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Transforming Reach

Annual Report 2020

Highlights[1]

Revenue (£m)
£600.2m -14.6%

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Digital revenue (£m)
£118.3m +10.6%

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Adjusted operating profit (£m)[1]
£133.8m -12.8%
Statutory: £7.6m

Margin

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Adjusted earnings per share – basic (p)[1]
34.4p -12.7%
Statutory: loss 8.6p

chart removed

Earnings per share for 2016 to 2019 have been restated following the bonus issue to shareholders in October 2020.

Dividend per share (p)
4.26p

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Net cash/(debt) (£m)
£42.0m +£21.6m

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The final dividend proposed for 2019 of 4.05 pence per share was withdrawn by the directors. On 28 September 2020, the Board recommended a non-cash bonus issue of shares to shareholders, in lieu of and with a value equivalent to an interim dividend of 2.63 pence per share, which was subsequently approved by shareholders in October 2020.

1 Our financial statements disclose financial measures which are required under IFRS. We also report additional financial measures that we believe enhance the relevance and usefulness of the financial statements. These are important for understanding underlying business performance. Statutory figures are shown for comparative purposes where they differ from adjusted figures. See notes 3 and 35 to the consolidated financial statements.

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

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 2020 is to the 52 weeks ended 27 December 2020 and a reference to a year expressed as 2019 is to the 52 weeks ended 29 December 2019. References to 'the year' and 'the current year' are to 2020 and references to 'last year' and 'the prior year' are to 2019. 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 this report

Introduction

A year like no other and a year of unparalleled transformation for Reach.

The unprecedented events of 2020 saw trusted news providers more in demand than ever before.

With 9 leading national newspapers and more than 110 regional titles and over 70 online brands, Reach has the largest audience across the UK of any commercial national and regional news publisher, and a leading presence in Ireland. We create engaging and differentiated content which is distributed through our newspapers, magazines and digital platforms. Our newsbrands have a long heritage of being trusted sources of news and information – nationally and locally.

Some 48 million people a month in the UK choose Reach for news, entertainment and sport. Through our Customer Value Strategy, we are getting even closer to our readers and users – and by the end of 2020 we already had five million registered with us.

2020 saw us transform our business to enable us to accelerate the Customer Value Strategy, which is driving increased value from Reach's leading portfolio of newsbrands and its unique scale audience. Becoming more connected to our increasingly loyal and engaged audience means we will deliver more of the content they want in the way they want it – and for advertisers to be more relevant and targeted.

It will also provide the growth that will ensure Reach continues to deliver to all its stakeholders, enabling us to continue **our core purpose as prominent champions, campaigners, and changemakers.**

Transforming Reach
see page 18

Engaging with our readers
see pages 6 and 7

Customer Value Strategy
see pages 8 and pages 21 to 26

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Chairman's statement

Accelerating our Customer Value Strategy

Highlights

5m customer registrations

14.8bn UK page views in 2020

Transformation completed to enable acceleration of the Customer Value Strategy

Immediate actions to mitigate COVID-19 impacts

The whole Reach business can take great pride in its response to the COVID-19 pandemic. At the onset of the lockdown, with uncertainty around the duration and depth of the crisis, the Board took a number of short-term actions to protect the business and sought to share the burden of those mitigation impacts across stakeholder groups. All 2020 annual bonus schemes were suspended, the Board and a number of senior management and editors received a 20% pay cut with Reach colleagues receiving a 10% reduction. 20% of Reach colleagues were furloughed. Additionally, pension contributions were temporarily deferred and the 2019 final dividend was cancelled. These were difficult decisions, but we acted quickly to protect the business.

Accelerating the Customer Value Strategy

In the weeks that followed we then went further. The Board supported a management plan for an end-to-end transformation of the business and its operations.

The plan was designed to ensure the Group was not only able to overcome the near-term impacts of the pandemic but was able to establish a strong platform to accelerate the Customer Value Strategy. The transformation was announced in July 2020 and created a pathway to long-term, sustainable growth.

There is no doubt that Reach has emerged from the unique challenges posed during 2020 as a much stronger business, and now has the foundation required to accelerate the Customer Value Strategy."

Nick Prettejohn
Chairman

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The Board would like to record its heartfelt thanks to all Reach colleagues for the personal sacrifices and hard work that have contributed towards the strong performance this year. The team demonstrated incredible resilience and agility. From the overnight switch to producing our titles almost entirely from home, to the adoption of COVID-19 safe practices at our printing sites, our colleagues adapted fast. Colleagues have also responded positively to the transformation and the radical reshaping of the business that was implemented in just a matter of weeks. And they have continued to adopt and implement the Customer Value Strategy.

Throughout all of this change our newsbrands have continued to entertain, inform and involve our readers, holding power to account nationally and locally. The whole team can look back on a year of achievement and be confident in the Company's strengthened position.

Thanks also goes to all our shareholders and pension funds for working with us as we navigated through this year's particular challenges. We would also place on record our appreciation for the loyal business of agencies, brands and local advertisers. And, of course, we are indebted to the tens of millions of customers who trusted our newsbrands as key sources of news and information during the pandemic.

There is no doubt that Reach has emerged from the unique challenges posed during 2020 as a much stronger business, and now has the foundation required to accelerate the Customer Value Strategy. We continue to show strong progress but remain vigilant in the changeable macro environment in which we are operating.

Financial performance

Digital revenue has been the stand out performer during 2020, growth of 10.6% over the year and 20.3% in H2, despite COVID-19 impacts. While Group revenue declined by 14.6% in the year, the adjusted operating profit performance is significantly ahead of where we had initially expected to be after the onset of the COVID-19 pandemic. It is a strong endorsement of the transformation programme that has organised the business to maximise the potential of the Reach business model and has increased our operating margins. It is also an early endorsement of the Customer Value Strategy which is contributing to our strong digital revenue performance by enhancing loyalty and engagement from registered customers. A more comprehensive overview of our financial performance is covered by Jim, our CEO and Simon, our CFO, in their respective updates, but shareholders should take confidence from our strong balance sheet and from the increased operating margin, which was 22.3% for the year, but 25.5% in the second half. And we ended the year very strongly with digital growth in Q4 of 26.0%, with early signs of traction for our Customer Value Strategy.

Having taken a number of short-term actions to protect the Group, the Board approved the transformation programme in July 2020. This programme delivered over £35m of savings on an annualised basis. A review of our print operations was concluded in December 2020 which is expected to deliver a further £11m of net savings in 2021. The reduced revenues caused by COVID-19 and charges relating to the transformation programme and the print plant closures has impacted statutory operating profit which fell from £131.7m to £7.6m.

Dividends

The Board recognises the importance of the dividend to shareholders. However, the impact of the initial lockdown resulting from the COVID-19 pandemic had an immediate and significant effect on our revenues with both advertising and circulation sales seeing double-digit declines. Faced with the uncertain nature and length of the crisis the Board took the proactive decision to suspend the payment of cash dividends to preserve the cash position of the Group.

During Q3 business performance improved significantly, with strong digital growth and a recovery in our circulation sales. At our half-year results, announced in September 2020, with the Group performing materially ahead of expectations, the Board recommended a bonus issue to shareholders of 2.63 pence per share, in lieu of an interim dividend, which was subsequently approved by shareholders in October 2020. The improved performance continued in Q4 with a further reduction in the rate of print declines and a record digital performance.

With the business continuing to perform well, assisted by the transformation, the Board is now in a position to recommend a final dividend of 4.26 pence per share which demonstrates our confidence in sustainability of future cash flows.

The Board recognises the importance of growing dividends for shareholders while also investing to grow the business and meeting our funding commitments to the defined benefit pension schemes.

Pensions

The Board is fully committed to funding the Group's long-term pension obligations. During the year we worked closely with the trustees of our pension schemes, with a short-term deferral of payments early in the COVID-19 pandemic assisting us in protecting the cash position of the Group. All payments were resumed during the second half of the year and all deferred payments were paid by the end of September 2020. The triennial valuation for funding of the defined benefit pension schemes as at 31 December 2019 would usually be completed by 31 March 2021. We have agreed the funding for one scheme and the discussions with the remaining five schemes are ongoing. Strong digital growth and an improved operating margin mean that the Group remains highly cash generative. We will continue to balance carefully the need to continue investing in the business and paying dividends to shareholders with the long term funding of pension deficits.

Regulatory developments

At the end of 2020, there were a number of regulatory developments that aimed to provide protection and support for our industry. In December 2020, the Government announced that it would accept the recommendations of the Competition and Markets Authority and set up a 'Digital Markets Unit' to rebalance the powerful market position of the tech platforms. In addition to this, the Government also confirmed its intention to exempt news publishers from any legislation to tackle online harms, recognising the existing regulatory and legal mechanisms that apply to news publishers in the UK. While these moves are encouraging we await the full details and implementation timings anticipated during 2021.

A stronger business with a clear path to future growth

The Board thanks all our stakeholders for supporting the Group during the COVID-19 pandemic. Macro uncertainty clearly remains but, as a result of the hard work of 2020, we believe we are now in a strong position to deliver our Customer Value Strategy to become a data and insights-driven content business.

Nick Prettejohn
Chairman

1 March 2021

Engaging with our stakeholders

Engaging and understanding the needs of our key stakeholders has never been more important and is critical to the Board decision making.

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Our people

Why we engage

We have an experienced, diverse and dedicated workforce which we recognise as a key asset of our business. Therefore, it is important that we continue to develop the right environment and Company culture to encourage and create opportunities for individuals and teams to realise their full potential.

How we engage

- Led by new Head of Internal Communications
- Internal intranet 'Buzz'
- 'Town Hall' live stream meetings with Executive
- Weekly CEO all-colleague emails and regular breakfast virtual meetings
- Monthly 'Your Say' Pulse surveys
- Training and talent development programmes
- Via our Colleague Ambassador Non-Executive Director
- Speaking with formal workforce engagement groups such as trade unions
- Carried out our first all employee census in 2020

Outcomes

- Initiated diversity and inclusion programme led by working groups
- Appointed new Head of Diversity and Inclusion to drive change
- Continue to develop health and wellbeing 'investing in you' programme

Read more on pages 33 to 36

graphic removed

Our pension funds and members

Why we engage

Making decisions and doing business that provides our pension members – past, present and future – and the trustees of our pension schemes with confidence that Reach is being managed for a prosperous and sustainable future over the long term, is central to how we conduct our business.

How we engage

- Open and transparent relationships with schemes
- Regular Trustee Chair meetings and one-to-one meetings with Chairs
- Attendance at trustee meetings during the year
- Commitment to appropriately funding the defined benefit schemes over the long term
- Regular covenant updates
- Defined contribution schemes for all current employees
- Compliance with regulatory requirements

Outcomes

- Good relationship with all schemes
- Working together to remove the defined benefit deficit
- Current employees have the opportunity to save more
- Agreed to a buy-in for one scheme to match all liabilities

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Our customers

Why we engage

The Customer Value Strategy relies on us having a better knowledge of our customers to help us to identify growth opportunities for the business. Engaging with readers and advertisers enables us to understand their priorities and to deliver relevant products and services. It promotes customer retention and helps us attract new ones.

How we engage

- Our readers and our advertisers are at the heart of everything Reach does
- Reach operates a reader panel 'YourVoice' consisting of 2,000 customers across the Reach portfolio
- During 2020, Reach conducted over 70 studies with customers across the Reach portfolio, using qualitative and quantitative techniques, gaining over 60,000 research responses in total
- We launched a brand tracker to measure the ongoing strength of our brands and undertook a number of large brand strategy projects
- Regular research projects and attendance at insight panels for advertising industry professionals

Outcomes

- Reach Solutions team won 'Team of the Year' at the 2020 Campaign Awards
- Customer research is informing the development of niche products as part of the Customer Value Strategy

2020 responding to COVID-19 timeline

March

Government introduces 'stay at home' order. Reach moves to remote working for almost all employees except key workers such as print colleagues.

April

Management action to reduce costs were announced, including pay reductions, cancellation of annual bonuses and the 2019 final dividend. 20% of Reach colleagues furloughed. Reach extends wellbeing employee support packages available to colleagues.

May

Annual General Meeting held remotely. Trading update shows impact of pandemic on advertising and print revenues. Audience and engagement figures continue to build.

June

Company launches diversity and inclusion working groups to identify key actions.

July

Transformation announced to accelerate the Customer Value Strategy, creating the Reach Wire. £35m of annualised savings announced. Plans confirmed to reduce workforce.

Our stakeholder engagement informs our strategy and is key to the long term success of the business.

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Our suppliers and partners

Why we engage
It is crucial that we develop and maintain strong working relationships with our suppliers, so we can enhance the efficiency of our business and create value, and make sure we treat suppliers in line with our values and ethical standards. We continually assess our supplier and partner network, and leverage both internal and external expertise to ensure appropriate relationships and fair economics.

How we engage
- Logistics efficiencies and environmental management
- Supplier conferences, virtual where in-person is not appropriate
- Standard terms of business and regular supplier meetings
- Contingency planning
- Commitment to use of recycled newsprint or paper from certified sustainable forests

Outcomes
- Good spread of international supply on newsprint
- Long-term contracts with two key UK wholesalers
- Wholesalers aggregate unsold newspapers for recycling
- Combined primary and secondary distribution with a single wholesaler, Menzies
- Ongoing route optimisation

Read more on page 37

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Our communities

Why we engage
We are committed to contributing positively to the communities and environment in which we operate. This includes supporting small businesses and charities, and our regional and local newsbrands highlighting and investigating the issues that matter most to local residents.

How we engage
- Local campaigning
- Community investment initiatives
- Media channels
- Awards, both National (Pride of Britain, Pride of Scotland, Pride of Sport, Animal Heroes) and Regional (Pride of Birmingham, Pride of Manchester, Heart of Essex)
- Recycling initiatives

Outcomes
- Awards / recognition
- Televised events / sponsorship
- Reach titles have been instrumental in raising funds for local charities providing relief throughout the COVID-19 pandemic and supporting frontline NHS workers

Read more on page 42

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Our shareholders

Why we engage
Our shareholders play an important role in monitoring and safeguarding the governance of our Group and it's important that we maintain their support and confidence in the business. We aim to provide balanced, clear and transparent communications enabling shareholders to understand how we see our prospects and the market environments in which we operate.

How we engage
- Annual Report
- RNS announcements
- Annual General Meeting
- Investor presentations
- Corporate website
- One-on-one and group meetings
- Post-event feedback

Outcomes
- The Board was provided with regular feedback on investors' views and market developments
- Despite the COVID-19 pandemic, senior management held 90 meetings/virtual meetings with existing and potential shareholders (2019: 38)
- Company Secretariat provide a number of services to private shareholders with support of registrars
- Reach issued 42 RNS announcements during the year
- Reach plc website (www.reachplc.com) provides a broad range of information and data on the Group

Read more on page 50

August
Actions on diversity and inclusion confirmed including increased data gathering, training, learning and developing and target setting. Recruitment of a new Head of Diversity and Inclusion confirmed.

September
Half-year results confirm strong recovery in digital advertising and increased customer engagement across all channels. Plans announced for all-colleague share award.

October
Reach launches wellbeing champions providing colleagues with a point of contact for support.

November
Reach establishes Winter Wellbeing hub for employees with advice and resources including access to the Headspace mental wellbeing service. Trading update confirms strong digital momentum.

December
Reach surpasses five million customer registrations and delivers Reach ID identifier, confirming its use in live commercial trials. Confirmed continued improved digital performance.

Engaging with our readers

Supporting our readers through the COVID-19 pandemic

The COVID-19 pandemic has placed enormous pressure on public services and tested our politicians in an unprecedented way. Our national and local titles have played their part in ensuring we hold those in power to account, celebrate the heroic actions of frontline workers and campaign for recognition and support for our local communities.

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InYourArea Coronavirus widgets

From the latest COVID-19 infection numbers in your postcode, to the nearest test centre, the InYourArea team have innovated throughout the pandemic to ensure local communities had the information they needed to navigate each stage of the Coronavirus crisis.

Lemon-Aid newsletter

With lockdown leaving millions of parents juggling home working and home-schooling, Reach what's on editor Lynda Moyo launched the Lemon-Aid newsletter, offering a range of insights, tips and tales of parenting while stuck at home. It became a smash hit with more than 45,000 registrations, and led to Reach publishing an e-book of extracts from the newsletter – Tiers and Tantrums – at the end of 2020.

