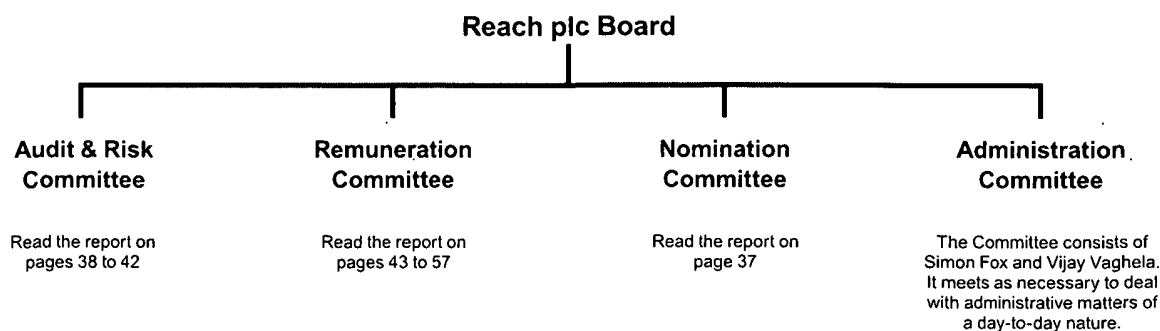
As Chief Executive, Simon Fox is responsible for the day-to-day leadership, operations, performance and management of the Company within the strategy and plans agreed by the Board. This is implemented through the Group Finance Director and Company Secretary and the senior management team.

Role of non-executive directors

The non-executive directors bring to the Board independence, along with a broad mix of business skills, knowledge and experience. They provide an external perspective to Board discussions and are responsible for the scrutiny of the executive management on behalf of shareholders. The non-executive directors constructively challenge Board discussions and help develop proposals on strategy. The Board is satisfied that all of the non-executive directors meet the independence criteria as set by the Code.

The terms and conditions of each of their appointments are available for inspection at the registered office of the Company during normal business hours and at the Company's AGM.

The non-executive directors, in conjunction with the Chairman, have time following each Board meeting to review the effectiveness of the Board. The details of the latest Board effectiveness review can be found on pages 33 and 34.



Corporate governance report

Company Secretary

The Company Secretary, supported by the Company Secretarial department, ensures that effective communication flows between the Board and its Committees and between senior management and the non-executive directors. The Company Secretary also advises the Board on corporate governance matters and ensures that Board procedures are followed.

During the year, Vijay Vaghela acted as Company Secretary in addition to his executive duties, with the support of the Deputy Company Secretary. The Board has further considered the effect of Vijay's role as an executive director of the Company, and is satisfied that he will be able to maintain independence where required, up until his departure on 1 March 2019. Simon Fuller will assume the role of Company Secretary on his appointment to the Board on 1 March 2019 and where deemed appropriate his Company Secretarial responsibilities will be formally delegated to the Deputy Company Secretary, who attends all Board and Committee meetings by invitation of the respective Chairman.

Senior Independent Director

Helen Stevenson has been Senior Independent Director since December 2015. Acting as a sounding board to the Chairman, the Senior Independent Director also serves as an intermediary for the other directors when necessary. The Senior Independent Director is available to shareholders to assist with addressing concerns that may arise. The Senior Independent Director meets with the non-executive directors at least once a year to review the performance of the Chairman. The outcome of this review is then discussed with the Chairman.

Board diversity

The Board recognises the importance of diversity, including gender, in the boardroom and seeks to recruit directors with varied backgrounds, skills and experience. While recognising the importance of diversity in Board composition, it is the Board's policy that Board appointments are made on merit judged against objective criteria, taking account of the skills, experience and expertise of candidates rather than by the setting of specific targets.

The Board does not have its own policy on diversity as the Group's policies on recruitment, dignity at work and equal opportunities, which cover diversity, apply to the Board.

The Group's recruitment process is designed to ensure the identification of the person with the appropriate attributes and experience best suited to the role irrespective of race, age, disability, sex, sexual orientation, gender reassignment, marriage or civil partnership, pregnancy, maternity, membership or non-membership of a trade union, religion and belief.

The Board's tenure, composition and diversity as at the date of this report are set out below.

The Group's policies aim to achieve a diverse and appropriately qualified workforce, Group-wide, as well as at Board level.

The Board recognises the need for diversity at management level and supports the executive team to actively enable greater female participation in senior management positions within the Group, as a way of ensuring a steady flow of female talent at the top of the Company. During 2018, several initiatives were created to support female talent within the Company and further details on these can be found on page 12 in the Strategic Report.

There were two female members of the Board throughout 2018, representing 25%. However, the appointment of Nick Prettejohn in March 2018 meant female representation on the Board fell to 22%; this reverted once David Grigson stepped down as Chairman at the AGM in May 2018. The Board hopes to retain or improve this level in the future. The Board composition and size is kept under review in order to retain an appropriate balance of skills, experience, diversity and knowledge of the Group on the part of our non-executive directors.

Board activity

Key areas of focus for the Board in 2018 included:

- Strategy;
- Succession planning and Board composition;
- Acquisition of the publishing assets of Express & Star;
- Integration of Express & Star's publishing assets;
- Redevelopment of the former Liverpool office and print plant;
- Disposal of Communicator Corp;
- Editorial governance;
- Historical legal issues;
- Digital publishing;
- New product development;
- Financing;
- Finance transformation;
- Pensions;
- Review of the performance of the Board and Board evaluation;
- Dividend policy and administrative processes;
- Regulatory change; and
- Matters reserved.

With the exception of the acquisition of Express & Star and the disposal of Communicator Corp, the Board expects that the areas of focus for 2019 will remain similar to 2018.

Graph removed

Corporate governance report

Committee membership

The Board has agreed that all non-executive directors, other than the Chairman, should serve as members of the Audit & Risk Committee and all non-executive directors including the Chairman should serve as members of the Nomination and Remuneration Committees. The Committee members are deemed to have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their duties and responsibilities effectively. The Chairman chairs the Nomination Committee and attends the Audit & Risk Committee meetings by invitation of its Chairman.

The Board believes that an increasing amount of work is undertaken by these Committees and that a non-executive director can only properly fulfil his or her responsibilities if they are present during Committee meetings and are able to follow the detail of discussion and debate held at those meetings. The executive directors attend Committee meetings by invitation of the Committee Chairman when necessary, and are not included in any votes taken by the Committees.

Board and Committee meetings and attendance

The number of Board and Committee meetings held during the year and directors' attendance was:

Director	Scheduled	Audit	Remuneration	Nomination
David Grigson*	4/4	—	2/2	0/0
Nicholas Prettejohn**	7/7	—	1/1	2/2
Simon Fox	9/9	—	—	2/2
Lee Ginsberg	9/9	5/5	2/3	2/2
Steve Hatch	8/9	3/5	2/3	1/2
David Kelly	8/9	5/5	3/3	2/2
Helen Stevenson	8/9	4/5	3/3	2/2
Olivia Streatfeild	8/9	4/5	2/3	2/2
Vijay Vaghela	9/9	—	—	—

*David Grigson retired from the Company on 3 May 2018.

**Nicholas Prettejohn joined the Board and respective Committees on 6 March 2018.

During 2018 some directors were unable to attend Board and Committee meetings due to prior business commitments.

The Board meets sufficiently regularly to discharge its duties effectively. The Board held nine scheduled meetings in 2018, six of which were held at the Company's registered office in London, one off site at the 2018 AGM venue, one at the Company's Liverpool office and one in the Company's advisers offices in central London, both in conjunction with the Board's strategy day.

The Board received presentations from senior management throughout the year and Board members have regular formal and informal meetings with senior staff. Where a director was unable to attend a meeting, they were provided with all the papers and information relating to that meeting and were able to discuss issues with the Chairman, Chief Executive and Group Finance Director where appropriate. Board meetings are structured to allow open discussion and all directors participate in the discussion of strategy, trading, financial performance and risk management. Board papers are circulated in sufficient time before a meeting to enable full and informed discussion. Members of the wider senior management team attend Board meetings by invitation and regularly make presentations.

Director independence

The independence of non-executive directors is considered annually as part of the Board performance evaluation process.

The Board believes that all its non-executive directors continue to demonstrate independence in character and judgement and are independent as defined by section B.1.1 of the Code. The Board believes that Reach's new Chairman, Nick Prettejohn, was independent at the date of his appointment. The Board is satisfied that his external roles do not detract from his ability to devote sufficient time to the Company to properly fulfil his responsibilities and be effective in his role.

Board performance evaluation

The evaluation process of the Board and its Committees consists of an internal exercise performed annually with an independent third party evaluation carried out every three years. However, a significant focus for the Board during the year centred around the succession planning and induction of the Chairman and other Board roles. The Board aims to conduct the next externally facilitated Board evaluation during 2019 and further details will follow in the next Annual Report.

The internal evaluation process involved a written questionnaire prepared by the Deputy Company Secretary which covered key topics and included forward looking elements:

- Role of the Board and responsibilities;
- Composition, process and structure;
- Oversight and strategic developments;
- Culture;
- Support and governance requirements; and
- Identification of key challenges for 2019 and the priorities of the new Chairman.

The Deputy Company Secretary then collated a summary of the key issues raised in a report to the Chairman. The report was submitted to the Board for discussion at the January 2019 Board meeting.

During the evaluation process, the non-executive directors (in the absence of the Chairman) met with Helen Stevenson, as Senior Independent Director, to review the performance of the Chairman.

Based on the feedback received, the Board concluded that the Board and its Committees continue to operate effectively. In order to address the comments made by directors, a list of specific actions and focus areas was agreed.

The Senior Independent Director reviewed the Chairman's performance with the other non-executive directors, taking into account the views of the executive directors. The Board concluded that the Chairman's leadership is effective.

Each directors' individual contribution to the Board and development priorities are considered as part of this exercise.

Appointments and resignations

The appointment of new directors is led by the Nomination Committee which undertakes a formal, rigorous and transparent procedure and subsequently make a recommendation to the Board.

During 2018 David Grigson stepped down as Chairman following the conclusion of the AGM in May 2018. David was succeeded by Nick Prettejohn who was appointed as non-executive director and Chairman Designate in February 2018. Nick took over as Chairman at the conclusion of the 2018 AGM.

Corporate governance report

Vijay Vaghela, Group Finance Director, resigned during 2018 and following a thorough and rigorous search process, the Nomination Committee recommended that Simon Fuller be appointed as Chief Financial Officer and Company Secretary with effect from 1 March 2019.

Lee Ginsberg will be stepping down as non-executive director and Chairman of the Audit and Risk Committee with effect from 30 April 2019.

Further details of the appointment process can be found in the Nomination Committee Report on page 37 and biographies of our directors can be found on pages 30 and 31.

Board induction, training and development

A full, formal and individually tailored induction programme is provided for all new directors upon appointment. This includes an assessment of their training requirements and provision of the appropriate training. New directors are provided with background reading about the Group to assist their understanding of the nature of the Group, its business and the markets in which it operates. Details of Board procedures and other governance-related matters are also provided as part of the induction process.

Throughout their tenure, directors are given access to the Group's operations and staff, and receive updates on relevant issues as appropriate, taking into account their individual qualifications and experience. This allows the directors to function effectively with appropriate knowledge of the Group. The Company Secretary facilitates any other professional development that directors consider necessary to assist them in carrying out their duties. The Board participates in visits to key operational sites during the year to gain a deeper insight into the Group's operating environment.

The Board is satisfied that each director has sufficient time to devote to discharging his or her responsibilities as a director of the Company.

Details on Board induction for Nick Prettejohn can be found in the Nomination Committee report on page 37.

Independent advice

The directors may take independent professional advice, if necessary, at the Company's expense.

Companies Act 2006 section 172 disclosure

Details on how the directors promote the success of the Company can be found throughout this report.

Directors' conflicts

The Board adopted a Conflicts Policy in October 2008 which provides a formal system for directors to declare conflicts to be considered for authorisation by those directors who have no interest in the matter. In deciding whether to authorise a potential or actual conflict, the non-conflicted directors are required to act in the way they consider would be most likely to promote the success of the Company and they may impose limits or conditions when giving authorisation.

The Board applied the Conflicts Policy throughout 2018 and the relevant procedures for authorisation of potential or actual conflicts were followed. The Board believes that there is currently no compromise to the independence of any director arising from an external appointment or any outside commercial interest.

Where a potential or actual conflict arises, the director is excused from relevant items of business and does not receive papers or minutes in relation to that business.

In addition to the availability of the Register of Conflicts at each Board meeting, an annual review is conducted and the Board will continue to monitor and review potential conflicts of interest on a regular basis.

During the year the Board considered the external appointments of Nick Prettejohn and concluded that he would be able to devote sufficient time to his role as Chairman and these interests would not affect Nick's ability to discharge his responsibilities.

Directors' indemnity and insurance

As approved by shareholders at the 2008 Annual General Meeting, included in the adopted Articles of Association resolution, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006.

The Company maintains appropriate directors' and officers' liability insurance for its directors and officers which provides cover for any legal action brought against them.

Relations with shareholders

Effective shareholder engagement is essential to the Board and we ensure continuous dialogue throughout the year by way of investor relation programmes through which the Chief Executive and Group Finance Director meet with major shareholders. Additionally the Chairman, Senior Independent Director, Remuneration Committee Chairman and executives meet with major shareholders as and when requested. In 2018, numerous investor meetings and events were held or attended and presentations were made at national conferences as well as at results presentations, which altogether provided for comprehensive and engaging dialogue with shareholders and potential investors.

During the year Nick Prettejohn met a number of the largest shareholders following his appointment as Chairman. The non-executive directors regularly receive updates, through analyst and broker briefings, on shareholder opinion and so are constantly developing their understanding of the views of the Company's major shareholders.

The Company's website, www.reachplc.com, is regularly updated and contains a wide range of information of interest to both institutional and private investors, including any announcements made by the Company to the London Stock Exchange as well as presentations of interim and annual results made to analysts.

Risk management and internal control

The Board has overall responsibility for the Company's system of risk management and internal controls. The Board regularly reviews the Company's principal risks and its internal controls. The risk management process is supported by our internal audit function reviewing the effectiveness of internal controls.

Further information on internal controls and risk management can be found on pages 41 and 42 of the Audit & Risk Committee Report. The principal risks and uncertainties the Group faced during the year are set out on pages 16 and 17 of the Strategic Report.

Going concern and viability statement

The Code and Listing Rules require listed companies to include in their annual report and accounts a going concern and a viability statement. The Audit & Risk Committee reviewed and discussed a report from management and concluded that the financial statements can be prepared on a going concern basis and that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Corporate governance report

Assessment of the Group's prospects

The directors have assessed the Group's prospects, both as a going concern and its longer term viability.

Going concern statement

The directors consider it appropriate to adopt the going concern basis of accounting in the preparation of the Group's annual consolidated financial statements.

In accordance with LR 9.8.6(3) of the Listing Rules, and in determining whether the Group's annual consolidated financial statements can be prepared on a going concern basis, the directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities.

The key factors considered by the directors were as follows:

- The implications of the volatile economic environment, uncertainties created by the UK referendum on EU membership and the structural changes in the market on the Group's revenues and profits. The Group undertakes regular forecasts and projections of trading identifying areas of focus for management to improve performance and mitigate the impact of any deterioration in the economic outlook and structural challenges;
- The impact of the competitive environment within which the Group's businesses operate;
- The impact on our business of key suppliers (in particular newsprint) being unable to meet their obligations to the Group;
- The impact on our business of key customers being unable to meet their obligations for services provided by the Group; and
- The committed finance facilities available to the Group. The Group has access to a £83.3 million committed amortising Revolving Credit Facility ('RCF') and a £60 million Acquisition Term Loan ('ATL'). Drawings can be made with 24 hours' notice under the RCF and the facility was undrawn at the reporting date. The RCF is committed to December 2021 and reduces by £8.333 million every six months from June 2019 until December 2020 and remains at £50 million during 2021. The ATL is committed to December 2021. The ATL was procured to partially fund the acquisition and is repayable in three instalments due in December in each of the next three years with, £20.3million in 2019, £20.3 million in 2020 and £19.4 million in 2021.

Having considered all the factors impacting the Group's businesses, including downside sensitivities (relating to trading and cash flow), the directors are satisfied that the Group will be able to operate within the terms and conditions of the Group's financing facilities for the foreseeable future.

The directors have reasonable expectations that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's annual consolidated financial statements.

Viability statement

The directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

The UK Corporate Governance Code requires that the directors assess the prospects of the Group over an appropriate period of time selected by them.

The directors assessed the prospects of the Group over a three year period which reflects the budget and planning cycle adopted by the Group. A three year period is adopted as it enables the directors to consider the impact of declining print revenues, the investment required to drive growth in digital and to identify the extent to

which costs need to be minimised to support profit and cash flow. The assessment took into account the Group's current position and the principal risks and uncertainties facing the Group including those that would threaten the business model, future performance, solvency or liquidity.

The director's strategic and budget planning for the Group comprises an annual budget and projections for the subsequent two years. The three year projections are reviewed by the Board at least two times a year and they also form part of the strategy review process. The first year of the projections reflect the annual budget which is approved by the Board.

The annual budget for 2019, which provides greater detail, is used to set budget targets for the Group and is used by the Remuneration Committee to set targets for the annual incentive plan. The three year projections are also used for setting the cash flow target for the Long Term Incentive Plan. Whilst the subsequent two year projections are less detailed, they provide a sensible planning tool against which strategic decisions are made.

A number of key assumptions are made in the three year projections. These are as follows:

- Cost reduction initiatives and delivery of synergies to support profitability as print revenues remain in decline;
- Investment to build audience and revenues in the growing digital market;
- Capital expenditure requirements across the business and how these are impacted by the trading environment;
- Dividend policy;
- No new financing facilities are procured to replace the reduction in the £88.3 million committed amortising Revolving Credit Facility to £50 million over the next two years or the repayments of £60 million due on the £60 million Acquisition Term Loan;
- Funding of the historical defined benefit pension obligations based on the schedule of contributions agreed with the Trustee's of the defined benefit pension schemes on completion of acquisition, amounting to £48.9 million per annum over the next two years and £56.1 million in 2021; and
- Payments in relation to historical legal issues.

These, and other matters considered by the Board during the year, form the basis of the Board's reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year assessment period.

Also, this assessment was made recognising the principal risks and uncertainties that could have an impact on the future performance of the Group and also the financial risks described in the notes to the consolidated financial statements.

Sensitivity analysis is applied to the cash flows to model the potential effects should principal risks actually occur, individual or in unison. The Board also assessed the likely effectiveness of any proposed mitigating actions.

Such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

Nick Prettejohn
Chairman

25 February 2019

Nomination Committee report

Image removed

“The Committee has been focused on succession planning and reviewing the composition of the Board.”

Nick Prettejohn,
Chairman of the Nomination Committee

Dear Shareholder

I am pleased to present the report of the Nomination Committee (the ‘Committee’) for 2018. The Committee keeps under regular review the structure and composition of the Board and its Committees, and ensures that the Board has the appropriate balance of skills, expertise and experience to support the Company and ensure the appropriate corporate governance standards and practices are in place.

In 2018, the Committee’s focus has been on reviewing and implementing the succession planning process and reviewing the composition of the Board, ensuring it is appropriate for the needs of the Group for the future. This included the search for and recommendation of our new Chief Financial Officer and Company Secretary, Simon Fuller.

Role of the Committee

- Review the Board’s structure, size and composition, including the balance of skills;
- Make recommendations regarding any adjustments to the composition of the Board;
- Assess the time commitment required from non-executive directors and evaluate whether the non-executive directors are committing enough time to fulfil their duties;
- Propose recommendations to the Board for the continuation in service (or not) of each director;
- Ensure that Board membership comprises the best possible mix of skills, knowledge, experience and gender diversity so as to enhance the quality of its deliberations and decisions; and
- Ensure that the Board is well prepared for changes to its composition and is fully supported to ensure orderly and appropriate succession.

The Committee has formal terms of reference which are available on the Company’s website www.reachplc.com.

The Committee met twice during 2018 to consider the composition of the Board, the Chief Financial Officer and Company Secretary succession process, and succession planning for Board and senior management and the timetable and formal agenda for 2019.

Areas of focus for 2019

- Structure, size and composition of the Board and its Committees;
- Succession planning for the Board and senior management;
- Identify future talent pipeline and their development;
- Development initiatives for directors;
- Group-wide exposure for non-executive directors; and
- Reporting to the Board on relevant regulatory and governance responsibilities.

Diversity

Following the third report published by the Hampton-Alexander Review, which recommends a minimum of 33% of women represented on the Board by 2020, and 33% of women’s representation across executive committees and the direct reports

to executive committees by 2020, the Committee is committed to reviewing talent pipelines within the Group during 2019. The Group has launched its Leaders of the Future programme which concentrates on the internal development and progression of management, some of whom report into the senior managers within the Group. We currently have 38% of women representation on this programme and are excited to see this programme and others like it develop over the coming year. More details on our staff development programmes can be found on page 12 in the Strategic Report.

The Committee is mindful of the Company’s responsibilities as an employer in relation to Gender Pay Reporting, pursuant to the Equality Act 2010. Further details on Gender Pay Reporting can be found on pages 13 to 15 of the Strategic Report. You can see details of female representation in our workforce within the Our People section on pages 13 to 15.

Candidate search process

There is a formal and transparent procedure in place for making new appointments to the Board, and a process for identifying a successor for the role of Chief Financial Officer and Company Secretary, a change from the title Group Finance Director, was undertaken during 2018. A thorough search was conducted by the Committee with input from management and with assistance from Sam Allen Associates, the executive search firm engaged to assist with the Chief Financial Officer search. Sam Allen Associates have no other connections with the Group and are considered to be an independent executive search firm. Each individual Committee member met with the Chairman to discuss their views and objective criteria, taking into account the current skills, experience, independence, and balance on the Board, noting the benefits of diversity. With assistance from Sam Allen Associates several candidates were short-listed for interview and each candidate was judged based on their experience and appropriate attributes to suit the requirements of the role. Following an orderly diligence process, the Committee recommended to the Board that Simon Fuller was the most suitable candidate and he will join the Board as Chief Financial Officer and Company Secretary on 1 March 2019.

More recently, Lee Ginsberg notified the Board that he will step down with effect from 30 April 2019. Lee has been a non-executive director of the Company since January 2014 and during that time has been Chairman of the Audit & Risk Committee. On behalf of the Board, I would like to thank Lee for his valuable contribution to the business and convey the Board’s best wishes for the future.

Chairman induction process

All new Board members receive a full, formal and tailored induction programme. The formal induction programme is designed to provide insight into all aspects of the Group’s strategic pillars: Optimise, Grow and Commercialise. The induction is facilitated through a series of in-depth group and one-to-one meetings and site visits across the UK with senior management, staff and other stakeholders, with information packs, which include a broad range of materials relating to the role of Director and details of applicable policies and procedures being provided. As part of my induction I visited several of the Group’s operational centres based in various locations within the UK including Bristol, Watford, the Midlands and Scotland, meeting with the on-site teams and management to obtain a true understanding of how the business operates.

Nick Prettejohn
Chairman of the Nomination Committee

25 February 2019

Audit & Risk Committee report

"The Committee has been focused on the acquisition of Express & Star."

Lee Ginsberg,
Chairman of the Audit & Risk Committee

Image removed

Dear Shareholder

I am pleased to present the report of the Audit & Risk Committee (the 'Committee') for 2018. Throughout this report I aim to offer insight into the Committee's role of protecting the interests of our shareholders. The report will also provide you with details on the assessment of the effectiveness of our statutory auditor, Deloitte, and explain our policy on non-audit services.

In accordance with the Committee's terms of reference, the Chairman, Chief Executive and Group Finance Director are not members of the Committee but are invited to attend meetings of the Committee when appropriate.

All members of the Committee are non-executive directors, who are considered independent, and their biographical details are set out on pages 30 and 31. The Board is satisfied that the members of the Committee have a wide range of commercial and financial experience which allows the Committee to fulfil its Terms of Reference. The Terms of Reference of the Committee are reviewed and revised as appropriate to reflect changes made to the Financial Reporting Council's UK Corporate Governance Code (the 'Code'). The Committee has identified me as the member having recent and relevant financial experience in accounting for the purposes of the Code, and the members of the Committee as a whole have competence relevant to the sector in which the Group operates as a result of their combined biographies.

I have notified the Board that I will be stepping down as a non-executive director and Chairman of the Audit & Risk Committee with effect from 30 April 2019. It has been a pleasure being a part of the Reach Board. I am extremely proud of all we have achieved in the past five years and wish the Company every success for the future.

Role and activity of the Committee

The Committee's principal responsibilities are:

- Monitor the integrity of the financial statements of the Company, including its annual and half year financial results. Other formal announcements relating to financial performance or financial information contained in certain other documents is reviewed by the Board and therefore not specifically discussed by the Committee;
- Review and assess the Annual Report in order to determine whether it can advise the Board that, taken as a whole, the Annual Report is fair, balanced and understandable and provides shareholders with the information they need to assess the Company's position, performance, business model and strategy as required by provision C.1.1 of the Code;
- Review significant financial reporting issues;
- Recommend to the Board the appointment of the external auditor and approve their remuneration and terms of engagement;
- Lead the audit tendering process and recommend two prospective audit firms to the Board;
- Monitor and review the external auditor's independence, objectivity and the effectiveness of the external audit process including considering relevant UK professional and regulatory requirements;
- Review and approve the external audit plan;
- Develop and implement the Company's policy on non-audit services from the external auditor, taking into account relevant ethical guidance;
- Review the Company's procedures for handling allegations from whistleblowers;
- Review the Company's internal control system and risk management system;
- Monitor and review the effectiveness of the internal audit function;
- Review and approve the remit of the internal audit function and ensure the function has the necessary resources and is able to meet appropriate professional standards for internal auditors; and
- Review and approve the internal audit plan.

The Board's responsibility for the assessment of risk is delegated to the Committee.

The Terms of Reference authorise the Committee to obtain independent legal or other professional advice at the Company's expense.

The Committee receives any required information from management in a timely manner and in formats which are comprehensible and sufficient to fulfil its responsibilities to shareholders and potential investors alike.

The Code extends the Board's responsibilities to confirm that it has undertaken a thorough assessment of the principal risks associated with the Group's business model, future performance, solvency and liquidity; provided a statement of the longer term prospects and viability of the Group; and monitored the Company's risk management and internal control systems on a continuing basis. The Committee also notes the implementation of applicable regulatory requirements, such as the Market Abuse Regulation, and works closely with the Board and its external advisers to ensure that all requirements are implemented and observed.

The Terms of Reference are published on the Company website www.reachplc.com.

In 2018, the Board held an evaluation of the Committee's performance. The same areas were reviewed as for the Board performance evaluation, found on page 34. The evaluation concluded that the roles and responsibilities of the Committee were clear, papers were of a high standard and preparations would be made to meet the challenges of 2019. All actions will be reviewed throughout 2019 to ensure the Committee runs efficiently. It was deemed that the Committee's composition continues to remain appropriate and the Committee is functioning effectively.

I conduct regular meetings with the Group Finance Director, the Head of Risk and Internal Audit and the Company's external auditor, Deloitte LLP. Meetings of the Committee are also attended by the Head of Risk and Internal Audit and representatives from the Company's external auditor, Deloitte LLP.

Audit & Risk Committee report

Main activities of the Committee during 2018

The Committee had five scheduled meetings in 2018. Items reviewed at the Committee meetings in 2018 were:

Recurring	Specific
– Reports and financial statements	– Amendments to the Code
– Group prospects (going concern and viability)	– Findings from the external auditor on the 2018 interim review
– Impairment reviews	– Findings from the external auditor on the 2017 year end audit
– Tax and Treasury	– Corporate governance updates
– Contingent liabilities	– Review of non-audit services policy
– Acquisition of Express & Star	– Managing tender process for the new external auditors
– Internal audit plan and results of audits completed	
– Corporate risk assessment including review of the key risks and risk management activities	
– External audit plan and review of effectiveness	
– External audit fees	
– Accounting regulatory changes	
– Assessment of the Committee's performance	

In 2019, to date, the Committee has focused on the 2018 year end, including the impact of the acquisition of Express & Star.

Annual Report

The Committee has undertaken a review and assessment of the Annual Report in order to determine whether it can advise the Board that, taken as a whole, the Annual Report is fair, balanced and understandable and provides shareholders with the information they need to assess the Company's position, performance, business model and strategy as required by provision C.1.1 of the Code.

The Committee has:

- Considered the results of an independent review performed by a senior individual outside of the finance function;
- Reviewed and discussed the findings from the external auditor as part of the 2018 year end audit; and
- Fully discussed the Annual Report at the Committee meetings in February 2019.

Accordingly, the Committee has concluded that the Annual Report, taken as a whole, is fair, balanced and understandable and that it can advise the Board as required by the Code.

Going concern and viability statement

The Code and Listing Rules require listed companies to include in their annual report and accounts a going concern and a viability statement. The Committee reviewed and discussed reports from management and concluded that the financial statements can be prepared on a going concern basis and that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years. The directors assessed the prospects of the Group over a three-year period which reflects the budget and planning cycle adopted by the Group. A three-year period is adopted as it enables the directors to consider the impact of declining print revenues, the investment required to drive growth in digital and to identify the extent to which costs need to be minimised to support profit and cash flow. The assessment of the Group's prospects, together with the Group's going concern statement and viability statement, are set out on pages 35 and 36 of the Corporate Governance Report.

Significant financial issues

The Committee assesses whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements. The Committee reviews accounting papers prepared by management which provide details on the main financial reporting judgements. The Committee also reviews reports by the external auditor on the annual and half year results which highlight any issues with respect to the work undertaken.

The Committee considered the following significant issues in relation to the 2018 financial statements:

Impairment review

Each year a detailed impairment review is undertaken to compare the carrying value of assets held on the consolidated balance sheet and the parent company balance sheet to their value in use. The value in use is calculated using a discounted cash flow model and there are a number of judgements made in setting the assumptions that underpin the model. A detailed paper summarising the conclusions of the review is presented to the Committee. The external auditor also undertakes a detailed review of the assumptions and of the model supporting the review.

Both the Committee and external auditor challenge the conclusions of the review and consider any external factors which may change the conclusions of the review.

The key assumptions underpinning the model are as follows:

- The discount rate, based on the weighted average cost of capital ('WACC'). This is calculated after due consideration to market factors impacting the WACC and items that are specific to the Group such as the current capital structure and the best estimate of future movements in the capital structure;
- Three-year projections which are separately presented to and approved by the Board;
- Long-term growth rates;
- The identification of cash-generating units; and
- The appropriateness of the indefinite life assumption for publishing rights and titles.

The conclusions of the review highlighted the changes in cash-generating units, the need for an impairment charge and the sensitivity of the review to key assumptions. The key factors relating to the review are fully disclosed in the notes to the consolidated and parent company financial statements and in the auditor's report.

Impairment is not considered a principal risk for the Group, as identified on pages 16 and 17 of the Strategic Report, as it relates to historical transactions with no future cash impact nor is there any impact on the financial covenants for the Group's debt facilities.

The impairment review in respect of the 2018 year end concluded that an impairment was required to the carrying value of assets held in the consolidated balance sheet and that an impairment was required to the carrying value of investments held in the parent company balance sheet. Disclosure of the impairment reviews and key sensitivities are in note 15 in the notes to the consolidated financial statements and note 4 in the notes to the parent company financial statements.

Pensions

At each year end the Group's actuaries, Willis Towers Watson, undertake a detailed calculation of the IAS 19 valuation of the Group's defined benefit pension schemes and of the specific financial disclosures in the financial statements. A detailed report prepared by Willis Towers Watson setting out the judgements, assumptions and conclusions is presented to the Committee for review. Full disclosure of the Group's pension schemes is in note 32 in the notes to the consolidated financial statements.

Audit & Risk Committee report

The assumptions are agreed by management after taking advice from Willis Towers Watson. This includes external benchmarking of the key assumptions by Willis Towers Watson.

During the year the Committee paid particular attention to the accounting for the defined benefit pension schemes which came across to the Group as part of the Express & Star acquisition in February 2018 and to the impact following the High Court judgement relating to the equalisation of member benefits for the gender effects of GMP equalisation in October 2018. Willis Towers Watson provided advice and support and prepared specific reports which were reviewed by the Committee.

The external auditor performs a detailed review of the reports prepared by Willis Towers Watson and of the key assumptions used for the valuation, including external benchmarking.

The assumptions regarding the discount rate, inflation rates and mortality rates are given particular attention and challenged by the Committee members and external auditor. Disclosure of the valuation and the sensitivity of the valuation to changes in the key assumptions are disclosed in note 32 in the notes to the consolidated financial statements.

Pension schemes are one of the Group's three principal risks that are set out in the risks and uncertainties section on pages 16 and 17 of the Strategic Report. This sets out the risk and the management action to mitigate the risk.

Historical legal issues

The Group is exposed to civil claims from individuals in relation to phone hacking. One of the Group's three principal risks relates to historical legal issues. Management action to mitigate the associated risks and also the disclosure relating to the latest position are set out in the risks and uncertainties section on pages 16 and 17 of the Strategic Report.

This is a standing item on the Board agenda and therefore is not specifically an agenda item for the Committee. The Committee does assess the appropriateness of any provisions in relation to these matters and other implications on the consolidated financial statements and that the Annual Report contains sufficient disclosure of such matters. The external auditor's year end report details the procedures undertaken by them and their discussions with management and this is discussed in detail by the Committee.

Acquisition accounting

The Committee reviewed the accounting for the acquisition of Express & Star which completed on 28 February 2018 (UK publishing assets) and 6 December 2018 (Irish publishing assets). Detailed papers were prepared by management and were reviewed by the external auditors. The papers set out the judgements relating to the fair value of the consideration paid, the identification and valuation of the assets and liabilities acquired and the treatment and classification of acquisition related costs. Management performed the valuation of the publishing rights and titles acquired taking into consideration previous transactions that the Group had completed.

Interactions with the Financial Reporting Council

In December 2018, the Company received a letter from the Conduct Committee of the Financial Reporting Council ('FRC'), who had performed a review of our 2017 Annual Report and requested clarification and further information on certain points. The FRC were satisfied with our responses and, as a result of the correspondence, we have been able to enhance certain disclosures. The FRC review was conducted in line with the normal scope and limitations that apply in this type of review and provides no assurance that our report and accounts are correct in all material respects.

External auditor

The Committee has primary responsibility for making recommendations on the appointment, reappointment and removal of the external auditor. The Committee should also maintain an appropriate relationship with the Company's auditors. There are no contractual obligations that restrict the Company's choice of external auditor.

The Committee conducted the annual external audit effectiveness review which examined auditor independence, the audit planning process, audit approach and delivery, audit team expertise and experience, resources, responsiveness and communication. The review took the form of an extensive questionnaire which was sent to directors and senior managers across the Group. The results were analysed and a full report was submitted for review by the Committee. The report as a whole was discussed with the external auditor and, in the absence of any adverse findings, the Committee concluded that the audit process was fit for purpose.

Private meetings were held with Deloitte LLP to ensure there were no restrictions on the scope of their audit and to discuss any items that the external auditor did not wish to raise with the executive directors present.

The Committee reviews and agrees the engagement letter from Deloitte LLP and verifies their independence and objectivity. It also reviews the scope of non-audit services provided by Deloitte LLP to ensure that their objectivity was not impaired.

The Committee is satisfied that the level of fees payable in respect of audit services is appropriate for a group of its size and that an effective audit was conducted during 2018. Further details concerning external audit fees can be found in note 6 in the notes to the consolidated financial statements.

The Committee is satisfied that there are no relationships between the Company and the external auditor, its employees or its affiliates that may reasonably be thought to impair the external auditor's objectivity and independence.

Audit tender

As disclosed in the Group's 2017 Annual Report, the Board committed to changing the Group auditor no later than for the 2018 financial year. During 2018 the Committee reviewed management's tender strategy and in 2018 a comprehensive audit tender was conducted by members of a Steering Group which consisted of the Chairman, Chair of the Audit & Risk Committee, Chief Executive and Group Finance Director (the 'Steering Group').

The tender process can be summarised as follows:

- two firms were invited to participate in the tender;
- the two firms were given access to an information data room and had the opportunity to hold meetings with management in order to develop a tender presentation prior to meeting with the Steering Group;
- each firm was assessed by the Steering Group based on the following transparent and non-discriminatory decision-making criteria: overall audit quality and service proposition; coordination and communication; additional value and capability; and competence of the lead partner, team and the firm;
- after the conclusion of the last meeting, taking into account the view of management who met with each audit firm, the Steering Group reviewed the two tenders and made their recommendations to the Committee; and
- the Committee received a recommendation from the Steering Group and arrived at a recommendation for the Board.

Audit & Risk Committee report

The recommendation, which has been accepted by the Board, was for PricewaterhouseCoopers LLP ('PwC') to be proposed for appointment at this year's AGM as the Company's external auditor for financial periods commencing 31 December 2018. PwC attended a number of management and Committee meetings alongside Deloitte for the 2018 audit to ensure an orderly handover.

In accordance with the Auditing Practices Board standards, the Lead Audit Partner will be rotated every five years once PwC are appointed to the Company as its Auditor.

Non-audit services

The Group has a formal policy on the engagement and supply of non-audit services to protect the objectivity and independence of the external auditor and to avoid a conflict of interest. Generally, the external auditor will not be engaged to provide any additional services other than audit related services, including the review of the interim financial information. There may, however, be circumstances where it could be in the Company's and shareholders' interests if the external auditor were engaged. Such circumstances are likely to relate to either exceptional transactions or those deemed not to be of a material nature. In all cases, the engagement of the external auditor for non-audit work must be approved in advance by the Committee Chairman.

In 2018, the approved non-audit fee items provided by Deloitte LLP related to the interim review, covenant services and advisory work on the acquisition of Express & Star. The spend in relation to these services was £52,000, £8,000 and £369,000 respectively, totalling 30% of the overall audit spend. The Committee was satisfied that the non-audit services purchased were in the interests of the Company.

Effectiveness of risk management and internal control system

The Board has overall responsibility for the Company's system of risk management and internal controls. In accordance with the Code, the Committee carries out a robust assessment of the principal risks and reviews the effectiveness of the Company's internal control systems, covering all material controls including financial, operational and compliance controls.

The Committee's assessment includes a review of the risk management process, a review of the principal risks and uncertainties, significant risks, and the risk map.

The Committee reviews reports from management, the internal audit department and the external auditor to provide reasonable assurance that internal control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The reviews did not identify any significant failings or weaknesses in the system of risk management and internal control. The Committee confirms that necessary actions have been or are being taken, where failings or weaknesses were identified that were not of a material nature. The principal risks and uncertainties are set out on pages 16 and 17 of the Strategic Report. The Committee has considered that the appropriate systems are robust, in place, adequate and are operating properly.

The Committee believes that the Company's remuneration policy is adequate for a group of this size and nature and that compensation policies and practices are appropriate for maintaining a robust control environment and do not put the Company at risk.

Risk management

An ongoing process for identifying, evaluating and managing the significant risks faced by the Company has remained in place throughout 2018 and up to the date of approval of this report. The process is subject to regular review by the Board directly and by the Committee. The process accords with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, as applicable for this accounting period.

The Committee reviews the risk map at each meeting which details a description of the risks, an assessment of the impact on the business, probability of occurrence, management accountability, applicable policies, sources of assurance, risk factors and associated actions. It is a valuable source of information for reference and is regularly reviewed. During 2018, principal risks were identified, assessed and reviewed by impact and probability and the Board reconfirmed its review of the Group's appetite for risk and how this manifests itself in the way the Group conducts its business.

A new principal risk, Brexit, as set out on page 17 of the Strategic Report was added given the macroeconomic uncertainty created by the process of the UK exiting the European Union.

Internal controls

The directors are responsible for the Group's established system of internal control and for reviewing its effectiveness. The directors confirm that the actions it considers necessary have been or are being taken to remedy any failings or weaknesses identified from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances. The Board also confirms that it has not been advised of material weaknesses in the part of the internal control system that relates to financial reporting. No system of internal control can provide absolute assurance against material misstatement or loss. Such a system is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

Although the Board's overall responsibility for internal control is recognised, the positive contribution made by senior management to the establishment and ongoing development of internal controls within the Group is acknowledged. In reviewing the effectiveness of our system of internal control, the Board has taken into consideration a number of key elements, which include financial controls, investment controls, management reporting and the various review, steering, policy and Board Committees.

The key procedures that have been established and designed to provide effective internal financial control are:

Financial reporting

Part of the comprehensive management reporting discipline involves the preparation of detailed annual budgets by all operating units. These budgets are carefully examined by the executive directors and are then summarised and submitted to the Board for approval. Weekly revenue and profit forecasts are received from all operating units followed by monthly management accounts, which are prepared promptly and reported against the approved budget. Consolidated monthly management accounts, including detailed profit analysis with comparisons to budget, latest forecasts and prior year are prepared providing relevant, reliable and up to date financial and other information to the Board. Profit and cash flow forecasts for the current year together with a treasury report (including comparison to our financial covenants) were prepared and submitted to the Board twice during the year.

Audit & Risk Committee report

Investment appraisal

The Company has a clearly defined framework for capital expenditure which is controlled centrally. Appropriate authorisation levels and limits beyond which such expenditure requires the prior approval of the executive directors, or in certain circumstances, the Board, are clearly established. There is a prescribed format for capital expenditure applications which places a high emphasis on the overall Group strategy or support for the expenditure and requires a comprehensive and justified financial appraisal of the business case being put forward. All significant corporate acquisitions or investments are controlled by the Board or a Board sub-committee, and are subject to detailed investment appraisal and performance of due diligence procedures prior to approval by the Board.

The most significant capital expenditure approved by the Board in 2018 related to the contraction of floors in Canary Wharf and the integration of Local World systems. The finance system transformation project, which was approved in 2017, has continued throughout 2018 and will complete in 2019. The Finance Transformation Team has continued to develop and build the project with the full expected savings to be realised after completion.

Functional reporting

A number of our key functions, including treasury, taxation, internal audit, risk management, litigation, IT strategy and development, environmental issues and insurance are dealt with centrally. Each of these functions reports to the Board on a regular basis, through the Chief Executive or Group Finance Director as appropriate. The treasury function operates within the terms of clearly defined policy statements. The policy statements exist to ensure that we are not exposed to any unnecessary risk and that, where appropriate, there is hedging against foreign currency and interest rate risks.

Risk management and internal controls compliance

The following illustrate how the risk management process and the system of internal control operated during 2018:

Group Internal Audit

The internal audit function focuses on enhancing the Group's internal controls. It has an annual plan based on a rolling programme and specific risk based audits which is approved by the Committee annually.

The Head of Risk and Audit is a Chartered Accountant with many years of internal audit experience at the Company. He oversees an internal audit programme using the services of external service providers as necessary. The internal audit plan being risk based, has a focus on those areas which are deemed critical to the achievement of business objectives.

Audit & Risk Committee

The role of the Committee includes the review, update and approval of the annual internal audit plan, direction to the internal audit function, to external auditors and to management in the review of internal controls.

Risk Management Group

The Risk Management Group is formed of the executive directors together with invited senior executives across the key Group functions. The Chief Executive co-ordinates the risk management activities of the Risk Management Group working closely with the Head of Risk and Audit.

The agreed objectives for the risk management framework have been achieved during 2018 and all significant risks have been reviewed. A risk map has been developed and regularly updated to show the actions taken to minimise risks throughout the Group, the policies in force and the other sources of assurance upon which reliance is placed to mitigate risk.

Monitoring of key risks

To enable consistent and focused monitoring, reporting, evaluation and management of significant Group risks, the executive director owner of each key risk and the relevant senior managers have reviewed the plans, actions and initiatives which have taken place or are underway and documented them in the risk map.

Year end compliance reporting

A formal process exists for year end risk management compliance reporting, requiring senior operating company, divisional and Group executive management to confirm their responsibilities for risk management and internal control. Ultimate compliance reporting is required of each and every Board member.

Steps have been taken to embed internal control and risk management further into the operations of the business and to deal with areas for improvement which come to the attention of management and the Board.

The Group's systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Lee Ginsberg

Chairman of the Audit & Risk Committee

25 February 2019

Remuneration report

Image removed

“Our approach to executive remuneration is appropriate and represents a fair balance between shareholder and management interests.”

David Kelly,
Chairman of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present to you the Remuneration Report for 2018.

This report is split into three parts: this Annual Statement, which includes a foreword from me and our ‘at a glance’ summary on page 44, the Policy Report and the Annual Report on Remuneration. As our Directors’ Remuneration Policy (the ‘Policy’) for directors of the Group was approved by shareholders at the 2017 Annual General Meeting (AGM), we have provided an abbreviated Policy Report to give context to the decisions taken by the Committee during the year. The full Policy Report, as approved by shareholders, can be found in our 2016 Annual Report available on our website, www.reachplc.com.

Context of executive remuneration at Reach

As evidenced earlier in this Annual Report, 2018 was a transformational year for Reach, punctuated by the acquisition of the Express & Star business in February. Despite a challenging trading environment, the Group delivered a strong set of results.

Against this backdrop, the Committee’s key decisions during the year related to the following areas:

Incentive outcomes for 2018

In light of the 2018 performance, executive directors will each receive bonuses of 38.3% of their respective base salaries (out of a maximum of 75% of salary). This outcome reflects a strong adjusted operating profit outcome and good progress against strategic objectives, albeit with there being no payment for publishing digital revenue growth where stretching targets set at the start of the year were not achieved. Further targets and final outcomes are included on page 50.

LTIP awards made in March 2016 were tested for performance up to 30 December 2018. These awards were based 60% on absolute Total Shareholder Return (‘TSR’) and 40% on Net Cash Flow (‘NCF’). Over the three-year performance period, the Company exceeded the maximum target under the NCF element but missed the threshold target under the TSR element, with the Committee approving an overall vesting of 40% of maximum. Consistent with the Policy, vested awards are subject to a mandatory two-year holding period. Further details are set out on page 50.

In finalising incentive outcomes for the year under both the annual bonus and LTIP, the Committee considered whether any discretion should be applied and concluded that the outcomes were a fair reflection of performance. Following the completion of the acquisition of Express & Star, the Committee resolved to adjust the NCF targets in respect of the 2016 and 2017 cycles of the LTIP as appropriate to maintain the same level of difficulty. More information is set out on page 50.

Policy implementation for 2019

The average salary increase in the 2019 annual pay reviews for management and staff across the Group was 2%, capped at £1,500. The Committee has approved a consistent increase in the salary of the Chief Executive (equating to a 0.3% increase) effective 1 March 2019 in light of his continued good performance.

Vijay Vaghela, the Group Finance Director and Company Secretary, will step down on 1 March 2019 and will not be eligible for a pay increase. Further information on the compensation arrangements for Vijay Vaghela are set out on page 54. Vijay Vaghela will be replaced by Simon Fuller, who joins the Board on 1 March 2019 as Chief Financial Officer and Company Secretary. The remuneration payments payable to Simon Fuller on joining the Company are in line with his contract and the Policy. His base salary is on page 55.

The structure of the annual bonus scheme for 2019 will be broadly unchanged, with performance assessed 70% on Group adjusted operating profit, 15% on revenue and 15% on the achievement of strategic objectives. To further simplify the scheme and ensure alignment with other bonus participants, the revenue measure for 2019 will be based on a Group figure (previously growth in publishing digital revenue). Digital objectives will form a majority of the strategic element of the annual bonus for the year, with targets relating to audience, productivity and page yields all included for executive directors.

With regard to the 2019 LTIP, and as in previous years, awards will continue to be based on absolute TSR and NCF, representing 60% and 40% of the awards respectively. More information on the proposed implementation of our policy for 2019 is set out on page 55.

Governance and looking ahead

As you can read in our Chairman’s statements on page 29 and 34, Reach welcomes the updates to the Corporate Governance Code 2018 (the ‘2018 Code’) and the Committee has considered how they apply to the Company and remuneration. While the new Companies (Miscellaneous Reporting) Regulations 2018 do not strictly apply to our Annual Report until the 2019 year end, we have adopted the disclosure on CEO pay ratio early. Further details, including an explanation of the methodology used, can be found on page 53.

While employee engagement is a Board matter, the Committee considers that remuneration issues, most specifically pay and conditions across the wider Group, remain part of its remit and as such the Committee will fully engage with any issues raised as part of this process in the Annual Report for the 2019 year end.

We consider that the executive directors’ remuneration is designed to promote the long-term success of the Company and that performance related elements, as set out in this report, are transparent, stretching and rigorously applied.

The 2019 AGM will mark the second anniversary of the adoption of the current Policy and, in line with UK reporting regulations, Reach will need to submit a new Policy to shareholders for approval at the 2020 AGM. Given this, the Committee is planning to conduct a full review of the existing remuneration arrangements over the course of the year and will look to engage major shareholders to seek their input in due course. The review will take into account recent market trends and developments in best practice, with the ultimate aim of ensuring the Company’s remuneration arrangements are able to attract, motivate and retain executives of the calibre required to continue to deliver against Reach’s longer term strategy.

David Kelly
Chairman of the Remuneration Committee

25 February 2019

Remuneration report

	Overview of policy	Remuneration in respect of 2018	Implementation of policy in 2019
Base salary	Reviewed annually, taking into account individual performance, market competitiveness, the experience of each executive director and salary increases across the Group	- Salaries increased by £1,500 effective 1 March 2018, as follows: - Chief Executive, Simon Fox = £520,150 - Finance Director, Vijay Vaghela = £447,679	- Salary of the Chief Executive, Simon Fox, increased by £1,500 effective 1 March 2019, to £521,650 (0.3%) - No increase made to the Finance Director, Vijay Vaghela, reflecting his stepping down effective 1 March 2019
	See page 45	See page 49	See page 55
Pension, benefits	- Pension contributions of up to 15% of salary or an equivalent cash allowance in lieu for new hires; cash supplements for deferred members in DB pension arrangements based on legacy scheme - Benefits typically consist of provision of a company car or car allowance and fuel allowance, private medical cover, permanent health insurance and life assurance	In line with policy	No change to pension contribution rates or benefits for 2019
	See page 45	See page 49	See page 55
Annual bonus	- Maximum annual bonus opportunity for all executive directors of 100% of salary - Based on financial/business performance, with financial measures (to include Group adjusted operating profit) representing the majority of the total bonus opportunity - Any bonus up to 50% of salary is paid in cash, with the remainder delivered in the form of restricted share awards vesting after three years - Malus and clawback provisions apply	- Annual bonuses of 51% of maximum opportunity for each executive director (equivalent to 38.3% of salary) reflecting: 43.5% of maximum awarded under the Group adjusted operating profit element; 0% of digital revenue; and 7.5% based on achievement of strategic objectives. - Bonuses to be paid in cash in early 2019	- Maximum annual bonus opportunities to remain at 75% of salary - As in 2018, payments will be based 70% on stretching Group adjusted operating profit targets, with the remaining 30% split equally between revenue targets and the achievement of key strategic objectives (15% of maximum each)
	See page 46	See page 50	See page 55
LTIP	- Maximum award size for all executive directors of 150% of salary in normal circumstances - Awards vest subject to performance over a three-year period. Vested shares are typically subject to an additional two-year holding period	2016 LTIP vested at 40% based on: - Three-year cumulative NCF of £355m being above the stretch target for this element (£345m); and - Nil vesting under the absolute TSR element against a target range of 180 pence to 280 pence	- Awards of 144% / 120% of salary to be made to the CEO / CFO later in 2019 - Performance to be measured over the period 1 January 2019 to 31 December 2021 against absolute TSR and cumulative NCF targets - Two-year holding period will apply to vested shares
	See page 47	See page 50	See page 55

2018 Remuneration at a glance

2018 Single total figure of remuneration for current executive directors (£000)

	Salary	Pension benefits	Taxable benefits	Single-year variable	Multiple-year variable	Total
Simon Fox	520	78	22	199	130	949
Vijay Vaghela	439	116	12	171	93	831

2018 Annual Bonus outcomes

Measure	Weight	Threshold	Target	Stretch	Actual	Vest (% element)	Total
Group adjusted operating profit	70%	No payment below target	£143.2m (30%)	£150.3m (70%)	£145.6m	43.5%	
Publishing digital revenue	15%	£110.6m (5%)	£113.5m (10%)	£116.4m (15%)	£103.6m	0.0%	51.0%
Based on Committee assessment of achievement against objectives set at start of the year							7.5%
Strategic objectives	15%						

2016 – 2018 LTIP outcomes

Targets

Measure	Weight	Threshold 0% vest	Stretch 100% vest	Actual	% vest	Overall % vest
Absolute TSR (Q4 2018)	60%	180p	280p	65.1p	0%	40%
Cumulative NCF (2016-2018)	40%	£299m	£345m	£355m	40%	

Remuneration report

Policy Report

This Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report meets the requirements of the FCA Listing Rules and the Disclosure Guidance and Transparency Rules. In this report we describe how the principles of good governance relating to directors' remuneration, as set out in the Code, are applied in practice. The Committee confirms that throughout 2018 the Company has complied with these governance rules and best practice provisions.

Summary of directors' Remuneration Policy

The Remuneration Policy was approved by shareholders at the 2017 AGM and took effect from that date. We have published an extract of the Policy table from the 2016 Remuneration Report to give context to decisions taken by the Committee during the year. The full Policy Report, as approved by shareholders, can be found in the 2016 Annual Report available on our website.

Executive director Remuneration Policy table

Base Salary

Function

To attract and retain talent by ensuring base salaries are competitive in the relevant talent market.

Operation

Base salaries are reviewed annually, taking into account individual performance, market competitiveness¹, the experience of each executive director, and salary increases across the Group.

Opportunity

Any base salary increases are applied in line with the outcome of the review.

Percentage salary increases for executive directors will not normally exceed those of the wider workforce on an annualised basis over the period over which this policy will apply. Increases may be above this level if there is an increase in the scale, scope, market comparability or responsibilities of the role. Where increases are awarded in excess of the wider employee population, the Committee will provide an explanation in the relevant year's Annual Report on Remuneration.

Performance metrics

Individual and business performance are considerations in setting base salary.

¹ Companies used to assess market pay competitiveness have historically included media comparators and UK-listed companies of similar revenue and market capitalisation. The Committee reviews comparator companies periodically to ensure they remain appropriate and retains the discretion to adjust the reference groups or companies as appropriate.

Pension

Function

To provide post-retirement benefits for participants in a cost-efficient manner.

Operation

Executive directors participate in the Company's defined contribution scheme or receive a cash allowance in lieu.

Employees who joined the Group prior to 2003 may be deferred members in defined benefit pension arrangements, which were closed to future accrual on 31 March 2010.

Opportunity

Up to 15% of base salary for new hires.

Cash supplements for deferred members in defined benefit pension arrangements vary based on the legacy scheme, in which the executive participated and individual circumstances. Further details are provided on page 52.

Performance metrics

None.

Benefits

Function

To provide non-cash benefits, which are competitive in the market in which the executive is employed.

Operation

Benefits typically include the provision of a company car or car allowance and fuel allowance, private medical cover, permanent health insurance and life assurance. Where appropriate, other benefits may be offered including, but not limited to, allowances for accommodation, travel, relocation and participation in all-employee share schemes.

Opportunity

Benefits vary by role and individual circumstances; eligibility and cost are reviewed periodically.

Performance metrics

None.

Remuneration report

Executive director Remuneration Policy table continued

Annual Bonus (delivered in the form of cash and restricted shares)

Function

To focus executives on delivering the business priorities for the financial year.

The Restricted Share Plan ('RSP') is designed to provide further alignment with the interests of shareholders by deferring an element of the annual bonus and delivering it in the form of restricted share awards over Company shares.

Operation

Performance measures, targets and weightings are set at the start of the year. At the end of the year, the Committee determines the extent to which the targets have been achieved.

For executive directors, any bonus earned over 50% of salary is delivered in the form of restricted share awards.

Restricted shares may not normally be transferred or otherwise disposed of by a participant for a period of three years from the date of grant. Executive directors are required to retain all of the shares released to them, after the sale of sufficient shares to meet any income tax or national insurance payments obligations of the executive director, until such time that minimum shareholding guidelines are met (see notes to the policy table).

Restricted shares are subject to a malus provision which allows the Committee to determine that some or all of the shares may not be released to a participant at the end of the three-year period if during the three-year restricted period: there has been a significant deterioration in the underlying financial health of the Company; a material restatement of the Company's accounts; a participant's gross misconduct; a participant has deliberately misled the Company, the market or shareholders regarding the Company's financial performance; or a participant's actions have caused harm to the Company's reputation.

Clawback provisions also apply on cash bonuses earned from 2017.

Opportunity

For directors, the maximum annual bonus opportunity under the Policy is 100% of base salary. 2019 annual bonus opportunities remain at 75% of salary and any bonus earned above 50% of salary will be deferred in restricted shares.

For on-target performance, the bonus opportunity is typically up to 50% of maximum.

For threshold performance, the bonus opportunity is typically up to 20% of maximum.

Additional shares representing reinvested dividends may be released following the vesting of any restricted share award.

Performance metrics

Performance is assessed annually based on challenging targets for financial/business performance.

The measures selected may vary each year depending on business context and strategy, and will be weighted appropriately according to business priorities.

Financial measures will represent the majority of the total bonus opportunity and will include, but not be limited to, Group operating profit. The bonus structure since 2014 has incorporated an element on growth in publishing digital revenue. From the 2017 financial year, the bonus has also included an element relating to achievement of strategic objectives. Further details are provided on page 50.

The Committee has discretion in exceptional circumstances to adjust the formulaic bonus outcomes within the limits of the plan to ensure alignment of pay with the underlying performance of the business and to ensure fairness to both shareholders and participants. When assessing whether to exercise its discretion, the Committee will take into account factors including but not limited to strategy execution, revenues, free cash flow and change in net debt over the period.

The Committee also has discretion, in exceptional circumstances, to withhold bonus from an individual if his or her conduct was such that it was detrimental to the customers or reputation of the Group.

Remuneration report

Executive director Remuneration Policy table continued

Long Term Incentive Plan

Function

To align the interests of executives with shareholders in growing the value of the business over the long term.

Operation

Awards of Performance Shares may be granted annually with vesting subject to performance over at least three years.

For awards granted in 2014 onwards, the Committee retained a three-year performance period and introduced a two-year holding period on vested LTIP shares, with clawback/malus provisions to provide additional alignment with shareholders.

Executive directors are required to retain 100% of shares vesting, after the sale of sufficient shares to meet any income tax or national insurance obligations of the executive director, until such time that minimum shareholding guidelines are met (see notes to the policy table).

Performance conditions are reviewed before each award cycle to ensure they are appropriate and targets are set to be appropriately stretching over the performance period.

Opportunity

The LTIP provides for awards of up to 200% of base salary; however, the Committee intends that this limit will be used only in exceptional circumstances.

LTIP awards in normal circumstances are up to 150% of salary.

2019 LTIP awards are anticipated to be 144% of salary for the Chief Executive and 120% of salary for the Chief Financial Officer (as per 2018 awards).

Additional shares representing reinvested dividends may be released following the end of the holding period.

Performance metrics

Vesting of LTIP awards is subject to continued employment and the Company's performance over a three-year performance period. If no entitlement has been earned at the end of the relevant performance period, awards will lapse.

Since 2012, awards have vested on the achievement of stretching absolute TSR targets underpinned by Committee discretion taking into account relative TSR and key financial metrics. 2015 LTIP awards onwards have incorporated a second internal financial performance measure and this will be continued for the 2019 LTIP awards. Further details are provided in the Annual Report on Remuneration. TSR is anticipated to be the primary performance measure for the term of this Policy.

Threshold performance typically results in up to 20% of LTIP awards vesting, with stretch performance warranting full vesting. There is no provision for retesting.

As mentioned above, for LTIP awards to vest, the Committee must be satisfied that the Company's absolute TSR performance is a genuine reflection of the underlying business performance of the Company over the performance period. When assessing this, the Committee will take into account factors including but not limited to relative TSR, revenues, free cash flow and change in net debt over the period.

Payments from existing awards

Executive directors are eligible to receive payments from awards made prior to the approval and implementation of the remuneration policy detailed in this report. Such payments may not be within the scope of this policy. Details of these awards, if applicable, are disclosed in the Annual Report on Remuneration.

Performance measure selection and approach to target setting

The measures used under the annual bonus plan are selected annually to reflect the Company's key strategic priorities for the year and to reinforce financial performance. When setting targets for the annual bonus, the Committee is conscious that the Group operates in a challenging sector which is in transition as a result of disruptive technology. Targets are set to reflect the need to support profit and cash flow in the short term while making progress towards achievement of the Group's strategic objectives.

The Committee considers that absolute TSR and NCF (used in the LTIP) help align executives with shareholder interests, and provide objective and transparent measures of the Company's performance and shareholder value.

Targets applying to the annual bonus and LTIP are reviewed annually, based on a number of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.

Remuneration report

Executive director Remuneration Policy table continued

Shareholding guidelines

The Committee continues to recognise the importance of executive directors aligning their interests with shareholders through building up a significant shareholding in the Company. The minimum shareholding guideline is 200% of base salary for both the executive directors. Executive directors are encouraged to achieve the guidelines within five years of appointment. Until the relevant shareholding levels are acquired, executive directors are required to retain 100% of shares vesting, after the sale of sufficient shares to meet any income tax or national insurance obligations of the executive director, under the LTIP and RSP.

Similarly, the Board expects that non-executive directors will acquire shares in the Company equal in value to one times their annual fee during a period of three years from the date of their appointment.

Details of the executive directors' current personal shareholdings are provided in the Annual Report on Remuneration on pages 55 and 56.

Differences in remuneration policy operated for other employees

The Company's approach to annual salary reviews is consistent across the Group. All employees are eligible to participate in an annual bonus scheme with similar metrics to those used for the executive directors. Opportunities vary by organisational level with business area-specific metrics incorporated where relevant.

Participation in the LTIP is limited to those individuals who can influence long-term Group performance. Performance conditions are consistent for all participants.

Consideration of conditions elsewhere in the Company

The Committee does not currently consult with employees specifically on the effectiveness and appropriateness of the executive remuneration policy and framework. However, the Company seeks to promote and maintain good relationships with employee representative bodies, including trade unions and staff forums, as part of its employee engagement strategy and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the Company operates. The Committee is mindful of the salary increases applying across the Group when considering salary increases for the executive directors.

Consideration of shareholder views

The Committee considers shareholder views received during the year and at the AGM each year, as well as guidance from shareholder representative bodies more broadly, in shaping remuneration policy. The Committee continues to keep its remuneration arrangements under regular review, to ensure it continues to reinforce the Company's long-term strategy and align closely with shareholders' interests. We will consult shareholders before making any significant changes to our remuneration policy.

Non-executive director Remuneration

Non-executive directors do not have service agreements, but are engaged on the basis of a letter of appointment. In line with the UK Corporate Governance Code, all directors are subject to re-election annually at the AGM. It is the policy of the Board that non-executive directors are not eligible to participate in any of the Company's bonus, long-term incentive or pension schemes.

Details of the policy on fees paid to our non-executive directors are set out in the table below:

Function

To attract and retain non-executive directors of the highest calibre with broad commercial and other experience relevant to the Company and sector.

Operation

Fee levels are reviewed annually, with any adjustments generally effective 1 January in the year following review. The fees paid to the Chairman are determined by the Committee and the fees paid to the non-executive directors are determined by the Board. Additional fees are payable for additional Board responsibilities such as acting as Senior Independent Director and as Chairman of the Audit & Risk and Remuneration Committees. When reviewing fee levels, time commitment, responsibilities and the market positioning of fees against sector comparators and FTSE-listed companies of similar size and complexity, are taken into account. Non-executive directors do not participate in any incentive schemes, nor do they receive any pension contributions or benefits (other than nominal expenses).

Opportunity

Non-executive director fee increases are applied in line with the outcome of the annual fee review. There is no prescribed maximum. Fees for the year commencing 1 January 2019 are set out in the Annual Report on Remuneration. The maximum aggregate annual fee for all non-executive directors provided in the Company's Articles of Association is £700,000.

Performance metrics

None.

Remuneration report

Annual Report on Remuneration

The following section provides details of how our Remuneration Policy was implemented during 2018.

Remuneration Committee membership

As at the date of this report, the Committee comprised six non-executive directors:

- David Kelly (Chairman)
- Helen Stevenson
- Lee Ginsberg
- Nick Prettejohn
- Steve Hatch
- Olivia Streatfeild

The Committee is a committee of the Board of directors and has been established with formal terms of reference approved by the Board. The Committee's purpose is to assist the Board in fulfilling its oversight responsibility by ensuring that remuneration policy and practices reward fairly and responsibly; are linked to corporate and individual performance; and take account of the generally accepted principles of good governance. A copy of the terms of reference is available on the Company's website: www.reachplc.com.

The Committee fulfils its duties with a combination of both formal meetings and informal consultation with relevant parties internally, including the Chief Executive and Group Finance Director. During the year under review, the Committee, where appropriate, sought advice and assistance from the Chief Executive, Group Finance Director and the HR Director in connection with carrying out its duties.

The Chairman of the Board, together with the Chief Executive, is responsible for evaluating and making recommendations to the Board on the remuneration of the non-executive directors. Members of the Committee and any person attending its meetings do not participate in any discussion or decision on their own remuneration.

The Committee met three times during the year and details of members' attendance at meetings are provided on page 34 of the Corporate Governance Report.

Advisers

Mercer | Kepler, a brand of Mercer Limited ('Mercer'), was originally appointed by the Committee in 2010 following a competitive tender process, and was retained during 2018. The Committee evaluates the support provided by its advisers annually to ensure that advice is independent, appropriate and cost-effective. The Committee retains the responsibility for appointing any consultants in respect of executive director remuneration. Mercer is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. Mercer does not provide material support to the Company on any other matters and was assessed to be independent for the period under review. Mercer's total fees for the provision of remuneration services to the Committee in 2018 were £17,460 on the basis of time and materials.

Towards the end of 2018, the Committee conducted a tendering process inviting three firms, one of whom was Mercer, to submit and present their bids to a project group. At the end of the tender process FIT Remuneration Consultants were selected to be the new advisers from March 2019.

Summary of shareholder voting at the 2018 Annual General Meeting

The following table shows the results of the binding vote (1) on the 2016 Policy Report and the advisory vote (2) on the 2017 Remuneration Report at the 2018 AGM:

Resolution text	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
(1) Approve the directors' Remuneration Policy	170,757,366	79.01	45,354,296	20.99	216,111,662	15,989,177
(2) Approval of Annual Report on Remuneration	234,855,383	97.98	4,830,345	2.02	239,685,728	5,381,696

Single total figure of remuneration for executive directors (audited)

The table below sets out a single figure for the total remuneration received by each executive director for 2018 and 2017:

Executive	Salary ¹ £'000		Pension benefit ² £'000		Taxable benefits ³ £'000		Single-year variable ⁴ £'000		Multiple-year variable ⁵ £'000		Total £'000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Simon Fox	520	518	78	78	22	22	199	154	130	136	949	908
Vijay Vaghela	439	437	116	115	12	12	171	133	93	98	831	795

1 Vijay Vaghela's salary excludes amount of salary sacrificed for pension contributions.

2 Includes the value of cash supplements received by directors in lieu of pension contributions, the value of any salary sacrificed for pension contributions and the value of contributions made by the Company on behalf of the director direct to the pension scheme.

3 Incorporates the value of all tax assessable benefits arising from employment with the Company and relate to the provision of car and fuel allowance and healthcare cover.

4 Annual bonus paid for performance over the relevant financial year. Further details on performance criteria, achievement and resulting awards can be found on page 50, and future annual bonus policy is set out on page 55.

5 This reflects the value of LTIP awards which vested on performance in 2017 and 2018. For year end 2018, 40% of the 2016 awards are due to vest in March 2019, and in line with regulation the market value of the 2016 LTIP awards is estimated by using the average market value of the shares over the final quarter of 2018. The value will be amended to reflect the share price on the date of vesting in March 2019. The value of the 2015 awards, which vested in March 2018, have been amended to reflect the share price as at 13 March 2018 which was the vesting date.

Remuneration report

Annual bonus in respect of 2018 performance

In 2018, executive directors' bonuses were based 70% on Group adjusted operating profit, 15% on publishing digital revenue growth and the remaining 15% based on the achievement of key strategic objectives to help reinforce the Company's business strategy. Bonuses of up to 75% of base salary were available for delivering stretch performance.

Based on Group adjusted operating profit, publishing digital revenue growth, achievement of strategic objectives, and taking into account factors such as the underlying trading performance of the Group and progress against strategy, the Committee made annual bonus awards of 38.3% of base salary (75% of maximum opportunity) to each of the executive directors payable in cash.