Daily Record exams campaign

The Daily Record led the way in exposing the flaws in the Scottish Government's plan to use algorithms to grade GCSE and A level students, helping to force a climb down from the Scottish Government – ahead of the Westminster Government being forced to make a similar U-turn just weeks later.

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Daily Mirror exclusive on Cummings' lockdown rule-breaking

The Mirror won scoop of the year for Pippa Crerar's joint-exclusive on Dominic Cummings breaking the lockdown rules with his trip to Barnard Castle. The story, which resulted in a high profile press conference in the Number 10 Downing Street garden, dominated the media headlines for several weeks.

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Daily Star's – light relief with a serious message

The Daily Star has stamped the Coronavirus crisis with its own brand of political satire, lampooning ministerial errors and becoming the first read front page for Number 10 and the twitterati.

Covering local impacts of Coronavirus

Throughout the crisis readers of our regional newspapers and sites turned to Reach's trusted regional journalists to keep up to speed with the latest developments. From holding decision makers to account and covering the latest local impacts, to reporting on the heroism of frontline workers and the local tragedies, Reach titles including the Leicester Mercury, Liverpool Echo, Manchester Evening News and The Gazette in Teeside were torchbearers for their communities.

Pride Awards

Our 'Pride of' awards series provide a much-needed feel-good celebration of ordinary people doing extraordinary things. There was a particular focus on lockdown heroes this year, and the Daily Mirror Pride of Britain Awards saw celebrities paying tribute to real-life pandemic superstars, including the late Captain Sir Tom Moore. In London, the BT Tower displayed the Pride of Britain logo, whilst the London Eye and County Hall were lit up in the colours of the Union Flag to show their support. Furthermore, we hosted our first-ever Daily Record Pride of Scotland Awards on Hogmanay, shining a light on heroic everyday Scots.

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Express campaign for front line workers

The Government acknowledged the Daily Express campaign to give financial support to grieving front line workers when they guaranteed £60,000 payments to bereaved families of NHS and social care workers. This was marked by the 'In memory of their sacrifice' front page. The Express's exclusive story on the vaccine in March 2020 further highlighted the title's growing political influence.

Our business and the value we create

We produce and distribute content to audiences across the UK and Ireland, through paid-for and free newspapers and magazines, and across the world through multi-platform digital sites (desktop, mobile and app). Our flexible operating model and tight financial control help drive efficiencies through a unified organisational structure ensuring our activities benefit all of our stakeholders and the Group overall.

Our core purpose

Reach is the UK's leading commercial national and regional news publisher – and our award winning journalism is relied on by millions of people for news, entertainment and sport. Our national, regional, local and hyperlocal portfolio of newsbrands serve their communities as prominent champions, campaigners and changemakers. This core purpose is a source of pride and is celebrated across the organisation.

Our strategy

The Customer Value Strategy is focusing the business on creating stakeholder value by getting closer to our customers. The Customer Value Strategy builds on the significant brand assets of the Reach business, but adds value by using data to enable us to get closer to our customers to learn more about them. This way we can deliver more of the content our customers want and also create new opportunities for brands to engage with our audience in a more targeted and relevant way.

Read more on pages 21 to 26

Our strategic pillars

1. **Improving customer engagement and loyalty**
2. **Single view of the customer**
3. **Revenue diversification and growth**
4. **Talent, wellbeing and diversity**

Our brands and content

Our brands are part of the national fabric and have a long history of engaging, informing and entertaining the public. Advertisers are attracted to the wide audience our national and regional titles connect with every day, whether via print or our digital services.

Read more on page 10

As the UK's leading commercial national and regional news publisher, content is key and with our unique portfolio of national and regional newsbrands we are able to maximise the potential of every piece of content across our network. Our titles have a strong editorial identity and tailor content for their readers, so while our Reach Wire enables content sharing, editorial teams choose what content to use and tailor it to their title and audience requirements.

Read more on page 17

National

Regional

Local

Hyperlocal

Resources and relationships

We carefully manage the resources and relationships that we need to support our business model.

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Our people

graphic removed

Wholesaler and retailers

graphic removed

Environment

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Local communities

Read more on pages 33 to 42

Our channels

Print

Our newspapers and magazines represent the most extensive portfolio of any commercial national and regional news publisher in the UK. Our printed titles deliver a steady revenue stream based on resilient circulation, with our portfolio enabling us to cross-promote between nationals, regionals, dailies, Sundays, weeklies and magazines.

Reach Printing Services operates four print sites printing Reach titles as well as supplying services to external third parties.

9
National newspapers

110+
Regional newspapers

2
National magazines

50,000
retailers UK and Ireland

Read more on pages 10 and 11

Digital

Our network of over 70 online brands provide 24/7 coverage of news, sport and showbiz stories, with 1.7bn average monthly worldwide page views in 2020 and 1.2bn average monthly UK page views in 2020. With an average of 42m UK monthly unique visitors in 2020, our portfolio represents the fifth largest online property in the UK.

70+
Online brands

1.7bn
WW monthly page views

1.2bn
UK monthly page views

42m
UK monthly unique visitors

Revenue

The principal revenue sources for Reach are from our paid for publications and from print and digital advertising. We are seeking to diversify these revenues through the Customer Value Strategy with an ambition to double digital revenue over the medium term.

Read more on pages 21 to 26

Stakeholders

Our highly efficient operations and unique business model enable us to create value and growth for the benefit of our key stakeholders. The Customer Value Strategy is key to building the long-term value of Reach and enabling us to continue to invest in our newsbrands and for us to continue our core purpose as prominent champions, campaigners and changemakers.

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Our people

graphic removed

Our pension funds and members

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Our customers

graphic removed

Our suppliers and partners

graphic removed

Our communities

graphic removed

Our shareholders

Read more on pages 4 and 5

Our brands

Reach is the leading commercial national and regional news publisher in the UK, with the largest portfolio of national, regional and local titles, including influential and iconic national brands such as the Daily Mirror, Sunday Mirror, Daily Express, Sunday Express, Daily Star, Sunday Star, Sunday People, Daily Record and Sunday Mail. Our regional footprint includes key major metropolitan titles like the Manchester Evening News, Liverpool Echo, Birmingham Mail and Bristol Post. We also publish leading celebrity magazines OK! and New. In Ireland, we are one of the biggest publishers of national and regional newsbrands with a portfolio that includes the Irish Daily Star, Northern Irish and Irish editions of the Daily and Sunday Mirror newspapers, the Sunday People newspaper as well as RSVP magazine. Across the UK and Ireland, we continue to invest in our digital services including the growing 'Live' network of regional sites (see page 22 for 2020 launches) and the hyperlocal app 'InYourArea'.

Our brands include

image removed

Our influence

Print remains significant[2]

12.8m

people read one of our newspapers or magazines each month

2019: 14.6m

image removed

Significant UK page views growth in 2020[4]

14.8bn

+42%

2019: 10.4bn

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Growing reach of our national and regional newsbrands (combined digital and print)[1]

graphic removed

Fifth largest online property in the UK[3]
Monthly unique visitors (m)

chart removed

UK leading news publishing industry online audience[3]
Monthly unique visitors (m)

chart removed

Sources
1 IPA Touchpoints 2020 and comScore October 2020 average with applied duplication.
2 IPA Touchpoints 2020.
3 ComScore December 2020.
4 Google Analytics.

Opportunities and challenges facing our industry

The traditional media sector has gone through significant change since the rise of the internet gave consumers free access to news and content. This has given the global technology platforms a pivotal position in the advertising and media marketplace – and led to increasing concerns around the power of their algorithms and the rise of 'fake news'.

In addition, the challenges of lockdowns from COVID-19 posed unique challenges this year and the ongoing economic fallout poses risks for the sector.

The Customer Value Strategy is key to Reach getting closer to its customers and building a direct relationship with them through more relevant and tailored content and through increased use of data and insight. This provides Reach with a future path to the revenue growth that will guarantee the long-term future of Reach's newsbrands.

Strategic pillars

1 **Improving customer engagement and loyalty**
see page 21

2 **Single view of the customer**
see page 23

3 **Revenue diversification and growth**
see page 25

4 **Talent, wellbeing and diversity**
see page 26

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Decline of circulation revenues

The challenge facing the industry

- Ageing readership with next generation generally not entering the printed newspaper market
- Reduction in frequency of purchase even by loyal readers
- Free online news cannibalises paid-for printed newspaper market
- Supply chain costs are largely fixed, even when volumes decline

The opportunities for Reach

- High quality content results in loyal readership
- Low ticket cover price means there is scope to protect revenues through cover price increases
- Subscription offers within our own newspapers, to drive frequency
- Printing and distributing non-Reach titles to optimise production and logistics
- Added value in print product helps stabilise demand, eg puzzles and supplements
- Utilising regional and national portfolio of titles to cross-promote

How is Reach responding?

- We continue to invest in high quality, reliable and trusted content, with over 2,500 journalists and editorial colleagues
- Reach Wire unites national and regional editorial and promotes content sharing which increases efficiency and prolongs the life cycle of newspaper titles while protecting newsbrands and their editorial identity
- We are investing in availability as well as vouchering and promotion
- Using current data we are agile around distribution enabling swift decision making

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Online becoming the primary source for news

The challenge facing the industry

- Traditional print revenue sources – newspaper sales, display advertising and classified advertising – continue to decline
- While online news is growing, most consumers expect free content and digital advertising payments can vary daily
- A lot of audience comes via third parties, such as Google or Facebook, which leaves the industry vulnerable to changes in algorithms
- The primary revenue model is page view driven, which is a threat to lower audience public interest news

The opportunities for Reach

- Reach can drive scale from local news markets, and has focused on digital news gathering
- Nine of the top ten regional news sites in the UK are owned by Reach
- Facebook and Google have launched new news products to showcase news publishers and have made moves to pay for content

How is Reach responding?

- We are driving customer registrations to build a closer direct relationship with our audience
- The Customer Value Strategy means we can get closer to our customers and make our advertising more relevant and targeted, generating more value to the business
- We are expanding our Live network which has seen successful launches into new territories – MyLondon attracts a leading audience just two years after launch
- Reach can lead on the diversity and inclusion challenge

Faced by these challenges and opportunities, the Group needs to maximise digital growth while minimising print revenue decline to deliver overall revenue growth. We have a track record of managing the structural challenges facing print and which have been exacerbated by COVID-19 in 2020 and have taken this a stage further in 2020 with our transformation of the business. This not only helped us respond to the print challenges it has provided a platform to accelerate our Customer Value Strategy.

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Digital algorithms in flux

The challenge facing the industry

- Algorithms, based on keywords or cookie history, are the dominant buying method for digital advertising. These are sold on an auction basis where prices rise and fall, with the result that controlling yield is hard
- Other elements of the ecosystem are also in flux and are dependent on supply and demand causing variances in revenue
- A lot of Reach traffic comes through referral sources which could change
- Brand safety (ensuring advert placing is appropriate) and regulatory pressures are having an increasing effect on advertisement buying

The opportunities for Reach

- Reach has the fifth largest digital audience in the UK
- There are opportunities to expand our reach through investing in new and existing platforms
- Innovative technology solutions, such as Mantis, a contextual targeting solution which has been developed by Reach, is helping to solve the brand safety issues
- Advertisers will pay a premium for more efficient, targeted campaigns

How is Reach responding?

- Through proactive management of our platforms and partner relationships, we minimise yield volatility
- Our Customer Value Strategy is designed to bring us closer to our customers, drive innovative content and deliver better targeted and more relevant advertising campaigns that attract a higher value to Reach

graphic removed

Monetising digital and local news

The challenge facing the industry

Digital advertising for publishers remains a difficult market with over-supply of advertising inventory, global platforms, hostile regulatory and tech environments around data and public service news providers (eg BBC)

- Not all news content is suitable for monetisation through advertising
- Local news has a smaller audience and certain public interest topics may not be easily monetised (eg local democracy reporting)

The opportunities for Reach

- Global platforms are leading to larger and larger audiences
- Reach has scale platforms and therefore has increased opportunities in non-advertising revenue
- National scale advertising can supplement local efforts
- Content sharing between sites

How is Reach responding?

- Driving registrations to build a closer direct relationship with our customers
- Launching new Live regional sites
- Growing international digital revenues
- Developing new products, eg InYourArea, to capture new revenue opportunities, including hyper-local advertising streams

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COVID-19 impact on industry

The challenge facing the industry

Lockdowns causing reduced footfall and closure of retail outlets

- Accelerated adoption of digital products and impact on circulation sales
- Loss of contract print revenue due to reduced distribution of free titles

The opportunities for Reach

- Working collaboratively with wholesalers and retailers, platforms and partners
- New 'Live' sites and expanded newsletter offerings
- Leveraging our established and trusted brands, while growing audience and content

How is Reach responding?

- More tailored and relevant content via Customer Value Strategy
- Innovating with new partners and platforms including reader comment platform and newsletter platform
- Continuous testing and learning, including further developing the user experience
- Improving our data capabilities and investing in talent
- Investing in availability
- Increased cross-promotion
- Working with Government on public health campaigns

Chief Executive's Q&A

image removed

This has been a year of acceleration for our plan to build customer value and maximise the use of all of our channels."

Jim Mullen
CEO

graphic removed

Your questions answered

Q

What stands out for you from your first full year as CEO at Reach?

A

I'm a great believer that you learn a lot about people in tough situations – and I have learnt that within the Reach team there is a real strength and resilience.

It proves that during times of crisis you often see the best of people. The pandemic accelerated the need for us to undertake a forensic and focused review of the business.

I am incredibly proud of what our teams have achieved in rising to all the challenges that COVID-19 has presented so far and feel confident in our ongoing ability to adapt moving forward.

Q

Tell us about how the business performed during 2020?

A

It has been a dramatic year, we started the year with a strong first quarter, in line with our plans, with a resilient performance from print and double-digit growth in digital.

Then Q2 was dominated by the impact of COVID-19 lockdowns.

With around 10% of our normal retail outlets closed and many customers visiting their supermarket less frequently we saw inevitable impacts on print sales, though we managed to partially mitigate this through promoting home delivery schemes. The local advertising market in particular was severely affected with many non-essential businesses closed. We took a number of short-term actions to save costs, and then worked on the transformation plan, announced in July, to provide the foundation for the business to accelerate the Customer Value Strategy.

Q4 saw continued recovery in our print sales."

The transformation ensured the business could protect all its newsbrands and continue to deliver to all stakeholders. Q3 saw a gradual recovery in print sales as we invested in increased availability of our titles and adopted an increasingly data-led approach to our distribution. Our data-led approach has helped inform an increased use of cross-promotional and vouchering tools. These are used across our national titles and between nationals and regionals. National advertising levels also improved during Q3 and continued to gather momentum in Q4 with spending from the Government on public health campaigns, supermarkets, lottery and betting companies all active in the period.

Q4 saw continued recovery in our print sales, and improvement in advertising with strong year-on-year digital growth. With the reduced costs from the transformation our operating margin was consistently in excess of 20% and despite the extended lockdowns we entered 2021 in a strong position to continue to advance our Customer Value Strategy.

Q

A lot of 2020 must have been about responding to COVID-19 – do you feel it distracted from the Customer Value Strategy?

A

In a situation where there is no precedent or manual, the key is to be responsive and to make decisions, however tough, in a timely way.

If you do that, you enable people to remain focused on the Customer Value Strategy and give them time to plan.

As a leadership team we were not content with just doing enough to get through the crisis, we wanted to position ourselves for the long term and continue to make significant progress against the Customer Value Strategy.

As an example, we had five million registered customers at the end of 2020, when our original target for the year was just two million. We can now move faster to generate enhanced revenues, first through increased loyalty and frequency and later through more targeted advertising campaigns and also through more tailored and relevant content.

With the strong finish to the year, we are well placed, with a clear pathway to future growth and delivery of enhanced shareholder value over the coming years.

Q

Employee wellbeing and diversity and inclusion have been significant themes for Reach this year – can you explain why you believe these issues are key to the Group's future success?

A

It is incumbent on employers to make sure that people are comfortable with raising these issues and to know that people will listen, will understand, and will provide support.

Lifestyle changes forced upon us all over the past year have posed significant challenges and we've responded by stepping up our activities in this area, providing more tools and support to colleagues and we continually look at what more we can do.

It is our responsibility to ensure we represent the values and aspirations of our diverse readers."

On diversity and inclusion, as publishers of nine leading national newspapers and more than 110 regional titles and 70 online brands, it is our responsibility to ensure we represent the values and aspirations of our diverse readers and users and their communities. Reach has done many good things in this area in the past – notably, we participate in a number of apprenticeship schemes that offer an entry to journalism for disadvantaged and minority groups. However, I wanted to place this front and centre of our business. So, we have appointed a new Head of Diversity and Inclusion, Dr Julie Humphreys, who will join the business in January 2021. Julie brings a wealth of experience in this area and we will be setting clear targets around diversity and inclusion moving forward. Julie will report directly to me.

Q

What are your priorities for 2021?

A

It really can be summed up in three words – Customer Value Strategy.

We have to continue to do what we have always done well and seek to do it better, but the future of this business is all about delivering the Customer Value Strategy, which is fundamental to our growth aspirations going forward. We are well ahead of where we expected to be after year one but must now maintain that momentum and continue to evolve and deliver.

Chief Executive's Q&A continued

The final weeks of 2020 saw us achieve a record performance in digital, in part driven by the early results of our Customer Value Strategy, as increased loyalty and engagement drove incremental digital advertising.

The next priority is to embed the Reach ID, which was announced in December 2020, and its related products that enable advertisers to be more targeted and relevant. This will secure incremental revenue from advertisers to supplement the audience variable revenue increase we are already seeing and will gather momentum this year and into 2022 as we develop our data and insight capabilities.

Q

Will you continue to look at acquisition opportunities – and if so could this include taking on print titles?

A

Our Customer Value Strategy is not reliant on further acquisition since we already have powerful brands and a scale audience.

That said we have clearly built an extremely efficient business that is maximising the potential of its operating model which is unique to us because of our scale and geographic reach. This may therefore open up opportunities that only we can take advantage of, in terms of digitising news brand assets or bolt-on acquisitions that add to our capabilities. So, we wouldn't rule out an acquisition in print – but we are clear that our Customer Value Strategy is not reliant on it. We are already expanding our Live network into new areas such as London and Yorkshire for example. During 2020 we completed the full takeover of the Irish Daily Star – which was a logical next step, having owned 50% since we acquired the publishing assets of Northern & Shell.

We have clearly built an extremely efficient business that is maximising the potential of its operating model."

Q

Are you excited by the potential of Reach?

A

Absolutely; I believe this business is a sleeping giant which we have only just begun to awaken.

It has a portfolio of high quality brand assets and an exceptional audience scale, the combination of which represents a significant opportunity for growth. We have taken a critical step towards achieving this with the development of the Reach ID which will enable us to unlock the potential of the significant assets that sit within this Group. I am confident there is a great deal we can achieve over the coming years, building on our position as the UK's fifth largest digital asset.

Q

There has been a lot of movement on the regulatory side during 2020 – should we expect positive impacts during 2021?

A

There is no doubt that the Government values the news publishing sector and has demonstrated this throughout the COVID-19 pandemic through extensive public health advertising campaigns across national and local titles.

It has also confirmed that UK-based news publishers, already subject to UK law and regulation, will not be impacted by the forthcoming online harms legislation, which is firmly aimed at regulating tech platforms.

The Government is also seeking to rebalance the relationship between news publishers and the tech platforms. This is aimed at rebalancing the digital marketplace. We work closely with the platforms, and we want to continue to have a good commercial relationship with them that delivers to readers, advertisers, publishers and the platforms alike. In terms of whether we will see any significant changes in 2021, we first have to wait for the legislation and there is much detail to be confirmed between now and then so we wouldn't make any predictions at this stage.

The Reach Wire

The Reach Wire represents a radical change to the way a national news organisation is structured. It maximises the potential of Reach's unique portfolio of national and regional newsbrands by maintaining editorial and brand identity, while sharing content across all our publications and digital services to be tailored. It enables Reach to operate at maximum efficiency and to ensure we can not only maintain, but invest in and expand our presence in communities across the UK and Ireland.

Each piece of content across Reach is assessed for potential extra value elsewhere in the editorial portfolio prior to and after publication.

So while the strength of the Reach business remains in its newsbrands, and the local and national editorial identity of each title, we are maximising our newsgathering potential, spotting angles of interest locally and nationally and adapting and tailoring stories according to national or local interest.

An example of the many daily results include the exclusive on a Cardiff-born ISIS fighter which appeared in the Mirror in November 2020 and was used in the South Wales Echo, Western Mail and Wales Online.

Mirror exclusive on Cardiff born ISIS fighter in prison

image removed

Content also used in South Wales Echo, Western Mail & WalesOnline

image removed

graphic removed

Unified content creation supports content sharing across platforms

- Editorial teams across country now in constant contact
- Enables us to maximise assets across entire operation
- Every piece of content assessed for potential extra value elsewhere in the estate
- Allows editors to react faster and break ahead of rivals

Chief Executive's review

Strong strategic momentum, further progress expected in 2021."

Transforming Reach

2020 represented one of the most challenging years in the history of the news publishing sector, yet it has also demonstrated that demand for trusted news content is stronger than ever. The impact of COVID-19 demanded a comprehensive and long-term response and having taken significant steps to maximise the potential of Reach, we can now look forward to the future with confidence in the prospects for the Company. I want to personally thank everyone at Reach for being not just resilient, but also for embracing and progressing our Customer Value Strategy during a year of unprecedented challenges arising from COVID-19.

We are now seeing the early results of the team's focus and hard work with stabilised print circulation, strong growth in customer registrations, good audience engagement and accelerating digital revenue growth.

Engaging the public during COVID-19 pandemic

Throughout the COVID-19 pandemic our award winning journalists continued to engage the public with up-to-the-minute coverage of news, sport and entertainment. The Mirror story on Dominic Cummings' lockdown trip to Barnard Castle – joint winner of Scoop of the Year at the British journalism awards – showed the importance of our journalism in holding power to account.

The continued resurgence of the Express as a newspaper of influence was recognised with the Cudlipp Award for Campaign of the Year for its 'Time to end the cystic fibrosis drugs scandal' campaign. In Scotland, the Daily Record campaigned against the Scottish Government's use of algorithms to mark down exam results, setting an agenda for the rest of the UK and forcing a Government rethink. In Ireland the Irish Mirror won the Headline of the Year award for its 'Parting Glass' front page and the Irish Daily Star won the Campaigning Journalism award for its relentless coverage of the Kinahan cartel. Our regional titles also received recognition for their role during the crisis with a raft of awards and commendations at the Regional Press Awards – the Manchester Evening News, Liverpool Echo and Wales Online leading the way. And throughout the pandemic the Daily Star used satirical humour to keep readers' spirits up.

Our editorial teams have fully embraced the Customer Value Strategy. We now offer readers over 280 newsletters on a variety of subjects, across a broad range of titles using tailored content and in some cases, such as the Lemon Aid newsletter, specifically aimed at supporting parents during the pandemic. We continued to improve our hyperlocal news site InYourArea which achieved over two million registrations and launched a new reader comment platform to enable greater customer engagement with our news stories. And around 13 million people continue to read a Reach print title every month – with print circulation revenues hitting around 93% of our original budget in Q4 despite the COVID-19 lockdowns.

We have made excellent progress against the Customer Value Strategy in spite of the pandemic, successfully delivering on our digital objectives and achieving several key milestones in the process. These include achieving five million customer registrations, record audience levels, the trial of our first commercial partnerships and critically the launch of the Reach ID, the architecture underpinning our digital growth.

Highlights

+10.6% (+20.3% H2)
2020 Digital revenue growth

+5% to 42m
2020 UK unique visitors

This has all been made possible by a talented and committed team at Reach who are bound by a strong sense of purpose. Our award winning journalism has continued to engage the public, and our focus on customer registrations has led to growing loyalty and engagement. Digital growth during Q4 of 26.0% was an encouraging end to the year and we now approach the next stage of the Customer Value Strategy with confidence. This is where the learnings from data and insight will be applied in the form of new products, targeted advertising opportunities and commercial partnerships.

Encouraging start to 2020, rapid response to COVID-19

It was back in February 2020 that we launched the Customer Value Strategy and outlined how we planned to use our leading scale audience and unique network of newsbrands to build an intelligent content business based on enhanced data and insight.

Our focus in phase one of the Customer Value Strategy was to build customer registrations and our initial target for the year was to achieve two million and a total of seven million registrations by the end of 2022. We saw encouraging trends during Q1 where our digital revenues grew at an accelerated rate and customer engagement continued to improve. Then lockdown happened.

During April, it was estimated that around 5,000 outlets that normally sold newspapers were closed – around 10% of the estate, impacting newspaper sales. With local businesses closed and economic activity curtailed, advertising demand was also significantly reduced. This was particularly acute in the locally sold marketplace where at its nadir around 70% of our SME regular customers stopped advertising.

Unsurprisingly therefore we saw a significant impact on Group revenue with the April decline of 30.5% year-on-year the lowest point. This posed a material challenge to the company's overall performance and of course at the time it was unclear how long the situation would last. The Board and management were united on the need for swift, tough action and we immediately took a number of steps.

Within days of lockdown being announced, our teams adjusted to the new 'normal' with our editorial operations moving to home working for the first time in the history of our titles. Our print operations, classified as key workers, adopted new COVID-19 safe operating procedures. In total over 4,000 colleagues moved to home working overnight. The response of all Reach colleagues was first class with production of all our titles and websites continuing uninterrupted.

Swift action to protect the business from COVID-19 impacts

As the wider economic impacts of lockdown led to reduced advertising levels and double-digit declines in circulation sales we took action to conserve cash and protect the business.

Faced with these significant impacts and the ongoing uncertainty surrounding the length of lockdown and impact of the pandemic, the Board agreed to a series of short-term measures to protect the company and its newsbrands by reducing costs and conserving cash.

Management sought to share the burden of these measures across all stakeholder groups. A 10% pay reduction was introduced for most colleagues until July, with the Board, along with some members of the senior editorial and management team, taking a pay reduction of 20%. All annual bonus schemes for 2020 were suspended and 20% of Reach colleagues were furloughed. In addition, pension fund contributions were deferred for three months and the 2019 final dividend was cancelled.

These measures ensured short-term protection for the business during the worst-impacted months of COVID-19. However, it became clear that, in order to ensure the business could not just survive ongoing uncertainty, but be in a position to thrive in the new market conditions, more radical near-term changes to the business were required. Following a root and branch review of the business by the management team, a transformation programme and acceleration of our Customer Value Strategy was announced in July, and materially delivered by September.

By the end of the transformation the Company had delivered efficiencies over a period of three months that in normal circumstances would have been planned over three years. The result is a far more operationally efficient organisation ready to compete in an uncertain environment.

Transformation and acceleration of our Customer Value Strategy

What makes Reach unique is its national and regional network. While the Company has seen significant change over many years with its digital audience increasing, the business had not undertaken a holistic review of its overall structure to enable the maximum potential of its business model. In particular, the Company continued to operate with separate national and regional activities. With the COVID-19 pandemic posing significant challenges to operating margins, the Board put in place a transformation plan which ensured business continuity in the immediate period, but also enabled us to embrace our future as an insight-driven, digitally-led business.

The changes started at the top with a number of changes to the leadership team. A new Chief Operating Officer, Alan Edmunds, was appointed with a number of additional responsibilities, including printing, and a new Chief Revenue Officer, Piers North, was appointed having previously been Group Digital Director.

The Executive Committee met daily from the outset of COVID-19 and has retained regular trading and operational meetings each week to ensure swift decision making. This was crucial to delivering the transformation programme in just three months, while remote working, and the team have maintained multiple Executive Committee meetings to ensure the business continues to drive the Customer Value Strategy and all operations work in a more coordinated way than ever before. This sits alongside a regular rhythm of trading and performance reviews, to ensure delivery against targets.

Whilst an important outcome from the transformation is a much lower cost base and higher operating margin, at its heart the change is about maximising the potential of the Reach business model, based on our USP of being the biggest commercial publisher in Britain with the most extensive portfolio of leading national and regional titles. The transformation has removed distinctions between the corporate centre and business divisions, between regional and national activities and between print and digital.

Reach operates as one editorial operation between regional and national titles. The new Reach Wire enables content to be shared across the organisation and to be tailored and adapted by the editorial teams of each title or website.

The majority of our editorial teams now operate across print and digital with analytics being constantly monitored to ensure content responds to reader demand. These changes were also reflected in the sales and distribution team by combining the national and regional operation into one team – and focusing the operation on protecting sales revenue through increased availability, increased vouchering and greater cross-promotion of titles. All this activity is assisted by increased data analysis made possible by a new partnership with Dunnhumby, the global leader in customer data science.

In commercial – our advertising sales operations – we re-organised our national solutions team, reducing headcount and restructured our regional operations, consolidating the number of regions and reducing the managerial and sales team headcount. This reflects the new market conditions and the future direction towards increased telephone sales and away from field sales.

Our central operations also implemented a number of efficiencies, for example the number of offices supporting commercial finance administration was reduced, and headcount reduced across a number of central functions including HR and Finance.

The changes have enabled targeted investment in the Customer Value Strategy (around £5m was approved in 2020) to continue along with actions to protect our print titles, including a significant increase in product availability which had been reduced over a number of years.

The dedication and focus of our teams enabled the business to continue to accelerate the Customer Value Strategy with customer registrations consistently exceeding our expectations.

Read more about the progress we have made against our strategic pillars

1 **Improving customer engagement and loyalty**
see page 21

2 **Single view of the customer**
see page 23

3 **Revenue diversification and growth**
see page 25

4 **Talent, wellbeing and diversity**
see page 26

Encouraging H2 performance with record Q4 growth

Compelling content and product innovation supported a strong second half performance. By the middle of the year we had exceeded our original target of two million customer registrations, achieving five million by the year end, more than halfway to a new target for the end of 2022 of ten million.

Over 10% of our digital users are now registered with us and with more monthly customers than any other commercial national and regional news publisher, our online audience is behind only that of the global tech platforms in the UK. In 2020 we delivered average monthly unique visitors of some 42 million per month – up 5% year-on-year. During 2020 we were the only publisher to retain an average monthly audience in excess of 40 million across the year. And the customer engagement that is so key to our Customer Value Strategy is building.

Chief Executive's review continued

We were the only publisher to retain an average monthly audience in excess of 40 million across the year."

During 2020 we saw a 29% uplift in average page views per user and a 32% uplift in average minutes per visitor. Loyal users (those that visit every other day) were up over 40% across our Live network and up over 91% on the Mirror.

Throughout the toughest days of lockdown, our commercial teams kept their creativity and team spirits high, continuing to deliver for our clients – helping our Solutions team to go on to scoop the coveted Commercial Team of the Year at the Campaign Media Awards.

Our digital business saw growth of 20.3% in H2 2020 – and closed the year with record year-on-year growth in Q4 of 26.0%. This performance drove an above expectation outcome on operating profit of £133.8m. While print revenues declined by 18.9% over the year the circulation sales performance was more resilient – ending the year with an 11.6% decline – around 93% of the budgeted performance.

Group operating margin for the year was very strong at 22.3% – which was up 50 basis points year-on-year, despite the effects of the pandemic and we are confident of another strong performance in 2021.

We were also pleased to deliver the first commercial trials utilising the Reach ID with promising results that illustrate the opportunities our Customer Value Strategy provides for brands and agencies.

It was also pleasing to acquire the remaining 50% share in the Irish Daily Star from Independent News and Media. As the most obvious acquirer, given our ownership of the Daily Star in the UK, the financials were compelling, and the title continues to perform well. We look forward to it going from strength to strength under Reach's full ownership.

Reach continues to offer a compelling opportunity to drive increasing value as we deepen our relationships with (and better engage and understand) our customers.

Supporting our colleagues

COVID-19 has had a significant impact on all our lives and throughout the pandemic we have prioritised the health and safety of our people and have strictly adhered to guidance from the government and public health authorities. Restrictions and lockdowns have driven significant changes in our operating environment with the majority of colleagues working from home since March. We have been acutely aware that while many of our colleagues have adapted well to this, for some it has been more challenging.

As a business, we sought to do as much as possible to help people adapt effectively to home working, providing additional online support and ensuring that everyone has access to appropriate equipment including chairs, desks, laptops, printers, new collaborative working software and additional screens where necessary.

Our teams performed exceptionally well despite any logistical hurdles and the challenges for some of balancing their jobs with the demands of home-schooling. It is a testament to their efforts and dedication that we've seen minimal operational disruption, with all titles being issued on time and all websites operating smoothly throughout the crisis.