Further details, including the targets set and performance against each of the metrics, are provided below:

Measure	Weighting (% of bonus)	Threshold	Target	Stretch	Actual	Total payout (% of maximum)
Group adjusted operating profit	70%	No payment below target	£143.2m (30%)	£150.3m (70%)	£145.6m (43.5%)	
Publishing digital revenue	15%	£110.6m (5%)	£113.5m (10%)	£116.4m (15%)	£103.6m (0%)	51.0%
Strategic objectives	15%	See details below			50% achievement (7.5%)	

Strategic objective	Weighting (% strategic element)	Committee assessment	Outcome
Strategic refresh	20%	The Committee noted the successful completion of a detailed strategic refresh by executive directors and agreed by the Board mid-year, as well as the subsequent performance of the Group. While this objective was completed in full, the Committee, with the agreement of executive directors, awarded 50% of maximum for this element to reflect that Reach's strategy needs to be under constant review given the pace of change in the digital landscape.	10%
Express & Star Integration	40%	The Committee considered that this objective had been achieved in full, with the integration process and delivery of the agreed £20m of synergies on track and with no disruption to 2018 trading.	40%
Digital audience and yield	40%	Despite a number of improvements to the digital editorial proposition and products during the year, the Committee considered that the audience figures had not achieved a level to warrant a payout under this element. Similarly, while the Committee considered that national yield targets were broadly achieved, there was under performance against regional yield targets during the year. Overall no payout under this element was awarded by the Committee.	0%

2016 LTIP Awards

The performance period for the 2016 LTIP awards ended on 30 December 2018. Vesting of the LTIP awards was dependent on the achievement of absolute TSR and cumulative NCF targets, as follows:

Closing three-month average adjusted share price at end of performance period	% of award which can be exercised
280 pence (or above)	60%
Between 180 pence and 280 pence	Straight-line vesting between 60% and 0%
180 pence or below	0%

Satisfaction of the performance condition was determined by reference to the Company's volume-weighted average share price over the final quarter of the performance period in 2018 which was 65.1 pence and warranted nil vesting of the TSR shares. The share price for these purposes includes dividends reinvested over the performance period.

Cumulative adjusted NCF over the performance period	% of award which can be exercised
£345 million (or above)	40%
Between £299 million and £345 million	Straight-line vesting between 40% and 0%
£299 million or below	0%

Net cash flow for the 2016 award was previously defined as the net cash flows generated by the business before the payment of dividends, and before any cash outflows that have been treated as non-recurring in the financial statements. The definitions and targets were amended following the acquisition of Express & Star as stated on page 57. Satisfaction of the performance condition was determined by reference to the NCF as set out above, which was £355 million and warranted 100% vesting of the NCF shares.

In total, 40% of the 2016 award will vest in March 2019.

Remuneration report

Single total figure of remuneration for non-executive directors (audited)

The table below sets out a single figure for the total remuneration received by each non-executive director for 2018 and 2017:

Non-executive	Base fee £'000		Other fees £'000		Total £'000	
	2018	2017	2018	2017	2018	2017
David Grigson ¹	62	180	–	–	62	180
Lee Ginsberg	45	45	13	13	58	58
Steve Hatch	45	45	–	–	45	45
David Kelly ²	45	45	13	7	58	52
Nicholas Prettejohn ³	126	–	–	–	126	–
Helen Stevenson ⁴	45	45	13	18	58	63
Olivia Streatfeild	45	45	–	–	45	45

1 David Grigson stepped down as Chairman on 3 May 2018.

2 The fees paid to David Kelly reflect his appointment as Remuneration Committee Chairman on 1 June 2017.

3 The fees paid to Nicholas Prettejohn reflect his appointment as a Non-Executive Director from 6 March 2018 and Chairman from 3 May 2018.

4 The fees paid to Helen Stevenson reflect her resignation as Remuneration Committee Chairman on 1 June 2017.

The below non-executive director fee rates were in place throughout 2018:

	From 1 Jan 2018
Chairman base fee	£180,000
Non-executive director base fee	£45,000
Additional fee for Senior Independent Director	£12,500
Additional fee for chairing Audit & Risk Committee	£12,500
Additional fee for chairing Remuneration Committee	£12,500

LTIP interests awarded in 2018 (audited)

On 13 April 2018, executive directors were granted awards under the 2012 LTIP in the form of Performance Shares. The three-year period over which performance will be measured will end on the last day of the 2020 financial year. To the extent that performance conditions are met, awards will vest on 13 April 2021.

	Date of grant	Shares over which awards granted ¹	£	% of salary ²
Simon Fox	13 April 2018	890,625	£749,016	144
Vijay Vaghela	13 April 2018	638,781	£537,215	120

1 The base price for calculating the level of awards was 84.1 pence, the average three-day closing price between 10 and 12 April 2018.

2 Based on 2018 base salaries.

Vesting of LTIP awards granted in 2018 is subject to two performance conditions: absolute TSR, accounting for 60% of each award, and cumulative NCF, accounting for the remaining 40%. Further details of the targets applying to these awards are included in the tables below and on the next page.

Absolute TSR condition

Closing three-month average adjusted share price at end of performance period	% of total award which can be exercised
180 pence (or above)	60%
Between 115 pence and 180 pence	Straight-line vesting between 0% and 60%
115 pence or below	0%

Satisfaction of the absolute TSR performance condition will be determined by reference to the Company's volume-weighted average share price over the final quarter of the performance period in 2020. The share price for these purposes includes dividends reinvested over the performance period.

In addition, for this part of an award to become exercisable, the Committee must be satisfied that the Company's share price performance is a genuine reflection of the underlying business performance of the Company over the performance period.

When assessing whether they are satisfied that the Company's share price performance is a genuine reflection of the Company's business performance, the Committee will take into account factors including revenues, free cash flow and change in net debt as well as the Company's relative TSR performance over the period. The Committee will be guided in its assessment by a review of performance against these metrics, based on the audited results, which it will undertake prior to vesting. The Committee will consider both a quantitative and qualitative analysis of the performance and will take account of any relevant internal and external factors to help ensure that unexpected events during the period are considered properly.

Remuneration report

Net Cash Flow condition

Cumulative adjusted Net Cash Flow over the performance period	% of total award which can be exercised
£345 million or above	40%
Between £300 million and £345 million	Straight-line vesting between 40% and 0%
£300 million or below	0%

Net cash flow for the 2018 award is defined as the net cash flows generated by the business before the payment of dividends, before pension deficit funding payments and before any cash outflows in relation to items that have been treated as non-recurring in the financial statements. In assessing the net cash flow, the Committee may, if appropriate, include or exclude other payments to better reflect underlying business performance.

The Committee may adjust the net cash flow condition as it considers appropriate including but not limited to where the Company or Group has bought or sold businesses or companies to maintain the same level of difficulty and for items which are wholly outside management control.

A two-year holding period applies on vested shares (net of tax) with clawback/malus provisions. The clawback/malus provision allows the Committee to determine that some or all of the shares may not be released to a participant at the end of the two-year holding period if during the holding period: there has been a significant deterioration in the underlying financial health of the Company; there has been a material restatement of the Company's accounts as a result of a participant's conduct; a participant has deliberately misled the Company, the market or shareholders regarding the Company's financial performance; or a participant's actions have caused harm to the Company's reputation.

Total pension entitlements (audited)

Simon Fox received an annual cash sum to use for pension purposes equivalent to 15% of base salary.

Vijay Vaghela participated in the contributory MGN Pension Scheme and accrued pension at the rate of 1/60th per year of service on salary up to the earnings cap until it closed to future accrual on 31 March 2010. The normal retirement date for Vijay Vaghela is 65 years.

Pension entitlements are as follows:

Director	Accrued pension at 30 December 2018 £'000	Accrued pension at 1 January 2018 £'000
Vijay Vaghela	39	37

1 Pension accruals shown are the amounts which would be paid annually on retirement based on service to 31 March 2010.

The figure for Vijay Vaghela gives the accrued pension to which he would have been entitled based on pensionable service and salary as at 31 March 2010, but assuming he left service at the end of 2018. Vijay Vaghela's spouse is also entitled to a spouse's pension.

Further details of pension arrangements

From 1 April 2010 until 31 March 2011, Vijay Vaghela participated in the Reach Pension Plan (a defined contribution plan) to which he contributed 9% and the Company contributed 10% of his salary up to the earnings cap referred to below. From 1 April 2011, his contributions to the Plan are made under the terms of a salary sacrifice arrangement that was introduced from that date. Since then, contributions have been reduced in accordance with the rules of the scheme. Following 'A' day on 6 April 2006, the earnings cap applying to the pension benefits of Vijay Vaghela has been maintained by amending the rules of the pension scheme in which he participates. The cap, currently £123,600, is normally reviewed every 6 April and may be increased at the discretion of the Company by reference to an appropriate index. Contributions are subject to the earnings cap, and therefore an annual cash sum equivalent to 30% of salary in excess of the cap is paid.

Simon Fox and Vijay Vaghela are covered for lump sum death benefits equivalent to four times base salary.

Percentage change in CEO remuneration

The table below shows the percentage change in CEO remuneration from the prior year, compared to the average percentage change in remuneration for all other employees.

	CEO 2018 £'000	CEO 2017 £'000	CEO % change 2017-2018	All other employees % change 2017-2018
Base salary	520	518	0.4%	4.1%
Taxable benefits	22	22	0.0%	11.5%
Annual bonus	199	154	29.2%	24.3%

The CEO's remuneration includes base salary at 30 December 2018, taxable benefits and annual bonus. The base salary and taxable benefits for all other employees is calculated using the increase in the earnings of employees taken from salary as at 30 December 2018 and 31 December 2017 and P11D data from tax years 2017 and 2018 and is based on a consistent set of employees, ie the same individuals appear in the 2017 and 2018 populations. The annual bonus is the amount payable in respect of 2018 compared to the amount paid in respect of 2017. The base salary data for part-time employees has been prorated up to the full time equivalent.

Remuneration report

Chief Executive Officer pay ratio

The Company is required to comply with the new pay ratio regulations for the performance year starting on 1 January 2019, however, the Company has decided to calculate and share the ratios earlier than required for the 2018 performance year.

The table below shows the ratio of the Chief Executive Officer's single figure total remuneration to the total remuneration for the median (50th percentile), 25th and 75th percentile paid employee.

Year	Method	25th Percentile Pay Ratio	Median Pay Ratio	75th Percentile Pay Ratio
2018	Option B	38 : 1	27 : 1	18 : 1

The ratios are calculated using Option B methodology set out in the remuneration regulations. This was considered the optimum approach utilising data compiled for annual gender pay reporting which provides a robust set of data to refer to in order to identify representative employees in the organisation at median, lower and upper quartile. Our preference is to have a consistent reporting reference date.

The median, 25th and 75th percentile employees were identified from the list of full pay relevant employees in the organisation on 5 April 2018. The total compensation figure was then calculated and checks made to ensure the employees identified are representative of pay at these levels in the organisation. The data points are reflective of our Company structure and types of roles across the organisation and accordingly the Committee believes the median pay ratio for 2018 to be consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole as at the reference date.

This is the first year of calculating the Reach CEO pay ratio and therefore the 2018 performance year will represent our baseline to compare to future years. As the CEO pay ratio will involve the inclusion of variable pay outcomes for any year, it is reasonable to expect the ratio to vary from year to year. However, the Committee will take employee pay arrangements into account when setting the pay of our executive directors for any year, and is committed to paying our directors appropriately and in line with Company performance.

Supporting Data Compensation Figure	25th Percentile	Median	75th Percentile
Total Employee Pay & Benefits Figure	£25,063	£37,009	£53,311
Salary & Wages Component of Total Employee Pay & Benefits Figure	£24,282	£31,215	£49,062

Review of past performance

The following graph illustrates the Company's performance compared to the FTSE All-Share Index, which is considered the most appropriate form of 'broad equity market index' against which the Company's performance should be measured, and to the FTSE 350 Media Index as the main comparator group for the Company's shares. Performance, as required by legislation, is measured by TSR.

Ten-year TSR chart

Graph removed

Remuneration report

Chief Executive's single figure of remuneration

The table below details the Chief Executive's single figure of remuneration over the same ten-year period:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Simon Fox										
Single figure of remuneration (£'000)				186	710	1,678	2,260	749	893	949
Annual bonus outcome (% of salary)				0%	30.0%	45.8%	34.6%	34.6%	39.7%	38.3%
(£'000)				–	113	172	132	134	154	199
LTIP vesting (% of maximum)				n/a	n/a	62.6%	25.3%	0%	40%	40%
(£'000)				n/a	n/a	909	238	–	121	130
Joining LTIP vesting (% of maximum)				n/a	n/a	n/a	59.4%	n/a	n/a	n/a
(£'000)				n/a	n/a	n/a	1,293	n/a	n/a	n/a
Sly Bailey										
Single figure of remuneration (£'000)	1,935	2,052	1,391	1,354						
Annual bonus outcome (% of maximum)	81%	80%	30%	0%						
(£'000)	939	1,056	396	–						
LTIP vesting (% of maximum)	0%	0%	0%	0%						
(£'000)	–	–	–	–						

Vijay Vaghela acted as CEO on an interim basis between June 2012 and August 2012 and received £35k in respect of this service.

Relative importance of spend on pay

The table below shows shareholder distributions (dividends and share buybacks) and total employee pay expenditure for 2017 and 2018, along with the percentage change in both.

	2018 £'000	2017 £'000	% change 2017–2018
Shareholder distributions (dividends and share buyback) ¹	17,500	23,000	(24)
Total employee expenditure	244,900	217,100	13

1 The Company commenced a share repurchase programme in August 2016, which was completed in November 2017.

2 The increase in total employee expenditure is due to the acquisition of Express & Star.

Exit payments

There were no exit payments made to executive directors in the year.

Payments to past directors (audited)

As disclosed in last year's Remuneration Report, Mark Hollinshead ceased to be a director of the Company on 12 December 2014, with the treatment of his outstanding share-based incentive awards in line with the relevant incentive plan rules. During the year, Mr Hollinshead's outstanding interests under the 2015 RSP (41,549 shares) were released to him on 13 March 2018. Mr Hollinshead retains no further interests.

Compensation arrangements for Vijay Vaghela

Vijay Vaghela will step down as Group Finance Director and Company Secretary with effect from 1 March 2019 but will remain an employee of the Group until 30 June 2019 when his employment will terminate (the 'Termination Date'). During this period Vijay will assist the Company with an orderly transition and handover of responsibilities and will continue to receive his base salary, pension supplement and contractual benefits in the normal way.

A bonus under the 2018 bonus scheme has been calculated by reference to the performance targets that apply and will be paid in the normal way in early March 2019. The 2016 LTIP award of 40% will vest in March 2019.

Vijay Vaghela's 2017 and 2018 LTIP awards lapse.

In line with the plan rules, his outstanding RSP awards will continue to vest at the usual time. These awards will remain subject to a two year holding period, as are his 2015 LTIP awards which vested in March 2018.

He will not participate in the 2019 bonus scheme or receive a 2019 LTIP award.

Vijay Vaghela will not be eligible for any pay in lieu of notice or severance as a result of his departure.

Remuneration report

Implementation of executive director remuneration policy for 2019

As previously mentioned, Simon Fuller will succeed Vijay Vaghela as Chief Financial Officer and Company Secretary with effect from 1 March 2019.

Base salary

Base salaries are reviewed taking into account competitive practice for similar roles at sector comparators and at UK-listed companies of similar revenue and market capitalisation. Following its review, the Committee approved an increase of the Chief Executive of £1,500 with effect from 1 March 2019. Salaries of the executive directors will therefore be:

	Base salary at:		
	1 March 2019	1 March 2018	Increase
Simon Fox	£521,650	£520,150	0.3%
Simon Fuller	£360,000	–	–

For context, the average salary increase in 2019 annual pay reviews for management and staff across the Group is 2% capped at £1,500.

Pension and benefits

No changes in pension contribution rates or benefit provision.

Annual bonus and RSP

For 2019, the maximum annual bonus opportunity will continue to be 75% of salary for executive directors. The majority of the bonus (70% weighting) will continue to be based on adjusted Group adjusted operating profit, with the remaining 30% split equally between revenue (15% weighting) and the achievement of key strategic objectives (15% weighting) to help reinforce the Company's business strategy. It is intended that performance against targets will continue to be disclosed in next year's directors' remuneration report. Any bonus earned in excess of 50% of salary will be deferred in shares under the RSP for three years. Malus and clawback provisions apply.

LTIP

As in recent years, 2019 LTIP awards will be based 60% on absolute TSR and 40% on cumulative NCF Award sizes are anticipated to be 144% of salary for the Chief Executive and 120% for the Chief Financial Officer.

The LTIP will continue to have a three-year performance period plus a two-year holding period on vested shares with clawback/malus provisions. Vesting of LTIP awards will be underpinned by Committee discretion taking into account relative TSR and key financial metrics. Absolute TSR and NCF targets will be reviewed in advance of grant to ensure they are appropriately stretching over the performance period and will be disclosed at the time of grant, as well as in next year's Annual Report on Remuneration.

Implementation of non-executive director remuneration policy for 2019

Chairman and non-executive director fees

The fees for the Chairman and non-executive directors are to remain at the levels as set out on page 51 for 2019.

Directors' beneficial interests (audited)

A table setting out the beneficial interests of the directors in the share capital of the Company (including shares subject to a holding period for the executive directors as set out on page 56) as at 30 December 2018 is set out below. None of the directors has a beneficial interest in the shares of any other Group company. Since 30 December 2018, there have been no changes in the directors' interests in shares.

As beneficiaries under the TIH Employee Benefit Trust, the directors are deemed to be interested in 90,855 ordinary shares held by the trust at 30 December 2018.

The lowest price of the shares during the year was 54.60 pence as at 12 December 2018 and the highest price was 88.50 pence as at 21 March 2018. The share price as at 30 December 2018 (28 December 2018 being the last market date for the financial year) was 65.30 pence.

Director	Ordinary shares at 30 December 2018	Ordinary shares at 31 December 2017
Simon Fox	1,058,635	949,148
Vijay Vaghela	586,646	527,873
Lee Ginsberg	10,000	10,000
Steve Hatch	9,789	–
David Kelly	10,000	10,000
Nicholas Prettejohn	106,658	–
Helen Stevenson	35,000	35,000
Olivia Streatfeild	52,989	–

Remuneration report

Directors' shareholding requirements (audited)

The minimum shareholding guideline is 200% of base salary for the Chief Executive and Chief Financial Officer. Executive directors are encouraged to achieve the guidelines within five years of appointment. Until the relevant shareholding levels are attained, executive directors are required to retain 100% of shares vesting, after the sale of sufficient shares to meet any income tax or national insurance obligations of the executive director, under the LTIPs and RSP.

The Board expects that non-executive directors will acquire shares equal in value to one times their annual fee during a period of three years from the date of their appointment.

The Committee has kept these guidelines under review and has determined that the relevant value to take into consideration when assessing whether the guideline has been achieved is the higher of the current market price and the price at the point of purchase or vesting. The table below shows the aggregate value of each current director's shares for guideline purposes, and their respective shareholding requirement, as at 30 December 2018.

	Shares held					Shareholding requirement	Current shareholding (% salary/fee)	Requirement met
	Owned outright	Vested but subject holding period	Unvested and subject to performance conditions	Unvested but subject to other conditions ¹	Value of shares owned outright ²			
Simon Fox	976,624	82,011	2,101,618	104,565	£1,653,191	200	319	Y
Vijay Vaghela	527,873	58,773	1,506,819	89,926	£956,491	200	214	Y
Lee Ginsberg	10,000	–	–	–	£15,800	100	27	N
Steve Hatch	9,789	–	–	–	£6,454	100	14	N
David Kelly	10,000	–	–	–	£15,800	100	27	N
Nicholas Prettejohn	106,658	–	–	–	£163,335	Requirement not effective until Mar 21		N/A
Helen Stevenson	35,000	–	–	–	£59,871	100	104	Y
Olivia Streatfeild	52,989	–	–	–	£34,814	100	77	N

1 Shares awarded under the RSP are subject to a malus provision.

2 Calculations based on use of higher of acquisition or current share price and includes shares which vested but are subject to a holding period.

Directors' and former directors' interests in shares under the RSP and LTIP (audited)

Director	Date of grant	Share price at date of grant	At 31 December 2017	Granted	Exercised	Lapsed	At 30 December 2018	Performance period	Exercise period (holding period)
Simon Fox									
LTIP	13.03.15	£1.895	387,546	–	(155,018)	(232,528)	82,011 ¹	29.12.14–31.12.17	13.03.18–13.06.20 (13.03.18–13.03.20)
	11.03.16	£1.4883	500,851	–	–	–	500,851	28.12.15–30.12.18	11.03.19–11.06.21 (11.03.19–11.03.21)
	02.06.17	£1.0517	710,142	–	–	–	710,142	02.01.17–29.12.19	02.06.20–02.09.22 (02.06.20–02.06.22)
	13.04.18	£0.841	–	890,625	–	–	890,625	01.01.18–28.12.20	13.4.21–13.7.23 (13.4.21–13.4.23)
RSP	13.03.15	£1.895	45,317	6,620 ²	(51,937)	–	–	–	–
	11.03.16	£1.4883	44,462	–	–	–	44,462	–	restricted until 11.03.19
	17.03.17	£1.1175	60,103	–	–	–	60,103	–	restricted until 17.03.20

1 Of the 387,546 shares awarded to Simon Fox on 13 March 2015, 155,018 shares vested and were exercised on 13 March 2018. 73,007 shares were sold to cover tax and N.I. The remaining 82,011 shares are held by the Trust on behalf of Simon Fox and are subject to a two year holding period in line with the Policy.

2 Application of an additional number of Ordinary Shares representing Ordinary Shares which could have been acquired using dividends declared during the Restricted Period, to restricted shares granted under the Restricted Share Plan.

Remuneration report

Directors' and former directors' interests in shares under the RSP and LTIP (audited) continued

Director	Date of grant	Share price at date of grant	At 31 December 2017	Granted	Exercised	Lapsed	At 30 December 2018	Performance period	Exercise period (holding period)
Vijay Vaghela									
LTIP	13.03.15	£1.895	277,741	–	(111,096)	(166,645)	58,773 ²	29.12.14–31.12.17	13.03.18–13.06.20 (13.03.18–13.03.20)
	11.03.16	£1.4883	358,943	–	–	–	358,943	28.12.15–30.12.18	11.03.19–1.06.21 (11.03.19–11.03.21)
	02.06.17	£1.0517	509,095	–	–	(509,095) ³	–	–	–
	13.04.18	£0.841	–	638,781	–	(638,781) ³	–	–	–
RSP	13.03.15	£1.895	38,973	5,693 ¹	(44,666)	–	–	–	–
	11.03.16	£1.4883	38,237	–	–	–	38,237	–	restricted until 11.03.19
	17.03.17	£1.1175	51,689	–	–	–	51,689	–	restricted until 17.03.20

1 Application of an additional number of Ordinary Shares representing Ordinary Shares which could have been acquired using dividends declared during the Restricted Period, to restricted shares granted under the Restricted Share Plan.

2 Of the 277,741 shares awarded to Vijay Vaghela on 13 March 2015, 111,096 shares vested and were exercised on 13 March 2018. 52,323 shares were sold to cover tax and N.I. liabilities. The remaining shares of 58,773 shares are held by the Trust on behalf of Vijay Vaghela and are subject to two year holding period in line with the Policy.

3 As Vijay Vaghela resigned on 18 June 2018 his 2017 and 2018 LTIP awards lapse.

Details of plans

Long Term Incentive Plan

Vesting of LTIP awards is subject to continued employment and the Company's performance over a three-year performance period. If no entitlement has been earned at the end of the relevant performance period, awards will lapse. There is a two-year holding period on vested LTIP shares, with clawback/malus provisions.

Plan	Absolute TSR targets			NCF targets		
	Weighting	Threshold	Full vesting (100% vesting)	Weighting	Threshold	Full vesting (100% vesting)
2016 LTIP	60%	180p (0% vesting)	280p	40%	£299m (0% vesting)	£345m
2017 LTIP	60%	145p (20% vesting)	230p	40%	£284m (20% vesting)	£328m
2018 LTIP	60%	115p (20% vesting)	180p	40%	£300m (20% vesting)	£345m

Following the completion of the acquisition of Express & Star, the Committee resolved to adjust the NCF targets in respect of the 2016 and 2017 cycles of the LTIP as appropriate to maintain the same level of difficulty. In assessing the adjusted net cash flow, the Committee has excluded pension deficit funding payments, applying a consistent methodology to 2016 and 2017 Awards.

For the avoidance of doubt, net cash flow under each of the awards is now defined as the net cash flows generated by the business before the payment of dividends, before pension deficit funding payments, and before any cash outflows in relation to items that have been treated as non-recurring in the financial statements. As before, in assessing the net cash flow, the Committee may, if appropriate in exceptional circumstances, include or exclude other payments to better reflect underlying business performance in which case this will be disclosed no later than the end of the performance period.

Restricted Share Plan

On 19 January 2017, the Board approved the renewal of the rules of the RSP, which were originally approved by shareholders on 4 May 2006 and expired on 4 May 2016. The renewal of the RSP was approved by shareholders at the Company's 2017 AGM.

Restricted shares may not be transferred or otherwise disposed of by a participant for the period of three years from the date of grant subject to malus or forfeiture restrictions summarised below. Participants beneficially own the restricted shares from the date of grant. Legal title is held by the RSP trustees until the restricted shares are released into the participant's name. Additional shares representing reinvested dividends may be released following the vesting of share awards.

Restrictions on the shares end on the third anniversary of the grant and the shares will be released into the participant's name unless in the three-year period from grant there has been: a significant deterioration in the underlying financial health of the Company; a material restatement of the Company's accounts as a result of the participant's conduct; a participant has deliberately misled the Company, the market or shareholders regarding the Company's financial performance; or a participant's actions have caused harm to the Company's reputation in which case either the award may lapse or the number of shares transferred to a participant may be reduced.

If cessation of employment is by reason of gross misconduct or resignation to a competitor, awards would be forfeited immediately and the participant would have no further interest in or claim to the restricted shares, but if cessation of employment is for any other reason, the participant would retain the restricted shares and they would vest in accordance with normal vesting provisions.

Corporate responsibility report

Image removed

"We are delighted to report that we have achieved our original targets and have set demanding targets for 2019."

Simon Fox,
Chief Executive

Chief Executive's statement

I am pleased to present our Corporate Responsibility Report, which is an area where the Group's commitment to integrity and sustainability becomes quite evident. This year the Company has again maintained its inclusion in the FTSE4Good Index, which measures the quality and transparency of our environmental, social and ethical disclosures.

In 2018, we were also scored by ISS (Institutional Shareholder Services Inc.) and achieved a rating of 1 (the lowest possible risk rating) on the Environmental and Social Quality Score.

For the seventh year running, we reported voluntarily on our emissions through the international Carbon Disclosure Project (CDP), completing their questionnaire on Climate Change. We repeated the independent review of our submission to identify areas for increased disclosure and we continue to work to increase the transparency of our reporting.

In respect of our environmental impact, all our print and major publishing sites maintained their ISO 14001:2015 certification. Our environmental systems have been strengthened by the wider business approach of the standard. This is a testament to the hard work and commitment of our Management, Environmental and Facilities teams. We have incorporated an analysis of how climate change affects our individual businesses in the business interruption plans for each site.

We are delighted to report we have achieved the original targets we set ourselves in 2018, in particular energy reduction, and have set ourselves demanding targets for 2019, which are detailed on pages 60 and 61.

We have applied rigorous health and safety standards across our business and information on these is on pages 60 and 61.

We continue to care for the communities in which we publish and where our businesses operate, and we have tried to give a flavour of the many examples of us doing this in the report that follows. You can read more about our social and community work on page 63.

The Daily Mirror's annual Pride of Britain Awards was produced in partnership with TSB Bank plc. This was the 20th year of the Pride of Britain Awards and we are, as ever, delighted to have the opportunity to celebrate brave and extraordinary achievements.

I am proud of our engagement with the communities in which we work and our role in raising awareness of the many good causes they support and the humanitarian issues that affect our daily lives and look forward to doing more of this in the year ahead. An example of this is the Daily Mirror campaign on the effects of plastic waste on our environment.

Simon Fox
Chief Executive

25 February 2019

Environmental report

Environmental management

Reach is committed to ensuring that our activities do not damage the environment. The commitments in Reach's Environmental Policy seek to reduce our impacts in the areas of: paper sourcing; energy consumption and emissions; volatile organic compound (VOC) emissions; waste and the environmental impacts of our suppliers of contracted printing and distribution. The Company recognises that climate change, triggered by greenhouse gases from burning fossil fuels, poses a threat to the world's environment, and is committed to publishing an emissions reduction target in 2019. In 2018, the Environmental Steering Committee was replaced with the Corporate Social Responsibility (CSR) Steering Committee. The new Committee, chaired by the Group Finance Director, has greater oversight of the corporate responsibility and sustainability objectives of the Group, as well as the environmental programme, ensuring that it continues to deliver against the Company's Environmental Policy objectives, considering the context that the Group is operating in. On a biannual basis, the CSR Steering Committee oversees a review of the environmental risks to the business and approves any necessary changes arising from this. During 2018, all our original key environmental targets were met or on track for completion in 2019.

Our focus now is to continue to integrate the major Local World sites that were acquired in 2015 into our publishing environmental management system and to ensure they are certified to ISO 14001:2015 by the end of 2019.

Following from the Daily Mirror's campaign on plastic, the Group has also reviewed the use of plastic within its own operations. We can report that apart from the newly acquired Express & Star magazines, we do not use polythene wrapping for our newspapers or supplements. To demonstrate our own commitment to plastic reduction, we have, for the first time, included a target on plastic in our 2019 targets.

A summary of performance against 2018 Group targets can be found on pages 60 and 61, together with our targets for 2019.

The Environmental Policy can be found at:
<https://www.reachplc.com/environmental-policy>

There were no prosecutions or compliance notices for breaches of environmental legislation during 2018.

Energy and emissions

The acquisition of Express & Star in 2018 increased total energy consumption across the Group. However, despite the acquisition, greenhouse gas emissions associated with the activities under our direct management control (Scope 1 and 2 emissions) fell by 12% in absolute terms and by 33% on a normalised basis (per million printed pages).

The electricity consumption of our in-house printing facilities and publishing centres fell by 10% compared with 2017. However, when including the Express & Star sites, total consumption has increased by 2%. This is the tenth successive year that we have been able to report reductions in our main source of energy consumption.

In addition to scope 1 and 2 emission reductions, we are also proud to report reductions across our scope 3 travel emissions. This achievement has been due in part to the Company's investment in technology to promote remote meetings over business travel.

The Company has continued to participate in Phase 2 of the Carbon Reduction Commitment ('CRC') Energy Efficiency Scheme and comply with the Climate Change Agreements (Eligible Facilities) Regulations.

Corporate responsibility report

Energy and emissions continued

A breakdown of the Group's energy consumption and associated greenhouse gas emissions during 2018 is set out in the table below, in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, and following the UK Government's Environmental Reporting Guidance.

The 2018 consumption data reported includes all of the operations that we managed in 2018, including Express & Star, unless otherwise stated. Total GHG emissions data for 2017 and 2016 has been restated to reflect the estimated impact from the acquisition.

Energy consumption and greenhouse gas emissions (Tonnes CO₂ equivalent)

	Consumption			GHG emissions (TCO ₂ e) ⁴		
	2018	2017	2016	2018 ⁷	2017 ⁸	2016 ⁸
SCOPE 1¹						
Gas combustion (heating, all Reach premises) kWh	19,690,931	18,017,593	17,894,564	3,622	3,318	3,293
Oil combustion (electricity generation, all Reach premises) litres	115,513	154,177	124,146	311	412	332
Refrigerant gas loss (all Reach premises) kg	403	121	350	647	221	735
Commercial vehicles (all Reach owned vehicles) km	210,385	321,709	403,438	54	83	107
Total SCOPE 1				4,634	4,034	4,467
Total SCOPE 1 per million pages printed				0.05	0.05	0.05
SCOPE 2²						
Generation of Grid electricity used (all Reach premises) kWh	55,826,953	54,689,338	63,177,599	15,803	19,227	26,032
Total SCOPE 2				15,803	19,227	26,032
Total SCOPE 2 per million pages printed				0.15	0.25	0.29
SCOPE 3³						
Transmission and distribution of Grid electricity used (all Reach premises) kWh	55,826,953	54,689,338	63,177,599	1,347	1,798	2,355
Business travel (road, not involving company vehicles) km	8,840,043	12,291,704	12,634,244	1,714	2,396	2,531
Business travel (rail) ⁵ km	3,167,664	3,441,734	2,683,055	140	161	131
Business travel (air) ⁵ km	3,478,451	3,600,110	4,710,382	673	717	924
Electricity for contracted printing (generation, transmission and distribution) ⁶ kWh	9,136,342	4,052,056	5,910,718	2,807	1,558	2,656
Gas for contracted printing ⁶ kWh	1,886,811	1,828,809	3,953,077	347	337	727
Vehicle fuel for contracted distribution – long haul ⁶ litres	1,792,452	1,873,981	2,293,889	4,709	4,873	5,991
Total SCOPE 3				11,737	11,840	15,315
Total SCOPE 3 per million pages printed				0.11	0.15	0.17
Overall Total SCOPE 1, 2 and 3				32,174	35,101	45,814
Overall Total SCOPE 1, 2 and 3 per million pages printed				0.31	0.45	0.51
Total SCOPE 1, 2 and 3 restated to include actual/estimated emissions from acquisition				32,174	40,162	52,420

Notes:

- Scope 1 covers the annual quantity of emissions in tonnes of carbon dioxide equivalent from emission sources that are under the operational control of Reach.
- Scope 2 covers the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity by Reach for its own use. Scope 2 emissions in this table have been calculated using the location-based method (ref: Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard – Revised Edition). Scope 2 emissions calculated using the market-based method are 15,305 TCO₂e. Emission factors used for this are from the websites of our electricity providers.
- Scope 3 covers other indirect greenhouse gas emissions, ie where the emissions are from sources that are not owned by Reach and where Reach does not have operational control.
- GHG emissions have been calculated in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and in line with Defra's Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance (June 2013) and using the UK Government's Greenhouse gas reporting: conversion factors 2018.
- In 2018 rail and air data does not include Express & Star. Rail travel for 2016 included only six months for Local World.
- Consumption figures are provided by external contractors.
- The acquisition of Express & Star in April 2018 increased the total carbon footprint by approximately 14% and is included in the 2018 emissions data. In line with Defra's Environmental Reporting Guidelines, emissions for 2017 and 2016 have been restated with an approximately 14% uplift, so that the emissions over three years are on a comparable business scope.
- 2017 and 2016 data includes Local World (except for six months of rail data see note 5).