As CEO, I have placed great emphasis on regular and consistent communications, supplementing my weekly email to all colleagues with further communications at key times during the crisis. We have increased our mental health support provision with the creation of a wellbeing hub offering advice around creating boundaries between home and work life, dealing with loneliness and anxiety and offering support through our mental health first aid volunteers and through our Employee Assistance Programme. This offered support to colleagues 24/7 via call or live chat, psychological welfare assessments, counselling, healthcare advice, welfare advice and legal guidance.

We have also encouraged teams to communicate informally, through tea and talk sessions, which were purely social and which drew people together from teams from different parts of the Company.

2020 also shone a light on racial injustice and we have a responsibility to improve diversity and inclusion in our industry. We appointed a new Head of Diversity and Inclusion in December 2020 and will advance our plans in the months ahead.

Regular all-company and leader town halls, have also provided a forum for the Executive Committee to communicate regularly with all colleagues.

We have prioritised the health and safety of our people."

Strong strategic momentum, further progress expected in 2021

Reach has become a stronger business in 2020 thanks to the ongoing hard work and commitment of our people during this unprecedented year. A radical reorganisation of our business model not only makes us more efficient, it also enables our changing culture, which is evolving to support a growth led agenda. We have delivered our strategic milestones ahead of our original expectations and will now increase investment to accelerate delivery, focusing on the use of enhanced customer insight to drive engagement and our medium-term objective of doubling digital revenues. Resilience in print circulation is the foundation for the strong cash generation which underpins strategic investment, our pension commitments and growing returns to shareholders. While macro-economic uncertainty resulting from COVID-19 clearly remains, the Group is well placed to make good progress during 2021 and to generate increased long term value as the Customer Value Strategy gathers momentum.

Jim Mullen
Chief Executive Officer

1 March 2021

Our strategic pillars

1 Improving customer engagement and loyalty

Customer engagement and loyalty is a key pillar of our Customer Value Strategy and supports growth by increasing the volume of digital advertising we serve. It also enriches our audience data, enabling us to learn more about our customers. We are using this data and the insights it provides to develop our content to be more relevant and to deliver more effective marketing campaigns to brands and agencies.

Aims:

- Continue to drive registrations to 10m end of 2022 target
- Deepen the relationship we have with our customers
- Enrich our data and insight capabilities

Enabling us to:

- Support revenue growth through increased page views, engaged time and direct visits
- Drive further engagement via more tailored and relevant content
- Increase the value of our audience to brands and agencies, further driving revenue growth

Reach has achieved a market-leading scale across its portfolio of print titles and digital sites with 8 out of 10 internet users accessing our content and over 47 million people reading our sites or print titles on a monthly basis. The Customer Value Strategy builds on the loyalty and engagement of our audience by offering new, tailored content and by making our sites and apps more engaging and relevant.

The transformation of our business and the creation of the Reach Wire was one of the most radical changes in the business for some years and means that the editorial team operates as one team for the first time, doing away with remaining distinctions between national and regional and between print and digital. Titles retain their strong brand and editorial identity but all titles can share photography, content and data, maximising efficiency and protecting the profitability of our newsbrands. The editorial team are all given clear, monitored targets, which during 2020 were focused on registration numbers, but which during 2021 are more geared to engagement and loyalty.

Our content strategy aims to ensure readers feel either informed, inspired, indulged or involved – and aims to engage and increase loyalty through helping them discover our content, engage with it, connect with us through comment, newsletters, apps or webchats and ultimately register.

As we build our capabilities in data and customer relationship management we will use these learnings to develop new content areas, and share content from our network that may be of interest to the reader. This will enable us to ensure we retain our registered customer base as well as continue to grow registrations, while encouraging the increased loyalty and page views that will drive increased revenues.

We will continually improve our key engagement levers including commenting, newsletters and our InYourArea site using data, insight and active customer relationship management.

We continue to invest in our regional and local digital 'live' sites – these enable us to have a digital only presence in those areas where we don't have print titles, supporting the Customer Value Strategy by enabling us to secure data and insights from local and regional digital only news sites as well as our existing national and regional newsbrands.

Our model for customer engagement

Discover

- Social
- Search
- Links

Engage

Page views

- Engaged time
- Loyal readers
- Direct visits

Connect

Apps, comments,newsletters, InYourArea, webchats and more

Commit

Registered customers

image removed

Our strategic pillars continued

GoingLive: New site launches

image removed

Reach continues to invest in its network of regional and local sites under the 'Live' brand with the launch of 19 online brands during 2020 and the expansion of three existing sites – recruiting more journalists and taking Reach into new territories. Audiences have grown rapidly and YorkshireLive reached 6.3m UK readers in December 2020, the largest of any publisher based in the region, while MyLondon has grown rapidly with 8.3m UK readers in December 2020. 700 journalists are now employed across the 'Live' site network.

graphic removed

2 Single view of the customer

With over 10% of the Reach UK audience base now registered, and the Reach ID providing the ability to track customer behaviour across different sites, we are now entering a new phase in the Customer Value Strategy. We can now segment customer audiences more effectively than before. We are also beginning to use data and insights to inform new content areas as well as providing advertisers with more relevant and targeted advertising campaigns.

Aims:

- Deepening customer relationship and increasing customer value
- A unified view of the customer across Reach

Enabling us to:

- Drive engagement via personalisation
- Introduce new products and services
- Develop more targeted marketing campaigns for brands and agencies

The Reach ID has already been used in a number of commercial trial campaigns. During the first half of 2021 we will continue to work with brands to run commercial trials and establish a track record for returns that will enable us to fully market our B2B offerings under the Reach ID in the second half of 2021.

These B2B products offer advertisers the ability to target groups based on detailed audience segmentation such as their interests or geographic location. We will also offer advertisers the ability to pool their own customer data with our audience data, to ensure they are only targeting new customers with promotions or offers and not existing customers – or vice versa.

We will also offer the opportunity for brands and agencies to improve their data collection for campaigns via the use of our tech solutions like chatbots, widgets and our in-house developed tool Mantis, which provides improved analytics and brand safety (ensuring online advertisements appear next to appropriate articles).

We will continue to build our data and insight technology and people capabilities during 2021 – as we continue to evolve our approach through knowledge built through the commercial trials and our various providers. While our data warehouse systems are established we are utilising them at a vastly increased scale than ever before and we want to ensure our capabilities are not limited in the future.

And of course we will embed a data-led approach across the business by utilising data and insights from the Reach ID to drive decision making, shape content and increase the sophistication of our offer to advertisers.

Measuring progress

Reach ID launched

in December 2020

Commercial trials of targeted ad products completed

in January 2021

Source of registrations

chart removed

image removed

Our strategic pillars continued

Reach ID enables data-driven marketing campaigns

image removed

With over 10% of our digital audience now registered, we are now using the Reach ID unique identifier to deliver data and insights. This is key to how we will diversify our revenues in the future. Commercial trials during Q4 2020 have shown the potential to increase returns on investment through improved targeting and we are offering these new campaign types including Audience+, Customer+ and Geo+ to brands and agencies for use during 2021.

What is Reach ID?

Reach ID is:

1. A method of identifying users across all their interactions with all Reach websites
2. Linking them all together with one single 'Golden customer ID' that is shared across our various systems

This allows us to build a **Single View of the Customer**, which enables us to understand and target our users in a much more sophisticated and commercially rewarding way.

Single View of the Customer will be used by Commercial, Editorial, Customer and Product.

More advanced customer relationship management will help drive engagement and loyalty and our enhanced data sets will deliver increased response rates to marketing campaigns.

In the future we will use Data Science to build new capabilities from the **Single View of the Customer**, utilising artificial intelligence and machine learning.

How Reach ID enables revenue diversification

Reach[ID]

Unique customer profile – enabling more targeted and relevant marketing campaigns

Audience+	Highly targeted audience product based on declared interests and media consumption
Customer+	Enables brands to only target specific customer groups (eg new customers) by pooling their customer data with our audience data
Geo+	Campaigns targeted at people in specific locations
Partnerships	Direct commercial relationship and revenue share
Niche Sites	Dedicated content on niche themes eg pets, staycations, test and learn

3 Revenue diversification and growth

With a large and growing pool of registered customers and insights now enabled by the Reach ID we have begun to use our data and insights to diversify our revenues. We have begun commercial trials with several brands offering more targeted marketing campaigns using our data and insights and during 2021 will be actively promoting our data-led campaigns to brands and agencies.

Aims:

- Develop our product offer to brands and agencies
- Demonstrate increased effectiveness of data-led campaigns
- Increasing audience value through better returns on marketing campaigns

Enabling us to:

- Diversify our digital revenues
- Deliver more tailored and relevant advertising to our customers
- Creating new brand opportunities including sponsorship and brand partnerships

The increased levels of customer engagement we are seeing has already begun to generate increased digital revenues, with registered customers visiting our sites more often, viewing more pages and being served with more advertising.

With the Reach ID in place we will now increasingly be able to provide more targeted and relevant advertising opportunities to grow and diversify our digital revenue. Our offer to advertisers and agencies has already been enhanced and we have engaged in a number of commercial trials during Q4 2020 and Q1 2021. These trials cover more targeted campaigns based on our audience segmentation. This enables us to attract higher revenues for campaigns because they result in an improved response rate from consumers. We have also worked with advertisers to pool our audience data with their customer data. This means advertisers can then exclude existing customers from a marketing campaign they only want to make available to new customers.

We are also offering a geographic targeting product based on postcode data. Moving forward we will identify content areas based on insights from our registered customer base which will offer brand opportunities including sponsorships and promotions as well as affiliate deals.

Finally, we are also looking at commercial partnerships in a number of relevant areas. While there will be an element of test and learn in these tie-ups we aim to learn fast and focus on those that can have the potential to achieve scale in the near to medium term.

Measuring progress

+29%

Average page views per user

+32%

Average minutes per visitor

image removed

image removed

Our strategic pillars continued

4 Talent, wellbeing and diversity

We continue to develop our core expertise to support the Customer Value Strategy in key areas like data and insight, while continuing to invest in our journalism at all levels. As representatives of our communities we are focused on improving diversity and inclusion to be more representative. The issue of wellbeing was highlighted by the pandemic and we continue to expand support services available to our people.

Aims:

- Harnessing the full talent of our teams
- Embedding the Customer Value Strategy among all colleagues
- Promoting diversity, inclusion and wellbeing among our people

Enabling us to:

- Develop our core capabilities to support the Customer Value Strategy
- Encourage innovation and creativity and new products and services
- Recruit the best talent from the widest pool of experiences
- Better engage customers from all backgrounds
- Developing and recruiting talent will be key to enabling us to deliver the Customer Value Strategy

Developing and recruiting talent will be key to enabling us to deliver the Customer Value Strategy. Across our national and regional portfolio of titles our people are passionate, talented and creative.

As the business moves into an implementation phase, and one in which we are ahead of where we expected to be due to our progress in securing customer registrations, we now need to ensure we have the appropriate talent and capabilities to deliver the Customer Value Strategy.

During 2021 key areas of development will include our product team to ensure we can take existing products like InYourArea and grow their revenue to scale, as well as continue to innovate and produce new products such as Memory Lane.

During 2020 we conducted an internal review of our approach to diversity and inclusion, led by colleagues who had highlighted the issue and were keen to contribute to a new approach within the Company. While it is especially important that the media is more representative of its readership and reflects the culture and diversity of these islands, we also believe that a truly diverse and inclusive workforce equality contributes to, and does not detract from, our business goals.

image removed

We already support diversity in newsrooms as a strategic partner of the National Council for the Training of Journalists and supporter of the Journalism Diversity Fund. Reach also launched a standalone 'Reach Boost' scheme in 2020. Under the scheme, Reach pays for aspiring journalists' training while in full time employment in our London and South East 'Live' site newsrooms.

In order to build on this progress and take us further forward we appointed a new Head of Diversity and Inclusion – Dr Julie Humphreys – to build on a number of proposals developed by our colleagues and form a long-term plan for the business in this area.

During 2021 we will continue to emphasise the importance of employee wellbeing and the critical role employers play in providing support to colleagues. We continue to build on our support package in this area and ensure that we regularly emphasise the importance of being open about these issues, regularly encouraging colleagues to also be open about these issues, to support each other, while providing additional support to colleagues. We will build on the employee assistance programme and wellbeing hub as well as the mental health first aider volunteer initiative that were all progressed in 2020.

Our wellbeing partners

graphic removed

Key performance indicators

The Group has six KPI's (four financial and two non-financial) which are key to the Group delivering on the Customer Value Strategy and meeting our commitments. The Group needs to maximise digital revenue growth while minimising print revenue decline to deliver overall revenue growth. An increasing margin and maintaining operating cash flow are needed to fund the Group's commitments and investment needs. Two of the key drivers of digital growth are registrations and page views.

Financial

Digital revenue growth (%)

LFL* +10.6%

Actual

chart removed

Target
Year-on-year growth in LFL digital revenue

Print revenue decline (%)

LFL* -18.9%

Actual

chart removed

Target
Improved year-on-year in LFL percentage decline rate

Adjusted operating margin (%)

+0.5pp

chart removed

Target
Continue to grow operating margin

Adjusted operating cash flow (£m)

-£11.3m

chart removed

Target
Maintain operating cash flow to meet pension, debt, dividend and investment requirements

Non-Financial

Customer registrations (m)

End 2020 5.0m

chart removed

Target
10m by end 2022

Total average UK page views per month (m)

+42%

chart removed

Target
Year-on-year growth in total UK page views

* Revenue trends on an actual and like-for-like basis are the same for 2020.

The Group has replaced the Customers reached across Print and Digital non-financial KPI with a more relevant KPI relating to Customer registrations. Customer registrations are a key focus for the Customer Value Strategy as it enables us to secure insights into customer behaviour, which can then be used to improve customer experiences and offer opportunities to brands to adopt better-targeted campaigns, customer offers and commercial partnerships. Customers reached across Print and Digital, remains a relevant measure of our influence across both Print and Digital, but is not a key metric that is currently used to measure performance.

Financial review

Robust performance with strong H2 recovery

Highlights

+10.6%
digital revenue growth

+0.5pp
improvement in adjusted operating margin

£42.0m
net cash at year end

Group performance in the year has been impacted by the COVID-19 pandemic, but has also demonstrated remarkable resilience.

Having started the year well with encouraging digital growth and reduced print declines, the COVID-19 pandemic began impacting the business from mid-March. This drag on performance was most severe in Q2 but has reduced each quarter since, with print improving driven by circulation recovery and with digital growth delivering a record performance in Q4.

image removed

We have accelerated our digital audience growth, establishing ourselves as a digital player of true scale."

Simon Fuller
CFO

Year on Year Revenue Change	Q1 %	Q2 %	Q3 %	Q4 %	FY %
Print	(10.7)	(29.5)	(19.7)	(15.8)	(18.9)
Digital	13.7	(14.8)	13.4	26.0	10.6
Group	**(7.4)**	**(27.5)**	**(14.8)**	**(8.5)**	**(14.6)**

Revenue trends on an actual and like-for-like basis are the same for 2020. Q4 benefited marginally from the inclusion of Independent Star Limited in December 2020 which, if excluded, the Q4 Group decline would have been 9.1% (print -16.5% and no change to digital growth) and FY Group decline would have been 14.7% (print -19.1% and no change to digital growth).

Revenue declines in January and February were 5.8% and 4.0% respectively, a continuation of 2019 trends. March began consistent with these earlier months but was significantly impacted by the COVID-19 pandemic from the middle of March as the UK entered into national lockdown. This resulted in the Q1 decline being 7.4%. April, when the impact of COVID-19 was at its worst, saw Group revenue declines of 30.5% with print down 31.8% and digital down 22.5% (the biggest driver of both of these being reduced advertiser demand). The impact lessened in May and then further into June as the lockdown restrictions eased. Group revenue in June declined by 23.9% with print down 26.7% and digital down 4.9%. The improvement in the trend continued into Q3 as the UK came out of lockdown. This improvement further accelerated in Q4 despite the introduction of a tier system of lockdowns.

The digital growth benefited from the progress made in the Customer Value Strategy in driving engagement through registrations and digital revenues. Digital revenues are an increasing percentage of total revenues, increasing from 15% in 2019 to 20% in 2020.

The Group has continued to maintain a strong balance sheet with adequate liquidity. The positive net cash balance of £42.0m is an increase of £21.6m on the prior year end, reflecting the continuing profitability of the Group (during each month of the pandemic) and our proactive steps taken to preserve cash.