Water consumption

We continue our programme to review water efficiency across our property portfolio where possible, however, as the Group are not major water users, from 2019 we will no longer have a target focused on water use. We will continue to report on water consumption.

	2018	2017	2016
Total water consumption at all print and major publishing sites (m³)*	52,721	51,539	61,713

* The 2% increase in water consumption is due to the acquisition of the Express & Star sites. Excluding these sites, total consumption has decreased by 12%.

Corporate responsibility report

Supply chain

Paper sourcing and sustainable forestry

Reach remains committed to maximising the use of graphic paper that is produced from recycled fibre, or fibre from forests that have been independently certified as sustainable. In 2018 we sourced 94% of all of our graphic paper for Reach own products, including Express & Star, from recycled or certified fibre, against our increased target of 85%.

Contracted printing and product distribution services

Reach takes account of environmental standards when awarding contracts for the printing of magazine supplements and the road distribution of printed products. Key contractors measure and report the energy consumption and carbon emissions associated with the work they undertake on our behalf.

Transparency in supply chains

We are committed to ensuring that there is no slavery or human trafficking within our supply chains or in any part of our business. We expect our suppliers to adhere to the requirements of the Modern Slavery Act 2015, and we will undertake all reasonable and practical steps to ensure that these standards are implemented within our supply chain. Our annual modern slavery statement will be published on our website, within six months of the financial year end.

Waste management and recycling

We are committed to reducing the waste we produce, and maximising the recycling and reuse of waste.

During 2018, we met our targets to maximise the reuse or recycling of paper waste and hazardous wastes from our print sites. We also met our target that 100% of waste electrical and electronic equipment ('WEEE') from all Reach sites be either refurbished and reused, or processed for materials recycling.

	2018	2017	2016
% hazardous waste at print sites to landfill	1.7%	1.9%	2.1%
% WEEE from publishing sites reused or recycled	100%	100%	100%

Targets and Performance

2018 Targets	Progress in 2018	2019 Target
Environmental management		
Maintain ISO 14001:2015 certification for publishing (including digital) and print sites.	All legacy in-house printing facilities and major publishing sites certified to ISO 14001:2015.	Maintain ISO 14001:2015 certification for publishing (including digital) and print sites.
Integrate major publishing sites acquired from Local World into Reach's environmental management system and ensure they are certified to ISO 14001:2015 by end 2019.	The three major publishing sites acquired from Local World are on schedule for certification to ISO 14001:2015 by end 2019.	Integrate major publishing sites acquired from Local World into Reach's environmental management system and ensure they are certified to ISO 14001:2015 by end 2019.
Energy and emissions		
Reduce kWh of electricity consumed at all sites in FY 2018 by 0.5% compared with 2017.	Electricity consumption increased by 2%. However, 2018 consumption includes Express & Star. Excluding these sites, a 10% reduction was achieved.	Reduce kWh of electricity consumed at all sites in FY 2019 by 0.5% compared with 2018.
Publish a carbon emissions reduction target by the end of 2019.	On schedule for completion in 2019.	Publish a medium-term carbon emissions reduction target by the end of 2019.
Aim to maintain current levels of UK/ domestic business travel. Note: Overseas travel is excluded because the requirement to cover news events fluctuates year-on-year and is outside the Company's control.	The total km of UK/domestic business travel has decreased by 23% since 2017. This achievement has been due in part to the Company's investment in technology to promote remote meetings over business travel.	Aim to maintain emissions associated with UK/domestic business travel in FY 2019 compared with 2018, on a like for like basis. Note: Overseas travel is excluded because the requirement to cover news events fluctuates year-on-year and is outside the Company's control.
Water consumption		
We will maintain or reduce current water usage at sites under our control.	Water consumption increased by 2%. This includes the Express & Star sites. If these sites are excluded, a 12% reduction was achieved.	This will not be included as a target in 2019 as the Group are not major water users. However, Reach will continue to report on water consumption in 2019.

Corporate responsibility report

Targets and Performance continued

2018 Targets	Progress in 2018	2019 Target
Supply chain		
Increase our target to use a minimum of 85% graphic paper (all newsprint and magazine paper grades) manufactured from fibre using recycled materials or wood from certified sustainable forests.	We have continued to work with our suppliers on this issue. In 2018 we sourced 94% of our graphic paper from recycled or certified fibre, including Express & Star.	Use a minimum of 85% graphic paper (all newsprint and magazine paper grades) manufactured from fibre using recycled materials or wood from certified sustainable forests.
Waste management and recycling		
Continue to recycle 100% of all non-hazardous paper waste from print sites under our ownership.	Achieved 100% in 2018.	Continue to recycle 100% of all non-hazardous paper waste from print sites under our ownership.
Maximum of 3% of hazardous wastes generated at print sites under our ownership to go to landfill.	1.7% of hazardous wastes generated at print sites went to landfill during 2018.	Maximum of 3% of hazardous wastes generated at print sites under our ownership to go to landfill.
Maintain our record of diverting 100% WEEE waste away from landfill.	100% of redundant IT and other electrical and electronic wastes were reused or recycled in 2018.	This will not be included as a target in 2019 as the Group's CSR Steering Committee has approved the inclusion of this in Reach's Environmental Policy.
We will work towards implementing a policy to enable us to reduce the amount of plastic used within our business.	Several of our offices have started to remove plastic water bottles from their vending machines. In addition, since 2008, Reach's investment in machinery at our print sites means none of our supplements (excluding OK magazine) are wrapped in polythene wrapping.	Map single plastic use around the business, to identify areas of most impact and opportunities for elimination, reduction and recycling.

Health and safety report

In 2018, the Company again recorded a low number of workplace accidents. This was an excellent achievement given the inclusion of the new Express & Star business.

In recognition of the high standards achieved, the Company was awarded the RoSPA President's Award for 14 years of outstanding performance in Health and Safety.

Throughout 2018 the print businesses with the exception of Reach Printing Services (West Ferry) Limited retained continuous certification in the OHSAS 18001 health and safety standard, and continued to achieve improvement objectives.

Gap analysis surveys were carried out for the preparation of all print sites to obtain the new ISO 45001 (2018) health and safety standard in 2019. This will also include the new print business which will raise health and safety systems and processes to Group standards.

Health and safety training was continued throughout the print businesses using mainly in-house trainers and regular health and safety meetings were held, improving communication and staff participation.

During 2018, the Health and Safety team again worked closely with the Facilities department to ensure health and safety compliance during major office relocation and refurbishment projects in Liverpool, Newcastle and Canary Wharf and the release of the Cardiff print site.

The new Occupational Health Provider introduced at the beginning of 2018 continued the provision of statutory medicals for all print sites and medical desk assessments for the publishing businesses when required.

Health, safety and well being initiatives in 2018 included the introduction of Mental Health First Aiders throughout the Group and stress risk assessment training for Health and Safety and print managers.

During 2018, reports of online abuse increased substantially. In some cases threats included physical harm to Editorial staff involved in digital reporting. A Group process was introduced to deal with these incidents which includes the involvement of Editorial Managers, Digital IT, HR, Health and Safety and Security to provide support and achieve a safe solution for the individual.

Group health and safety statistics

The tables below provide statistics for health and safety accidents in 2018*, with a comparison to the previous year. There was a decrease in the number of accidents reportable under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013). All RIDDOR incidents have been thoroughly investigated and action taken to resolve any issues identified.

The figures reflect the inclusion of Express & Star.

Corporate responsibility report

Group health and safety statistics continued

A more detailed breakdown is given in the following tables.

Health and safety performance indicator	2018	2017
Fatalities	0	0
RIDDOR specified injuries ¹	1	2
RIDDOR over seven day injuries	4	5
RIDDOR occupational ill health/diseases/conditions	0	0
RIDDOR dangerous occurrences	0	0
Total number of accidents	74	74
RIDDOR events frequency rate ²	0.05	0.07
All accidents frequency rate	0.8	0.8
Total days lost due to accidents	126	241

* 2018 figures include Express & Star from January, not from when the acquisition was completed.

1 RIDDOR – the Regulations include a list of 'specified injuries' to workers that require immediate notification to HSE.

2 Frequency Rate = number of accidents per 100,000 hours worked.

Breakdown of accidents by type of event	RIDDOR accidents 2018 (%)	RIDDOR accidents 2017 (%)	All accidents 2018 (%)	All accidents 2017 (%)
Slips and falls (same level)	20	43	28	21
Lifting and handling of materials	0	29	4	14
Contact with machinery	40	14	10	15
Falls from a height	0	0	0	4
Stepping on or striking fixed object	20	0	12	13
Struck by moving vehicle	20	0	1	1
Contact with sharp/abrasive material	0	0	7	4
Struck by flying or falling object	0	14	18	11
Contact with hazardous substance	0	0	9	3
Contact with hot materials/substance	0	0	4	4
Object collapsing or overturning	0	0	0	0
Use of hand tools	0	0	4	3
Contact with electricity	0	0	0	0
Others	0	0	3	7
Total	100	100	100	100

All percentages rounded to the nearest half decimal point.

Health and safety enforcement activity

There was no health and safety enforcement action taken against any of the Group businesses during 2018.

Future health and safety initiatives

To promote and maintain further improvement in 2018 the Group intends to:

- Continue to introduce health and safety systems and processes throughout Express & Star to achieve Group standards;
- Achieve the ISO 45001 (2018) standard at all print sites by the end of 2019 and implement annual health and safety improvement plans;
- Introduce a health and safety support hub to provide online and telephone assistance, working closely with HR and Facilities to ensure the best practice;
- Continue with the provision of health and safety awareness training for senior executives, managers and operational staff via tutored courses and e-learning modules;
- Closely monitor the health and safety performance of contractors involved in engineering, construction and relocation projects;
- Continue with internal health and safety inspections, audits and reviews, taking follow up action to maintain standards;
- Periodically review and where necessary update risk assessments and safe systems of work;
- Continue the provision of 'toolbox talks' to manufacturing and maintenance staff covering health and safety issues that are relevant to their work;
- Analyse accidents, incidents and near misses in an effort to identify and effectively control potential hazards;
- Continue with behavioural safety initiatives at our print sites in an effort to help identify opportunities for accident prevention and further improvement;
- Assist the HR department in maintaining the provision of occupational health services through the Group with follow-up action and in appropriate cases support; and
- Continue the promotion of staff health and wellbeing through training, organisational risk assessment and implementing plans for improvement if required.

Corporate responsibility report

Social and community report

Reach supports communities across the UK through its editorial work, raising awareness, publicising charities, running campaigns and organising fundraising appeals across all of its national and regional titles. The Group also makes donations throughout the year to charitable appeals and fundraisers which are supported by our staff and readers.

In order to interact with the surrounding community, and promote the Group socially, we make direct cash donations to charities connected with or associated with the newspaper, printing or advertising industries, and to charities operating in the communities immediately surrounding the Group's offices and print sites. The charities that are likely to receive support are smaller community based charities where a modest donation will make a big impact. We take steps to ensure the charities receiving a donation are registered with The Charity Commission and that the funds are allocated appropriately, to reduce the risk of fraudulently claimed donations.

The Group's AGM has been held at the Museum of London Docklands for the past two years, with proceeds from the room hire going towards the vital upkeep and free entry of the museum to the general public, new developments and acquisitions of objects to be displayed. The museum is a vital part of the community in the area surrounding our Canary Wharf offices, giving young people the opportunity to learn about London's history with various other exhibitions throughout the year. We are very proud to be able to support this treasure and hope you, as our shareholders, are too.

Once again the Company has retained its inclusion in the FTSE4Good Index, based on the quality and transparency of our environmental, social and ethical disclosures. During 2018, we achieved all the environmental targets we set ourselves, particularly with regards to reducing our electricity consumption. We aim to continue this trend in 2019, and have set ourselves demanding environmental goals for this year.

Press regulation

Along with the overwhelming majority of publishers in the UK, we remain committed to our membership of The Independent Press Standards Organisation (IPSO) which regulates our journalism and enforces the Editors' Code Of Practice. Pursuant to our obligations, we submit an Annual Statement to IPSO, which is published on its website. The Statement sets out our record on editorial compliance during the previous year (including details of complaints upheld against us), our protocols for maintaining editorial standards, our complaints handling process and our training programmes for journalists.

Together with the majority of the UK Publishers we are very concerned about the future of press freedom and the costs that could be incurred by the Group should Section 40 of the Crime and Courts Act 2013 (Section 40) be activated by the Government. To this end, we advocated strongly for the repeal of Section 40 in our response to The Department of Culture, Media and Sport's Consultation on this issue, and the Government stated in March 2018 it was committed to repealing Section 40, though this has not yet been done.

Tax payments

The Group is a UK tax payer and complies with all UK taxation requirements. The Group paid corporation tax of £12.5 million (2017: £13.9 million) and paid indirect employment taxes (employer and employee NI and employee PAYE) of £75.8 million (2017: £65.0 million) during the year.

Corporate responsibility

The Group's main exposure in the corporate responsibility area is one of reputational damage which is fundamental to its operations and is dependent upon the honesty and integrity of each and every employee. We acknowledge that the continuing development and wellbeing of our employees depends upon maintaining the highest standards of integrity and personal conduct in all matters which involve the Group.

The procedure that the Group employs to control and manage these risks is through a regular review of its standards and systems and through training of relevant employees and managers. The Group's Standards of Business Conduct are embedded within the culture of the Group.

The Group's main opportunity in the corporate responsibility area is also reputational. We believe that there are advantages to being seen as the employer of choice for those entering our industry, that decision having been made on an assessment, amongst many other things, of our corporate social responsibility programmes. Those programmes will also be key in the retention of staff. We believe that there are obvious commercial advantages from being seen as a socially responsible organisation.

Directors' report

Information relevant to and forming part of the report of the directors is to be found in the following sections of the Annual Report:

Information	Reported in	Page number(s)
Directors	Board of directors	30 and 31 43 to 57
Directors' shareholding requirements	Remuneration report	56
Going concern and viability statement	Corporate governance report	35 and 36
Environmental report	Corporate responsibility report	58 to 61
Results and dividends	Directors' report	64
Directors' responsibility statement	Directors' report	67
Substantial shareholders	Directors' report	66
Financial instruments	Financial statements	105 to 108

Statement of directors' responsibilities

The directors present their report together with the audited consolidated financial statements for the 52 weeks ended 30 December 2018.

Company law requires the directors to prepare financial statements for each financial year. The directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). The Company has adopted FRS 101, a reduced disclosure regime, for its parent company financial statements, which is one of the bases of preparation permitted by the Financial Reporting Council.

Under company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group or Company and of the profit or loss of the Group or Company for that period.

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 to enable them to ensure that the parent company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Companies Act 2006 section 172 disclosure

The directors have a duty to promote the success of the Company for the benefit of its members as a whole. The Board understands the need to act fairly as between the members of the Company when assessing the consequences of a decision over the longer term.

The Group's key stakeholders are our shareholders, pension schemes, finance providers and employees.

Further details on how the Board have discharged their duties under section 172 can be found throughout this report.

Results

The profit for the period attributable to equity holders of the parent company was £32.7 million (2017: £40.4 million). Dividend payments amounting to £17.5 million were made during 2018 (2017: £15.3 million). After dividends, retained profit for the period was £15.2 million (2016: £25.1 million). On a consolidated basis the loss for the period attributable to equity holders of the parent was £119.6 million (2017: profit £62.8 million). The Group financial review on pages 19 to 24 of the Strategic Report gives an analysis of the consolidated income statement, balance sheet and cash flow.

Dividends

The Board proposes a final dividend for 2018 of 3.77 pence per share (2017: 3.55 pence per share) which, subject to shareholder approval, will be payable on 7 June 2019 to shareholders on the register on 10 May 2019. The proposed final dividend together with the interim dividend of 2.37 pence per share (2017: 2.25 pence per share) results in a total dividend for 2018 of 6.14 pence per share (2017: 5.80 pence per share).

The Group holds 10,017,620 shares in Treasury, representing 3.24% of the issued share capital of the Company. Treasury shares do not receive dividends and are not included when calculating the total voting rights in the Company. The Company, if deemed fit, can sell the shares for cash or transfer the shares for use in an employee share scheme. The Company intends to hold the repurchased shares in Treasury for the foreseeable future.

Dividend Policy

As the Group continues to manage the business through the structural challenges facing print media, the Board has adopted a progressive dividend policy that is aligned to free cash generation of the business. The free cash generation for the purposes of assessing the dividend is the net cash flow generated by the Group before the repayment of debt, dividend payments, other capital returns to shareholders and additional contributions made to the defined benefit pension schemes as a result of a substantial increase in dividends and/or capital returns to shareholders. When setting the level of dividends the Board will ensure that the Group maintains adequate headroom for investment and any unexpected cash flow requirements for historical events or to fund further restructuring. Based on the Board's expectation of future cash flows the Board expects dividends to increase by at least 5% per annum.

Directors' report

Dividend Policy continued

The Board will also continue to consider, if appropriate, the return of capital to shareholders through a share buyback if it has generated surplus cash and sees an opportunity to enhance earnings per share and therefore shareholder value. Prior to initiating a share buyback programme the Board will carefully consider the cash generation of the business and the Group's obligations to the Group's defined benefit pension schemes.

The risks associated with the delivery of the dividend policy are as follows:

- The availability of distributable reserves: In 2014, as a result of an impairment of the carrying value of investments held by the Company were impaired and this resulted in a negative balance on the profit and loss reserve and therefore the Company had no distributable reserves. This was addressed by undertaking a court approved capital reduction to eliminate the negative balance in the profit and loss reserve and thereafter the distributable reserves have been rebuilt through dividends received from subsidiary companies from profits. The Company would undertake a similar exercise in the future if such an event was to occur, as it still has a £606.7 million balance on the share premium account;
- A significant fall in profit and cash flow which materially reduces free cash flow: Under these circumstances the Group would review all the investment requirements, pension obligations and future debt payments. In such circumstances we would seek to hold dividends unless it would place increased pressure on the ability of the Group to fund investment to deliver its strategy or if it was to create any financing issues; and
- The payment of dividends would potentially restrict the ability of the Group to meet payments due under the recovery plans agreed with the Group's defined benefit pension schemes: The Group agrees recovery plans with the Trustees of the Group's defined benefit pension schemes at each triennial valuation and these may be revised as a result of material corporate activity. The Group has also agreed that additional contributions will be made to the schemes in the event dividends are increased by more than 10% in any one year. The additional contributions to the defined benefit pension schemes will be equivalent to at least 75% of the amount by which dividend payments are more than the amount they would have been if dividends had been increased by 10%. Further, the Group has agreed that dividend payments or any other return of capital to shareholders in any year will not be in excess of payments to the defined benefit pension schemes to address past deficits. These obligations may restrict future increases in dividends.

Disclosure of information under Listing Rule 9.8.4

Dividend waivers

There is a waiver in place in respect of all or any future right to dividend payments on shares held in the Trinity Mirror Employees' Benefit Trust (3,379,758 shares as at 30 December 2018), shares held in TIH Employee Benefit Trust (90,855 shares as at 30 December 2018) and shares held in Treasury (10,017,620 shares as at 30 December 2018).

In accordance with Listing Rule 9.8.4C, the information required to be disclosed in the Annual Report under Listing Rule 9.8.4R is disclosed in following pages of this Annual Report:

LR 9.8.4R	Location
Waiver or agreed waiver of dividends by a shareholder	Directors' report, page 65
Details of Long-Term Incentive Schemes	Remuneration report, pages 43 to 57

Political donations

At the Company's Annual General Meeting ('AGM') held on 3 May 2018, the Company and its subsidiaries received authority from shareholders under the Companies Act 2006 to make donations to political parties of up to £75,000 in aggregate per annum. The resolution passed, with 79.33% of participating shareholders voting in favour.

Neither the Company nor any of its subsidiaries has made or has any intention of making any direct political donation. This resolution was proposed to ensure that neither it nor its subsidiaries inadvertently commits any breaches of the Companies Act 2006 through the undertaking of routine activities, and the Board's position is unchanged on this. In advance of proposing any such resolution in 2019, the directors will ensure that the purpose of the resolution is sufficiently clear and well explained. No political donations were made during 2018 (2017: nil).

Greenhouse gas emissions

The disclosure in respect of the greenhouse gas emissions of the Company that are attributable to human activity in tonnes of carbon dioxide equivalent for all six greenhouse gases are set out in the Corporate responsibility report on page 59.

Employment policies and employees

The Company is committed to increasing the service quality, profitability and efficiency of the Company by attracting and recruiting the people who are best suited to meet the standards for the role and the Company without regard to race, creed, colour, nationality (subject to legal eligibility), ethnic origin, religion, gender, age, sex change, sexual orientation, marital status, connections with a national minority, membership or non-membership of a trade union or, unless justifiable, disability.

We pursue a policy of equal opportunities for all employees and potential employees. We have continued our policy of giving fair consideration to applications for employment made by disabled persons bearing in mind the requirements for skills and aptitude for the job. In the areas of planned employee training and career development, we strive to ensure that disabled employees receive equal treatment on all possible benefits, including opportunities for promotion. Every effort is made to ensure that continuing employment and opportunities are also provided for employees who become disabled, where reasonably practical to do so. Within the limitations of commercial confidentiality and security, it is the policy of the Company to take views of employees into account in making decisions and wherever possible, to encourage the involvement of employees in the Group's performance.

Directors' report

Employment policies and employees continued

Group companies operate to a mix of Group standard advisory policies as well as evolving their own variations to standard policies as appropriate to the market places in which they operate. Methods of communication used within the Group include staff forums, advisory committee meetings, newsletters, bulletins, pension trustee reports, management briefings and staff surveys.

Simon Fox, Chief Executive, is the executive director with Human Resource responsibility.

Further information about our employees is set out on pages 12 to 15 of the Strategic Report.

Share capital

On 28 February 2018, the Company issued 25,826,746 ordinary shares to Northern & Shell Media Group Limited in connection with the acquisition of Express & Star.

As at 30 December 2018 the Company's issued share capital comprised 309,286,317 ordinary shares with a nominal value of 10 pence each. The Company held 10,017,620 ordinary shares in Treasury. Therefore, the total number of voting rights in the Company was 299,268,697. All shares other than those held in Treasury are freely transferable and rank pari passu for voting and dividend rights. The Company is not aware of any agreements between holders of shares that result in any restrictions.

As at 30 December 2018, the Trinity Mirror Employees' Benefit Trust held 3,379,758 shares (2017: 3,860,038). At the same date the TIH Employee Benefit Trust held 90,855 shares (2017: 90,855). The Trustees of both employee benefit trusts have elected to waive dividends on shares held under the trusts relating to dividends payable during the year.

Details of the authorised and issued share capital, share premium account and Treasury shares can be found in notes 28 and 30 in the notes to the consolidated financial statements.

Change of control provisions

The directors are not aware of there being any significant agreements that contain any material change of control provisions to which the Company is a party other than in respect of the financing facilities which expire in December 2021. Under the terms of these facilities, and in the event of a change of control of the Company, the banks can withdraw funding and all outstanding loans, accrued interest and other amounts due and owing become payable within 30 days of the change.

Substantial shareholdings

As at 30 December 2018, the Company had been notified, from the following major shareholders of the Company, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the direct or indirect shareholding of 3% or more of the Company's issued share capital:

Name	Number of shares	Percentage of issued share capital
Aberforth Partners	35,958,528	12.02%
Schroder Investment Management	28,807,757	9.63%
Northern & Shell Media Group Limited	25,826,746	8.63%
Majedie Asset Management	20,162,453	6.74%
M&G Investment Management	16,455,077	5.50%
JPMorgan Asset Management	15,138,500	5.06%
Aberdeen Standard Investments	15,114,472	5.05%
Dimensional Fund Advisors	14,233,453	4.76%
Premier Fund Management	11,867,721	3.97%

JPMorgan Asset Management notified the Company on 18 January 2019 that their holding has fallen below the minimum threshold. In such an instance, the notifying party is not obliged to disclose the extent of the holding.

Directors

The directors of the Company who served during the period, unless stated otherwise, are listed below:

Executive

- Simon Fox
- Vijay Vaghela

Non-executive

- David Grigson (retired 3 May 2018)
- Nicholas Prettejohn (appointed 6 March 2018)
- Lee Ginsberg
- David Kelly
- Helen Stevenson
- Steve Hatch
- Olivia Streatfeild

Details of directors' remuneration, including details of the beneficial and non-beneficial interests in shares, can be found in the Remuneration report on pages 43 to 57. Details in respect of directors' indemnity and insurance are included on page 35 of the Corporate governance report. Biographical details of each of the directors of the Company can be found on pages 30 and 31.

Directors' report

Articles of Association

The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders.

Appointment and replacement of directors

The Articles give the directors power to appoint and replace directors. Under the Terms of Reference of the Nomination Committee, appointments must be recommended by the Nomination Committee for approval by the Board.

The articles also require directors to retire and submit themselves for election to the first AGM following appointment and to retire at the AGM held in the third calendar year after election or last re-election, however, to comply with the UK Corporate Governance Code, all the directors will submit themselves for election or re-election at each AGM, as appropriate.

Compensation for loss of office

There are no agreements in place between the Company and any director or employee for loss of office in the event of a takeover.

Purchase of own shares

At the Company's AGM on 3 May 2018, shareholders approved an authority for the Company to make market purchases of its own shares up to a maximum of 29,926,869 shares (being 10% of the issued share capital at that time) at prices not less than the nominal value of each share (being 10 pence each) and not exceeding 105% of the average mid-market price for the preceding five business days. No use was made of this authority during the period. The Company intends to renew this authority at its next AGM in May 2019.

Allotment of shares

At the Company's AGM on 3 May 2018, shareholders approved an authority for the Company to allot Ordinary shares up to a maximum nominal amount of £9,322,751 (being one-third of the Company's issued share capital). The Company intends to renew this authority at its next AGM in May 2019.

Auditor

Each of the persons who are a director at the date of approval of this Annual Report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

PricewaterhouseCoopers LLP ('PwC') have expressed their willingness to take up office as auditor of the Company, following the tender process which was undertaken by the Audit & Risk Committee at the end of 2018. PwC's appointment will be put to shareholders at the next AGM. More details on the Audit Tender process can be found on pages 40 and 41 in the Audit & Risk Committee Report.

Directors' responsibility statement

The directors, whose names and functions are set out on pages 30 to 31, confirm to the best of their knowledge that:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

The Board confirms that the Annual Report, taken as a whole, is fair, balanced and understandable and it provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

By order of the Board



Vijay Vaghela
Company Secretary.

25 February 2019

Independent auditor's report to the members of Reach plc

Opinion

In our opinion:

- the financial statements of Reach plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 December 2018 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 39 to the consolidated financial statements; and
- the related notes 1 to 12 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year are:

- *Carrying value of goodwill and other intangible assets in the consolidated balance sheet and fixed asset investments in the parent company balance sheet* – the assessment of the carrying value of goodwill and intangible assets such as the Group's publishing rights and titles involves considerable judgement, particularly in accurately forecasting future cash flows given the market environment for publishers;
- *Provision for historical legal issues* - the Group faces a number of civil claims in relation to suspected phone hacking arising in the past. The calculation of the provision requires significant judgement based on an assessment of the facts, including the available evidence supporting existing claims, the potential impact of future claims and the range of possible outcomes that might arise;
- *Accounting for pension obligations* - there is significant judgement involved in the valuation of the retirement benefit obligations particularly in determining the key assumptions underlying the valuation such as the discount rate. In addition, in the current year, it has been necessary for management to make assumptions about the impact of the Guaranteed Minimum Pensions equalisation, following the High Court ruling on 26 October 2018.
- *Accounting for the acquisition of Publishing Assets of Northern & Shell* – during the year the Group acquired the publishing assets of Northern & Shell for £127 million ('Express & Star' or 'E&S'). In accounting for this transaction, there are a number of areas of judgement including assessing the fair values of the assets and liabilities acquired and the date that control passed as, post completion on 28 February 2018, a merger review was instigated by the Competition and Markets Authority ('CMA') and the transaction was also reviewed by the Secretary of State for Digital, Culture, Media and Sport ('Secretary of State') for public interest considerations. On 20 June 2018 the acquisition was cleared by the Secretary of State and the CMA.

With the exception of the accounting for the acquisition referred to above, these key audit matters are consistent with the prior year.

Independent auditor's report to the members of Reach plc

Summary of our audit approach continued

Materiality	The materiality that we used for the Group financial statements was £5.6 million, which was determined on the basis of 5% of adjusted profit before taxation adjusted for restructuring charges in respect of cost reduction measures and amortisation of intangible assets.
Scoping	Our Group audit scope focuses on all the active entities of the Group owned at the 2018 year end. This accounts for over 99% of the Group's revenue, operating profit and assets.
Significant changes in our approach	The acquisition of E&S during the year had a material impact on the financial statements. All active entities are located in the British Isles and were included in the scope of our audit.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 3 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 16 and 17 that describe the principal risks and explain how they are being managed or mitigated; or
- the directors' confirmation on page 38 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on pages 35 and 36 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Carrying value of goodwill and other intangible assets

Key audit matter description

The carrying value of goodwill and other intangible assets is £839.5 million (2017: £901.2 million) in the consolidated balance sheet of which £142 million relates to the 2019 acquisition of the Express & Star. The Group recorded an impairment of £200 million in the year in goodwill, intangibles and fixed assets. There are also fixed asset investments of £781.8 million (2017: £811.8) in the parent company balance sheet. The Company recorded an impairment of £30 million in the carrying value of investments.

The assessment of the carrying value of goodwill and intangible assets such as the Group's publishing rights and titles, as described in notes 14 and 15 to the consolidated financial statements, involves considerable judgement particularly in accurately forecasting future cash flows given the market environment for publishers. External market data and market commentators are, on the whole, uncertain about the future growth in the newspaper sector and, in general, there is greater uncertainty about the prospects for regional newspapers.

Independent auditor's report to the members of Reach plc

Carrying value of goodwill and other intangible assets continued

Taking the prevailing environment into account, it is critical to management's assessment that the Group grow digital revenues at sufficient speed, and to sufficient scale, to offset the long-term decline in print revenues. In the short-term, this is supported by the ability to remove costs to mitigate print revenue declines and thus improve operating margins. In the absence of these two factors being achieved, a significant impairment may arise in the future.

Our work was focused on the Publishing CGU as there was greater headroom in the E&S CGU.

Key assumptions and judgements in management's analysis include:

- The identification of appropriate cash-generating units (CGUs): After the half year, the Nationals CGU and Regional CGU were combined into one CGU (the 'Publishing' CGU). The judgements involved are set out in note 3 and required an assessment of whether circulation and advertising cash inflows are largely interdependent. 99% of the carrying value of goodwill and intangibles is in the two CGUs: the Publishing CGU and a separate CGU relating to the acquired titles and assets relating to E&S;
- In both CGUs an indefinite useful life is considered to apply to the publishing rights and titles, which is consistent with prior years;
- A detailed future cash flow forecast derived from the 2019 budget and associated 2020 and 2021 year projections. This assumes declines in publishing revenue at or near historical experience and increases in digital revenue in excess of recent trends. It also includes significant cost saving assumptions to mitigate the expected declines in overall revenues;
- Given the uncertain economic outlook, management took a more conservative view in their Value in Use ('VIU') analysis than in their Board approved 3-year plan;
- Long-term decline rates for the cash flows of -2% (2017: 0% for the Nationals CGU and a decline of 1% for the Regionals CGU); and
- Applying a post-tax discount rate of 11% (2017: 10.5%) to the future cash flows.

Similar judgement is required in assessing the carrying value of investments held by Reach plc (note 4 to the parent company financial statements).

The Audit & Risk Committee have presented their assessment of the key assumptions and conclusion with respect to this key audit matter in their report on page 39.

How the scope of our audit responded to the key audit matter

We tested management's assumptions used in the impairment assessment of the Group's goodwill and other intangible assets in the consolidated balance sheet and the carrying value of investments in the parent company balance sheet.

Our procedures included:

- Challenging the assumptions that the publishing rights and titles have an indefinite useful economic life by considering the impact of title closures, the historical longevity of the titles and overall audience growth. We also took into account the number of years in the VIU analysis required to support the carrying value;
- As part of the process to assess Management's combination of the Nationals and Regionals CGU, we sought supportive and contradictory evidence to assess whether the cash inflows generated by individual assets are largely not independent. We considered the relative importance of national advertising and revenues generated from regionally sold packages, centrally co-ordinated distribution arrangements as well as the current management structure and structure of reporting;
- Challenging management's assessment of future operating cash flows in their VIU analysis with reference to historical evidence, industry and other external data;
- Assessing whether the trading to date and the considerable macro-economic uncertainty due to the Brexit process, were considered in management forecasts;
- Considering the evidence to support the overriding assumption, inherent in management's approach to running the business, that there is an ability to take out additional costs in 2019 to mitigate any revenue declines in the short term.
- Comparing the long-term forecasts against historical performance, and long-term economic and industry growth rates from external data;
- Comparing the discount rate applied against a broad comparator Group as well as consulting with our internal valuation specialists to assess the key components of the discount rate calculation;
- Performing a detailed review of management's model calculation for compliance with IAS36 'Intangible assets' including considering reasonably possible sensitivities to highlight what would happen if it proved harder than expected to meet the targets set out, and reporting the results of these sensitivities to those charged with governance; and
- Reviewing current trading trends and considering whether there were any performance trends or indicators that suggest assumptions in the impairment model should change.

In addition, we evaluated the appropriateness of the 'reasonably possible change' and other disclosures included in notes 14 and 15 to the consolidated financial statements by reference to the audit procedures outlined above.

Independent auditor's report to members of Reach plc

Carrying value of goodwill and other intangible assets continued

Key observations

As described in note 15 to the consolidated financial statements, the impairment review is sensitive to reasonably possible changes. Based on the procedures performed we conclude that the assumptions applied by management are acceptable although we do make the following further key observations:

- Indefinite Useful Economic Lives – All publishing rights and titles are considered to have an indefinite useful life. Fundamental to this assumption is the belief that, over the long-term, declines in traditional print revenue will be offset by digital revenue growth, supported by digital revenue being generated at improved margin. This is a challenge being faced right across the industry. If management are not able to realise their strategy and deliver this significant revenue growth from digital over the longer-term, a significant impairment may be required in the future. VIU recovery is, however, weighted to the short-term horizon; within the first 5 years of the model, 44% of the total VIU is recovered. Given the historical longevity of these assets and current total audience (for digital and print), the assumption is not considered inappropriate;
- As highlighted in the strategic report overall revenue in the first two months of 2019 fell by 7% on a like for like basis and as noted above to reflect this management took a more conservative view in their VIU analysis than in their Board approved 3 year plan.
- As noted above it is critical to management's assessment that the Group grow digital revenues at sufficient speed, and to sufficient scale, to offset the long-term decline in print revenues. As noted in the bullet below there is historical evidence of an ability to achieve cost savings and management are pursuing a number of cost saving activities in the current year, with detailed plans to support these activities;
- Management have a good track record of cost savings over an extended period to mitigate the impact of declining revenues and have achieved stable cash flows. The 5 year Group summary, albeit not like for like due to the acquisitions of Local World in 2015 and E&S, on page 121 of the Annual Report shows adjusted operating margins between 2014 and 2017 increasing from 16.7% to 20.1%, highlighting the ability to reduce costs to mitigate revenue declines. Management's ability to mitigate revenue declines and achieve cost saving targets is also evident from this year's results, it is likely to become increasingly difficult to achieve the savings required in the longer term; and
- Discount rate - The post-tax discount rate of 11% (2016: 10.5%) is within the range of a broad comparator group, is calculated on a consistent basis in both years and the rate used is within the range of rates calculated by our internal specialists, albeit at the lower end of our range.

Provision for historical legal issues

Key audit matter description

The Group faces a number of civil claims arising from suspected phone hacking arising in the past.

As this matter has developed, the consideration of the latest information such as new claims or experience from settling claims, has led to a reappraisal of the amounts provided.

We noted a decline in the rate of new claims over the course of the year, however, there were limited new court developments on which to base future expectations of settlement.

During the period, management reconsidered the sufficiency of the provision held and an additional £12.5 million has been charged to the consolidated income statement for dealing with and resolving these civil claims. The outstanding provision of £13.6 million held at 30 December 2018 is disclosed within the provisions note (note 22) to the consolidated financial statements. The additional charge (and therefore increase to the provision) principally reflects an increase in the amount provided to settle claimant's costs based on the most recent experience as well as the number of new claims being greater than forecast at the 2018 year end. There is judgement as to whether any of this increase could have been reasonably foreseen at the prior year end.

This is recognised as a key source of estimation uncertainty and a contingent liability in notes 3 and 39 to the consolidated financial statements respectively.

The Audit & Risk Committee have highlighted this key audit matter as a significant financial issue their report on page 40.

How the scope of our audit responded to the key audit matter

The audit procedures we performed in respect of this risk included:

- Meetings with management, internal legal counsel and those charged with governance to enquire whether they have knowledge of any actual or possible non-compliance with laws and regulations that could have a material effect on the financial statements;
- Corroborating the results of the above procedures through discussions with external legal counsel;
- Assessing relevant correspondence received by the Group from third parties such as external legal advisors and reviewed relevant supporting documentation;
- Understanding and observing in practice the actions management has taken in response to this risk; and
- Understand the reason for increase in the provision and the £12.5 million charge in the year to determine whether it related to events that arose in 2018 and challenging whether any of the increase could have been reasonably foreseen at the end of FY2017; and
- Evaluating the provision recognised in the consolidated balance sheet and the appropriateness of the related disclosures included in notes 3, 22 and 39 to the consolidated financial statements by reference to the audit procedures outlined above.

Independent auditor's report to members of Reach plc

Provision for historical legal issues continued

Key observations

We determined that there was sufficient evidence to support the basis for management's best estimate. We have concluded that last year's provision was not materially understated.

We support the additional contingent liability disclosure as there continues to be uncertainty as to how outstanding matters will progress and be resolved.

Accounting for pension obligations

Key audit matter description

The net pension deficit (pre deferred tax) on the consolidated balance sheet is £348.6 million (2017: £377.6 million) and the gross liability in note 33 to the consolidated financial statements is £2,462.8 million (2017: £1,929.2 million).

There is significant judgement involved in the valuation of the retirement benefit obligations, particularly in relation to determining the assumptions, including discount rate, inflation rates and demographic assumptions (disclosed in note 33 to the consolidated financial statements) underlying the valuation of the liabilities of the schemes.

The gross liability is higher than the prior year primarily because the Group took on the liabilities of three further pensions schemes following the acquisition of E&S.

Two of the three schemes acquired that were in surplus at the acquisition date. Management made a judgement as to the right of return of this surplus to the Group in the event of the winding up of the schemes.

In addition, in the current year, it has been necessary for management to make assumptions about the impact of the Guaranteed Minimum Pensions ('GMP') equalisation, following the High Court ruling on 26 October 2018. Management estimated the impact of GMP to be £18.8 million and treated this as a past service cost in the income statement.

Management include this as a key source of estimation uncertainty in note 3 to the consolidated financial statements.

The Audit & Risk Committee have highlighted this key audit matter as a significant financial issue in their report on page 39.

How the scope of our audit responded to the key audit matter

The audit procedures we performed in respect of this risk included:

- Meeting with the Group's actuary and management to discuss the valuation approach used and the assumptions used in the valuation;
- Consulting with our actuarial specialists to consider and assess the actuarial assumptions adopted by the Group, for the valuation of its retirement benefit obligations, including those for the impact of GMP. The work of our actuarial specialists includes reviewing key correspondence from the Group's actuary and the underlying Scheme Trust Deeds, reviewing the key assumptions and methodology adopted, and benchmarking the assumptions against a relevant comparator group;
- Considering the requirements of IFRIC14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' on all schemes, in particular two of the three schemes acquired that were in surplus at the acquisition date. We consulted with our actuarial specialists who reviewed trust deeds and scheme rules and assessed whether management's interpretation, which was primarily based on external legal advice, was reasonable;
- Certain substantive audit procedures such as assessing whether the underlying member data supporting the calculation of the obligations was appropriate by reference to the most recent actuarial valuation and its supporting member data.

Key observations

We are satisfied that all assumptions applied by the Group in respect to the valuation of scheme liabilities, including the assessment of the impact of GMP, are appropriate. The Group's assumptions fall within the middle of the expected range based on a relevant comparator group.

Independent auditor's report to members of Reach plc

Accounting for the acquisition of Publishing Assets of Northern & Shell

Key audit matter description

During the year the Group acquired the publishing assets of Northern & Shell (The Express & Star, 'E&S') for £127 million. In accounting for this transaction, there are a number of areas of judgement including assessing the fair values of the assets and liabilities acquired and the date that control passed.

After completion on 28 February 2018, a merger review was instigated by the Competition and Markets Authority ('CMA') and a "Hold Separate" order was put in place limiting the ability of the Group to integrate the operations of E&S within the existing businesses.

The transaction was also reviewed by the Secretary of State for Digital, Culture, Media and Sport ('Secretary of State') for public interest considerations. On 20 June 2018 the acquisition was cleared by the Secretary of State and the CMA.

Management have determined the fair value of assets and liabilities at the acquisition date using a number of significant assumptions and judgements, including selection of the discount rate, forecasting of after tax cash flows and the indefinite lived assumption. These assumptions and judgements impact the allocation of the purchase price on the balance sheet and will impact the future performance of the business.

Our key audit matter focused on the date control passed given the importance of this matter to the classification of line items in the Income Statement for the year and the assumptions and judgements applied in the fair value of assets and liabilities.

How the scope of our audit responded to the key audit matter

With respect to control, we obtained the CMA correspondence and understood the restrictions imposed on the Company's control of E&S. We assessed whether the appropriate date of acquisition was 28 February 2018 and that this date was the appropriate date that the results of E&S should be consolidated into the results of Reach.

In particular, we considered the evidence with respect to the acquisition date including the date consideration transferred and the date the directors of the E&S resigned and were replaced by management of Reach.

We also considered the guidance in IFRS 10 'Consolidated Financial Statements' concerning what constitutes control over an acquired entity. In this we assessed the impact of 'Hold Separate' order on management's ability to direct the relevant activities of E&S, by reference to supporting evidence.

We engaged our specialist teams to benchmark assumptions used in pension calculations and assess the mechanics of the impairment model. We separately challenged the judgements applied in the impairment model against industry data and our knowledge of the business.

We challenged management's assumptions and judgements with respect to fair value adjustments, particularly with respect to the three pension schemes, freehold land and buildings and intangible assets.

Key observations

We are satisfied that the appropriate acquisition date of E&S and the date control passed to Reach was 28 February 2018.

The assumptions, judgements and models used to determine the fair value of acquired assets and liabilities were found to be reasonable.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	We determined materiality for the Group to be £5.6m (2017: £5.2m). We determined materiality for the parent company to be £5.0m (2017: £2.1m). This year we revised our approach to determining parent company materiality. In recognition that over 99% of revenue, operating profit and assets, are subject to testing, our parent company materiality was set at 90% of group materiality.
Basis for determining materiality	This equates to 5% of statutory profit before tax adjusted for the increase in the historical legal provision, pension past service costs for GMP equalisation and pension administrative expenses and the impairment of goodwill and other intangible assets. The method used to determine materiality, is consistent with 2017. It is also below 1% (2017: 1%) of both revenue and equity and equates to 4.7% (2017: 6.8%) of statutory loss before tax. Parent Company materiality was 0.6% (2017: 0.3%) of net assets of the Company.
Rationale for the benchmark applied	This has been based on professional judgement. We believe profit before tax adjusted for the increase in the historical legal provision, pension past service costs for GMP equalisation and pension administrative expenses and the impairment of goodwill and other intangible assets is an appropriate measure and relevant to users of the financial statements. The adjusted items do receive attention from users of the financial statements and are commented on and disclosed separately. The parent company has limited trading and holds significant investment in subsidiaries of the Group therefore net assets was used as an appropriate benchmark.

Independent auditor's report to members of Reach plc

Our application of materiality continued

On the basis of our risk assessment, together with our assessment of the Group's control environment and the history of error we also set performance materiality for the Group at £3.9m million (2017: £3.6 million) which represents 70% (2017: 70%) of materiality. We use performance materiality to determine the extent of our testing; it is lower than planning materiality to reflect our assessment of the risk of errors remaining undetected by our sample testing or uncorrected in the financial statements.

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £0.25 million (2017: £0.2 million) for the Group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. As a consequence of the acquisition of E&S there are six more active entities in scope compared to the prior year. All active companies are located in the British Isles.

Our Group audit scope focused on all active entities of the Group (excluding those which are clearly immaterial to the Group), which account over 99% of the Group's revenue, profit before tax and total assets. Our audit work at all audit locations was executed at the lower of Group entity or local statutory materiality level determined by reference to the scale of the business concerned. The materiality levels applied in our audit of Group scope entities range from £0.2m to £5.0m. At the parent company level we also tested the consolidation process. For the single entity not subject to detailed audit work, we carried out analytical procedures to confirm our conclusion there were no material misstatements in the aggregated financial information.

The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the Group audit team visits each of the principal locations where the Group audit scope is performed each period to understand the key issues and audit findings at these locations and attend the local close meetings. The Senior Statutory Auditor or a senior member of the audit team visited all significant locations and met with senior management of all locations as part of the audit process to plan the audit and understand financial performance and key judgements.

Senior members of the Group audit team held regular interactions with local audit teams and specialists throughout the audit to ensure that Group audit work was sufficiently supervised and instructions were understood and executed.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit & Risk Committee reporting* – the section describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to members of Reach plc

Auditor's 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 auditor's 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the Audit & Risk Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, including tax, pensions and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: management's assessment of the carrying value of goodwill and intangible assets; the provision for historical legal issues; accounting for the acquisition of E&S; and in the management override of internal controls including those over revenue.
- obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group, for example the legal activity in relation to historical legal issues. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and relevant tax legislation.

Audit response to risks identified

As a result of the above, we identified the following key audit matters: management's assessment of the carrying value of goodwill and intangible assets; and the provision for historical legal issues. The key audit matters section of our report above explains the specific procedures we performed of the potential fraud risk areas.

In addition to the above our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit & Risk Committee and in-house legal counsel concerning actual and potential litigation and claims for other areas in addition to the historical legal issues described above;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports to identify control weaknesses or unusual events; and
- in addressing the risk of fraud through management override of controls including revenue, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent auditor's report to members of Reach plc

Report on other legal and regulatory requirements continued

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Deloitte LLP (or its predecessor firms) were appointed following the recommendation by the Audit & Risk Committee we were appointed by shareholders as external auditor on the formation of Reach plc (previously "Trinity Mirror plc") in 1999. The period of total uninterrupted engagement including previous renewals and reappointments of the firm therefore, covers the years from 1999 to 2018. Subject to appointment at the AGM on 2 May 2019, Deloitte LLP will be replaced by PricewaterhouseCoopers LLP for the 2019 financial year.

Consistency of the audit report with the additional report to the Audit & Risk Committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Lee-Amies FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, UK

25 February 2019

Consolidated income statement

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

	notes	2018 £m	2017 £m
Revenue	4,5	723.9	623.2
Cost of sales		(377.4)	(308.2)
Gross profit		346.5	315.0
Distribution costs		(61.2)	(63.7)
Administrative expenses:			
Operating adjusted items	8	(252.9)	(26.4)
Other administrative expenses		(140.8)	(127.4)
Share of results of associates:	17		
Results before operating adjusted items		1.1	0.8
Operating adjusted items		(0.3)	(0.4)
Operating (loss)/profit		(107.6)	97.9
Investment revenues	9	0.1	0.1
Pension finance charge	32	(8.6)	(11.9)
Finance costs	10	(3.8)	(4.2)
(Loss)/profit before tax		(119.9)	81.9
Tax credit/(charge)	11	0.3	(19.1)
(Loss)/profit for the period attributable to equity holders of the parent		(119.6)	62.8

	notes	2018 Pence	2017 Pence
Statutory (loss)/earnings per share			
(Loss)/earnings per share – basic	13	(41.0)	23.0
(Loss)/earnings per share – diluted	13	(41.0)	22.9

Set out in note 13 is the calculation of statutory and adjusted earnings per share and set out in note 37 is the reconciliation between the statutory and adjusted results.

Consolidated statement of comprehensive income

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

	notes	2018 £m	2017 £m
(Loss)/profit for the period		(119.6)	62.8
Items that will not be reclassified to profit and loss:			
Actuarial gain on defined benefit pension schemes	32	4.6	62.6
Tax on actuarial gain on defined benefit pension schemes	11	(0.8)	(10.5)
Deferred tax credit including the future change in tax rate	11	–	0.4
Share of items recognised by associates	17	3.2	(5.4)
Other comprehensive income for the period		7.0	47.1
Total comprehensive (loss)/income for the period		(112.6)	109.9

Consolidated cash flow statement

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

	notes	2018 £m	2017 £m
Cash flows from operating activities			
Cash generated from operations	24	137.8	106.8
Pension deficit funding payments	32	(90.1)	(38.7)
Income tax paid		(12.5)	(13.9)
Net cash inflow from operating activities		35.2	54.2
Investing activities			
Interest received		0.1	0.1
Proceeds on disposal of property, plant and equipment		6.6	1.2
Purchases of property, plant and equipment		(11.2)	(8.9)
Acquisition of subsidiary undertakings	35	(43.1)	–
Proceeds on disposal of subsidiary undertaking	36	6.4	–
Acquisition of associated undertaking	35	(4.5)	–
Net cash used in investing activities		(45.7)	(7.6)
Financing activities			
Dividends paid	12	(17.5)	(15.3)
Interest paid on borrowings		(3.8)	(2.1)
Repayment of private placement loan notes		–	(68.3)
Purchase of own shares		–	(7.7)
Draw down on bank borrowings	26	80.0	25.0
Repayment of bank borrowings	26	(45.0)	–
Net cash received from/(used in) financing activities		13.7	(68.4)
Net increase/(decrease) in cash and cash equivalents		3.2	(21.8)
Cash and cash equivalents at the beginning of the period	19	16.0	37.8
Cash and cash equivalents at the end of the period	19	19.2	16.0

Consolidated statement of changes in equity

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

	Share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings and other reserves £m	Total £m
At 1 January 2017	(28.3)	(606.7)	(37.9)	(4.4)	97.9	(579.4)
Profit for the period	–	–	–	–	(62.8)	(62.8)
Other comprehensive income for the period	–	–	–	–	(47.1)	(47.1)
Total comprehensive income for the period	–	–	–	–	(109.9)	(109.9)
Credit to equity for equity-settled share-based payments	–	–	–	–	(0.5)	(0.5)
Purchase of own shares	–	–	–	–	7.7	7.7
Dividends paid	–	–	–	–	15.3	15.3
At 31 December 2017	(28.3)	(606.7)	(37.9)	(4.4)	10.5	(666.8)
Loss for the period	–	–	–	–	119.6	119.6
Other comprehensive income for the period	–	–	–	–	(7.0)	(7.0)
Total comprehensive loss for the period	–	–	–	–	112.6	112.6
Issue of shares	(2.6)	–	(17.4)	–	–	(20.0)
Merger reserve transfer	–	–	37.9	–	(37.9)	–
Credit to equity for equity-settled share-based payments	–	–	–	–	(1.0)	(1.0)
Dividends paid	–	–	–	–	17.5	17.5
At 30 December 2018	(30.9)	(606.7)	(17.4)	(4.4)	101.7	(557.7)

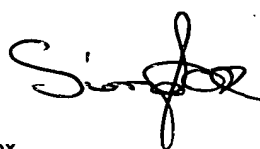
Consolidated balance sheet

at 30 December 2018 (at 31 December 2017)

	notes	2018 £m	2017 £m
Non-current assets			
Goodwill	14	42.0	102.0
Other intangible assets	15	810.0	799.2
Property, plant and equipment	16	246.2	247.7
Investment in associates	17	25.3	16.8
Retirement benefit assets	32	10.2	–
Deferred tax assets	21	69.8	66.4
		1,203.5	1,232.1
Current assets			
Inventories	18	6.3	4.9
Trade and other receivables	19	108.4	89.9
Cash and cash equivalents	19	19.2	16.0
		133.9	110.8
Total assets		1,337.4	1,342.9
Non-current liabilities			
Trade and other payables	35	(59.0)	–
Borrowings	25	(39.7)	–
Retirement benefit obligations	32	(358.8)	(377.6)
Deferred tax liabilities	21	(159.7)	(165.4)
Provisions	22	(4.1)	(3.7)
		(621.3)	(546.7)
Current liabilities			
Trade and other payables	20	(111.3)	(80.1)
Borrowings	25	(20.3)	(25.0)
Current tax liabilities	11	(4.5)	(7.7)
Provisions	22	(22.3)	(16.6)
		(158.4)	(129.4)
Total liabilities		(779.7)	(676.1)
Net assets		557.7	666.8
Equity			
Share capital	28,29	(30.9)	(28.3)
Share premium account	28,30	(606.7)	(606.7)
Merger reserve	28	(17.4)	(37.9)
Capital redemption reserve	28	(4.4)	(4.4)
Retained earnings and other reserves	28	101.7	10.5
Total equity attributable to equity holders of the parent		(557.7)	(666.8)

These consolidated financial statements were approved by the Board of directors and authorised for issue on 25 February 2019.

They were signed on its behalf by:



Simon Fox
Chief Executive



Vijay Vaghela
Group Finance Director

Notes to the consolidated financial statements

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

1 General information

Reach plc is a company incorporated in England and Wales and listed on the London Stock Exchange. The Company changed its name from Trinity Mirror plc on 4 May 2018. The Company's registered number is 82548. The address of the registered office is One Canada Square, Canary Wharf, London E14 5AP. The principal activities of the Group are discussed in the Strategic Report on pages 1 to 28.

These consolidated financial statements were approved for issue by the Board of directors on 25 February 2019. The 2018 Annual Report will be available on the Company's website at www.reachplc.com and at the Company's registered office at One Canada Square, Canary Wharf, London E14 5AP on 26 May 2018 and will be sent to shareholders who have elected to receive a hard copy with the documents for the Annual General Meeting to be held on 2 May 2019.

The Company presents the results on a statutory and adjusted basis and revenue trends on a statutory and like for like basis as described in the summary section on page 1 of the Strategic Report.

2 Adoption of new and revised standards

Changes in accounting policy

The adoption of IFRS 9 (Amended) 'Financial Instruments' and IFRS 15 (Issued) 'Revenue from Contracts with Customers' has had no material impact on the Group. The latest assessment of the impact of IFRS 16 (Issued) 'Leases' (effective for periods beginning on or after 1 January 2019) revealed that, when adopted based on the operating leases at the reporting date, fixed assets and lease obligations of around £45 million would be recognised on the consolidated balance sheet with no material impact on operating profit as operating lease costs would be replaced with an equivalent depreciation and interest charge in the consolidated income statement.

The Group has also adopted the following standards during the current financial period which have had no material impact on the Group:

- IFRS 4 (Amended) 'Applying Insurance Contracts'
- IFRS 2 (Amended) 'Share-based Payment'
- IAS 40 (Amended) 'Investment Property'
- IFRIC 22 (New) 'Foreign Currency Transaction and Advance Consideration'
- Annual improvements 2014 – 2016 cycle

The following standards and interpretations (*denotes not yet endorsed for use in the EU), which have not been applied and when adopted are not expected to have a material impact on the Group, were in issue and will be effective for periods beginning on or after 1 January 2019 unless stated below:

- IFRIC 23 (New) 'Uncertainty over Income Tax Treatments'
- IFRS 9 (Amended) 'Financial Instruments'
- IAS 28 (Amended) 'Investments in Associates and Joint Ventures'
- IAS 19 (Amended) 'Employee Benefits'
- IFRS 17 'Insurance Contracts' – effective for periods beginning on or after 1 January 2021*
- Annual improvements 2015 – 2017 cycle*

3 Accounting policies

International Financial Reporting Standards (IFRS)

The Group has adopted standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations as adopted by the European Union (EU). Individual standards and interpretations have to be adopted by the EU and the process leads to a delay between the issue and adoption of new standards and interpretations and in some cases amendments by the EU.

The parent company financial statements of Reach plc for the 52 weeks ended 30 December 2018, prepared in accordance with applicable law and UK Accounting Practice, including FRS 101 'Reduced Disclosure Framework', are presented on pages 111 to 115.

Basis of preparation

These consolidated financial statements have been prepared on a going concern basis as set out on page 36 of the Corporate Governance Report.

For administrative convenience, the consolidated financial statements are made up to a suitable date near the end of the calendar year. These consolidated financial statements have been prepared for the 52 weeks ended 30 December 2018 and the comparative period has been prepared for the 52 weeks ended 31 December 2017.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS standards and IFRIC interpretations as adopted by the EU and with those parts of the Companies Act 2006 applicable to groups reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold properties which on transition to IFRS were deemed to be the cost of the asset and for derivative financial instruments and shared-based payments that have been measured at fair value. A summary of the more important Group accounting policies is set out on pages 81 to 85.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

3 Accounting policies continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Reach plc and all entities controlled by it for the 52 weeks ended 30 December 2018. Control is achieved where the Company has the power to govern the financial and operating policies of the investee entity, has the rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

On the acquisition of a business, including an interest in an associated undertaking or a joint venture, fair values are attributed to the Group's share of the identifiable assets and liabilities of the business existing at the date of acquisition and reflecting the conditions as at that date. Where necessary, adjustments are made to the financial statements of businesses acquired to bring their accounting policies in line with those used in the preparation of the consolidated financial statements. Results of businesses are included in the consolidated income statement from the effective date of acquisition and in respect of disposals up to the effective date of relinquishing control.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the profit or loss account as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Negative goodwill arising on an acquisition is recognised directly in the consolidated income statement upon acquisition. On disposal of a subsidiary or associate, the remaining amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill is reviewed for impairment either annually or more frequently if events or changes in circumstances indicate a possible decline in the carrying value. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit, pro-rated on the basis of the carrying amount of each asset in the unit, but subject to not reducing any asset below its recoverable amount. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Other intangible assets

Other intangible assets comprise acquired publishing rights and titles in respect of print publishing activities and other intangible assets in respect of online activities. On acquisition, the fair value of other intangible assets is calculated based on forecast discounted cash flows. On disposal, the carrying amount of the related other intangible asset is de-recognised and the gain or loss arising from de-recognition, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is recognised in the consolidated income statement.

Publishing rights and titles are initially recognised as an asset at fair value with an indefinite economic life. They are not subject to amortisation. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. Where the asset does not generate cash flows that are independent from other assets, value in use estimates are made based on the cash flows of the cash-generating unit to which the asset belongs. The publishing rights and titles are reviewed for impairment either at each reporting date or more frequently when there is an indication that the recoverable amount is less than the carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use the estimated future cash flows of the cash-generating unit relating to the asset are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimates of future cash flows have not been adjusted. Use of a post-tax discount rate to discount the future post-tax cash flows is materially equivalent to using a pre-tax discount rate to discount the future pre-tax cash flows. The impairment conclusion remains the same on a pre or post tax basis. If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, the carrying value of the cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement in the period in which it occurs and may be reversed in subsequent periods.

Other intangible assets in respect of online activities are amortised using the straight-line method over the expected life over which those assets will generate revenues and profits for the Group and are tested for impairment at each reporting date or more frequently where there is an indication that the recoverable amount is less than the carrying amount.

Costs incurred in the development of websites are only capitalised if the criteria specified in IAS 38 are met.

Investment in associates

Associates are all entities over which the Group has significant influence but not control and are accounted for by the equity method of accounting, initially recognised at cost. The Group's share of associates post-acquisition profits or losses after tax is recognised in the consolidated income statement and its share of other comprehensive income are recognised in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

3 Accounting policies continued

Revenue recognition

In the current year, the Group has applied IFRS 15 'Revenue from Contracts with Customers' (as amended in April 2016). IFRS 15 establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for performance obligations only when they are satisfied and the control of goods or services is transferred. In doing so the standard applies a five step approach to the timing of revenue recognition and it applies to all contracts with customers, except those in the scope of other standards. The Group has adopted IFRS 15 using the "modified" approach. IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what have more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3. Apart from providing additional disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a material impact on the financial position and/or financial performance of the Group. There has been an immaterial net down of trade receivables and deferred income on the balance sheet in respect of items invoiced but not yet due on adoption of IFRS 15.

The major sources of revenue for the Group are circulation, advertising (print and digital) and printing. Additional, but not material, revenue streams are other income and rental income. Under the five step model of IFRS 15, revenue is recognised when the performance obligations identified in the contract are fulfilled, with revenue being measured as the transaction price allocated in respect of that performance obligation.

Circulation revenue

The Group sells newspapers and magazines through wholesalers and distributors. Revenue is recognised when the performance obligation has been fulfilled being when the goods have been purchased by a reader. A receivable is recognised by the Group when the wholesaler and distributor confirms the number of copies sold as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Advertising revenue

Typically, within advertising revenue, the performance obligation is fulfilled, and revenue is recognised, on publication of the advert. If an advertising campaign is over a period of time revenue is recognised over the period of the online campaign reflecting the pattern in which the performance obligation is fulfilled.

Printing revenue

Printing revenue is recognised at a point when the service is provided and the performance obligation is fulfilled.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. Assets held under finance leases are recognised at their fair value at the inception of the lease or, if lower, the present value of the minimum lease payments. The asset is recognised within property, plant and equipment and the corresponding liability to the lessor is included within obligations under finance leases. Lease payments are apportioned between finance charges which are charged to the consolidated income statement and reductions in the lease obligation. Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the lease term. Benefits received as incentives to enter into the agreement are spread on a straight-line basis over the lease term.

Foreign currency

Transactions denominated in foreign currencies are translated at the rates of exchange prevailing on the date of the transactions. At each reporting date, items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising on settlement and on retranslation are included in the consolidated income statement for the period.

Retirement benefits

The Group operates a number of defined benefit pension schemes, all of which have been set up under trusts that hold their financial assets independently from those of the Group and are controlled by trustees. The amount recognised in the balance sheet in respect of defined benefit pension schemes is the present value of the defined benefit obligation at the reporting date less the fair value of scheme assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The resultant liability or asset of each scheme is included in non-current liabilities or non-current assets as appropriate. Any surplus recognised is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions. The defined benefit obligation is calculated at each reporting date by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds approximating to the terms of the related pension liability.

The Group operates a defined contribution pension scheme which has been set up under a trust that holds the financial assets independently from those of the Group and is controlled by Trustees. The Group also operates Group Personal Pension Plans which are defined contribution pension schemes where employees hold a personal policy directly with the policy provider. Payments to defined contribution pension schemes are charged as an expense as they fall due.

Tax

The tax expense represents the sum of the corporation tax currently payable and deferred tax.

The corporation tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

3 Accounting policies continued

Tax continued

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement except when it relates to items charged or credited in the consolidated statement of comprehensive income or items charged or credited directly to equity, in which case the deferred tax is also dealt with in the consolidated statement of comprehensive income and equity respectively.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and all directly attributable costs of bringing the asset to its location and condition necessary to operate as intended.

Depreciation is charged so as to write-off the cost, other than freehold land and assets under construction which are not depreciated, using the straight-line method over the estimated useful lives of buildings (15–67 years) and plant and machinery (3–25 years). Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first in first out method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest. Conversion to a readily known amount of cash occurs over a short period and is subject to an insignificant risk of changes in value. Therefore balances are initially recognised at fair value.

The Group recognises a loss allowance for expected credit losses (ECL) on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group recognises lifetime ECL for trade receivables, lease receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet the following criteria are generally not recoverable:

- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) Significant financial difficulty of the debtor;
- (b) A breach of contract, such as a default or past due event;
- (c) It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

3 Accounting policies continued

Trade receivables continued

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term bank deposits with an original maturity of one week or less.

Borrowings

Sterling interest bearing loans and bank overdrafts are recorded at the proceeds received, net of direct issue costs. Foreign currency interest bearing loans are recorded at the exchange rate at the reporting date. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the consolidated income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Trade payables

Trade payables are not interest bearing. Payments occur over a short period and are subject to an insignificant risk of changes in value. Therefore balances are stated at their nominal value.

Credit risk

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

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Provisions are made for legal and other costs in respect of historical litigation and other matters in progress and for estimated damages where it is judged probable that damages will be payable.

Share-based payments

The Group issues equity-settled benefits to certain employees. These equity-settled share-based payments are measured at fair value at the date of grant taking advice from third party experts. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of a stochastic (Monte-Carlo binomial) model. The expected life used in the model has been adjusted, based on the directors' best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Share capital

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

Where the Group's own shares are purchased, the consideration paid including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are cancelled, the nominal value of shares cancelled is shown in the capital redemption reserve. Where such shares are subsequently reissued or disposed of, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

3 Accounting policies continued

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provisions (notes 11, 22 and 39)

There is uncertainty as to liabilities arising from the outcome or resolution of the ongoing historical legal issues and in addition there is uncertainty as to the amount of expenditure that may be tax deductible and additional tax liabilities may fall due in relation to earlier years. Provisions are measured at the best estimate of the expenditure required to settle the obligation based on the assessment of the related facts and circumstances at each reporting date.

Retirement benefits (note 32)

Actuarial assumptions adopted and external factors can significantly impact the surplus or deficit of defined benefit pension schemes. Valuations for funding and accounting purposes are based on assumptions about future economic and demographic variables. An estimate of the allowance for GMP equalisation of £15.8 million has been included within liabilities at 30 December 2018 and is subject to change as more detailed member calculations are undertaken and could change as a result of future legal judgements. These result in risk of a volatile valuation deficit and the risk that the ultimate cost of paying benefits is higher than the current assessed liability value. Advice is sourced from independent and qualified actuaries in selecting suitable assumptions at each reporting date.

Impairment review (notes 14 and 15)

There is uncertainty in the value in use calculation. The most significant area of uncertainty relates to expected future cash flows for each cash-generating unit. Determining whether the carrying values of assets in a cash-generating unit are impaired requires an estimation of the value in use of the cash-generating unit to which these have been allocated. It also requires assessment of the appropriateness of the cash-generating unit at each reporting date. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Projections are based on both internal and external market information and reflect past experience. The discount rate reflects a long-term equity and debt mix based on the period end enterprise value assuming a long-term debt to EBITDA ratio of 2.5 times. In calculating leverage of 2.5 times, the Group assumes that pension obligations are treated as debt. The leverage calculation for the Group's financing facilities excludes pension obligations.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, described above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Identification of cash-generating units (notes 14 and 15)

There is judgement required in determining the cash-generating units. At each reporting date management review the interdependency of revenues across our portfolio of newspapers and websites to determine the appropriate cash-generating unit. The Group operates its newspaper titles and websites such that the majority of the revenues are interdependent and revenue would be materially lower if titles and websites operated in isolation. As such, management do not consider that an impairment review at an individual title or website level is appropriate or practical. As the Group continues to centralise revenue generating functions and has moved to a matrix operating structure over the past few years all of the individual titles and websites in Publishing have increased revenue interdependency and the number of cash-generating units has reduced.

Identification of intangible assets acquired in business combinations (note 35)

Significant judgement is involved in respect of the identification of intangible assets acquired in business combinations, such as publishing rights and titles, and in calculating their fair values. These judgements impact the amount of goodwill recognised on acquisitions. This involves consideration of the intangible assets acquired and the selection and application of a suitable valuation method and associated assumptions such as the discount rate and the useful economic life attributed to the assets. The Group has sufficient experience of valuations techniques and therefore performs the valuations internally.

Determination of the acquisition date in business combinations (note 35)

The directors have applied judgement with respect to the acquisition date relating to the Express & Star acquisition. The acquisition of the UK publishing assets was completed on 28 February 2018. Post completion, a merger review was instigated by the Competition and Markets Authority ('CMA') and the transaction was also reviewed by the Secretary of State for Digital, Culture, Media and Sport ('Secretary of State') for public interest considerations. On 20 June 2018 the acquisition was cleared by the Secretary of State and the CMA. The directors have concluded that the benefits of ownership had passed on the date the acquisition completed, that the acquisition date was 28 February 2018 and the acquisition has been included in the consolidated financial statements from 1 March 2018.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

4 Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board and chief operating decision maker (executive directors) to allocate resources to the segments and to assess their performance. The accounting policies used in the preparation of each segment's revenue and results are the same as the Group's accounting policies. The Board and chief operating decision maker are not provided with an amount for total assets by segment. The Group's operations are primarily located in the UK and the Group is not subject to significant seasonality during the year.