Trading performance

Impacted by the COVID-19 outbreak

Revenue declined by 14.6% compared to a like-for-like fall of 5.3% in 2019, impacted by the COVID-19 pandemic. Within this, print revenue fell by 18.9% (2019: down 7.9%) and digital revenue grew by 10.6% (2019: up 13.2%).

Print revenue fell by 18.9% to £479.3m, with the more resilient circulation revenue declining by 11.6% while advertising revenue declined by 28.9% due to the significant impact on print advertising demand. Circulation revenue now accounts for 67% of print revenue (2019: 61%).

Circulation volumes for the Group's national daily titles (excluding the impact of sampling) fell by 18.1%. The Group's national Sunday titles (excluding the impact of sampling) fell by 16.7%. Volume declines for our regional titles were 18.0% for paid-for dailies, 28.9% for paid-for weeklies and 22.1% for paid-for Sundays. The circulation volumes for the paid-for magazines were more severely impacted, due in part to the restrictions around photo journalism and celebrity shoots. The circulation volume trend is impacted by cover price differentials and our strategy to increase cover prices each year.

Our nationally sourced advertising performed better than locally sourced advertising. Nationally, while volumes declined in a number of sectors there were some sectors which continued to be active throughout, such as Food Retail and Home Entertainment, and we also benefited from additional Government spend. The impact on locally sourced advertising was greater with the majority of advertisers not advertising at all combined with much reduced classified adverts.

Printing revenue decreased by 34.5% driven by a reduction of contract print as third parties reduced volumes or suspended publications (particularly free titles).

Other revenue decreased by 32.6% driven by reduced enterprise revenues such as holidays and from the cancellation of events and reduction in other contract printing, particularly sports programmes in our Reach Sport division.

Digital revenue comprises the combined display and transactional revenue streams which are predominantly directly driven by page views. We enjoyed significant page view growth in the year with average monthly worldwide page views growing by 32% year-on-year to 1.7bn. Mobile page views grew by 40% and desktop page views grew by 5%. Despite part of the year being severely impacted on yields, as the volume of advertisers reduced significantly due to the COVID-19 pandemic in Q2, digital revenues for the year still increased by 10.6% to £118.3m.

Other revenue is derived from our specialist digital recruitment websites.

Delivery of significant cost savings

The Group has consistently proactively managed its cost base with savings delivered through natural mitigation where volumes decline, day-to-day management interventions and structural programmes which permanently remove costs. A key priority for the Group is maintaining quality journalism whilst ensuring the commercial viability and profitability of our brands into the future. To achieve this we continue to drive efficiencies that do not adversely impact our products.

During 2020 the end to end transformation programme both improved operational efficiency and drove significant annualised cost savings of over £35m at a cost of £16.5m in severance payments. Our review of our print capacity has resulted in the closure of two print plants delivering expected annualised net savings of £11m (gross cost savings of £16m less third party print contracts of £5m which were at risk of being terminated). For the print plant closures, restructuring costs of £16.9m include £6.4m of severance and £10.5m of other costs (£3.7m relating to closure costs and £6.8m relating to property related costs). The closure of the two print plants resulted in an impairment of £48.4m relating to property, plant and equipment of £34.7m and to right-of-use assets of £13.7m.

The Group continued to invest in the Customer Value Strategy with approved projects at an investment of around £5m.

Adjusted operating costs decreased by £81.9m which offset 80% of the revenue reduction of £102.3m. The reduction reflected our ongoing proactive management of costs together with our immediate response to the COVID-19 pandemic and the beginning of the savings from the transformation programme.

Statutory operating costs increased by £15.8m with the adjusted operating cost savings offset by the significant impact of the items excluded from adjusted operating costs which increased year-on-year by £97.7m. The total impact of the items excluded from adjusted operating costs was a charge of £125.0m (2019: £27.3m). Operating adjusted items comprise restructuring charges in respect of cost reduction measures of £36.4m (2019: £10.7m), a £12.5m (2019: £11.0m) increase in the provision for dealing with and resolving civil claims in relation to historical phone hacking, impairment of assets relating to print site closure of £48.4m (2019: nil), goodwill impairment in the Digital Classified Recruitment cash-generating unit of £6.1m (2019: nil), pension administrative expenses of £6.1m (2019: £2.9m) and a historic property development onerous contract charge of £15.5m (2019: nil).

Financial review continued

Reconciliation of statutory to adjusted results	Statutory results £m	Operating adjusted items £m	Pension finance charge £m	Tax £m	Adjusted results £m
Revenue	600.2	–	–	–	600.2
Operating profit	7.6	126.2	–	–	133.8
Profit before tax	0.4	126.2	4.7	–	131.3
(Loss)/profit after tax	(26.7)	110.3	3.8	19.0	106.4
Basic (loss)/earnings per share (p)	(8.6)	35.7	1.2	6.1	34.4

The statutory operating cost changes were:

Labour costs were £217.2m (reduction of £22.9m versus 2019) with savings from structural cost actions and additionally from the benefit of our COVID-19 related savings from staff going on furlough (benefit of £7m), temporary pay reductions (benefit of £4m) and the suspension of bonuses (benefit of £7m).

Newsprint costs were £45.8m (reduction of £27.3m versus 2019) with savings from reduced volumes and lower newsprint prices partially offset by increased availability.

Depreciation was £27.4m (increase of £5.9m versus 2019) as the Group recorded depreciation on right-of-use assets recognised at the beginning of 2020 as a result of the IFRS 16 'Leases' adoption.

Other costs were £303.6m (increase of £60.1m versus 2019) driven by the increase in operating adjusted items (£97.7m) offset by a £37.6m reduction across activity related and discretionary spend areas along with savings from structural cost programmes.

Statutory results

The statutory operating profit of £7.6m for the year compares to a statutory operating profit of £131.7m in the prior year with trading being impacted by COVID-19 together with the costs of delivering structural cost savings (restructuring and print site closure costs) and provisions for historical matters (notes 8 and 25). Statutory financing costs were £7.2m (2019: £10.9m) reflecting the reduction in the pension finance charge on a lower opening pension deficit. The reduced interest costs on bank borrowings have been substantially offset by interest cost on leases as a result of the IFRS 16 'Leases' adoption. The statutory tax charge of £27.1m (2019: £26.6m) comprises a current tax charge of £2.7m (2019: £15.9m) and a deferred tax charge of £24.4m (2019: £10.7m). The deferred tax charge includes a debit of £19.0m relating to the remeasurement of the deferred tax balances due to the reversal of the planned decrease in the corporation tax rate from 19% to 17%. Statutory loss after tax amounted to £26.7m compared to a profit after tax of £94.3m and statutory loss per share for the period of 8.6 pence per share compares to a statutory earnings per share of 30.5 pence in the prior year (2019 restated following the bonus issue to shareholders).

Adjusted results

Adjusted operating profit declined by 12.8% to £133.8m. Adjusted operating margin increased by 0.5 percentage points from 21.8% in 2019 to 22.3% in 2020, supported by the benefits of the transformation programme. Adjusted financing costs were £2.5m (2019: £2.8m) comprising net interest costs on bank borrowings of £1.0m (2019: £2.8m) and interest costs on leases of £1.5m (2019: nil). The adjusted tax charge of £24.9m (2019: £28.9m) represents 19.0% (2019: 19.2%) of adjusted profit before tax. The rate is in line with the statutory tax rate of 19.0%. Adjusted profit after tax decreased by £15.3m or 12.6% to £106.4m and adjusted earnings per share decreased by 5.0 pence or 12.7% to 34.4 pence (2019 restated following the bonus issue to shareholders).

The Group excludes from the adjusted results: operating adjusted items (note 8), pension finance charge (note 20) and tax changes arising from changes in the corporation tax rate (note 11). Adjusting items relate to costs or incomes that derive from events or transactions that fall within the normal activities of the Group, but are excluded from the Group's adjusted profit measures, individually or, if of a similar type in aggregate, due to their size and/or nature in order to better reflect management's view of the performance of the Group.

Items are adjusted for where they relate to material items in the year (impairment, restructuring, disposals, closures, tax rate changes) or relate to historic liabilities (historical legal and contractual issues, defined benefit pension schemes which are all closed to future accrual). These include items which have occurred for a number of years and may continue in future years. Management exclude these from the results that it uses to manage the business and on which bonuses are based to reflect the underlying performance of the business and believes that the adjusted results, presented alongside the statutory results, provides users with additional useful information.

Restructuring charges and closure costs incurred to deliver cost-reduction measures relate to the transformation of the business from print to digital, together with costs to deliver synergies. These costs are principally severance related, but may also include system integration costs and print plant closure costs. They are included in adjusted items on the basis that they are material and can vary considerably each year, distorting the underlying performance of the business.

Provision for historical legal issues relates to the cost associated with dealing with and resolving civil claims for historical phone hacking and unlawful information gathering. This is included in adjusted items as the amounts are material, it relates to historical matters and movements in the provision can vary year to year.

Impairments to non-current assets arise following impairment reviews or where a decision is made to close or retire printing assets. These non-cash items are included in adjusted items on the basis that they are material and vary considerably each year, distorting the underlying performance of the business.

The Group's defined benefit pension schemes are all closed to new members and to future accrual and are therefore not related to the current business. The pension administration expenses, the past service costs for GMP equalisation and the pension finance charge are included in adjusted items as the amounts are significant and they relate to the historical pension commitment.

The opening deferred tax position is recalculated in the period in which a change in the standard rate of corporation tax has been enacted or substantively enacted by parliament or when a decision is reversed. The impact of the change in rates are included in adjusted items, on the basis that when they occur they are material, distorting the underlying performance of the business.

Other items may be included in adjusted items if they are material, such as transaction costs incurred on significant acquisitions or the profit or loss on the sale of subsidiaries, associates or freehold buildings or liabilities arising from historical contractual issues. They are included in adjusted items on the basis that they are material and can vary considerably each year, distorting the underlying performance of the business.

Balance Sheet

Strong cash generation

Net cash increased by £21.6m from £20.4m at the prior year end to a net cash position of £42.0m at the year end. The positive cash position and strong liquidity reflects the Group's proactive steps to preserve cash during the year.

IFRS 16 'Leases' implementation

The Group has implemented IFRS 16 with effect from 30 December 2019, the first day of the current accounting period, using the modified retrospective approach to transition and has accordingly not restated prior periods. The impact of the implementation has been to recognise the Group's previous operating lease commitments in respect of property and vehicles onto the balance sheet. This has resulted in right-of-use assets being recognised on the balance sheet of £45.6m at 30 December 2019 representing the lease liabilities of £48.7m less £3.1m of prepaid and accrued lease related balances. Lease liabilities of £48.7m were also recognised on the balance sheet at 30 December 2019. As a result of applying IFRS 16 the Group has recognised depreciation and interest costs, rather than rental expenses for its lease commitments. This has resulted in a £0.7m positive impact to adjusted and statutory operating profit and £0.8m negative impact on adjusted and statutory profit before tax. IFRS 16 has no impact on the consolidated cash flow statement apart from changing the classification of rental payments from operating to financing activities. Further details of the impact of IFRS 16 and its implementation are detailed in note 2.

Historical legal issues

The historical legal issues provision relates to the cost associated with dealing with and resolving civil claims in relation to historical phone hacking and unlawful information gathering. There are three parts to the provision: known claims, potential future claims and common court costs with estimates based on historical trends and experience of claims and costs. Certain cases and other matters relating to the issue can be subject to court proceedings, the outcome of which can impact on how much is required to settle the remaining claims and on the number of claims. The Group has recorded an increase in the provision every year since 2014 which highlights the challenges in making a best estimate and the time taken to resolve this historical matter. It is not possible to provide a range of potential outcomes in respect of this provision and due to this uncertainty, a contingent liability has been highlighted. The Group accelerated the settlement of claims in the second half of the year resulting in payments of £9.7m in this period compared to £0.9m in the first half. In light of the payments made and based on additional claims received the provision has been increased by £12.5m in the year. At the period end, a provision of £23.0m remains outstanding and this represents the current best estimate of the amount required to resolve this historical matter. The provision is expected to be utilised over the next few years.

Historical contract issues

A charge of £15.5m has been made in the year reflecting a historic property development onerous contract. In 2018 the Group sold part of its freehold property in Liverpool and also entered into an agreement to develop the property into a hotel and retail/office space. As a result of COVID-19 the development incurred significant time delays and cost overruns, with no certainty as to the amount that could be incurred on completion of the development and insufficient contractual protections based on the historical agreement. A new agreement was reached to limit the exposure to the Group to £15.5m. A one-off provision of £15.5m was made at the half-year and the £15.5m was paid in September 2020. The Group has no further exposure in respect of this development.

Increase in accounting pension deficit

The IAS 19 pension deficit (net of deferred tax) in respect of the Group's six defined benefit pension schemes increased by £12.6m to £255.5m. The increase was driven by Group contributions and strong asset returns being more than offset by unfavourable movements in financial assumptions driven by a decrease in the discount rate and an update to the scheme demographic assumptions following scheme actuarial analysis. The Group has taken actuarial advice and has updated the approach to determining the bond constituents for the calculation of the discount rate and the bases of setting the RPI/CPI inflation assumptions. Changes in the accounting pension deficit do not have an immediate impact on the agreed funding commitments. The triennial valuation for funding of the defined benefit pension schemes as at 31 December 2019 would usually be completed by 31 March 2021. We have agreed the funding of the WF Scheme and the discussions with the remaining five schemes are ongoing.

Financial review continued

Group contributions in respect of the defined benefit pension schemes in the year were £53.9m (2019: £48.9m). As part of the key mitigation actions resulting from the COVID-19 pandemic, the Group agreed with the Trustees a deferment of its pension contributions for April, May and June amounting to £12.2m. Of this amount 80% (£9.8m) was paid over to an escrow account and 20% (£2.4m) was retained in the business. The Group could have drawn on the amounts in escrow if certain conditions were met up to 28 June 2020. None of the conditions were met and the 80% was released to the pension schemes in July 2020. The 20% of the deferment (£2.4m) was paid over to the schemes in September 2020.

As part of the decision to close the Luton print plant the Group reached agreement with the Trustees of the WF Scheme to make additional contributions of £5.0m in 2020 (included in the £53.9m of Group contributions) and a further payment of up to £15.0m by the end of June 2021 to enable the Trustees to purchase a bulk annuity policy which would match the remaining liabilities in the scheme in full. In February 2021 a payment of £9.6m was made and the Trustees purchased the bulk annuity policy. No further contributions are expected to the WF Scheme.

Deferred consideration

Deferred consideration (which is shown separately on the face of the consolidated balance sheet in 2020) is in respect of the acquisition of Express & Star. Payment of the first instalment of £18.9m was made on 28 February 2020. Of the remaining amount of £40.1m, £16.0m is classified as current liabilities (payable on 28 February 2021) and £24.1m is classified as non-current liabilities (£17.1m on 28 February 2022 and £7.0m on 28 February 2023).

Cash Flow

Continued good cash generation

Cash generated from operations on a statutory basis were £121.3m (2019: £147.4m). This also includes a £9.2m benefit from the adoption of IFRS 16 'Leases' where operating lease payments are now shown in financing activities (but has no change on the net cash position).

The Group presents an adjusted cash flow which reconciles the adjusted operating profit to the net change in cash and cash equivalents. Set out in note 37 is the reconciliation between the statutory and the adjusted cash flow. The adjusted operating cash flow was £121.8m (2019: £133.1m) which is before historical legal issues payments (£10.6m), historical contract issues payments (£15.5m), pension funding payments (£53.9m), deferred consideration payments (£18.9m), acquiring the remaining 50% of Independent Star Limited (£3.4m) and additional purchase of shares in PA Media Group (£0.2m).

Dividends

After due consideration, in light of the uncertainty around the COVID-19 pandemic, the Board announced on 6 April 2020 that it would no longer propose a final dividend for the financial year ending 2019.

On 28 September 2020, with the Group performing materially ahead of market expectations for 2020, the Board recommended a non-cash bonus issue of shares to shareholders, in lieu of and with a value equivalent to an interim dividend of 2.63 pence per share, which was subsequently approved by shareholders.

In recognition of the importance of a cash dividend to shareholders and considering latest performance, the Board proposes a final dividend of 4.26 pence per share for 2020 (an increase of 5.2% compared to the final dividend originally proposed in 2019). The final dividend which is subject to approval by shareholders at the Annual General Meeting on 6 May 2021 will be paid on 4 June 2021 to shareholders on the register at 14 May 2021.

The Board recognises the importance of growing dividends for shareholders while also investing to grow the business and meeting our funding commitments to the defined benefit pension schemes. The Board expects to continue to adopt a policy of paying dividends which are aligned to the free cash generation of the Group. Free cash generation for this purpose 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 because of any substantial increase in dividends and/or capital returns to shareholders.

Current trading and outlook

Trading to date has been broadly similar with Q4 2020 and performance is in line with management's expectations for the year although there remains some uncertainty on the impact and duration of COVID-19. Digital revenue for the first two months of the year grew by 20.4%, with revenue overall for the Group down 10.7%. During the year, we will increasingly prioritise investment behind the Customer Value Strategy, with the overall objective of doubling digital revenues over the medium term. Last year's business transformation has established a highly efficient operating model, supporting a strong cash position and robust profit margin. Consequently, we expect our full year adjusted operating margin percentage will be ahead of last year.

Simon Fuller
Chief Financial Officer

1 March 2021

Non-financial information statement

The Company is required to comply with the non-financial reporting requirements set out in Sections 414CA and 414CB of the Companies Act 2006. The table below sets out where information in relation to the following matters can be found:

Topic	Pages
Business model	8 and 9
Non-financial key performance indicators	27
Employees	33 to 36
Environmental matters	38 to 41
Social and community matters	42
Human rights	43
Bribery and corruption	43
Principal risks and how they are managed	46 to 49

Managing our resources and relationships

Our people

Our people are at the heart of our business, driving performance and progress in the continuously evolving Media sector. Our achievements in 2020 can be attributed to our talented colleagues who worked with pride and resilience through a hugely challenging year. Our people have demonstrated determination, commitment and dedication, adapting to new ways of working and embracing change to ensure the future success of the business.

In 2020, Reach colleagues and teams received over 25 industry Media Awards across our national and regional brands.

Our people plan focuses on ensuring we have the best people in the right roles now and in the future. We do this through identifying the right talent and offering development opportunities and support to our people so they can be their best and adapt to succeed for our business. Our people are encouraged to take accountability and drive performance at pace, whilst putting the customer at the centre of what they do.

Highlights

- Significant industry recognition for award winning employees and teams
- Supported our people to successfully transition to a predominantly home working organisation
- Strategic transformation of the business to set up for future success with the right roles and people
- Launched a Growth Framework for all leaders and people managers to enable and maximise the performance and engagement of all our people
- Appointed our first Head of Diversity and Inclusion
- Investment in internal communications and colleague engagement with appointments of a Head of Internal Communications and a Head of People Experience

At the year end, the Group employed 4,184 permanent employees across 67 locations.

chart removed

Supporting our people through change

2020 was a year of significant and rapid change at Reach largely in response to the global COVID-19 pandemic. Our people were supported to make the change to work remotely both from a practical and importantly a wellbeing point of view. We ensured everyone quickly had the right equipment to be able to carry out their work in a safe environment, recognising not everyone's situation and ability to adapt would be the same. For roles where home working is not possible, predominantly for our people working at print sites, we provided a safe work environment.

2020 also saw significant restructuring to ensure the future success of our business. Our people were supported at all levels throughout the change and we continue our journey to make sure we have the right people in the right roles and everyone is enabled to be their best.

Our Wellbeing programmes were enhanced to support people through these unprecedented times and continue to evolve to meet changing needs.

Monitoring culture through employee engagement

Our newly appointed Head of People Experience is responsible for driving a positive experience for all our people – one that attracts and retains brilliant talent and helps people thrive and perform at their best, to support Reach's strategic goals.

We continue to take feedback from our employees on a monthly basis on all areas relating to their work life experiences to measure employee engagement. The need to do so was evermore important this year, and we adapted our focus to reflect the immediate changes to our ways of working and the impact it had on our employees. This enabled us to engage with our teams in remote settings, as well as those on furlough to determine priorities and trends and to respond accordingly.

Our understanding of employee engagement is always evolving, and we now track employee engagement against the employee lifecycle to understand how we support employees not only at pivotal stages in their careers but also in moments relating to wellbeing and diversity and inclusion.

We launched our first all employee census in 2020 to help us get to know our people better so that we can make the right decisions to help everyone be their best at work.

Olivia Streatfeild, non-executive director, provides the Board with an independent link to the workforce in her role as 'Colleague Ambassador' and assists the Board in engaging with colleagues and receiving feedback on important issues.

Group news is shared with colleagues via intranet articles, email updates and a combination of verbal and written information cascades including town halls and sessions where colleagues meet directly with our CEO to share feedback and ideas.
Our internal intranet, Buzz, is the hub for news and information across the Group. We support and engage with various colleague groups and networks across the business to better understand colleagues' experiences and needs, share ideas and communicate. During the year, we appointed a new Head of Internal Communications to support these activities and ensure our people are informed, engaged and included in what's important in our business.

We continue to work constructively with our recognised trades unions as we face the challenges posed by the pandemic and our business evolves to succeed going forward. The unions have been extensively involved in the business transformation programme and played an integral role in its success whilst robustly representing their members' interests.

Managing our resources and relationships continued

Another way we monitor culture and measure colleague engagement is through monitoring retention rates and absenteeism. In 2020, the voluntary rate of employee turnover was 5.9% down significantly from 10.4% in 2019 which will be influenced by reduced mobility due to the pandemic. The retention rate (defined as employees in the Group's employment for the full 12 months) was 91%, up from 79.8% in 2019. In 2020, the Group's absenteeism rate (which follows the common definition used by the Advisory, Conciliation and Arbitration Service) reduced to an average of 1.56% from 2.1% in 2019.

Colleague Ambassador

The Colleague Ambassador Role has been very important in 2020 with the start of a very challenging time where uncertainty was relentless as everyone navigated a new unchartered territory.

In response, mechanisms of communication and engagement measurement across the Group were adapted and increased. Employee feedback and insight enabled us to work collaboratively with employees to make some brilliant changes and advances to our support offering and enhance the experiences for our people against the backdrop of a truly challenging year. Wellbeing, diversity and inclusion, reward and recognition and employee experience were just some of the key areas of activity in 2020 and will remain a priority for 2021.

The terms of reference for the Colleague Ambassador role (approved by the Board), that proved successful in 2020, will continue and include the following activities:

- Quarterly review of Your Say colleague engagement survey results and turnover and absence levels with the Group HR Director;
- Keeping up to date on the Group's relationships with colleague engagement groups;
- Reporting back insight and feedback to the Board; and
- Meeting with local engagement champions to discuss issues relating to their location.

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Olivia Streatfeild
Colleague Ambassador

Wellbeing

Wellbeing has been a key priority throughout the year and the role of our existing Mental Health First Aiders was repositioned as Wellbeing Champions who are advocates of both wellbeing and mental health. We introduced additional wellbeing questions into our monthly pulse surveys to better understand the health of our organisation, particularly recognising the additional burden of the pandemic. The results enabled us to review our wellbeing offering at Reach and in collaboration with our 75 active Wellbeing Champions put in place a framework that is accessible to all and proactively encourages positive wellbeing. We gave all our colleagues access-free subscriptions to Headspace, a meditation app and provided access to mental health coaching for everyone to supplement our employee assistance programme in these more difficult times. We have seen significant engagement from colleagues accessing support who have been trying new techniques to stay well, as well as benefiting from more traditional support.

Diversity and inclusion

Diversity and inclusion was at the forefront of activity through 2020 in our continued commitment to ensuring employees can be their 'whole selves' at work. We instigated employee led workstreams to develop the priorities and activity for Reach to achieve our goal. Through this initiative we appointed the first Head of Diversity and Inclusion to drive our Customer Value Strategy going forward.

Our Diversity and Inclusion Policy, which applies to colleagues of all levels, including the Board, sets out our commitment to equality of opportunity in all our employment practices, policies and procedures.

Within the framework of the law, we are committed as far as possible to achieving and maintaining a workforce that reflects the communities within which we operate. We are clear that no employee or potential employee should receive less favourable treatment due to their race, nationality, ethnic origin, religion or belief, age, disability, gender, sexual orientation, marital status including marriage or civil partnership status, pregnancy and maternity, connections with a national minority or membership or non-membership of a trade union. 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 any differences.

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.

In 2020, representation of women on the Executive Committee increased significantly to see women occupying a third of the roles, compared to only a tenth in 2019. The percentage of women within the Group overall remained fairly constant at 38% (2019: 39%) with women occupying 36% of senior managerial roles across the Group.

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Gender pay gap

In summary for 2020, we saw an improvement in both mean and median pay gaps for Reach overall - the median pay gap reduced from 16.32% in 2019 to 15.40% in 2020 and the mean pay gap reduced from 17.56% in 2019 to 16.30% in 2020. We remain committed to taking action to reduce the gender pay gap as part of our broader ambition for inclusivity across our business.

We have made progress during 2020 in supporting participation of women at all levels in the organisation and have made some significant appointments of women to key roles including two on the Group Executive Committee. We know that making a difference will take some time and remain committed to driving change whilst ensuring we are fair and transparent for all our employees.

Our full gender pay gap will be published separately on our corporate website in line with requirements.

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, which provides access to confidential and impartial advice on a wide range of welfare issues. All employees are also given the opportunity to select from a range of additional voluntary benefits that support our wellbeing framework and a variety of tools and resources are available for people to access on a dedicated Wellbeing Platform.

In December 2020 Reach made an all employee share award of up to a maximum of £400 worth of shares to recognise and reward people for their commitment during a uniquely challenging year. This gives our employees an opportunity to engage in the wider strategy and share in the Group's success going forward. At the same time a commitment to provide healthcare provision for all employees in 2021 was announced to further support the health and wellbeing of our people.

An annual pay award was made to all employees in 2020 and we continued our commitment to offering all our employees a true living wage as a minimum standard. A temporary pay reduction applied to all employees from April to June 2020 and bonus schemes were suspended for 2020 as part of our business response to mitigate the impacts of the COVID-19 pandemic and position the business to succeed looking forward. Our employees participate in incentive schemes either through the Management Bonus Scheme, a local business incentive scheme or, for all other qualifying employees, through inclusion in the Group's Employee Bonus Scheme and we are planning for schemes to be reinstated in 2021.

Learning and Development

We recognise 2020 has been a very different year to the year anticipated, however our focus has remained to develop the capability of our managers and leaders. In March 2020 we welcomed our Learning and Development Business Partner who specialises in Management Capability and as a team, very quickly got to work to support our managers who were now working with teams in a remote environment. During the first lockdown we hosted 101 of our managers in the first three weeks of moving to remote working to support them in working with teams in a way they had never operated before.

We had to be very responsive during this time to factors driven by the pandemic and produced a number of 'supporting you guides' throughout the lockdown for our managers and employees on a range of subjects from 'how to keep the kids busy' to 'supporting individuals with bereavement'. In addition to this, we delivered a range of virtual classroom sessions to our managers to support them in implementing transformation and consultation.

In the second half of the year we developed and launched our new Growth Framework for all leaders and people managers. The focus of this new framework is to Enable and maximise the performance and engagement of their team to deliver outstanding results for our organisation. Our delivery model is bitesize modules in a virtual classroom environment so has not been impacted by our new way of working.

In conjunction with Group Legal we designed and launched our own internal IPSO (Independent Press Standards Organisation) training for all our editorial employees as well as a new cyber security module which was piloted in November with a view to launch as part of our annual compliance for all employees in 2021.

We adjusted our Talent agenda last year and following business transformation are continuing to redevelop our programmes to support and grow our people for the future.

Health and safety report

2020 was a year of achievement in health and safety with an overall reduction of work-related accidents from 60 to 38. The Company was also awarded the ROSPA Order of Distinction in recognition of 16 years of outstanding performance in health and safety.

In publishing, the emphasis for health and safety assistance changed from mainly office based activities to supporting home working due to the COVID-19 restrictions. Risk Assessments and Procedures to support home working teams were reviewed and will continue to be monitored for effectiveness in 2021. It is a testament to our group services and IT teams that we were able to support home working during the pandemic.

In manufacturing, COVID-19 Risk Assessments and Procedures have been prepared with staff input. Training and communications through regular team briefings and toolbox talks are in place at every manufacturing site.

There were three interactions with the Health and Safety Executive in 2020 in manufacturing to ensure that the sites were COVID-19 safety compliant. Each time the inspector was satisfied that all the health and safety processes were in place, which is evidence of the printing staff's commitment to ensuring our products were available to our readership.

Reported incidents of verbal and online abuse increased in 2020. Further initiatives including improving incident reporting is planned for early 2021.

In 2020 all manufacturing sites retained ISO 45001:2018. Due to COVID-19 all the audits were carried out virtually.

Health and safety training continued throughout the print businesses using either in-house trainers in COVID-19 secure areas or through e-learning modules.

Statutory medicals are planned for all manufacturing sites in 2021, with medical referrals for the publishing businesses as required.

Managing our resources and relationships continued

Group health and safety statistics

The tables below provide statistics for health and safety accidents in 2020, 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.

A more detailed breakdown is given in the following tables.

Health and safety enforcement activity

There was no health and safety enforcement action taken against any of the Company businesses during 2020.

Future health and safety initiatives

To promote and maintain further improvement in 2021 the Company intends to:

- Continue certification of the ISO 45001:2018 standard at all manufacturing sites and implement annual health and safety improvement plans;
- Introduce wellbeing initiatives and well person clinics;
- Continue with the provision of health and safety guidance and training for senior executives, managers and operational staff via tutored courses and e-learning modules;
- 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;
- Improve upon the home working module within the Learning and Development portal with accompanying policy and procedure to accompany the process;
- Continue to provide and deliver furniture and tech equipment to Reach homeworkers;
- Continue to development a new DSE online assessment system;
- Carry out a full review of all current risk assessments and procedures across the Group;
- Provide a more robust support system in areas such as events, travel, magazines and personal safety; and
- Establish an internal national help desk, which will be implemented early next year. This requirement has been identified due to COVID-19 issues and staff primarily working from home. The helpdesk operators are DSE trained and will advise staff accordingly.

Health and safety performance indicator	2020	2019
Fatalities	–	–
RIDDOR specified injuries[1]	–	1
RIDDOR over seven day injuries	**1**	1
RIDDOR occupational ill health/diseases/conditions	–	–
RIDDOR dangerous occurrences	–	–
Total number of accidents	**38**	60
RIDDOR events frequency rate[2]	**0.01**	0.02
All accidents frequency rate	**0.35**	0.69
Total days lost due to accidents	**13**	42

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 2020 (%)	RIDDOR accidents 2019 (%)	All accidents 2020 (%)	All accidents 2019 (%)
Slips and falls (same level)	**100**	50	**5**	20
Lifting and handling of materials	–	–	**16**	8
Contact with machinery	–	50	**10**	8
Falls from a height	–	–	–	3
Stepping on or striking fixed object	–	–	**3**	15
Struck by moving vehicle	–	–	–	–
Contact with sharp/abrasive material	–	–	**34**	15
Struck by flying or falling object	–	–	**13**	12
Contact with hazardous substance	–	–	**3**	2
Contact with hot materials/substance	–	–	**3**	7
Object collapsing or overturning	–	–	–	2
Use of hand tools	–	–	**3**	3
Contact with electricity	–	–	**3**	–
Others	–	–	**7**	5
Total	**100**	100	**100**	100

Wholesalers and retailers

The wholesale and retail sectors are key industry partners. They ensure our readers can buy their daily paper when and where they want it.

2020 posed many challenges. National and regional lockdowns led to thousands of outlets closing and our distribution network was able to respond swiftly, adjusting distribution between supermarkets, local stores and newsagents as the various national and local rules developed.

Around 13 million people continue to read a Reach print title every month with print circulation revenues hitting around 93% of our original budget in Q4 through this joined up approach despite the COVID-19 lockdowns.

Relationships with wholesale and retail partners remain robust. We recently renewed our elite partnership with the National Federation Retail Newsagents. We had regular meetings with industry colleagues throughout the COVID-19 pandemic, using web conferencing services to address emerging issues and agree actions.

Reach Transformation

Under the transformation programme that was materially delivered during 2020, the national and regional editorial teams became one unified operation. These changes were mirrored in the circulation team which is now headed up by John Howard. This new team is well-placed to maximise the potential of Reach's unique and leading portfolio of national and regional titles.