The Group has four operating segments that are regularly reviewed by the Board and chief operating decision maker. The operating segments are: Publishing which includes all of our newspapers and magazines together with digital publishing; Printing which provides printing services to the Publishing segment and to third parties; Specialist Digital which includes our digital classified recruitment business and the digital marketing services business (disposed of in September 2018); and Central which includes revenue and costs not allocated to the operational divisions and our share of results of associates. Express & Star (note 35) has been included in the Publishing, Printing and Central segments from 1 March 2018.

Segment revenue and results:

	Publishing 2018 £m	Printing 2018 £m	Specialist Digital 2018 £m	Central 2018 £m	Total 2018 £m
52 weeks ended 30 December 2018					
Revenue					
Segment sales	679.0	157.2	8.3	1.3	845.8
Inter-segment sales	–	(121.6)	(0.3)	–	(121.9)
Total revenue	679.0	35.6	8.0	1.3	723.9
Segment result	153.8	–	2.1	(10.3)	145.6
Operating adjusted items					(253.2)
Operating loss					(107.6)
Investment revenues					0.1
Pension finance charge					(8.6)
Finance costs					(3.8)
Loss before tax					(119.9)
Tax credit					0.3
Loss for the period					(119.6)
52 weeks ended 31 December 2017					
Revenue					
Segment sales	578.5	131.2	10.0	3.5	723.2
Inter-segment sales	–	(99.6)	(0.4)	–	(100.0)
Total revenue	578.5	31.6	9.6	3.5	623.2
Segment result	133.2	–	2.7	(11.2)	124.7
Operating adjusted items					(26.8)
Operating profit					97.9
Investment revenues					0.1
Pension finance charge					(11.9)
Finance costs					(4.2)
Profit before tax					81.9
Tax charge					(19.1)
Profit for the period					62.8

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

5 Revenue

	2018 £m	2017 £m
Publishing Print	575.4	494.6
Circulation	362.1	284.7
Advertising	176.7	177.6
Other	36.6	32.3
Publishing Digital	103.6	83.9
Display and transactional	91.3	68.7
Classified	12.3	15.2
Printing	35.6	31.6
Specialist Digital	8.0	9.6
Central	1.3	3.5
Total revenue	723.9	623.2

The Group's operations are located primarily in the UK. The Group's revenue by location of customers is set out below:

	2018 £m	2017 £m
UK and Republic of Ireland	721.9	621.5
Continental Europe	1.8	1.6
Rest of World	0.2	0.1
Total revenue	723.9	623.2

6 Result for the period

	2018 £m	2017 £m
Operating result for the period is arrived at after (charging)/crediting:		
Staff costs (note 7)	(245.9)	(217.6)
Cost of inventories recognised as cost of sales	(87.2)	(67.8)
Depreciation of property, plant and equipment	(22.3)	(20.4)
Write-off of fixed assets	(0.5)	(1.9)
Operating lease rentals payable:		
– property	(5.1)	(6.7)
– vehicles, plant and equipment	(2.5)	(2.7)
Trade receivables impairment	(1.4)	(0.7)
Net foreign exchange gain	0.1	–
Operating adjusted items (note 8)		
– excluding associates	(252.9)	(26.4)
– share of associates	(0.3)	(0.4)
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	(0.4)	(0.3)
Fees payable to the Company's auditor for the other services to the Group:		
– the audit of the Company's subsidiaries	(0.6)	(0.4)
Total audit fees	(1.0)	(0.7)
Non-audit fees payable to the Company's auditors for:		
– audit-related assurance services	(0.1)	(0.1)
– transaction-related assurance services	(0.4)	(0.2)
Total non-audit fees	(0.5)	(0.3)
Total fees	(1.5)	(1.0)

Fees payable to Deloitte LLP for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. A description of the work of the Audit & Risk Committee is set out in the Audit & Risk Committee Report on pages 38 to 42 and includes an explanation of how the objectivity and independence of the auditor is safeguarded when non-audit services are provided by the auditor.

Total administrative expenses included in operating (loss)/profit amounted to £393.7 million (2017: £153.8 million) including operating adjusted items amounting to a charge of £252.9 million (2017: £26.4 million). Total share of results of associates amounted to a profit of £0.8 million (2017: £0.4 million) comprising share of profit before operating adjusted items of £1.1 million (2017: £0.8 million) and operating adjusted items of £0.3 million (2017: £0.4 million).

Total foreign exchange gains were £0.1 million (2017: gains were £1.9 million) comprised of a net foreign exchange gain of £0.1 million included in operating profit (2017: comprising a gain on the retranslation of borrowings of £1.9 million included in finance costs and a net foreign exchange gain of nil included in operating profit).

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

7 Staff costs

The average number of persons, including executive directors, employed by the Group in the period was:

	2018 Number	2017 Number
Production and editorial	3,176	2,977
Sales and distribution	1,336	1,319
Administration	622	771
Total	5,134	5,067

All employees are primarily employed in the UK. The above excludes casual employees working for the Group during the period due to the impracticality of determining an average.

Staff costs, including directors' emoluments, incurred during the period were:

	2018 £m	2017 £m
Wages and salaries	(208.9)	(183.9)
Social security costs	(21.1)	(19.6)
Share-based payments charge in the period (note 31)	(1.0)	(0.5)
Pension costs relating to defined contribution pension schemes (note 32)	(14.9)	(13.6)
Total	(245.9)	(217.6)

Wages and salaries include bonuses payable in the period. Disclosure of individual directors' remuneration, share awards, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those elements specified for audit by the Financial Conduct Authority are shown in the tables in the Remuneration Report on pages 43 to 57 and form part of these consolidated financial statements.

8 Operating adjusted items

	2018 £m	2017 £m
Impairment of goodwill, publishing rights and title and freehold buildings (notes 14, 15 and 16)	(200.0)	–
Pension past service costs for GMP equalisation and administrative expenses (note 32)	(18.8)	(1.0)
Provision for historical legal issues (note 22)	(12.5)	(10.5)
Restructuring charges in respect of cost reduction measures (note 22)	(20.0)	(12.6)
Other ^(a)	(1.6)	(2.3)
Operating adjusted items included in administrative expenses	(252.9)	(26.4)
Operating adjusted items included in share of results of associates ^(b)	(0.3)	(0.4)
Total operating adjusted items	(253.2)	(26.8)

(a) Other includes: amortisation of intangible assets of 0.2 million (2017: £0.3 million - note 15), transaction costs of £6.3 million (2017: £2.2 million - note 35), profit on disposal of property of £2.3 million with total net proceeds of £6.6 million less carrying value of £4.3 million (2017: £0.2 million), charge relating to property carrying value of £0.8 million (2017: nil) and profit on disposal of subsidiary undertaking of £3.4 million (2017: nil - note 36).

(b) Group's share of restructuring costs and amortisation incurred by PA Group and Brand Events.

9 Investment revenues

	2018 £m	2017 £m
Interest income on bank deposits and other interest receipts	0.1	0.1

10 Finance costs

	2018 £m	2017 £m
Interest on bank overdrafts and borrowings	(3.8)	(2.3)
Total interest expense	(3.8)	(2.3)
Fair value loss on derivative financial instruments	–	(3.8)
Foreign exchange gain on retranslation of borrowings	–	1.9
Finance costs	(3.8)	(4.2)

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for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

11 Tax

	2018 £m	2017 £m
Corporation tax charge for the period	(17.2)	(17.4)
Prior period adjustment	–	(0.4)
Current tax charge	(17.2)	(17.8)
Deferred tax credit/(charge) for the period	17.5	(1.2)
Prior period adjustment	–	(0.1)
Deferred tax credit/(charge)	17.5	(1.3)
Tax credit/(charge)	0.3	(19.1)

	2018 %	2017 %
Reconciliation of tax credit/(charge)		
Standard rate of corporation tax	19.0	(19.3)
Tax effect of items that are not deductible in determining taxable profit	(19.5)	(3.6)
Tax effect of items that are not taxable in determining taxable profit	0.7	–
Prior period adjustment	–	(0.5)
Tax effect of share of results of associates	0.1	0.1
Tax credit/(charge) rate	0.3	(23.3)

The standard rate of corporation tax for the period is 19% (2017: blended rate of 19.25% being a mix of 20% up to 31 March 2017 and 19% from 1 April 2017). The tax effect of items that are not deductible in determining taxable profit includes certain costs where there is uncertainty as to their deductibility. The current tax liabilities amounted to £4.5 million (2017: £7.7 million) at the reporting date and include net provisions of £1.3 million (2017: £3.2 million). At the reporting date the maximum tax exposure relating to uncertain tax items is some £7 million (2017: £7 million).

The tax on actuarial gain on defined benefit pension schemes taken to the consolidated statement of comprehensive income is a credit of £0.8 million comprising a deferred tax credit of £8.7 million and a current tax charge of £7.9 million (2017: charge of £10.5 million comprising a deferred tax charge of £15.5 million and a current tax credit of £5.0 million).

12 Dividends

	2018 Pence per share	2017 Pence per share
Dividends paid per share and recognised as distributions to equity holders in the period	5.92	5.60
Dividend proposed per share but not paid nor included in the accounting records	3.77	3.55

The Board proposes a final dividend for 2018 of 3.77 pence per share. An interim dividend for 2018 of 2.37 pence per share was paid on 28 September 2018 bringing the total dividend in respect of 2018 to 6.14 pence per share. The 2018 final dividend payment is expected to amount to £11.2 million.

On 3 May 2018 the final dividend proposed for 2017 of 3.55 pence per share was approved by shareholders at the Annual General Meeting and was paid on 8 June 2018.

Total dividends paid in 2018 were £17.5 million (2017 final dividend payment of £10.5 million and 2018 interim dividend payment of £7.0 million).

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

13 Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares during the period and diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares.

	2018 Thousand	2017 Thousand
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for basic earnings per share	291,478	272,730
Effect of potential dilutive ordinary shares in respect of share awards	1,571	1,481
Weighted average number of ordinary shares for diluted earnings per share	293,049	274,211

On 28 February 2018, the Company issued 25,826,746 ordinary shares in connection with the acquisition of Express & Star (note 35). The weighted average number of potentially dilutive ordinary shares not currently dilutive was 3,964,133 (2017: 3,201,611).

	2018 Pence	2017 Pence
Statutory (loss)/earnings per share		
(Loss)/earnings per share – basic	(41.0)	23.0
(Loss)/earnings per share – diluted	(41.0)	22.9

	2018 Pence	2017 Pence
Adjusted earnings per share		
Earnings per share – basic	39.2	36.1
Earnings per share – diluted	39.0	35.9

Set out in note 37 is the reconciliation between the statutory and adjusted results.

14 Goodwill

	Total £m
Cost	
At 1 January 2017	157.4
At 31 December 2017	157.4
Addition (note 35)	35.9
Disposal (note 36)	(3.4)
At 30 December 2018	189.9
Accumulated impairment	
At 1 January 2017	(55.4)
At 31 December 2017	(55.4)
Impairment (note 15)	(92.5)
At 30 December 2017	(147.9)
Carrying amount	
At 31 December 2017	102.0
At 30 December 2018	42.0

	2018 £m	2017 £m
Publishing	35.9	92.5
Specialist Digital	6.1	9.5
	42.0	102.0

Goodwill of £42.0 million comprises Express & Star £35.9 million and Digital Classified Recruitment £6.1 million. Note 15 sets out the Group's cash-generating units and the results of the impairment review.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

15 Other intangible assets

The Group had four cash-generating units at the beginning of the year (Nationals and Regionals in Publishing and Digital Classified Recruitment and Digital Marketing Services in Specialist Digital). This increased to five cash-generating units after completion of the acquisition of Express & Star (note 20) which is included in Publishing and then reduced to four cash-generating units after the disposal of the Digital Marketing Services business (note 21). During the year it was recognised that the cash inflows of the Nationals and Regionals cash-generating units were largely interdependent such that they have been combined into a single cash-generating unit. The increase in the interdependency has been accelerated due to the increased scale of advertising packages sold across all titles and websites and reflects the groupwide nature of our wholesale and distribution contracts. At the year end the Group had three cash-generating units (Publishing excluding Express & Star, Express & Star and Digital Classified Recruitment).

	Publishing rights and titles £m	Customer relationships and domain names £m	Total £m
Cost			
At 1 January 2017	1,985.5	35.3	2,020.8
At 31 December 2017	1,985.5	35.3	2,020.8
Addition (note 35)	106.1	–	106.1
Disposal (note 36)	–	(5.3)	(5.3)
At 30 December 2018	2,091.6	30.0	2,121.6
Accumulated amortisation			
At 1 January 2017	(1,186.6)	(34.7)	(1,221.3)
Amortisation	–	(0.3)	(0.3)
At 31 December 2017	(1,186.6)	(35.0)	(1,221.6)
Amortisation	–	(0.2)	(0.2)
Disposal (note 36)	–	5.2	5.2
Impairment	(95.0)	–	(95.0)
At 31 December 2017	(1,281.6)	(30.0)	(1,311.6)
Carrying amount			
At 31 December 2017	798.9	0.3	799.2
At 30 December 2018	810.0	–	810.0

Publishing rights and titles comprises Publishing excluding Express & Star £703.9 million and Express & Star £106.1 million. Given the acquisition completed on 28 February 2018, the Express & Star balances are considered provisional under IFRS 3 (note 35).

The directors consider publishing rights and titles (with a carrying value of £810.0 million) have indefinite economic lives due to the longevity of the brands and the ability to evolve the brands in an ever changing media landscape. There is judgement required in determining the cash-generating units. At each reporting date management review the interdependency of revenues across our portfolio of newspapers and websites to determine the appropriate cash-generating unit. The Group operates its newspaper titles and websites such that the majority of the revenues are interdependent and revenue would be materially lower if titles and websites operated in isolation. As such, management do not consider that an impairment review at an individual title or website level is appropriate or practical.

The Group tests the carrying value of assets at the cash-generating unit level for impairment at each reporting date or more frequently if there are indications that assets might be impaired. The review is undertaken by assessing whether the carrying value of assets is supported by their value in use which is calculated as the net present value of future cash flows derived from those assets, using cash flow projections. If an impairment charge is required this is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit but subject to not reducing any asset below its recoverable amount.

The Group prepared cash flow projections for a cash-generating unit using the budget for 2019 and projections for 2020 and 2021.

The growth rates for the three-year period are internal projections based on both internal and external market information and reflect past experience of and the risk associated with each asset. Cash flow projections beyond 2021 are extrapolated based on estimated growth rates which do not exceed the average long-term growth rates for the relevant markets.

The long-term growth rates are based on the Board's view of the cash-generating unit's market position and maturity of the relevant market. The long-term growth rates for Publishing excluding Express & Star is -2.0% (2017: Nationals 0% and Regionals -1% with a weighted average combined decline of -0.4%), for Express & Star is -2.0% and for Digital Classified Recruitment is -1.0% (2017: 0%).

The post-tax discount rate used at the reporting date in respect of all cash-generating units is 11.0% (2017: 10.5%) reflecting a long-term equity and debt mix based on the period end enterprise value assuming a long-term debt to EBITDA ratio of 2.5 times. In calculating leverage of 2.5 times the Group assumes that pension obligations are treated as debt. Although we use a leverage of 2.5 times which is higher than that permissible by the Group's financing facilities, the Group's financing facilities exclude pension obligations in calculating leverage. The equivalent pre-tax discount rate is 13.4% (2017: 12.8%).

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

15 Other intangible assets continued

The Group's 2017 Annual Report highlighted that the impairment review is highly sensitive to reasonably possible changes in key assumptions used in the value in use calculations.

At the interim we performed a full impairment review. As part of this the future long-term growth rate for the then Regionals cash-generating unit was reduced to -2% from -1% at the 2017 year end. This reflected a more challenging than expected trading environment, in particular local print advertising and lower digital growth. Lower than expected digital growth was a combination of digital revenue upsold from print being impacted by declining print revenues and by a change in the algorithms by both Facebook and Google early in 2018 which impacted digital audience growth and therefore revenue. We continue to believe that there are significant longer term benefits of our scale local digital audiences and there are opportunities to grow revenue and profit in the longer term. A £150.0 million impairment charge was reflected in the interim results. The combination of the Regionals and Nationals cash-generating units was recognised following the impairment charge being recorded.

At the reporting date we performed a full impairment review. In this review the discount rate was increased from 10.5% to 11.0% reflecting increased volatility and the long-term growth rate used for the Publishing cash-generating units was set at -2.0%, in line with that used for Regionals in the interim review. The changes in the assumptions together with consideration of the impact of the uncertainties created by the process of the UK exiting the European Union which may have an impact in the short term resulted in an impairment charge of £50.0 million in respect of the Publishing excluding Express & Star cash-generating unit.

The total impairment charge for the year is £200.0 million (£187.1 million net of deferred tax). The charge has been allocated to goodwill (£92.5 million), publishing rights and titles (£95.0 million) and freehold buildings (£12.5 million).

The impairment review is highly sensitive to reasonably possible changes in key assumptions used in the value in use calculations. Reasonably possible changes in key assumptions used in the value in use calculations would have the following impact on the Publishing excluding Express & Star cash-generating unit:

- In the short term, assuming that revenue declines are materially in line with our projections, the key assumption driving the value in use calculated is the ability to deliver cost savings targets to protect profitability. The Group has a strong track record in delivering these savings. Notwithstanding this, if EBITDA in 2021 (being the final year before the perpetuity factor) was £5 million lower in the Publishing excluding Express & Star cash-generating unit this would have increased the impairment charge by £33 million.
- In the medium to long term, the key assumption that drives value in use is the ability to generate digital revenue growth as the structural change in the industry continues. If digital revenue in 2021 (being the final year before the perpetuity factor) was £5 million or 2% below forecast in the Publishing excluding Express & Star cash-generating unit this would have increased the impairment charge by £33 million.
- The structural challenges faced are currently more acute in locally sourced rather than nationally sourced print revenues. This also impacts digital revenue upsold from print which is impacted by declining print revenues. Digital growth can also be impacted by factors such as the impact seen by a change in the algorithms by both Facebook and Google early in 2018 which impacted digital audience growth. With the uncertainty in the pace of decline of print advertising and of growth in digital revenue, the long-term decline in the Publishing excluding Express & Star cash-generating unit is -2.0% which compares to a weighted average combined decline of -0.4% at the prior year end and -0.6% at the interim review. A further 0.5% increase in the long-term decline to -2.5% would have increased the impairment charge by £32 million.
- An increase of 0.5 percentage points in the post-tax discount rate from 11.0% to 11.5% would have increased the impairment charge by £34 million.

A combination of reasonably possible changes in key assumptions relating to the Publishing excluding Express & Star cash-generating unit, such as print revenue declining at a faster rate than projected, digital revenue growth being significantly lower than projected or the scale of cost saving initiatives being delivered in the short term being lower than forecast, would lead to a further future impairment in the Publishing excluding Express & Star cash-generating unit. For the Express & Star and Digital Classified Recruitment cash-generating units, reasonably possible changes in key assumptions used in the value in use calculations would not result in an impairment charge.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

16 Property, plant and equipment

	Land and buildings			
	Freehold £m	Plant and equipment £m	Asset under construction £m	Total £m
Cost				
At 1 January 2017	212.6	322.6	4.0	539.2
Additions	–	0.3	8.6	8.9
Disposals	(1.9)	–	–	(1.9)
Reclassification	–	2.1	(2.1)	–
Write-off of assets	–	(10.0)	–	(10.0)
At 31 December 2017	210.7	315.0	10.5	536.2
Acquisition of subsidiary undertakings	–	41.5	–	41.5
Disposal of subsidiary undertaking	–	(1.3)	–	(1.3)
Additions	–	0.4	10.8	11.2
Disposals	(4.7)	(8.8)	–	(13.5)
Reclassification	–	15.0	(15.0)	–
Write-off of assets	(0.2)	(2.8)	–	(3.0)
At 30 December 2018	205.8	359.0	6.3	571.1
Accumulated depreciation and impairment				
At 1 January 2017	(60.2)	(216.9)	–	(277.1)
Charge for the period	(4.5)	(15.9)	–	(20.4)
Disposals	0.9	–	–	0.9
Write-off of assets	–	8.1	–	8.1
At 31 December 2017	(63.8)	(224.7)	–	(288.5)
Acquisition of subsidiary undertakings	–	(13.5)	–	(13.5)
Disposal of subsidiary undertaking	–	1.0	–	1.0
Charge for the period	(4.4)	(17.9)	–	(22.3)
Disposals	–	8.4	–	8.4
Impairment (note 15)	(12.5)	–	–	(12.5)
Write-off of assets	–	2.5	–	2.5
At 30 December 2018	(80.7)	(244.2)	–	(324.9)
Carrying amount				
At 31 December 2017	146.9	90.3	10.5	247.7
At 30 December 2018	125.1	114.8	6.3	246.2

	2018 £m	2017 £m
Capital commitments		
Expenditure contracted for but not provided in the consolidated financial statements	2.1	1.2

Note 15 sets out the Group cash-generating units and the results of the impairment review.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

17 Investment in associates

The Group owns 21.53% (2017: 21.53%) of PA Group Limited, a news agency incorporated and principally operating in England and Wales and a 50% (2017: 50%) interest in Brand Events TM Limited, an event organiser incorporated and principally operating in England and Wales. The Group has agreed to provide a revolving credit facility of £1.25 million to Brand Events TM Limited which was fully drawn at the reporting date. The Group acquired a 50% interest in Independent Star Limited, a news publishing company incorporated and principally operating in the Republic of Ireland for £4.5 million on 6 December 2018 (note 35). In addition the Group invested in a 50% stake in Echo Building (Liverpool) Limited (acquired on 4 September 2018) and a 25% stake in Ozone Project Limited (acquired on 12 September 2018) both of which had nil result in the period and nil net assets. The Company owns 2.26% of PA Group Limited.

	PA Group Limited £m	Brand Events TM Limited £m	Independent Star Limited £m	Total £m
At 1 January 2017	21.0	0.8	–	21.8
Share of results:				
Results before operating adjusted items	1.0	(0.2)	–	0.8
Operating adjusted items	(0.4)	–	–	(0.4)
Share of other comprehensive income	(5.4)	–	–	(5.4)
At 31 December 2017	16.2	0.6	–	16.8
Investment in Independent Star Limited (note 35)	–	–	4.5	4.5
Share of results:				
Results before operating adjusted items	1.3	(0.2)	–	1.1
Operating adjusted items	(0.5)	0.2	–	(0.3)
Share of other comprehensive income	3.2	–	–	3.2
At 30 December 2018	20.2	0.6	4.5	25.3

	2018 £m	2017 £m
PA Group Limited		
Non-current assets	57.3	41.5
Current assets	55.5	62.4
Total assets	112.8	103.9
Non-current liabilities	–	(7.8)
Current liabilities	(19.0)	(20.7)
Total liabilities	(19.0)	(28.5)
Net assets	93.8	75.4
Group's share of net assets	20.2	16.2

Revenue	70.4	62.3
Profit for the period	3.7	2.8
Group's share of profit for the period	0.8	0.6

The financial statements of PA Group Limited are made up to 31 December each year. For the purposes of applying the equity method of accounting, the audited financial statements of PA Group Limited for the year ended 31 December 2017 together with the management accounts up to the end of December 2018 have been used with appropriate year end adjustments made. Included in the share of operating adjusted items of associates was a £0.1 million loss on our share of the after tax restructuring charges (2017: £0.1 million) and a £0.4 million after tax amortisation charge (2017: £0.3 million). The share of other comprehensive income relates to changes in pension liabilities.

	2018 £m	2017 £m
Brand Events TM Limited		
Non-current assets	0.4	–
Current assets	2.9	1.6
Total assets	3.3	–
Current liabilities	(3.7)	(2.0)
Net liabilities	(0.4)	(0.4)
Group's share of net liabilities	(0.2)	(0.2)
Goodwill	0.8	0.8
Group share of interest in associate	0.6	0.6

Revenue	4.4	2.4
Result/(loss) for the period	–	(0.4)
Group's share of result/(loss) for the period	–	(0.2)

The non-audited financial statements of Brand Events TM Limited are made up to 31 December each year. For the purpose of applying the equity method of accounting, the management accounts up to the end of December 2018 have been used with appropriate year end adjustments made. Included in the share of operating adjusted items of associates was a £0.2 million gain from a profit on sale of a trade (2017: nil).

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17 Investment in associates continued

Independent Star Limited

At the date of acquisition, the net assets of Independent Star Limited were £0.7 million. These comprised £0.4 million of non-current assets, £3.7 million of current assets and £3.4 million of current liabilities. The Group's share of net assets at date of acquisition were £0.4 million, with £4.1 million of the £4.5 million paid for the 50% share Independent Star Limited attributable to goodwill. Post acquisition, the Group's share of results were nil.

18 Inventories

	2018 £m	2017 £m
Raw materials and consumables	6.3	4.9

19 Other financial assets

	2018 £m	2017 £m
Trade and other receivables		
Gross trade receivables	77.8	67.4
Allowances for doubtful receivables	(1.6)	(3.4)
Net trade receivables	76.2	64.0
Prepayments	12.3	12.4
Accrued income	12.9	8.7
Other receivables	7.0	4.8
	108.4	89.9

Net trade receivables

Trade receivables net of allowances for doubtful receivables at the reporting date amounted to £76.2 million (2017: £64.0 million). The average credit period taken on sales of goods is 39 days (2017: 39 days). No interest is charged on the receivables.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has provided fully for all receivables over 120 days because historical experience is such that these receivables are generally not recoverable.

Before accepting any new customers, the Group, where appropriate, uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed during the period where appropriate. There is one (2017: two) customer who individually represents more than 10% of net trade receivables. Included in the net trade receivables balance are debtors with a carrying amount of £1.3 million (2017: £1.6 million) which are past their due date at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 75 days (2017: 75 days).

	2018 £m	2017 £m
Ageing of past due but not impaired receivables		
60–90 days	1.3	1.6
90–120 days	–	–
	1.3	1.6
Movement in allowance for doubtful debts		
Opening balance	3.4	3.5
Acquisition of subsidiary undertakings	0.1	–
Impairment losses recognised	1.4	0.7
Release of provision	(1.8)	–
Utilisation of provision	(1.5)	(0.8)
Closing balance	1.6	3.4

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19 Other financial assets continued

Ageing of impaired receivables	2018 £m	2017 £m
60–90 days	0.4	0.5
90–120 days	0.4	1.2
120+ days	0.8	1.7
	1.6	3.4

The carrying amount of trade and other receivables approximates their fair value.

Cash and cash equivalents	2018 £m	2017 £m
Cash and cash equivalents	19.2	16.0

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of one week or less. The carrying amount of these assets approximates their fair value.

20 Other financial liabilities

Trade and other payables	2018 £m	2017 £m
Trade payables	(8.2)	(9.2)
Social security and other taxes	(7.7)	(5.6)
Accruals and deferred income	(66.0)	(55.3)
Other payables	(29.4)	(10.0)
	(111.3)	(80.1)

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 35 days (2017: 38 days). For most suppliers no interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The carrying amount of trade payables approximates to their fair value.

21 Deferred tax assets and liabilities

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon:

	Accelerated tax depreciation £m	Other short-term timing £m	Tax losses £m	Intangibles £m	Retirement benefit obligations £m	Share-based payments £m	Total £m
At 1 January 2017	(31.0)	0.4	–	(133.1)	80.9	0.2	(82.6)
Credit/(charge) to consolidated income statement	1.7	(0.6)	–	(2.8)	0.4	–	(1.3)
Charge to equity	–	–	–	–	(15.1)	–	(15.1)
At 31 December 2017	(29.3)	(0.2)	–	(135.9)	66.2	0.2	(99.0)
Acquisition of subsidiary undertakings	4.1	1.2	5.7	(18.0)	7.3	–	0.3
Credit/(charge) to consolidated income statement	2.6	(0.4)	(0.6)	16.2	(0.3)	–	17.5
Charge to equity	–	–	–	–	(8.7)	–	(8.7)
At 30 December 2018	(22.6)	0.6	5.1	(137.7)	64.5	0.2	(89.9)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances in the consolidated balance sheet:

	2018 £m	2017 £m
Deferred tax liabilities	(159.7)	(165.4)
Deferred tax assets	69.8	66.4
	(89.9)	(99.0)

The Group has unrecognised capital losses of £36.0 million (2017: £36.0 million) at the reporting date.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

22 Provisions

	Share-based payments £m	Property £m	Restructuring £m	Other £m	Total £m
At 1 January 2017	(0.3)	(8.1)	(3.4)	(19.7)	(31.5)
Charged to income statement	–	(1.0)	(12.6)	(11.6)	(25.2)
Utilisation of provision	0.1	2.9	13.6	19.8	36.4
At 31 December 2017	(0.2)	(6.2)	(2.4)	(11.5)	(20.3)
Acquisition of subsidiary undertakings	–	(2.3)	–	(0.4)	(2.7)
Charged to income statement	–	(0.4)	(20.0)	(14.4)	(34.8)
Utilisation of provision	0.1	2.3	18.1	10.9	31.4
At 30 December 2018	(0.1)	(6.6)	(4.3)	(15.4)	(26.4)

The provisions have been analysed between current and non-current as follows:

	2018 £m	2017 £m
Current	(22.3)	(16.6)
Non-current	(4.1)	(3.7)
	(26.4)	(20.3)

The share-based payments provision relates to National Insurance obligations attached to the future crystallisation of awards. This provision will be utilised over the next three years.

The property provision relates to onerous property leases and future committed costs related to occupied, let and vacant properties. The majority of the provision will be utilised over the next two years and reflects the remaining term of the leases or expected period of vacancy.

The restructuring provision relates to restructuring charges incurred in the delivery of cost reduction measures. This provision is expected to be utilised within the next year.

The other provision relates to legal and other costs relating to historical litigation and is expected to be utilised within the next year. The cost associated with the settlement of civil claims in relation to phone hacking has been higher than expected, in particular the legal fees of the claimant's lawyers, which contributed to the provision for settling these historical claims being increased by £12.5 million during the year bringing the total amount provided to £75.5 million. At the period end, £13.6 million of the provision remains outstanding and this represents the Board's best estimate of the amount required to settle the expected claims. This estimate is based on historical trends and experience of claims and costs, and in some cases, proposed offers to settle claims.

Whilst the Board notes that there is continued uncertainty, the increase in the year is predominantly due to increased legal fees for the claimants lawyers as the number of new claims has slowed. The Group has recorded an increase in the provision in each of the last three years which highlights the challenges in making a best estimate. Certain cases are subject to court proceedings and the outcome of these cases is likely to have an impact on how much is required to settle the remaining claims. Individual court rulings can affect multiple cases and therefore the Group's current ability to settle and so mitigate further legal costs. Due to this uncertainty, a contingent liability has been highlighted in note 39.

23 Subsidiary undertakings

A list of the subsidiary undertakings, all of which have been consolidated, is on pages 117 to 119.

24 Notes to the consolidated cash flow statement

	2018 £m	2017 £m
Operating (loss)/profit	(107.6)	97.9
Depreciation of property, plant and equipment	22.3	20.4
Impairment charge	200.0	–
Amortisation of intangible assets	0.2	0.3
Share of results of associates	(0.8)	(0.4)
Charge for share-based payments	1.0	0.5
Profit on disposal of land and buildings	(1.5)	(0.2)
Profit on disposal of subsidiary undertaking	(3.4)	–
Research and development tax credit	–	(1.0)
Write-off of fixed assets	0.5	1.9
Pension administrative expenses	3.0	1.0
Pension past service costs	15.8	–
Operating cash flows before movements in working capital	129.5	120.4
Decrease in inventories	0.1	0.9
Increase in receivables	(2.9)	–
Increase/(decrease) in payables	11.1	(14.5)
Cash generated from operations	137.8	106.8

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

25 Borrowings

	2018 £m	2017 £m
Acquisition Term Loan	(60.0)	–
Revolving Credit Facility	–	(25.0)
	(60.0)	(25.0)
The borrowings are repayable as follows:		
On demand or within one year	(20.3)	(25.0)
In the second year	(20.3)	–
In the third year	(19.4)	–
	(60.0)	(25.0)
The borrowings are included in the consolidated balance sheet as follows:		
Amount included in non-current liabilities	(39.7)	–
Amount included in current liabilities	(20.3)	(25.0)
	(60.0)	(25.0)

26 Net debt

The net debt for the Group is as follows:

	31 December 2017 £m	Cash flow £m	Loans drawn £m	Loans repaid £m	Transfer to current £m	30 December 2018 £m
Non-current liabilities						
Acquisition Term Loan	–	–	(60.0)	–	20.3	(39.7)
	–	–	(60.0)	–	20.3	(39.7)
Current liabilities						
Acquisition Term Loan	–	–	(10.0)	10.0	(20.3)	(20.3)
Revolving Credit Facility	(25.0)	–	(10.0)	35.0	–	–
	(25.0)	–	(20.0)	45.0	(20.3)	(20.3)
Debt	(25.0)		(80.0)	45.0	–	(60.0)
Current assets						
Cash and cash equivalents	16.0	(31.8)	80.0	(45.0)	–	19.2
Cash and cash equivalents	16.0	(31.8)	80.0	(45.0)	–	19.2
Net debt	(9.0)	(31.8)	–	–	–	(40.8)

Net debt at the end of the year comprised £60.0 million drawings on the Acquisition Term Loan ('ATL') less cash balances of £19.2 million. The Group had no drawings at the end of the year on the Revolving Credit Facility ('RCF').

A new £75 million ATL was procured in February 2018 and £70 million was drawn to partially fund the acquisition of the UK publishing assets (note 35) which together with a drawing on the Group's RCF and cash balances were used to fund the initial consideration to the seller and the initial pension contribution to the defined benefit pension schemes. The remaining £5 million was available for completion of the acquisition of the Ireland publishing assets (note 35). On 27 July 2018, the Group prepaid the £10 million repayment due under the ATL in December 2018 and on 10 October 2018 cancelled the undrawn £5 million. The outstanding £60 million drawn on the facility is repayable in three instalments of £20.3 million, £20.3 million and £19.4 million in December 2019, 2020 and 2021 respectively.

The Group also has access to an undrawn £83.3 million amortising RCF which is committed until December 2021. The RCF amortises by £8.33 million every six months from June 2019 to December 2020 down to £50.0 million for the last year of the term.

27 Operating lease commitments

Total commitments under non-cancellable operating leases:

	Vehicles, plant and equipment 2018 £m	Property 2018 £m	Vehicles, plant and equipment 2017 £m	Property 2017 £m
Within one year	(1.4)	(8.7)	(2.2)	(7.4)
Greater than one and less than five years	(1.0)	(25.0)	(1.8)	(16.3)
Greater than five years	–	(25.5)	–	(14.4)
	(2.4)	(59.2)	(4.0)	(38.1)

Total future minimum lease payments with tenants under non-cancellable property operating leases were £0.8 million (2017: £1.7 million).