Distribution Progression and Agility

We are now in a position to serve trade earlier than before, to assist wholesalers in adapting to COVID-19 safe working practices in wholesaler depots. This is helping to protect home delivery sales by maintaining normal delivery times. Management action to enhance availability levels during 2020 means that our titles are well stocked in all of the circa 50k news outlets in the UK and ROI.

DeliverMyNewspaper

Reach has played a key role in the scheme which allows readers to benefit from free home delivery of our national titles. To date we have had almost 100,000 requests for vouchers. Our Direct-to-Home scheme now also includes national and local titles.

Subscription Activity Uplift

We have used our entire portfolio to advertise subscription offers to cross-sell our national print and magazine titles.

Switching to one single circulation team has allowed Reach to adapt to the demands of retail colleagues and trading patterns during the pandemic.

Dunnhumby

Reach has secured a relationship with Dunnhumby, the global leader in customer data science, which is part-owned by Tesco. This will allow us to further interrogate trading patterns, make smarter decisions and tap into lucrative consumer behaviour that will better help us protect circulation sales and maximise the potential of vouchering, cross-promotions and availability.

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Managing our resources and relationships continued

Our approach to the environment

Summary of 2020 performance

- We published our GHG reduction target and are committing to reducing market-based GHG emissions from our own emissions by 75% by 2025 versus a 2019 baseline.
- All our electricity was 100% renewable.
- We expanded our data reporting on water and waste.
- We continued to profile environmental issues through our publications and tracked their reach.

Influencing positive environmental change

As a media organisation we have the opportunity to influence public opinion and seek to encourage positive action through relevant campaigns in our publications.

In January 2020, Reach launched #Do1Thing campaign to encourage readers to help tackle the climate crisis. It is the first time that Reach, the UK's largest news publisher has united its regional brands for a common cause. This unified effort reached around 155 million monthly online users and one million newspaper readers across the UK.

All readers were asked to make one small change to their lives to reduce their environmental impact with suggestions from the 25 large regional print titles and the 37 news websites that took part. The campaign's goal was to provide readers with local stories of the effect of climate change in their regions, expert advice and practical tips in combating the issue. These included a Carbon Footprint calculator and a Climate Future tool to allow readers to see what their area will look like by the time their children have grown up.

In May 2019, Cornwall Live launched Plastic Free Cornwall, in conjunction with Surfers Against Sewage, to rid the county of single-use plastics that were washing up on the beaches. That campaign, which started with Penzance being named the UK's first plastic free community has continued throughout 2020, as face masks became the latest plastic blight on our beaches. But we also celebrated a ban on plastic straws and stirrers in October this year.

In January 2020, the Liverpool Echo ran the headline '1,000 deaths a year linked to air pollution in Liverpool City Region, shock new report claims'. The report, commissioned by the British Lung Foundation, (BLF), stated that primary school-aged children, born in the city of Liverpool from 2011 onwards, could have a reduced average life expectancy of up to five months as a result. Road transport was identified as the primary source of the region's toxic air. The City council has since declared a climate emergency and is working on proposals to reduce carbon emissions – including proposals for a clean air zone.

In April 2020 the Manchester Evening News highlighted opinions on improved air quality in Manchester city centre during the COVID-19 pandemic and the benefits to pedestrianising the city centre on a longer-term basis. This received 52,000 online views.

Achievements

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 2020, 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.

We continued to report voluntarily on our emissions through the international Carbon Disclosure Project (CDP), completing their questionnaire on Climate Change and have maintained a score of C for 2020. 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.

Climate change

We recognise the increasing importance of climate change triggered by greenhouse gases (GHG) from burning fossil fuels which poses a threat to the whole of humanity and continue our journey to becoming a zero-carbon company.

The potential risks and impacts on the business with regard to changes in the environment and in environmental legislation are covered on page 44 of the Strategic report.

In 2020 we published our GHG reduction target and are committed to reducing market-based GHG emissions from our own emissions by 75% by 2025 versus a 2019 baseline. We have made significant progress in 2020, although this needs to be seen in the context of some temporary reductions in demand, during the COVID-19 pandemic. Total market-based GHG emissions associated with the activities under our direct management control (Scope 1 and 2 emissions) fell by 72% in 2020 versus 2019. Electricity use is our main source of energy consumption. In October 2019 we started a three-year contract to purchase 100% of electricity from renewable sources. As a result, our market-based GHG emissions from electricity purchased in 2020 reduced to zero. We also achieved reductions in our Scope 1 GHG emissions due to the contracting out of previously owned commercial vehicles. However, our Scope 1 GHG emissions increased per million pages printed due to the reduction in demand.

In terms of energy efficiency, our energy use decreased last year due in the main to the temporary closure of all our office buildings, combined with a reduction in demand for print during the pandemic. In addition, we continued to implement energy efficiency measures including replacing fluorescent lights at the Luton and Watford print sites and halogen lights at the Birmingham print site with LED lighting.

Overall the reductions were not as significant as might be expected, as we also adhered to Government recommendations to run air conditioning units as normal to ensure good ventilation in the properties at all times. However we expect an increase in electricity use in 2021 versus 2020 as operations return to a more normal level.

GHG emissions from Scope 3 have decreased by 15% in absolute terms, but increased by 17% on a per million pages printed basis, due to proportionately larger reductions in demand during the COVID-19 pandemic.

In November 2020 we acquired the Irish Daily Star. For 2020 this was not material as ownership was only for one month. Irish Daily Star GHG emissions data is not included in the overall 2020 GHG emissions data.

A breakdown of the Group's energy consumption and associated GHG emissions during 2020 is set out in the table below.

Supply chain

Our commitment to a sustainable and ethical supply chain

Paper sourcing and sustainable forestry

We remain 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 2020 we sourced 97.8% of all of our graphic paper for Reach own products, from recycled or certified fibre, against our target of 95%.

Contracted printing and product distribution services

We take 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. This is reported under our Scope 3 emissions.

Transparency in supply chains

We are committed to ensuring that there is no slavery or human trafficking in 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 is published on our website www.reachplc.com within six months of the financial year end.

Facilities and infrastructure

The efficient management and maintenance of our facilities ensures our publications and platforms are of consistent quality and our workforce is safe in their environments.

Waste management and recycling

We are committed to reducing the waste we produce and maximising the recycling and reuse of waste. This year we have reported the total volumes of hazardous waste from our print sites, where the majority of hazardous waste is produced. We have also reported on total volumes of paper waste recycled from print sites, which is our main non-hazardous waste stream.

During 2020, 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.

Plastics

We completed an assessment of single-use plastic across the organisation in 2019. We no longer use plastic packaging in products and have taken steps to reduce the limited amount of plastic in use at our sites, such as removing plastic water cups.

Environmental management

Our Environmental Policy (see www.reachplc.com) seeks to reduce our impact in the areas of: paper sourcing; energy consumption and GHG emissions; volatile organic compound (VOC) emissions; waste; and the environmental impacts of our suppliers of contracted printing and distribution.

Environmental management is overseen by the Corporate Social Responsibility (CSR) Steering Committee, chaired by the CFO. The Steering Committee has oversight of the targets and progress of the environmental programme, ensuring that it continues to deliver against the 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, and these meetings are well attended.

2020 has been a difficult year for businesses and individuals alike and from the beginning of lockdown the publishing offices have been closed with staff working from home. It was therefore decided to defer our ISO 14001 audits and recommence in the New Year. Print staff remained on site throughout the pandemic and were able to continue with their external audits remotely.

Reach continues to comply with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We are also reporting in compliance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 known as SECR (Streamlined Energy and Carbon Reporting). We also comply with the Climate Change Agreements (Eligible Facilities) Regulations. Energy consumption and GHG emissions have been calculated in line with the UK Government's Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance (March 2019).

There were no prosecutions or compliance notices for breaches of environmental legislation during 2020.

Managing our resources and relationships continued

Targets and Performance

2020 Target	Progress in 2020	**2021 Onwards Target**
Climate Change		
Publish a medium-term carbon emissions reduction target by the end of 2020.	Achieved	**We will reduce GHG emissions (Scope 1 + scope 2) by 75% by 2025 versus a 2019 baseline and maintain this.**
Reach commits to continuing initiatives, which build on our successful record of tangible reduction of electricity consumption as part of our journey to becoming a zero-carbon company.	Achieved a 14% reduction in electricity use in 2020. We recognise that the temporary closure of all our office buildings, combined with a reduction in demand for print during the pandemic contributed to this performance in 2020, and expect electricity use to increase in 2021.	**We will aim to reduce our electricity consumption by an average of 5% annually over the next 3 years to 2023 versus a 2019 baseline.**
Maintain GHG emissions associated with UK/domestic business travel in FY 2020 compared with 2019, 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	Achieved a 61% reduction in UK/domestic business GHG emissions versus 2019. Travel was significantly lower in 2020 due to COVID-19 restrictions.	**Maintain GHG emissions associated with UK/domestic business travel in FY 2021 compared with 2019, 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**
Environmental Management		
Maintain ISO 14001:2015 certification for publishing (including digital) and print sites. Integrate the site at Lower Thames Street by the end of 2020.	Partially achieved ISO14001:2015 certification was maintained for print sites. Certification of publishing sites, including Lower Thames Street, was paused in 2020 and will resume in 2021.	**All print sites under our ownership to maintain ISO 14001:2015 accreditation.** **All publishing sites that were accredited in 2019 to ISO 14001:2015 to maintain their accreditation in 2021.**
We will seek to track and monitor the reach and impact of campaigns related to sustainability and the environment across our publications and report on the results.	Achieved Impact is measured by the number of page views on a story.	**We will report the number of page views on campaigns related to sustainability and the environment as a measure of the impact of these campaigns.**
Supply Chain		
We aim to use 100% graphic paper (all newsprint and magazine paper grades) manufactured from fibre using recycled materials or wood from certified sustainable forests. We commit to achieving at least 95% recycled or certified.	Achieved 97.8% graphic paper used was certified or recycled and we continued to work with suppliers to maximise this.	**We aim to use 100% graphic paper (all newsprint and magazine paper grades) manufactured from fibre using recycled materials or wood from certified sustainable forests. We commit to achieving at least 95% recycled or certified.**
Waste		
Continue to recycle 100% of all non-hazardous paper waste from print sites under our ownership.	Achieved	**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.	Achieved	**Maximum of 3% of hazardous wastes generated at print sites under our ownership to go to landfill.**
Plastic use reduction targets to be agreed and set.	We completed an assessment of plastic use across the organisation in 2019. We no longer use plastic packaging in products and have taken steps to reduce the limited amount of plastic in use at our sites, such as removing plastic water cups. As the remaining plastic used on our operating sites is minor, we do not believe it is appropriate to set a plastic reduction target at this stage.	

Environmental performance data

Energy consumption and greenhouse gas (GHG) emissions (Tonnes CO_2 equivalent)

	Consumption			GHG emissions (TCO_2e)[4]		
	2020	2019	2018	2020	2019	2018
SCOPE 1[1]						
Gas combustion (heating, all Reach premises) kWh	18,497,215	17,359,411	19,690,931	3,401	3,192	3,622
Oil combustion (electricity generation, all Reach premises) litres	31,906	89,903	115,513	86	242	311
Refrigerant gas loss (all Reach premises) kg	257	263	403	431	608	647
Commercial vehicles (all Reach owned vehicles) km	–	171,525	210,385	–	43	54
LPG consumption[5] litres	37,957	46,958	40,013	59	71	50
Total SCOPE 1				**3,977**	**4,156**	**4,684**
Total SCOPE 1 per million pages printed				**0.05**	**0.04**	**0.05**
SCOPE 2[2]						
Grid electricity used kWh (all Reach premises) – location-based	44,780,842	51,206,683	55,826,953	10,440	13,088	15,803
Grid electricity used kWh (all Reach premises) – market-based	44,780,842	51,206,683	55,826,953	–	9,816	15,305
Total SCOPE 2 (market-based)				**–**	**9,816**	**15,305**
Total SCOPE 2 per million pages printed (market-based)				**–**	**0.09**	**0.15**
Total Scope 1 and Scope 2 (market-based)				**3,977**	**13,972**	**19,989**
SCOPE 3[3]						
Transmission and distribution of Grid electricity used (all Reach premises) kWh	44,780,842	51,206,683	55,826,953	898	1,111	1,347
Business travel (road, not involving company vehicles) km	3,374,852	7,957,630	8,840,043	630	1,530	1,714
Business travel (rail)[6] km	920,209	3,109,746	3,167,664	36	128	140
Business travel (air)[6] km	1,615,963	3,926,445	3,478,451	288	664	673
Electricity for contracted printing (generation, transmission and distribution)[7] kWh	11,177,056	12,397,145	9,136,342	2,830	3,438	2,807
Gas for contracted printing[7] kWh	3,969,480	5,958,840	1,886,811	730	1,096	347
Vehicle mileage for contracted distribution – long haul[8] km	18,267,831	19,542,464	Not available	15,054	16,045	4,709
Total SCOPE 3				**20,466**	**24,012**	**11,737**
Total SCOPE 3 per million pages printed				**0.27**	**0.23**	**0.11**
Overall Total SCOPE 1, 2 (location-based) and 3				**34,883**	**41,256**	**32,224**
Overall Total SCOPE 1, 2 (market-based) and 3				**24,443**	**37,984**	**31,726**
Overall Total SCOPE 1, 2 (market-based) and 3, per million pages printed				**0.33**	**0.36**	**0.31**

Notes

1. 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.
2. 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 have been calculated using the Greenhouse Gas Protocol: *A Corporate Accounting and Reporting Standard – Revised Edition*).
3. 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.
4. GHG emission are calculated using the UK Government's Greenhouse gas reporting: conversion factors 2019. All GHG emissions per million pages printed are calculated using market-based figures.
5. LPG is included from 2019. 2018 has been restated to include LPG.
6. 2018 rail and air data does not include Daily Express and Daily Star.
7. Consumption figures are provided by external contractors.
8. 2019 data has been restated following availability of more accurate data for 2019 and 2020. No km data was available for 2018 and the GHG emissions calculation in 2018 is based on 1,792,452 litres of diesel. This was the best available estimation at the time, although is likely to be an underestimate.

Waste and Water

	2020	2019	2018
Total hazardous waste from print sites (Tonnes)	1,379	1,576	1,469
Total hazardous waste from print sites to landfill (Tonnes)	38	27	25
% hazardous waste from print sites to landfill	2.8%	1.7%	1.7%
Total weight of non-hazardous paper waste recycled (Tonnes)	10,627	not available	not available
% non-hazardous paper waste from print sites under our ownership recycled	100%	100%	100%
% WEEE from publishing sites reused or recycled	100%	100%	100%
Total water consumption at all print and major publishing sites (m^3)	35,458	44,985	52,721

Managing our resources and relationships continued

In step with our local communities

With more than 110 trusted regional titles and 65 Live sites, Reach has built relationships with many local communities across the UK, serving each of them through its editorial work. This includes publicising charities and fundraising campaigns, holding councils to account, raising awareness of socioeconomic inequalities and highlighting the impact of climate change on local regions.

Welcome Organisation gets new van to help the homeless thanks to BelfastLive

In December 2018 BelfastLive kicked off its campaign to raise £25,000 for local homelessness charity the Welcome Organisation through the site's Opening Eyes on Homelessness campaign. The goal was to raise enough money to purchase a van that would be transformed into a full medical unit operating the streets of Belfast, providing essential care directly to the homeless.

Throughout 2019 and 2020, the campaign reached nearly 1.9 million people and thanks to the generosity of BelfastLive users, business partners and its own colleagues, hit its fundraising goal in February 2020.

The Welcome Organisation has now completed its purchase of the van, which will be fully kitted out with a waiting room, consultation room, sink, examination bed and essential medical equipment that will help provide on the ground medical support to people who are homeless in Belfast.

Kieran Hughes from the Welcome Organisation thanked BelfastLive users for making the donations. He said: 'The purchase of the van is fantastic news that comes at the end of a very challenging year for everyone. We would like to express our sincere thanks to BelfastLive and all their readers helping bring this potentially life-saving service to the streets.'

WalesOnline fundraises for grassroots rugby clubs impacted by floods in south Wales

In February 2020, Storm Dennis devastated South Wales, forcing hundreds of people in areas around Pontypridd and in the Rhondda Valley out of their homes due to extreme flooding. In this rugby heartland, dozens of grassroots clubs found their facilities and pitches underwater, resulting in several thousands of pounds of damage that most simply could not afford to repair.