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

28 Share capital and reserves

	Share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings and other reserves £m	Total £m
At 1 January 2017	(28.3)	(606.7)	(37.9)	(4.4)	97.9	(579.4)
Total comprehensive income for the period	–	–	–	–	(109.9)	(109.9)
Credit to equity for equity-settled share-based payments	–	–	–	–	(0.5)	(0.5)
Purchase of shares	–	–	–	–	7.7	7.7
Dividends Paid	–	–	–	–	15.3	15.3
At 31 December 2017	(28.3)	(606.7)	(37.9)	(4.4)	10.5	(666.8)
Total comprehensive loss for the period	–	–	–	–	112.6	112.6
Issue of shares	(2.6)	–	(17.4)	–	–	(20.0)
Merger reserve transfer	–	–	37.9	–	(37.9)	–
Credit to equity for equity-settled share-based payments	–	–	–	–	(1.0)	(1.0)
Dividends paid	–	–	–	–	17.5	17.5
At 30 December 2018	(30.9)	(606.7)	(17.4)	(4.4)	101.7	(557.7)

During the year, the Company issued 25,826,746 shares (at 77.44 pence) relating to the acquisition of Express & Star (note 35). The total share capital increased to 309,286,317 allotted, called-up and fully paid ordinary shares of 10 pence each. The share premium account reflects the premium on issued ordinary shares. The merger reserve increased by £17.4 million reflecting the premium on the shares allotted in relation to the acquisition of Express & Star (note 35) and decreased by £37.9 million which has been transferred to retained earnings and other reserves as a result of the impairment during the year (note 15). The capital redemption reserve represents the nominal value of the shares purchased and subsequently cancelled under share buyback programmes.

The Board approved a share buyback programme of up to £10 million which commenced in August 2016. The share buyback was completed in November 2017. The Company holds 10,017,620 shares as Treasury shares. Cumulative goodwill written off to retained earnings and other reserves in respect of continuing businesses acquired prior to 1998 is £25.9 million (2017: £25.9 million). On transition to IFRS, the revalued amounts of freehold properties were deemed to be the cost of the asset and the revaluation reserve has been transferred to retained earnings and other reserves.

Shares purchased by the Trinity Mirror Employee Benefit Trust (the 'Trust') are included in retained earnings and other reserves at £4.3 million (2017: £4.9 million). During the period, 480,280 were released relating to grants made in prior years (2017: 447,096).

During the period, 1,529,406 awards were granted to executive directors on a discretionary basis under the Long Term Incentive Plan (2017: 1,219,327). The exercise price of the granted awards is £1 for each block of awards granted. The awards vest after three years, subject to the continued employment of the participant and satisfaction of certain performance conditions and are required to be held for a further two years. During the prior period, 111,792 awards were granted to executive directors under the Restricted Share Plan. The awards vest after three years.

During the period, 1,709,295 awards were granted to senior managers on a discretionary basis under the Senior Management Incentive Plan (2017: 1,242,316). The exercise price of the granted awards is £1 for each block of awards granted. The awards vest after three years, subject to the continued employment of the participant and satisfaction of certain performance conditions.

29 Called-up share capital

	2018 Number	2018 £m	2017 Number	2017 £m
Authorised				
Ordinary shares of 10 pence each	450,000,000	(45.0)	450,000,000	(45.0)
	2018 Number	2018 £m	2017 Number	2017 £m
Allotted, called-up and fully paid ordinary shares of 10 pence each				
Opening balance	283,459,571	(28.3)	283,459,571	(28.3)
Issue of shares	25,826,746	(2.6)	–	–
Closing balance	309,286,317	(30.9)	283,459,571	(28.3)

During the period, the Company issued 25,826,746 shares (at 77.44 pence) relating to the acquisition of Express & Star (note 35). The total share capital increased to 309,286,317 allotted, called-up and fully paid ordinary shares of 10 pence each. The Company has one class of share capital, being ordinary shares with a nominal value of 10 pence each. The Company's ordinary shares give the shareholders equal rights to vote, receive dividends and to the repayment of capital. There are no restrictions on these shares in relation to the distribution of dividends and the repayment of capital.

The lowest closing price of the shares during the year was 54.6 pence on 12 December 2018 (2017: 67.0 pence on 27 November 2017) and the highest closing price was 88.5 pence on 21 March 2018 (2017: 121.0 pence on 10 May 2017). The closing share price as at the reporting date was 65.3 pence (2017: 79.5 pence).

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

29 Called-up share capital continued

Trinity Mirror Employees' Benefit Trust

The Trinity Mirror Employees' Benefit Trust ('the Trust') is established in Jersey and is administered by the trustee Estera Trust (Jersey) Limited. The Trust holds shares of the Company for subsequent transfer to employees under the terms of the Group's share plans.

At the reporting date, the Trust held 3,379,758 shares (2017: 3,860,038 shares) with a carrying value of £4,321,674 (2017: £4,935,804) and a market value of £2,260,982 (2017: £3,068,730). In addition, the Trust holds cash to purchase future shares of £6,155 (2016: £6,144). The costs associated with the Trust are included in the consolidated income statement as they accrue. Shares held by the Trust have been excluded from the weighted average number of shares used in the calculation of earnings per share.

TIH Employee Benefit Trust

An employee benefit trust administered by the trustee Zedra Trust Company (Guernsey) Limited holds shares of the Company for subsequent transfer to employees under a restricted share plan. At the reporting date, 90,855 shares (2017: 90,855 shares) were held with a carrying value of £445,523 (2017: £445,523) and a market value of £59,238 (2017: £72,230), none of which (2017: none) had options granted over them under the restricted share plan. Dividends on the shares are payable at an amount of 0.01 pence (2017: 0.01 pence) per share in the event that the Group declares any dividends. Shares held have been excluded from the weighted average number of shares used in the calculation of earnings per share.

30 Share premium account

	2018 £m	2017 £m
Opening balance and closing balance	(606.7)	(606.7)

31 Share-based payments

The charge related to share-based payments during the period was £1.0 million (2017: £0.5 million).

Long Term Incentive Plan

Under these schemes, the Remuneration Committee can recommend the grant of awards of shares to an eligible employee. Full details of how the schemes operate are explained in the Remuneration Report on pages 43 to 57. The vesting period is three years and is subject to continued employment of the participant. The Performance Shares granted in 2017 and 2018 vest if targets measuring the Company's share price and Net Cash Flow are met.

	2018 Performance Shares	2018 Performance Shares
Awards outstanding at start of period	5,312,391	4,541,657
Granted during the period	3,238,701	2,461,553
Lapsed during the period	(2,279,934)	(1,348,313)
Exercised during the period	(342,128)	(342,506)
Awards outstanding at end of period	5,929,030	5,312,391

The share price at the date of grant for the Performance Shares was 83.5 pence (2017: 104.5 pence). The weighted average share price at the date of lapse for awards lapsed during the period was 83.3 pence (2017: 104.4 pence). The weighted average share price at the date of exercise for awards exercised during the period was 84.7 pence (2017: 107.5 pence). The estimated fair values at the date of grant of the shares awarded are as follows:

	Awarded in 2018 £	Awarded in 2017 £	Awarded in 2016 £	Awarded in 2015 £	Awarded in 2014 £
Performance Shares	1,335,640	1,340,069	2,044,993	2,044,059	1,080,744

The fair values for the Performance Shares were calculated using a stochastic (Monte-Carlo binomial) model at the date of grant. The inputs to the model for awards from 2014 were as follows:

	Performance award 2018	Performance award 2017	Performance award 2016	Performance award 2015	Performance award 2014
Expected volatility (%)	39.0	42.0	45.0	47.0	50.0
Expected life (years)	3.0	3.0	3.0	3.0	3.0
Risk-free (%)	0.9	0.1	0.6	0.7	0.9

Expected volatility has been determined by calculating the historical volatility of the Company's share price over the three-year period prior to the grant date. The exercise price used in the model is nil as the exercise price of the granted awards is £1 for each block of awards granted.

In 2018, nil (2017: 111,792) Restricted Shares were awarded based on the 2017 bonus award (2017: 2016 bonus award) for certain executives. In 2017, the award was based on the average share price over the three days prior to the date of the award of 111.8 pence.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

32 Retirement benefit schemes

Defined contribution pension schemes

The Group operates defined contribution pension schemes for qualifying employees: the Reach Pension Plan (the 'RPP') for employees other than Express & Star and two Group Personal Pension Plans (the 'GPP') for Express & Star employees. The assets of the RPP scheme where employees have an individual account at Fidelity are held separately from those of the Group in funds under the control of Trustees. The assets of the GPP where employees held a personal pension policy with Legal and General are held separately from those of the Group in funds under the control of Legal and General.

The current service cost charged to the consolidated income statement for the year of £14.9 million (2017: £13.6 million) represents contributions paid by the Group at rates specified in the scheme rules. All amounts that were due have been paid over to the schemes at all reporting dates.

Defined benefit pension schemes

Background

The defined benefit pension schemes operated by the Group are all closed to future accrual. The Group has six defined benefit pension schemes:

- Trinity Mirror schemes (the 'TM Schemes'): the MGN Pension Scheme (the 'MGN Scheme'), the Trinity Retirement Benefit Scheme (the 'Trinity Scheme') and the Midland Independent Newspapers Pension Scheme (the 'MIN Scheme'); and
- Express & Star schemes (the 'E&S Schemes'): the Express Newspapers 1988 Pension Fund (the 'EN88 Scheme'), the Express Newspapers Senior Management Pension Fund (the 'ENSM Scheme') and the West Ferry Printers Pension Scheme (the 'WF Scheme').

On 30 December 2016, the Mirror Group Pension Scheme and the MGN Past Service Pension Scheme were merged into the MGN Pension Scheme (collectively referred to as the Mirror Schemes). On 30 March 2017 the bulk annuity policy held by the Mirror Group Pension Scheme was shattered with individual policies issued to members, which led to an equal reduction to the assets and liabilities of £173.3 million. Both the Mirror Group Pension Scheme and the MGN Past Service Pension Scheme were wound up in 2017.

Characteristics

The defined benefit pension schemes provide pensions to members, which are based on the final salary pension payable, normally from age 65 (although some schemes have some pensions normally payable from an earlier age) plus surviving spouses or dependants benefits following a member's death. Benefits increase both before and after retirement either in line with statutory minimum requirements or in accordance with the scheme rules if greater. Such increases are either at fixed rates or in line with retail or consumer prices but subject to upper and lower limits. All of the schemes are independent of the Group with assets held independently of the Group. They are governed by Trustees who administer benefits in accordance with the scheme rules and appropriate UK legislation. The schemes each have a professional or experienced independent trustee as their chairman with generally half of the remaining Trustees nominated by the members and half by the Group.

Maturity profile and cash flow

Across all of the schemes, the uninsured liabilities related 60% to current pensioners and their spouses or dependants and 40% related to deferred pensioners. The average term from the year end to payment of the remaining uninsured benefits is expected to be around 19 years. Uninsured pension payments in 2018, excluding lump sums and transfer value payments, were £64 million and these are projected to rise to an annual peak in 2031 of £101 million and reducing thereafter.

Funding arrangements

The funding of the Group's schemes is subject to UK pension legislation as well as the guidance and codes of practice issued by the Pensions Regulator. Funding targets are agreed between the Trustees and the Group and are reviewed and revised usually every three years. The funding targets must include a margin for prudence above the expected cost of paying the benefits and so are different to the liability value for IAS 19 purposes. The funding deficits revealed by these triennial valuations are removed over time in accordance with an agreed recovery plan and schedule of contributions for each scheme.

The funding valuations of the schemes have all been agreed in the last 15 months. The valuations at 31 December 2016 showed deficits of £476.0 million for the MGN Scheme, £78.0 million for the Trinity Scheme and £68.2 million for the MIN Scheme. The valuations at 5 April 2017 showed deficits of £69.8 million for the EN88 Scheme and £3.2 million for the ENSM Scheme. The valuation at 31 December 2017 showed a deficit of £6.5 million for the WF Scheme.

The deficits in all schemes are expected to be removed before or in 2027 by a combination of the contributions and asset returns. The Group paid £90.1 million into the defined benefit pension schemes in the year (including an initial pension contribution of £41.2 million paid into the E&S Schemes in connection with the acquisition of Express & Star). Contributions have been agreed for 2019 and 2020 at £48.9 million per annum. Thereafter, contributions per the current schedule of contributions are for £56.1 million per annum in 2021 to 2023, £55.3 million per annum in 2024 to 2026 and £53.3 million in 2027. Payments to the TM Schemes in 2017 were £38.7 million comprising £36.2 million of deficit funding and £2.5 million in connection with the share buyback.

The Group has agreed that in respect of dividend payments in 2018, 2019 and 2020 that additional contributions would be paid at 75% of the excess if dividends paid in 2018 are above 6.16 pence per share. For 2019 and 2020 the threshold increases in line with the increase in dividends capped at 10% per annum.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

32 Retirement benefit schemes continued

Defined benefit pension schemes continued

Funding arrangements continued

The future deficit funding commitments are linked to the three-yearly actuarial valuations. There is no link to the IAS 19 valuations which use different actuarial assumptions and are updated at each reporting date. The next valuation for funding of all six pension schemes will be as at 31 December 2019 and this is required to be completed by 31 March 2021, although we anticipate this to be completed by 31 December 2020.

Although the funding commitments do not generally impact the IAS 19 position, IFRIC 14 guides companies to consider for IAS 19 disclosures whether any surplus can be recognised as a balance sheet asset and whether any future funding commitments in excess of the IAS 19 liability should be provisioned for. Based on the interpretation of the rules for each of the defined benefit pension schemes, the Group considers that it has an unconditional right to any potential surplus on the ultimate wind-up after all benefits to members have been paid of all of the schemes except the WF Scheme. Under IFRIC 14 it is therefore appropriate to recognise any IAS 19 surpluses which may emerge in future and not to recognise any potential additional liabilities in respect of future funding commitments of all of the schemes except for the WF Scheme. For the WF Scheme at the reporting date the assets are surplus to the IAS 19 benefit liabilities, however, to allow for IFRIC 14 the Group recognises a deficit of the value of its future contribution commitment to the scheme in line with the schedule of contributions in force at the reporting date.

The calculation of Guaranteed Minimum Pension ('GMP') is set out in legislation and members of pension schemes that were contracted out of the State Earnings-Related Pension Scheme ('SERPS') between 6 April 1978 and 5 April 1997 will have built up an entitlement to a GMP. GMPs were intended to broadly replicate the SERPS pension benefits but due to their design they give rise to inequalities between men and women, in particular, the GMP for a male comes into payment at age 65 whereas for a female it comes into payment at the age of 60 and GMPs typically receive different levels of increase to non GMP benefits. On 26 October 2018, the High Court handed down its judgement in the Lloyds Trustees vs Lloyds Bank plc and Others case relating to the equalisation of member benefits for the gender effects of GMP equalisation. This judgement creates a precedent for other UK defined benefit schemes with GMPs. The judgement confirmed that GMP equalisation was required for the period 17 May 1990 to 5 April 1997 and provided some clarification on legally acceptable methods for achieving equalisation. We have therefore included an allowance for GMP equalisation within liabilities at 30 December 2018. The estimate is subject to change as we undertake more detailed member calculations and/or as a result of future legal judgements.

Risks

Valuations for funding and accounting purposes are based on assumptions about future economic and demographic variables. This results in risk of a volatile valuation deficit and the risk that the ultimate cost of paying benefits is higher than the current assessed liability value.

The main sources of risk are:

- Investment risk: a reduction in asset returns (or assumed future asset returns);
- Inflation risk: an increase in benefit increases (or assumed future increases); and
- Longevity risk: an increase in average life spans (or assumed life expectancy).

These risks are managed by:

- Investing in insured annuity policies: the income from these policies exactly matches the benefit payments for the members covered, removing all of the above risks. At the reporting date the insured annuity policies covered 13% of total liabilities;
- Investing a proportion of assets in other classes such as government and corporate bonds and in liability driven investments: changes in the values of the assets aim to broadly match changes in the values of the uninsured liabilities, reducing the investment risk, however, some risk remains as the durations of the bonds are typically shorter than that of the liabilities and so the values may still move differently. At the reporting date non equity assets amounted to 76% of assets excluding the insured annuity policies;
- Investing a proportion of assets in equities: with the aim of achieving outperformance and so reducing the deficits over the long term. At the reporting date this amounted to 24% of assets excluding the insured annuity policies; and
- The gradual sale of equities over time to purchase additional annuity policies or liability matching investments: to further reduce risk as the schemes, which are closed to future accrual, mature.

Pension scheme accounting deficits are snapshots at moments in time and are not used by either the Group or Trustees to frame funding policy. The Group and Trustees are aligned in focusing on the long-term sustainability of the funding policy which aims to balance the interests of the Group's shareholders and members of the schemes. The Group and Trustees are also aligned in reducing pensions risk over the long term and at a pace which is affordable to the Group.

The three E&S Schemes each has an accounting surplus at the reporting date, before allowing for the IFRIC 14 asset ceiling.

Across the three TM Schemes, the invested assets are expected to be sufficient to pay the uninsured benefits due up to 2044, based on the reporting date assumptions. The remaining uninsured benefit payments, payable from 2045, are due to be funded by a combination of asset outperformance and the deficit contributions currently scheduled to be paid up to 2027.

For the TM Schemes, actuarial projections at the year end reporting date show removal of the combined accounting deficit by the end of 2025 due to scheduled contributions and asset returns at the current target rate. From this point, the assets are projected to be sufficient to fully fund the liabilities on the accounting basis.

The Group is not exposed to any unusual, entity specific or scheme specific risks. Other than the impact of GMP equalisation, there were no plan amendments, settlements or curtailments in 2018 or 2017 which resulted in a pension cost.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

32 Retirement benefit schemes continued

Defined benefit pension schemes continued

Results

For the purposes of the Group's consolidated financial statements, valuations have been performed in accordance with the requirements of IAS 19 with scheme liabilities calculated using a consistent projected unit valuation method and compared to the estimated value of the scheme assets at 30 December 2018.

The assets and liabilities of the schemes as at the reporting date are:

	TM Schemes £m	E&S Schemes £m	Total £m
Present value of uninsured scheme liabilities	(1,641.9)	(503.4)	(2,145.3)
Present value of insured scheme liabilities	(171.6)	(145.9)	(317.5)
Total present value of scheme liabilities	(1,813.5)	(649.3)	(2,462.8)
Invested and cash assets at fair value	1,289.1	540.1	1,829.2
Value of liability matching insurance contracts	171.6	145.9	317.5
Total fair value of scheme assets	1,460.7	686.0	2,146.7
Funded (deficit)/surplus	(352.8)	36.7	(316.1)
Impact of IFRIC 14	–	(32.5)	(32.5)
Net scheme (deficit)/surplus	(352.8)	4.2	(348.6)

Based on actuarial advice, the assumptions used in calculating the scheme liabilities and the actuarial value of those liabilities are:

	2018	2017
Financial assumptions (nominal % pa)		
Discount rate	2.75	2.50
Retail price inflation rate	3.20	3.15
Consumer price inflation rate	2.00	1.95
Rate of pension increase in deferment	2.20	1.95
Rate of pension increases in payment (weighted average across the schemes)	3.40	3.70
Mortality assumptions – future life expectancies from age 65 (years)		
Male currently aged 65	21.6	21.7
Female currently aged 65	23.5	23.6
Male currently aged 55	22.3	22.4
Female currently aged 55	24.3	24.4

The estimated impact on the IAS 19 liabilities and on the IAS 19 deficit at the reporting date, due to a reasonably possible change in key assumptions over the next year, are set out in the table below:

	Effect on liabilities £m	Effect on deficit £m
Discount rate +/- 0.5% pa	-200/+220	-185/+200
Retail price inflation rate +/- 0.5% pa	+46/-43	+41/-39
Consumer price inflation rate +/- 0.5% pa	+44/-42	+44/-42
Life expectancy at age 65 +/- 1 year	+140/-140	+120/-125

The RPI sensitivity impacts the rate of increases in deferment for some of the pensions in the EN88 Scheme and the ENSM Scheme and some of the pensions in payment for all schemes except the MGN Scheme. The CPI sensitivity impacts the rate of increases in deferment for some of the pensions in most schemes and the rate of increases in payment for some of the pensions in payment for all schemes.

The effect on the deficit is usually lower than the effect on the liabilities due to the matching impact on the value of the insurance contracts held in respect of some of the liabilities. Each assumption variation represents a reasonably possible change in the assumption over the next year but might not represent the actual effect because assumption changes are unlikely to happen in isolation.

The estimated impact of the assumption variations make no allowance for changes in the values of invested assets that would arise if market conditions were to change in order to give rise to the assumption variation. If allowance were made, the estimated impact would likely be lower as the values of invested assets would normally change in the same directions as the liability values.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

32 Retirement benefit schemes continued

Defined benefit pension schemes continued

Results continued

The amount included in the consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes is as follows:

	2018 £m	2017 £m
Consolidated income statement		
Pension administrative expenses	(3.0)	(1.0)
Pension finance charge	(8.6)	(11.9)
Pension past service costs	(15.8)	–
Defined benefit cost recognised in income statement	(27.4)	(12.9)
Consolidated statement of comprehensive income		
Actuarial gain/(loss) due to liability experience	7.0	(6.0)
Actuarial gain/(loss) due to liability assumption changes	98.7	(12.6)
Total liability actuarial gain/(loss)	105.7	(18.6)
Returns on scheme assets (less)/greater than discount rate	(98.0)	81.2
Impact of IFRIC 14	(3.1)	–
Total gain recognised in statement of comprehensive income	4.6	62.6
Consolidated balance sheet		
Present value of uninsured scheme liabilities	(2,145.3)	(1,747.1)
Present value of insured scheme liabilities	(317.5)	(182.1)
Total present value of scheme liabilities	(2,462.8)	(1,929.2)
Invested and cash assets at fair value	1,829.2	1,369.5
Value of liability matching insurance contracts	317.5	182.1
Total fair value of scheme assets	2,146.7	1,551.6
Funded deficit	(316.1)	(377.6)
Impact of IFRIC 14	(32.5)	–
Net scheme deficit	(348.6)	(377.6)
Non-current assets – retirement benefit assets	10.2	–
Non-current liabilities – retirement benefit obligations	(358.8)	(377.6)
Net scheme deficit	(348.6)	(377.6)
Net scheme deficit included in consolidated balance sheet	(348.6)	(377.6)
Deferred tax included in consolidated balance sheet	64.5	66.2
Net scheme deficit after deferred tax	(284.1)	(311.4)
Movement in net scheme deficit		
Opening net scheme deficit	(377.6)	(466.0)
Acquisition of subsidiary undertakings pensions schemes	(38.3)	–
Contributions	90.1	38.7
Consolidated income statement	(30.5)	(12.9)
Consolidated statement of comprehensive income	7.7	62.6
Closing net scheme deficit	(348.6)	(377.6)
Changes in the present value of scheme liabilities		
Opening present value of scheme liabilities	(1,929.2)	(2,127.6)
Acquisition of subsidiary undertakings pension schemes	(682.7)	–
Past service cost loss	(18.7)	–
Interest cost	(61.4)	(51.8)
Actuarial gain/(loss) – experience	7.0	(6.0)
Actuarial gain – change to demographic assumptions	16.6	26.7
Actuarial gain/(loss) – change to financial assumptions	82.1	(39.3)
Benefits paid	123.5	95.5
Bulk transfer due to buyout	–	173.3
Closing present value of scheme liabilities	(2,462.8)	(1,929.2)

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

32 Retirement benefit schemes continued

Defined benefit pension schemes continued

Results continued

	2018 £m	2017 £m
Changes in the present value of scheme liabilities		
Opening fair value of scheme assets	1,551.6	1,661.6
Acquisition of subsidiary undertakings pension schemes	673.8	–
Past service cost gain	2.9	–
Interest income	52.8	39.9
Actual return on assets (less)/greater than discount rate	(98.0)	81.2
Contributions by employer	90.1	38.7
Benefits paid	(123.5)	(95.5)
Administrative expenses	(3.0)	(1.0)
Bulk transfer due to buyout	–	(173.3)
Closing fair value of scheme assets	2,146.7	1,551.6

	2018 £m	2017 £m
Changes in impact of IFRIC 14		
Opening impact of IFRIC 14	–	–
Acquisition of subsidiary undertakings pension schemes	(29.4)	–
Increase in impact of IFRIC 14	(3.1)	–
Closing impact of IFRIC 14	(32.5)	–

	2018 £m	2017 £m
Fair value of scheme assets		
UK equities	37.4	66.1
US equities	99.5	218.3
Other overseas equities	275.8	279.1
Property	37.5	24.6
Corporate bonds	287.8	240.5
Fixed interest gilts	127.1	60.0
Index linked gilts	48.6	24.8
Liability driven investment	459.1	148.9
Cash and other	456.4	307.2
Invested and cash assets at fair value	1,829.2	1,369.5
Value of insurance contracts	317.5	182.1
Fair value of scheme assets	2,146.7	1,551.6

The majority of the scheme assets have quoted prices in active markets. Scheme assets include neither direct investments in the Company's ordinary shares nor any property assets occupied nor other assets used by the Group.

33 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through an optimal balance of debt and equity. The capital structure of the Group consists of debt, which includes the borrowings (note 25), cash and cash equivalents (note 19) and equity attributable to equity holders of the parent comprising share capital and reserves (note 28). The Group's divided policy is set out on pages 64 and 65 of the Directors' report.

Gearing ratio

The Board reviews the capital structure, including the level of gearing and interest cover, as required. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The gearing ratio and interest cover at the reporting date were as follows:

	2018 £m	2017 £m
Net debt (note 26)	(40.8)	(9.0)
EBITDA	167.9	145.1
Net debt to EBITDA	0.2	0.1
Adjusted operating profit (note 37)	145.6	124.7
Total interest expense (note 10)	(3.8)	(2.3)
Interest cover	38.3	54.2

Net debt is defined as long-term and short-term borrowings less cash and cash equivalents. EBITDA and operating profit is before operating adjusted items. Total interest expense is interest on bank overdrafts and borrowings.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

33 Financial instruments continued

Gearing ratio continued

For the period from 1 January 2018 to 30 December 2018, the financial covenants attached to the £110 million revolving credit facility (which reduced to £83.3 million on 31 December 2018) were a minimum interest cover of 5.0 times and a maximum net debt to EBITDA ratio of 2.0 times. For the period from 28 February 2018 to 30 December 2018, the financial covenants attached to the new £75 million acquisition term loan were in line with the terms under the revolving credit facility.

Externally imposed capital requirement

The Group is subject to externally imposed capital requirements based on financial covenants under the revolving credit facility and acquisition term loan.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 3.

Categories of financial instruments

The Group's significant financial assets are cash and trade and other receivables which are classified as loans and receivables and are accordingly held at amortised cost. Trade and other payables, bank overdrafts and bank borrowings are all designated as other financial liabilities and held at amortised cost.

Financial risk management objectives

The Group's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group through regular meetings with the Group Finance Director and by analysing exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments where appropriate to hedge these exposures. The use of financial derivatives is governed by policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's Treasury function provides regular updates to the Board covering compliance with covenants and other Treasury related matters.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts where appropriate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2018 £m	2017 £m	2018 £m	2017 £m
Euro	–	–	1.6	0.7
US\$	–	–	2.1	0.7

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and US\$.

The Euro exposure arises on sales of newspapers in Europe and from costs relating to our office in Dublin. The Euro and US\$ sales represent less than 1% (2017: 1%) of Group revenue. Euro and US\$ balances are kept on deposit and used to fund Euro and US\$ costs. When Euros or US\$ on deposit build to a target balance they are converted into Sterling. The Group does not hedge the Euro and US\$ income or deposits because the risk of foreign exchange movements is not deemed to be significant. The US\$ exposure arises from costs invoiced in US\$ and costs relating to our office in the US.

The Group's sensitivity to a 10% increase and decrease in the Sterling rate against the Euro and US\$ impacts profit by £0.3 million (2017: £0.1 million) and equity by nil (2017: nil). A 10% movement in exchange rates based on the level of foreign currency denominated monetary assets and liabilities represent the assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including external loans that are unhedged.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

33 Financial instruments continued

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts only to cover specific foreign currency payments such as significant capital expenditure. During the current and prior period no contracts were entered into.

Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Group by considering the appropriate mix between fixed and floating rate borrowings and if appropriate, by the use of interest rate swap contracts and forward interest rate contracts.

Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through interest rate cycles.

The Group's exposures to interest rates on the financial assets and liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared using the Group's monthly cash forecasting model. A 1% increase in interest rates has been used and represents the assessment of a reasonably possible change.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit for the period would decrease/increase by £1.2 million (2017: £0.1 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Other price risks

The Group has no significant listed equity investments and is not directly exposed to equity price risk. The Group has indirect exposure through its defined benefit pension schemes.

Credit risk management

Credit risk refers to the risk that a counter-party with the Group will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, with the exception of exceptional circumstances, such as the financial crisis in the past, the Group only transacts with financial institutions that are rated the equivalent to investment grade and above. This information is supplied by independent rating agencies where available and, if not, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and credit ratings of its counterparties are reviewed by the Group Finance Director and where material the Board at appropriate times and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers spread across diverse sectors. Ongoing credit evaluation is performed on the financial condition of trade receivables. Other than one customer representing more than 10% of net trade debtors, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Group defines counterparties as having similar characteristics if they are connected entities. Concentration of credit risk with a single counterparty is limited by reference to the long-term credit ratings assigned for that counterparty by Standard and Poor's.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The table below shows the internal credit limit and amount on deposit with the Group's major counterparties at the reporting date using the Standard & Poor's credit rating symbols:

Financial institution	Location	Rating	2018 Credit limit £m	2018 Balance £m	2017 Credit limit £m	2017 Balance £m
Santander	London	A	5.0	1.5	5.0	–
Barclays Bank	London	A	10.0	9.2	5.0	–
Lloyds Bank	London	A+	25.0	1.2	5.0	8.4
National Westminster Bank	London	A-	5.0	5.3	–	6.4
Royal Bank of Scotland	London	A-	5.0	1.4	–	0.4
Ulster Bank	Dublin	BBB+	–	0.6	–	0.4

The Board continues to place reserve funds with its syndicate and clearing banks. The majority of banks where funds are held have a minimum rating of A-, and the long term deposits are not placed with banks with a low rating -. The increase in deposits at Barclays is a result of the acquisition of Express & Star who banked with Barclays.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

33 Financial instruments continued

Liquidity risk management

Liquidity risk results from having insufficient financial resources to meet day-to-day fluctuations in working capital and cash flow. Ultimate responsibility for liquidity risk management rests with the Board. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Liquidity risk

At the reporting date the Group has a £60 million (2017: £25 million) Sterling variable interest rate bank drawing and has access to financial facilities of which the total unused amount is £83.3 million (2017: £75 million). The acquisition term loan final repayment is on 20 December 2021 and the revolving credit facility amortises over the term and expires on 19 December 2021.

The Group expects to meet its obligations from cash held on deposit, operating cash flows and its committed financing facilities.

34 Related party transactions

The immediate parent and controlling party of the Group is Reach plc. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Transactions with the retirement benefit schemes are disclosed in note 32. Details of other related party transactions are disclosed below.

Trading transactions

The Group traded with the following associated undertakings: PA Group Limited, Brand Events TM Limited and Independent Star Limited.

PA Group Limited

The Group earned revenue of nil (2017: nil) and the Group incurred charges for services received of £2.4 million (2017: £1.9 million). The amount outstanding at the reporting date amounted to £0.3 million (2017: £0.1 million) owed to PA Group Limited.

Brand Events TM Limited

In 2018 the Group earned no revenue and the Group incurred no charges for services received. The Group has agreed to provide a revolving credit facility of £1.25 million which was fully drawn at the reporting date.

Sales of goods and services to related parties would be made at the Group's usual list prices less average volume discounts. Purchases were made at market prices discounted to reflect volume purchase and the relationship between the parties. Any outstanding amounts will be settled by cash payment.

Compensation of key management personnel

Key management includes the non-executive directors, the executive directors and the direct reports of the Chief Executive.

	2018 £m	2017 £m
Short-term employee benefits	(5.6)	(5.3)
Defined contribution pension benefits	(0.3)	(0.3)
Share-based payments in the period	(0.8)	(0.6)
Compensation for loss of office	(0.3)	(0.4)
	(7.0)	(6.6)

The remuneration of directors and other key executives is determined by the Remuneration Committee having regard to competitive market position and performance of individuals. Further information regarding the remuneration of individual directors is provided in the Remuneration Report on pages 43 to 57.

35 Acquisition of subsidiary undertakings

The Group announced the proposed acquisition of Northern & Shell's publishing assets ('Express & Star') on 9 February 2018 which was subsequently approved at the General Meeting held on 27 February 2018. The acquisition comprised the UK publishing assets and the Ireland publishing assets. The UK publishing assets comprise national newspapers and magazines together with associated websites and a print plant in Luton and the Ireland publishing assets comprised a 50% equity interest in Independent Star Limited and 100% equity in International Distribution 2018 Limited. The acquisition is earnings enhancing in the first year of acquisition and the increased scale of the enlarged Group provides increased financial flexibility in the medium term for investment and meeting the enlarged Group's pension obligations.

On 28 February 2018, the Group completed the acquisition of the UK publishing assets by acquiring 100% of the equity in Northern & Shell Network Limited and its subsidiaries for £121.7 million with an initial cash consideration of £42.7 million and an equity consideration of £20.0 million (issue of 25,826,746 shares at 77.44 pence per share) both on completion and deferred consideration of £59.0 million (payable as £18.9 million, £16.0 million, £17.1 million and £7.0 million on the second, third, fourth and fifth anniversaries respectively of the acquisition). There are no conditions attached to the payment of the deferred consideration and the transaction was structured such that no interest accrued on these payments. However, under the sale and purchase agreement the Group has the right to offset agreed claims arising from a breach of warranties and indemnities and can also offset any shortfalls on the contracted advertising from the Health Lottery. The deferred consideration has not been discounted as we do not believe that the impact of such discounting is material. The net cash acquired on acquisition was £1.4 million and in June 2018 a working capital payment of £1.3 million was made. The results from the acquisition are included in the Publishing and Printing segments in continuing operations.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

35 Acquisition of subsidiary undertakings continued

The provisional fair value of the consideration is as follows:

	£m
Initial cash consideration	42.7
Equity issued to seller	20.0
Deferred consideration	59.0
Share purchase payment	121.7
Working capital payment	1.3
Fair value of consideration	123.0

The provisional fair value of net assets acquired and the goodwill is as follows:

	£m
Other intangible assets	106.1
Fixed assets	28.0
Retirement benefit obligations	(38.3)
Deferred tax assets	18.3
Deferred tax liabilities	(18.0)
Provisions	(2.7)
Working capital	(7.7)
Net cash	1.4
Fair value of net assets	87.1
Goodwill	35.9
Fair value of consideration	123.0

Other intangible assets relates to publishing rights and titles. Working capital includes gross receivables of £10.1 million less provision for doubtful debts of £0.1 million. Provisions relate to property and other (note 22). Goodwill arising on the acquisition is attributed to the significant opportunities arising from combining two large national newspapers and websites which will drive multiple revenue opportunities and cost efficiencies which will enhance revenue and profitability. The goodwill is not expected to be deductible for tax purposes.

The acquisition contributed £159.5 million of revenue (Publishing £156.2 million and Printing £3.3 million) and the revenue of the Group would have increased by £29.9 million (Publishing £29.4 million and Printing £0.5 million) if the acquisition had been made at the beginning of the year. The acquisition contributed a statutory operating profit of £22.8 million (Publishing £22.8 million and Printing nil) post acquisition and if the acquisition had been made at the beginning of the year statutory operating loss of the Group would have increased by £76.6 million (Publishing £76.6 million and Printing nil).

The fair value of consideration will be satisfied as follows:

	£m
Cash consideration paid in 2018	44.0
Cash deferred consideration payable in 2020 in four annual instalments commencing 28 February 2020	59.0
Total cash consideration paid/payable	103.0
Equity issued as part consideration in 2018	20.0
Fair value of consideration	123.0

The cash deferred consideration is included in trade and other payables in non-current liabilities.

The cash flow impact of the acquisition in 2018 is as follows:

	£m
Initial cash consideration	42.7
Working capital payment	1.3
Net cash acquired on acquisition	(1.4)
Acquisition of subsidiary undertaking	42.6
Initial pension contribution to defined benefit pension schemes	41.2
Transaction costs charged to operating profit	6.3
Acquisition related cash outflow	90.1

Transaction costs of £2.2 million were charged to operating profit in 2017.

On 6 December 2018, the Group completed the acquisition of a 50% equity interest in Independent Star Limited for £4.5 million and 100% equity in International Distribution 2018 Limited for £0.5 million. The total cash consideration paid in 2018 for the acquisition of the two subsidiary undertakings (Northern & Shell Network Limited and International Distribution 2018 Limited) was £43.1 million.

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

36 Disposal of subsidiary undertaking

In September 2018, the Group disposed of The Communicator Corporation Limited. The net assets at the date of disposal and the profit on disposal were as follows:

	£m
Goodwill	3.4
Intangible assets	0.1
Fixed assets	0.3
Trade and other receivables	0.7
Cash and cash equivalents	0.4
Trade and other payables	(0.6)
Net assets	4.3
Profit on disposal	3.4
Total consideration	7.7
Satisfied by:	
Cash consideration received	6.8
Deferred cash consideration receivable	0.9
Total consideration	7.7
Net cash flow arising on disposal:	
Cash consideration	6.8
Cash disposed	(0.4)
Net cash inflow	6.4

37 Reconciliation of statutory to adjusted results

	Statutory results £m	Operating adjusted items (a) £m	Finance costs (b) £m	Pension finance charge (c) £m	Tax items (d) £m	Adjusted results £m
52 weeks ended 30 December 2018						
Revenue	723.9	–	–	–	–	723.9
Operating (loss)/profit	(107.6)	253.2	–	–	–	145.6
(Loss)/profit before tax	(119.9)	253.2	–	8.6	–	141.9
(Loss)/profit after tax	(119.6)	226.8	–	7.0	–	114.2
Basic (loss)/earnings per share (p)	(41.0)	77.8	–	2.4	–	39.2
52 weeks ended 31 December 2017						
Revenue	623.2	–	–	–	–	623.2
Operating profit	97.9	26.8	–	–	–	124.7
Profit before tax	81.9	26.8	1.9	11.9	–	122.5
Profit after tax	62.8	24.1	1.5	9.6	0.5	98.5
Basic EPS (p)	23.0	8.9	0.5	3.5	0.2	36.1

(a) Operating adjusted items relate to the items charged or credited to operating profit as set out in note 8.

(b) Impact of the translation of foreign currency borrowings and fair value changes on derivative financial instruments as set out in note 10.

(c) Pension finance charge relating to the defined benefit pension schemes as set out in note 32.

(d) Tax items relate to the impact of tax legislation changes due to the change in the future corporation tax rate on the opening deferred tax position and prior year tax adjustments included in the taxation credit or charge as set out in note 11.

Set out on page 1 is the rationale for the alternative performance measures adopted by the Group. The reconciliations in this note highlight the impact on the respective components of the income statement. Items are adjusted for where they relate to material items in the year (impairment, restructuring, disposals) or relate to historic liabilities (historical legal issues, defined benefit pension schemes which are all closed to future accrual).

Notes to the consolidated financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

38 Reconciliation of statutory to like for like revenue

	52 weeks ended 30 December 2018 £m	(a) £m	(b) £m	52 weeks ended 30 December 2018 (like for like) £m	52 weeks ended 31 December 2017 £m	(a) £m	(b) £m	(c) £m	52 weeks ended 31 December 2017 (like for like) £m
Publishing Print	575.4	26.2	–	601.6	494.6	172.1	–	(7.5)	659.2
Circulation	362.1	17.5	–	379.6	284.7	115.5	–	(0.1)	400.1
Advertising	176.7	7.3	–	184.0	177.6	48.8	–	(7.3)	219.1
Other	36.6	1.4	–	38.0	32.3	7.8	–	(0.1)	40.0
Publishing Digital	103.6	3.2	–	106.8	83.9	17.5	–	–	101.4
Display and transactional	91.3	3.2	–	94.5	68.7	17.5	–	–	86.2
Classified	12.3	–	–	12.3	15.2	–	–	–	15.2
Printing	35.6	0.5	–	36.1	31.6	2.7	–	–	34.3
Specialist Digital	8.0	–	(3.6)	4.4	9.6	–	(4.9)	–	4.7
Central	1.3	–	–	1.3	3.5	–	–	–	3.5
Total revenue	723.9	29.9	(3.6)	750.2	623.2	192.3	(4.9)	(7.5)	803.1

(a) Inclusion of Express & Star assuming owned by the Group from the beginning of 2017.

(b) Exclusion of Communicator Corp which was sold in 2018.

(c) Metros handed back to DMGT in December 2017 and other portfolio changes in 2017.

39 Contingent liabilities

There is the potential for further liabilities to arise from the outcome or resolution of the ongoing historical legal issues (note 22). At this stage, due to the uncertainty in respect of the nature, timing or measurement of any such liabilities, we are unable to reliably estimate how these matters will proceed and their financial impact.

Parent company balance sheet

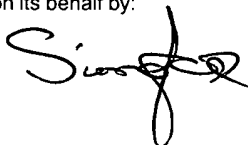
at 30 December 2018 (at 31 December 2017) Company registration number 82548

	notes	2018 £m	2017 £m
Fixed assets			
Investments in subsidiary undertakings	4	781.8	811.8
		781.8	811.8
Current assets			
Debtors			
– due within one year	6	128.3	3.2
Cash at bank and in hand		2.1	0.7
		130.4	3.9
Creditors: amounts falling due within one year			
Borrowings	7	(3.8)	(25.0)
Other creditors	8	(0.8)	(1.5)
		(4.6)	(26.5)
Net current assets/(liabilities)		125.8	(22.6)
Total assets less current liabilities		907.6	789.2
Creditors: amounts falling due after more than one year			
Borrowings	7	(23.2)	–
Other creditors	8	(59.0)	–
		(82.2)	–
Net assets		825.4	789.2
Equity capital and reserves			
Called-up share capital	9	30.9	28.3
Share premium account	10	606.7	606.7
Merger reserve	11	25.3	37.9
Capital redemption reserve	11	4.4	4.4
Profit and loss account	11	158.1	111.9
Equity shareholders' funds		825.4	789.2

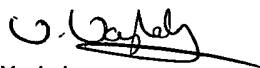
The Company reported a retained profit for the period after dividends of £15.2 million (2017: £25.1 million). These parent company financial statements were approved by the Board of directors and authorised for issue on 25 February 2019.

They were signed on its behalf by:

Simon Fox
Chief Executive



Vijay Vaghela
Group Finance Director



Parent company statement of changes in equity

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

	Called-up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2017	28.3	606.7	37.9	4.4	94.0	771.3
Profit for the period	–	–	–	–	40.4	40.4
Credit to equity for equity-settled share-based payments	–	–	–	–	0.5	0.5
Purchase of own shares	–	–	–	–	(7.7)	(7.7)
Dividends paid	–	–	–	–	(15.3)	(15.3)
At 31 December 2017	28.3	606.7	37.9	4.4	111.9	789.2
Profit for the period	–	–	–	–	32.7	32.7
Merger reserve transfer	–	–	(30.0)	–	30.0	–
Issue of new shares	2.6	–	17.4	–	–	20.0
Credit to equity for equity-settled share-based payments	–	–	–	–	1.0	1.0
Dividends paid	–	–	–	–	(17.5)	(17.5)
At 30 December 2018	30.9	606.7	25.3	4.4	158.1	825.4

Notes to the parent company financial statements

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

1 Basis of preparation

The financial statements of Reach plc have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The preparation of financial statements in conformity with FRS 101 requires the use of certain key accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the period. The Company reported a retained profit for the period after dividends of £15.2 million (2017: £25.1 million). The audit fees relating to the Company are disclosed in note 6 in the notes to the consolidated financial statements and are borne by another Group company.

Impact of amendments to accounting standards

The Company has applied the exemption available under FRS 101 in relation to paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued and is not yet effective).

2 Significant accounting policies

Fixed asset investments

Fixed asset investments are stated at cost less provision for any impairment. An impairment review is undertaken at each reporting date or more frequently when there is an indication that the recoverable amount is less than the carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows of the cash-generating units relating to the investment are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimates of future cash flows have not been adjusted. Use of a post-tax discount rate to discount the future post-tax cash flows is materially equivalent to using a pre-tax discount rate to discount the future pre-tax cash flows. The impairment conclusion remains the same on a pre or post tax basis. If the recoverable amount of the cash-generating units relating to the investment is estimated to be less than its carrying amount, the carrying value of the investment is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account in the period in which it occurs and may be reversed in subsequent periods.

Foreign currency

Transactions denominated in foreign currencies are translated at the rates of exchange prevailing on the date of the transactions. At each reporting date, items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising on settlement and on retranslation are included in the profit and loss account for the period.

Tax

Corporation tax payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the parent company's financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account except when it relates to items charged or items charged or credited directly to equity in which case the deferred tax is also dealt with in equity. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Financial instruments

Financial assets and financial liabilities are recognised in the parent company balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term bank deposits.

Notes to the parent company financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

2 Significant accounting policies continued

Share-based payments

The Company issues equity-settled benefits to certain employees. These equity-settled share-based payments are measured at fair value at the date of grant taking advice from third party experts. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured by use of a stochastic (Monte-Carlo binomial) model. The expected life used in the model has been adjusted, based on the directors' best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Where the Company's own shares are purchased, the consideration paid including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are cancelled, the nominal value of shares cancelled is shown in the capital redemption reserve. Where such shares are subsequently reissued or disposed of, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Benefits received as incentives to enter into the agreement are spread on a straight-line basis over the lease term.

Financial instruments – disclosures

The Company has taken advantage of the FRS101 exemption for IFRS 7 'Financial Instruments: Disclosures' and included disclosures relating to financial instruments in the notes to the consolidated financial statements.

Cash flow statement

The Company has utilised the FRS101 exemption for IAS 7 'Statement of Cash Flows' and has not presented a cash flow statement. A consolidated cash flow statement has been presented in the consolidated financial statements.

Related party transactions

The Company have taken advantage of the FRS101 exemption for IAS 24 'Related Party Disclosures' and included disclosures relating to related parties in the notes to the consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of investments (note 4)

There is uncertainty in the value in use calculation. The most significant area of uncertainty relates to expected future cash flows for each cash-generating unit. Determining whether investments are impaired requires an estimation of the value in use of the cash-generating unit to which these have been allocated. It also requires assessment of the appropriateness of the cash-generating unit at each reporting date. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Projections are based on both internal and external market information and reflect past experience. The discount rate reflects a long-term equity and debt mix based on the period end enterprise value assuming a long term debt to EBITDA ratio of 2.5 times. In calculating leverage of 2.5 times, the Company assumes that pension obligations are treated as debt. The leverage calculation for the Company's financing facilities excludes pension obligations.

Notes to the parent company financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

3 Staff costs

The average number of persons, including directors, employed by and charged to the Company in the period was:

	2018 Number	2017 Number
Administration	8	8

The costs of a number of employees (not directors) who have contracts of employment with the Company are charged to other Group companies and their staff costs are disclosed in those companies' statutory accounts.

All employees are employed in the UK.

	2018 £m	2017 £m
Staff costs, including directors' emoluments, incurred during the period were:		
Wages and salaries	1.8	1.6
Social security costs	0.3	0.3
Share-based payments charge	1.0	0.5
Pension benefits	0.2	0.2
	3.3	2.6

Disclosure of individual directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those elements specified for audit by the Financial Conduct Authority are shown in the tables in the Remuneration Report on pages 43 to 57 and form part of these parent company financial statements. Further details of share-based payments are contained in note 31 in the notes to the consolidated financial statements.

4 Investments in subsidiary undertakings

	Shares in subsidiary undertakings £m
Cost at beginning of period	1,511.8
Additions	133.0
Disposals	(133.0)
Cost at end of period	1,511.8
Provision for impairment at beginning of period	(700.0)
Impairment in the period	(30.0)
Provision for impairment at end of period	(730.0)
Net book value at start of period	811.8
Net book value at end of period	781.8

On 28 February 2018, the Company acquired 100% of the issued share capital in Northern & Shell Network Limited for £123.0 million. On 2 March 2018, Northern & Shell Network Limited changed its name to Trinity Mirror Network Limited. On 21 June 2018, 100% of the issued share capital in Trinity Mirror Network Limited was transferred at book value to Reach Publishing Group Limited. On 7 September 2018, Trinity Mirror Network Limited changed its name to Reach Network Media Limited.

On 18 September 2018, the Company acquired 100% of the issued share capital in The Communicator Corporation Limited for £9.5 million from Trinity Mirror Digital Limited. On 25 September 2018, the Company disposed of 100% of the issued share capital in The Communicator Corporation Limited for £7.7 million.

On 6 December 2018, the Company acquired 100% of the issued share capital in International Distribution 2018 Limited for £0.5 million. On 6 December 2018, 100% of the issued share capital in International Distribution 2018 Limited was transferred at book value through intercompany to Express Newspapers.

At the period end reporting date an impairment review was undertaken which indicated that an impairment in the investments held by the Company of £30.0 million was required (2017: nil). The impairment review was performed using the same assumptions used in the impairment review performed in relation to the Group's goodwill and other intangible assets which are disclosed in notes 14 and 15 in the notes to the consolidated financial statements.

A combination of reasonably possible changes in key assumptions, such as print revenue declining at a faster rate than forecast or digital revenue growth being significantly lower than forecast, could lead to a further impairment. A 0.5% increase in the discount rate or a 0.5% decrease in the growth rate would increase the impairment charge by some £35 million. A 5% reduction in operating profit in the third year of the projections would increase the impairment charge by some £50 million.

Details of the Company's subsidiary undertakings at 30 December 2018 are set out on pages 116 and 118.

5 Investments in associated undertakings

On 6 December 2018, the Company acquired 50% of the issued share capital in Independent Star Limited for £4.5 million. On 6 December 2018, 50% of the issued share capital in Independent Star Limited was transferred at book value to Reach Publishing Group Limited.

Notes to the parent company financial statements continued

for the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017)

6 Debtors

	2018 £m	2017 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	121.4	2.5
Other debtors	6.9	0.7
	128.3	3.2

7 Borrowings

£27 million of the Group's £60 million of borrowings are payable by the Company. The details of the Group's borrowings are disclosed in note 25 in the notes to the consolidated financial statements.

8 Other creditors

	2018 £m	2017 £m
Amounts falling due within one year:		
Share-based payments	(0.1)	(0.2)
Accruals and deferred income	(0.7)	(1.3)
	(0.8)	(1.5)
Amounts falling due after more than one year:		
Deferred consideration	(59.0)	–
	(59.0)	–

The share-based payments provision relates to National Insurance obligations attached to the future crystallisation of awards.

Details of the deferred consideration are set out in note 35 in the notes to the consolidated financial statements.

9 Called-up share capital

The details of the Company's called-up share capital and dividends are disclosed in notes 29 and 12 respectively in the notes to the consolidated financial statements.

10 Share premium account

The details of the Company's share premium account are disclosed in note 30 in the notes to the consolidated financial statements.

11 Other reserves

	Merger reserve £m	Capital redemption reserve £m	Profit and loss account £m
Opening balance	37.9	4.4	111.9
Transfer of retained profit for the period before dividends	–	–	32.7
Premium on shares allotted in the period	17.4	–	17.4
Merger reserve transfer	(30.0)	–	30.0
Share-based payments credit	–	–	1.0
Dividends paid	–	–	(17.5)
Closing balance	25.3	4.4	175.5

The merger reserve increased by £17.4 million reflecting the premium on the shares allotted in relation to the acquisition of Express & Star (note 20 in the notes to the consolidated financial statements) and decreased by £30.0 million which has been transferred to the profit and loss account as a result of the impairment during the year (note 4). The capital redemption reserve represents the nominal value of the shares purchased and subsequently cancelled as part of share buyback programmes. The profit and loss account reserves are all distributable.

12 Operating lease commitments

The Company has total commitments under non-cancellable operating leases in respect of land and buildings as follows:

	2018 £m	2017 £m
Within one year	2.6	4.7
Greater than one and less than five years	10.3	10.3
Greater than five years	11.5	14.3
	24.4	29.3

Total Company future minimum lease payments with tenants under non-cancellable property operating leases were nil (2017: 0.8 million).

Subsidiary undertakings

as at 30 December 2018

The following subsidiary undertakings are 100% owned (all share classes) and incorporated in the UK, with a registered office at One Canada Square, Canary Wharf, London E14 5AP.

Subsidiary name		
0800 Recruit Limited	Express Property Management Limited	Manchester Morning News Limited
08000 Recruit Limited	Financial Jobs Online Limited	Markstead Limited
Ad-Mag (North East) Limited	Fish4 Limited	Mayfair Celebs Limited
Advertiser North London Group (Holdings) Limited	Fish4 Trading Limited	Media Wales Limited
Advertiser North London Limited	Fish4Cars Limited	Medpress Limited
AMRA Limited	Fish4Homes Limited	Meilin Limited
Arrow Interactive Limited	Fish4Jobs Limited	MEN Investment Limited
Beaverbrook Newspapers Limited	Gazette Media Company Limited	MEN Media Limited
Birmingham Live Limited	Gimmejobs Limited	Mercury Distribution Services Limited
Birmingham Post & Mail (Exhibitions) Limited	Gisajob Limited	Merseymart Limited
Birmingham Post & Mail Trustees Limited	High Street Direct Limited	MG Estates Limited
Blackfriars Leasing Ltd.	Hot Exchange Limited	MG Guarantee Co Limited
Blackmore Vale Publishing Company Limited	Hot Flats Limited	MG6 Limited
BPM Media (Midlands) Limited	Hot Flights Limited	MGL2 Limited
Broughton Printers Limited	Hotrecruit Limited	MGN (86) Limited
Burginhal 677 Limited	Huddersfield Examiner Limited	MGN (AW) Limited
Buy Sell Limited	Huddersfield Newspapers Limited	MGN (Canada Square) Limited
Camberry Limited	I.T. Trade Publishing Limited	MGN (Services) Ltd
CDE Services Limited	Informer Publications Limited	MGN Limited
Century Communications Ltd.	Internet Recruitment Solutions Limited	MGN Pension Trustees Limited
Channel One Liverpool Limited	Isle of Wight Newspapers Limited	MGN Property Developments Limited
Chargestake Limited	Job Search Limited	Micromart (UK) Limited
Charles Elphick Limited	Jobsfinancial Limited	Middlesex County Press Limited
City Television Network Limited	Jobsin Limited	Midland Independent Magazines Limited
Community Magazines Limited	JobsinHRSolutions Limited	Midland Independent Newspaper & Media Sales Limited
Conrad & Partners Limited	Jobsinlaw Limited	Midland Independent Weekly Newspapers Limited
Coventry Newspapers Limited	JobsinUK Limited	Midland Leaflet Services Limited
Daily Express Limited	Joseph Woodhead & Sons Limited	Midland Newspapers Limited
Daily Post Investments Limited	Just London Jobs Limited	Midland Newspapers Pension Trustees Limited
Daily Post Overseas Limited	Kennyhill Limited	Midland Newspapers Printers Limited
Daily Star Limited	Kent Regional Newspapers Limited	Midland United Newspapers Limited
Denitz Investments Limited	Lancashire & Cheshire County Newspapers Limited	Midland Weekly Media (Birmingham) Limited
Echo Press (1983) Limited	Legionstyle Limited	Midland Weekly Media (Wolverhampton) Limited
Enterprise Magazines Limited	Live TV Limited	Midland Weekly Media Limited
Examiner News & Information Services Limited	Liverpool Web Offset Limited	Midland Weekly Newspapers Limited
Export Magazine Distributors Limited	Liverpool Weekly Newspaper Group Limited	Mirror Colour Print (London No. 1 Plant) Limited
Express Newspapers	Llandudno Advertiser Limited	Mirror Colour Print (London) Limited
Express Newspapers Pension Trustees Limited	Local World Holdings Limited	Mirror Colour Print (North) Limited
Express Newspapers Properties Limited	Local World Limited	Mirror Colour Print Services (London) Limited
Express Printers Manchester Limited	London and Westminster Newspapers Limited	Mirror Colour Print Services Limited
	London Newspaper Group Limited	
	Mainjoy Limited	

Subsidiary undertakings continued

as at 30 December 2018

Subsidiary name		
Mirror Financial Services Limited	Reach Printing Services (Watford) Limited	TIH (Belfast) (Nominees) Limited
Mirror Group Music Limited	Reach Printing Services (West Ferry) Limited	TIH (Cardiff) Limited
Mirror Group Newspapers Limited	Reach Printing Services Limited	TIH (Chester) Limited
Mirror Group Newspapers North (1986) Limited	Reach Publishing Group Limited	TIH (Newcastle) Limited
Mirror Projects Limited	Reach Publishing Services Limited	TIH (Properties) Limited
MirrorAd Limited	Reach Regionals Limited	TIH (Teesside) Limited
Mirrorair Limited	Reach Regionals Media Limited	TIH (Trustee) Limited
Mirrorgroup Limited	Reach Secretaries Limited	TM Leasing Limited
MirrorNews Limited	Reach Shared Services Limited	TM Media Holdings Limited
MirrorTel Limited	Reach Southern Media Limited	TM Mobile Solutions Limited
NCJ Media Limited	Reach Work Limited	TM North America Limited
Net Recruit UK Limited	Reliant Distributors Limited	TM Regional New Media Limited
Newcastle Chronicle and Journal Limited	RH1 Limited	TM Titles Limited
North Eastern Evening Gazette Limited	Scene Magazines Limited	TM Tower Management Services Limited
North Wales Independent Press Limited	Scene Newspapers Limited	Totallyfinancial.com Ltd
North Wales Weekly News	Scene Printing (Midlands) Limited	Totallylegal.com Limited
Nunews Limited	Scene Printing Web Offset Limited	Tower Magazines Limited
O K Magazines Trading Co Limited	Sightline Publications Limited	Trinity 100 Limited
O.K. Magazines Limited	Smart Media Services Limited	Trinity 102 Limited
Odhams Newspapers Limited	Southnews Trustees Limited	Trinity Limited
Official Starting Prices Ltd.	Sunday Brands Limited	Trinity Mirror (L I) Limited
OK! Magazine Holdings Limited	Sunday Express Limited	Trinity Mirror Acquisitions (2) Limited
Parkside Accountancy Limited	Sunday People Limited	Trinity Mirror Acquisitions Limited
Parkside Consulting Limited	Surrey & Berkshire Media Limited	Trinity Mirror Cheshire Limited
Planet Recruitment Limited	Syndication International (1986) Limited	Trinity Mirror Digital 1 Limited
Planetrecruit Limited	Syndication International Limited	Trinity Mirror Digital Limited
Quids-In (North West) Limited	T M S Pension Trustee Limited	Trinity Mirror Digital Media Limited
R.E. Jones & Bros. Limited	The Adscene Group Limited	Trinity Mirror Distributors Limited
R.E. Jones Graphic Services Limited	The Advertiser Limited	Trinity Mirror Finance Limited
R.E. Jones Newspaper Group Limited	The Associated Catholic Newspapers (1912) Limited	Trinity Mirror Huddersfield Limited
Reach Directors Limited	The Birmingham Boat Shows Limited	Trinity Mirror Marketing Direct Limited
Reach Magazines Distribution Limited	The Birmingham Post & Mail Limited	Trinity Mirror Media Limited
Reach Magazines Limited	The Career Engineer Limited	Trinity Mirror Merseyside Limited
Reach Magazines Publishing plc	The Chester Chronicle and Associated Newspapers Limited	Trinity Mirror North Wales Limited
Reach Magazines Worldwide Limited	The Daily Mirror Newspapers Limited	Trinity Mirror Printing (Cardiff) Limited
Reach Midlands Media Limited	The Echo Press Limited	Trinity Mirror Printing (Liverpool) Limited
Reach Nationals Limited	The Graduate Group Ltd	Trinity Mirror Printing (Newcastle) Limited
Reach Network Media Limited	The Green Magazine Company Limited	Trinity Mirror Regional Newspapers Limited
Reach Pension Trustees Limited	The Hinckley Times Limited	Trinity Mirror Videos Limited
Reach Printing Services (Midlands) Limited	The Hotgroup Limited	Trinity Newspaper Group Limited
Reach Printing Services (Oldham) Limited	The Liverpool Daily Post And Echo Limited	Trinity Newspapers Southern Limited
Reach Printing Services (Teesside) Limited	The People Limited	Trinity Publications Limited
	This Is Britain Limited	Trinity Retirement Benefit Scheme Limited
		Trinity Shared Services Limited

Subsidiary undertakings continued

as at 30 December 2018

Subsidiary name		
Trinity Weekly Newspapers Limited	Wandsworth Independent Limited	Whitbread Walker Limited
United Magazines Publishing Services Limited	Websalvo.com Limited	Wire TV Limited
Vectis Innovations Limited	Welsh Universal Holdings Limited	Wirral Newspapers Limited
Vibrant Limited	Welshpool Web-Offset Co. Limited	Wood Lane One Limited
Vivid Group Limited	West Ferry Leasing Limited	Wood Lane Two Limited
Vivid Limited	West Ferry Printers Pension Scheme Trustees Limited	Workthing Limited
	Western Mail & Echo Limited	

The following subsidiary undertakings are 100% owned (all share classes) and incorporated in Scotland, with a registered office at One Central Quay, Glasgow G3 8DA.

Subsidiary name		
Aberdonian Publications Limited	Insider Group Limited	Saltire Press Limited
Anderston Quay Printers Limited	Insider Publications Limited	Scotfree Limited
Dundonian Publications Limited	Media Scotland Limited	Scottish and Universal Newspapers Limited
First Press Publishing Limited	Metropolitan Free Newspapers Limited	Scottish Daily Record and Sunday Mail Limited
Glaswegian Publications Limited	Newsday Limited	Scottish Express Newspapers Limited
icScotland Limited	Northern Print Services Limited	The Edinburgh and Lothians Post Limited
	Reach Printing Services (Saltire) Limited	Trinity Mirror Printing (Blantyre) Limited

The following subsidiary undertaking is 100% owned (all share classes) and incorporated in the United States of America, with a registered office at 101 Avenue of the Americas, Suite 934, New York NY 10013.

Subsidiary name
Trinity Mirror Marketing LLC

The following subsidiary undertaking is 100% owned (all share classes) and incorporated in Ireland, with a registered office at 40 Upper Mount Street, Dublin 2.

Subsidiary name
Northpoint Consulting Limited

The following subsidiary undertaking is 100% owned (all share classes) and incorporated in Northern Ireland, with a registered office at 40 Linenhall Street, Belfast BT2 8BA.

Subsidiary name
Trinity Mirror Limited

Shareholder information

Registered office

One Canada Square
Canary Wharf, London E14 5AP, United Kingdom
Telephone: +44 (0) 207 293 3000
Company website: www.reachplc.com
Registered in England and Wales No. 82548

Annual General Meeting

The Notice of Meeting sets out the resolutions being proposed at the Annual General Meeting which will be held at 11.30 am on Thursday 2 May 2019 at the Museum of Docklands, No.1 Warehouse, West India Dock Road, London E14 4AL.

Auditor

Deloitte LLP
2 New Street Square, London EC4A 3BZ

Registrar (the 'Registrar')

Equiniti Limited
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone: 0371 384 2235*

For overseas shareholders: +44(0) 121 415 7047

* Lines are open from 8.30 am to 5.30 pm, Monday to Friday, excluding bank holidays in England and Wales.

If you have any queries regarding your shareholding, please contact the Registrar.

Share price information

As well as using the Reach website to view details of the current and historical share price, shareholders can find share prices listed in most national newspapers. For a real-time buying or selling price, you should contact a stockbroker.

E-communications

Reach encourages its shareholders to consider receiving shareholder information electronically. Electing to receive shareholder communications in this way allows shareholders to access information quickly and securely. It also reduces company costs by decreasing the amount of paper it needs to use and minimises its environmental impact.

To register for this service please visit www.shareview.co.uk.

Share dealing and Shareview

The Company's shares can be traded through most banks, building societies and stockbrokers. Additionally, shareholders can buy and sell shares through a telephone and internet service provided by the Company's Registrar, Equiniti.

Shareview, a website operated by Equiniti, allows shareholders to view the details of their shareholding, register for e-communications and send voting instructions electronically if they have received a voting form with an electronic reference or signed up for Shareview. For more information about both services log on to www.shareview.co.uk or call 03456 037037** for Shareview Dealing.**

**Lines are open Monday to Friday from 8.00 am to 4.30 pm for Shareview Dealing and until 6.00 pm for any other Shareview Dealing enquiries.

ADRs

Reach notifies the owners and beneficial owners of its Level 1 American Depositary Receipt (ADR) programme for which BNY Mellon acts as Depositary, that this facility will be terminated effective at 5:00 pm (U.S. Eastern Time) on Monday 18 March 2019.

Under the terms of the Deposit Agreement, owners and beneficial owners have at least until Friday 20 March 2020 to make a decision in order to attempt to surrender their Reach Plc ADRs for delivery of the underlying shares.

Each ADR is equivalent to two Reach ordinary shares. Dividends are paid in US dollars via the Depositary. Details of the ADR programme are as follows:

Exchange: OTC (Over-The-Counter)

Symbol: TNMRY, CUSIP: 75526B102, Ratio (ADR: Ord) 1:2

To surrender your ADRs, the address of the Depositary is:

The Bank of New York Mellon
240 Greenwich Street
Depositary Receipts Division – 22nd Floor
Attention: Cancellation Desk, New York NY 10286.

Shareholder information continued

Warning to shareholders – boiler room scams

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

How to avoid share fraud

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
7. Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advice before you hand over any money.
10. Remember: if it sounds too good to be true, it probably is!

Report a scam

If you are approached about an investment scam you should tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Analysis of share register at 30 December 2018

As at 30 December 2018, there were 12,084 holders of ordinary shares whose shareholdings are analysed below:

	Total number of holdings	Percentage of total holders	Total number of shares	Percentage of ordinary shares
1–50	391	3.24%	11,437	0.00%
51–100	4,520	37.40%	336,107	0.11%
101–500	5,194	42.98%	1,097,408	0.36%
501–1,000	760	6.29%	552,867	0.18%
1,001–10,000	942	7.80%	2,641,182	0.86%
10,001–50,000	105	0.87%	2,137,486	0.69%
50,001–100,000	40	0.33%	2,885,587	0.93%
100,001–500,000	72	0.60%	18,255,294	5.90%
500,001–1,000,000	21	0.17%	15,719,568	5.08%
1,000,001+	39	0.32%	265,649,381	85.89%
Totals	12,084	100.00%	309,286,317	100.00%

Investor relations

We communicate with the financial community on a regular and ongoing basis to support our stakeholders in their investment decision process. While the investor relations programme is driven by statutory reporting requirements, it also contains a strong element of additional communication in the form of meetings and presentations.

Group five year summary

Adjusted	2018	2017	2016	2015	2014
	£m	£m	£m	£m	£m
Income statement					
Revenue	724	623	713	593	636
Operating profit	146	125	138	110	106
Finance costs net of investment revenues	(4)	(2)	(5)	(2)	(4)
Profit before tax	142	123	133	108	102
Tax charge	(28)	(24)	(27)	(22)	(21)
Profit for the period	114	99	106	86	81
Basic earnings per share	39.2p	36.1p	38.1p	33.9p	32.8p
Statutory					
	£m	£m	£m	£m	£m
Income statement					
Revenue	724	623	713	593	636
Operating (loss)/profit	(108)	98	94	82	99
Pension finance charge	(8)	(12)	(10)	(11)	(11)
Finance costs net of investment revenues	(4)	(4)	(7)	(4)	(6)
(Loss)/profit before tax	(120)	82	77	67	82
Tax (charge)/credit	–	(19)	(7)	10	(12)
(Loss)/profit for the period	(120)	63	70	77	70
Basic (loss)/earnings per share	(41.0)p	23.0p	24.9p	30.2p	28.1p
Balance sheet					
	£m	£m	£m	£m	£m
Intangible assets	852	901	902	904	681
Property, plant and equipment	246	248	262	300	318
Other assets and liabilities	(499)	(473)	(554)	(427)	(391)
	599	676	610	777	608
Net debt	(41)	(9)	(31)	(93)	(13)
Net assets	558	667	579	684	595
Total equity	(558)	(667)	(579)	(684)	(595)

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