Harnessing its successful Welsh Rugby Podcast brand, WalesOnline hosted a live event at Cilfynydd RFC – a club in the affected areas that had luckily escaped the worst of the damage. The team recruited former World Cup final referee Nigel Owens and British and Irish Lions and Wales star James Hook to join the line-up for the event, which sold out in 24 hours.

The event was a great success, raising £1,100 for the Welsh Rugby Union's Flood Relief Fund.

HullLive supports NHS workers on the frontline of the fight against Coronavirus

In May 2020 HullLive launched Helping Hull's Hospital Heroes, a fundraising campaign to support staff working at Hull Royal Infirmary and Castle Hill Hospital. Teaming up with charity WISHH – Working Independently to Support Hull's Hospitals – the site set a fundraising target of £25,000 to improve staff facilities and furnishings at the hospitals to help them take a break, and provide care packages to lift their spirits.

In November, the campaign surpassed its target, raising nearly £29,000. The charity has used the money raised to enhance staff room areas with coffee machines, microwaves and more comfortable furniture, and provide outdoor areas to allow for socially-distanced breaks in calmer surroundings. It has also provided nursing staff with meals and wellbeing packs for Intensive Care and COVID-19 teams, including face and hand creams to alleviate the effects of wearing PPE for prolonged periods.

Chris Long, Chief Executive at Hull University Teaching Hospitals NHS Trust, said: 'The funds raised through HullLive's Helping Hull's Hospital Heroes campaign will go a long way to supporting our staff through these really difficult times and on behalf of the whole trust, I would like to say a huge thank you to HullLive and to everyone who has donated. It shows what can really be achieved when we all work together as a community, and I know our staff are incredibly grateful.'

image removed

Risk management

Risk management framework

The Group recognises the importance of the effective understanding and management of risk in enabling us to identify factors, both externally and internally that may materially affect our ability to achieve our strategic and operational objectives. This is especially important given the ever-evolving levels of complexity attached to our business and wider economic uncertainty.

The ability to quickly identify, understand and respond to emerging risks is vital in enabling our business to continue to operate successfully. Our risk management framework enables us to do this on a continual basis through a process for the identification, evaluation and management of the principal risks faced by the Group, including emerging risks. Emerging risks are identified by the business on an ongoing basis, for example by keeping up to date with external developments, and are escalated as needed through established risk management reporting processes. All risks are considered in the context of the changing regulatory and compliance landscape. Appropriate and proportionate mitigating actions are taken to minimise the impact of the risks and uncertainties which are identified as part of the risk process.

The primary objective of our risk management framework is to help support the achievement of our strategic and operational objectives and ensure appropriate accountability is in place. Executive Committee ownership is attached to each of our principal risks and well established processes are in place to allow the Board to review these risks and the management of them on an ongoing basis. The management of risk is carried out through an established set of governance structures, policies and frameworks which are monitored and reviewed on an ongoing basis.

Our risk appetite has been defined and agreed by the Board and helps frame decision making in determining how best to manage each of our principal risks. Our summary risk appetite in relation to strategic, operation and regulatory risk is outlined below:

- Strategic – 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.
- Operational – Reach has a low appetite for taking risks that may lead to significant disruption of our operations. We will carefully evaluate the level of operational risk we are prepared to take. We seek to minimise the risks from unforeseen operational failures in both our business and our service providers and have suitable mechanisms in place to identify issues and take necessary actions to minimise losses.
- Regulatory – Reach has little or no appetite for risk that may constitute a breach of regulations. Should mistakes occur which could potentially constitute a breach we aim to take necessary measures promptly to remediate and prevent a recurrence. Whilst we always strive to work within regulatory boundaries, though we will challenge the appropriate bodies where we feel regulations are strategically limiting.

The key risk management roles and responsibilities are summarised on page 45.

Corporate responsibility risks and how they are managed

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 significant new business relationships where appropriate, the Group makes relevant enquiries to establish the third party's 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. All colleagues are required to complete an online e-learning module on anti-bribery and corruption to educate on the risks in this area, for which completion rates are monitored.

The Group supports equal opportunities and has in place policies that safeguard the wellbeing and welfare of all colleagues.

Dignity at Work and Code of Conduct policies have been implemented across the Group which strictly prohibit 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 policies to all employees, promoting awareness during recruitment, training managers and making policies accessible to all via the staff portal. A number of diversity and inclusion initiatives were introduced in the year and we recently appointed a Head of Diversity and Inclusion to help drive this agenda further.

The Group believes it has a minimal exposure to the risks related to human rights. In accordance with the Modern Slavery Act 2015 ('the Act'), the Group has an Anti-Slavery Policy in place that all staff, individuals and entities are subject to who perform services for or on behalf of the Group, which details our zero-tolerance approach to slavery, child labour, bribery and corruption. The Anti-Slavery Policy sets out 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.

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 employees' 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.

Risk management continued

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 has a whistleblowing charter in place and provides a confidential whistleblowing line where employees may report any concerns about the integrity of the business or breaches of the Group's policies. This is hosted by an independent third party. The charter is reviewed by the Audit & Risk Committee periodically.

We also have an employee assistance programme in place through which employees can seek advice.

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.

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.

Climate change is recognised as an emerging risk for the Group and remains under review. 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 Environmental Policy has been adopted by the Board which ensures 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 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. The Group 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 continue to be embedded through a programme of training and ongoing communication. In recognition of the increasingly data centric strategic direction of the business, a Data Protection Officer was appointed in the year to further drive compliance activity.

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.

The key roles and responsibilities in risk management are set out below:

Board

- Sets strategic objectives.
- Identifies, evaluates and continuously monitors principal risks and uncertainties.
- Sets the 'tone from the top' and establishes the corporate risk appetite.
- Reviews and approves key group policies and procedures to manage risk.
- Is responsible for assessment of risk (delegated to the Audit & Risk Committee).

Executive Committee

- Owns the day-to-day operation of the risk management framework and systems of internal control.
- Identifies and assesses risks and introduces mitigation controls.
- Establishes ongoing processes to monitor and manage risk, including emerging risks.
- Assesses the effectiveness of internal controls and addresses any issues identified.
- Ensures significant issues are escalated promptly to the Board.
- Ensures that decisions taken are in line with the corporate risk appetite.
- Ensures onward communication of key group policies and procedures.

Audit & Risk Committee

- Reviews the effectiveness of the risk management framework and internal control systems.
- Reviews effectiveness and integrity of financial reporting.
- Oversees risk based internal audit activity which provides independent assurance over the operation of the Group's internal control systems and risk management processes.
- Monitors compliance with the corporate risk appetite.

Operational Functions

- Ensures appropriate risk management is in place within their business areas.
- Reviews risks and mitigations on a continual basis.
- Reviews and monitors the implementation of key Group policies and procedures.
- Identifies emerging risks, and where appropriate escalates to the Executive Committee.

Risk and Compliance Support Functions

- Supports and advises management in managing risk.
- Coordinates risk identification, reporting and governance activity.
- Supports and advises the business on the development of appropriate and proportionate risk management actions.
- Provides an opinion on the effectiveness of internal control and risk management systems and processes.

Key

Direction and Oversight

Reporting

Advice

Risks and uncertainties

Principal risks

The Group recognises the importance of the effective understanding and management of risk in enabling us to identify factors, both external and internal that may materially affect our ability to achieve our goals. There is an ongoing process for the identification, evaluation and management of the principal risks faced by the Group, including emerging risks. Appropriate mitigating actions are in place to minimise the impact of the risks and uncertainties which are identified as part of the risk process. All risks are considered in the context of our strategic objectives, the changing regulatory and compliance landscape and enabling the continuity of our operations. 2020 has been a very challenging year for the Group against the backdrop of the economic uncertainty caused by the ongoing COVID-19 pandemic and, for much of the year, the possibility of the UK leaving the European Union without a deal. Specific pandemic impacts, such as those related to new working practices, has compounded levels of risk across all areas and we acknowledge that we are not yet able to fully evaluate the impact in all areas. However, the Board have undertaken a robust risk assessment and the principal risks felt facing the Group at this time are shown below, including a description of each risk, the current positioning and key mitigating actions.

How the Group manages risks in relation to Corporate Responsibility is set out on pages 43 to 45 of the Strategic report. More specific detail on environmental and health and safety risks are set out on pages 35 to 41 of the Strategic report. In accordance with the 2018 UK Corporate Governance Code (and Listing Rules), the Board has prepared statements on the Group's going concern and viability. Details can be found on pages 59 and 60 of the Corporate Governance report.

Risk	Description	Mitigation	Update
Macro-economic deterioration (encompasses the impact of the COVID-19 pandemic and the UK's departure from the EU)	Macro-economic factors may have a negative impact on several areas of our business which may restrict our ability to protect profit levels. This risk encompasses the economic impact of the COVID-19 pandemic.	We are in the midst of the global COVID-19 pandemic which has had a significant impact on our business and operations. This has resulted in the need for major mitigating action to be taken by the Executive Committee due to larger than expected revenue declines caused by the sharp decline of advertising and circulation (print advertising generally falls in line with circulation declines). We previously undertook a detailed 'Brexit' risk assessment and continue to review these risks and keep a watching brief on wider developments to ensure the business continues to operate effectively. We do have a strong record of delivering additional cost savings when faced with unexpected revenue declines, as demonstrated by our response as a business to the COVID-19 pandemic.	We remain in the storm of the COVID-19 pandemic crisis and will continue to take necessary actions as required. There remains the monitoring and assessment of other macro-economic factors which may affect the risk exposure of our business. There has been little impact arising to date from the UK's exit from the EU. This will continue to be kept under review.
Print revenue decline acceleration	Structural changes in the traditional publishing industry have led to ongoing decline in print advertising and circulation revenues. Macro-economic factors may contribute to a larger than expected decline. A lack of appropriate strategic focus results in accelerated revenue loss for existing products.	Strategic development led by an experienced Board and Executive Committee. Investment Committee established to approve business plans when reviewed against strategic KPIs. Re-energised strategic focus to develop digital revenue streams through taking a more customer centric focus (the Customer Value Strategy). Continued tactical measures to minimise print revenue declines, such as promotional circulation activity, and to maintain profits by taking appropriate cash mitigation or pricing measures. Governance structures enable ongoing review of performance against targets and strategic KPIs including a weekly structured trading meeting. Acquisition, joint venture and other corporate development opportunities, which are aligned to our Customer Value Strategy, continue to be considered (including industry consolidation and non-organic digital opportunities) such as the Irish Daily Star.	Renewed strategic focus offset by continued revenue challenges. This risk has been amplified by the COVID-19 pandemic resulting in the acceleration of plans and the Group-wide transformation project. The key strategic focus for the Executive Management team remains unlocking customer value which is seen as integral to the future success of the company and moving to overall revenue stability and then growth. The impact of COVID-19 enforced lockdowns continues to be closely monitored.
Insufficient digital revenue growth	A failure to grow digital revenues quickly enough to offset print declines.		

Risk	Description	Mitigation	Update
Cyber security breach	A cyber security incident which leads to a serious data breach or the loss of systems/data and reputational damage.	All business-critical systems are well established and are supported by appropriate disaster recovery plans. Regular reviews assess our vulnerability and our ability to re-establish operations in the event of a failure. The technical infrastructure supporting the websites is within the cloud and the sites have been designed effectively providing adequate resilience and continued performance in the event of a significant failure. Further investment to be made to enhance cyber security infrastructure and training.	We continue to recognise the need for continued cyber security investment against an ever changing technological landscape. Our Customer Value Strategy, with an increased focus on customer data, increases the impact of a cyber security breach. Information security in a remote working environment provides new challenges which are being worked through.
Data protection	Reach collects, processes and stores personal data (eg about its customers and colleagues) to operate its business and deliver its commercial strategy. A contravention of the General Data Protection Regulation (GDPR) could lead to monetary penalties, reputational damage and a loss of customer trust and ultimately result in reduced revenues.	Data protection governance structures have been established to direct and oversee the data protection strategy. A Chief Customer Data Officer and Senior Data Team have been appointed to improve group-wide oversight of how customer data is utilised. A Data Protection Officer and Data Protection Team have been appointed to promote and advise on data protection compliance, provide oversight and help mitigate the risk of compliance breaches. Data protection policies and processes have been implemented to govern how colleagues carry out day-to-day activities involving the handling of personal data and compulsory awareness training has been implemented for all colleagues. Steps are being taken to ensure the organisation adopts a 'data protection by design' approach when developing new products and services that involve the collection and use of personal data, to ensure output deliverables are legally compliant.	The ongoing focus and challenge remains on embedding data protection controls and processes and ensuring that data protection forms part of 'business as usual' thinking. Our Customer Value Strategy brings the risk into even sharper focus, particularly given the acceleration of plans due to the COVID-19 pandemic. The effect on data protection law arising from the UK's exit from the European Union is unclear at present and will continue to be monitored. Necessary short-term steps are being taken where appropriate.

Risks and uncertainties continued

Risk	Description	Mitigation	Update
Supply chain failure	Our print products rely on a small number of key suppliers (for example, newsprint, wholesalers and distributors) and may be adversely affected operationally and financially by changes to supplier dynamics. Specifically, from an IT and Digital perspective, we depend on the reliability and capability of key information systems and technology supplied by third party providers. A major failure, a breach, or prolonged performance issues could have an adverse impact on the business. This risk encompasses the general business continuity risk.	Well-established long-term relationships with trusted suppliers. Strong ongoing management and/or monitoring of providers including: – IT providers; – Outsourced ad production and planning; – Wholesalers and distributors; – Newsprint suppliers; – Manufacturing maintenance and parts providers; and – Global digital partners. Business continuity/disaster recovery plans in place, including at our key partners. Our own plans were successfully invoked as a result of the COVID-19 pandemic requiring the majority of the workforce to work remotely. Industry-wide response likely should key common elements of the publishing supply chain be compromised. Ongoing review of the operating model, including the assessment of alternative options. In IT, governance oversight arrangements and committee structures are in place covering areas such as risk management, change control, security and service delivery. Measures to reduce the reliance on key staff at IT providers. Appropriate contractual protections in place.	A decreasing number of key suppliers and an increasing number of outsourced arrangements in place means it becomes increasingly important to stabilise and optimise arrangements and ensure appropriate contingency plans are in place. The COVID-19 pandemic means businesses – such as news outlets – are under increasing pressure and some may struggle to survive which may have a supply chain impact on our operations. From an IT perspective, an issue with the supply chain could potentially have a greater impact at this time due to current remote working practices. This risk will continue to be considered in the context of wider business disruption. Recent transformation activity in manufacturing further increases our business disruption exposure.
Health and safety issue	A health and safety incident within one of our sites which results in death or injury to an employee or others. An incident which has an adverse impact on the safety and security of our employees. During the current public health crisis, there is an amplified strategic or operational risk should key employees, or their family members, be directly affected by the pandemic.	Clear Health and Safety policies and procedures consistently applied across the Group. All parts of the Group are serviced by professionally qualified and experienced Health and Safety Managers and Occupational Health service providers. All printing plants have been externally assessed and certified as compliant with relevant standards. Internal and external auditing to ensure continuing compliance across our print and publishing sites. The health and safety focus in recent months have been on ensuring employees are properly set up to work remotely and making sure our sites and working practices are in line with Government guidelines. Review of existing healthcare arrangements due to the pandemic. Wellbeing, including the mental health, of our staff continues to be a key area of focus.	Due to the health implications of COVID-19, health, safety and wellbeing in relation to our employees has been in sharp focus and continues to be taken very seriously. Several actions have been taken and risk assessments updated to ensure our employees are safe including those working at home, in the field and, on occasion in the case of journalists, travelling overseas. Latest Government guidance advises office workers to remain home working if they can and we are working in line with these guidelines.

Risk	Description	Mitigation	Update
Lack of funding capability	The main financial risk is the lack of funding capability to meet business needs. This may be caused by a lack of working capital, unexpected increases in interest rates or increased liabilities, in particular: Pension deficits may grow at such a rate that annual funding costs consume a disproportionate level of profit; and Volume and level of claims may continue to have significant cost implications.	Financing Strong cash generating business. Committed loan facilities are in place to deliver our strategy. Ongoing constructive relationships and regular dialogue with syndicate banks. Regular cash flow forecasting, monitoring through Treasury reporting processes. Limited foreign exchange fluctuation exposure. Appropriate bad debt insurance protection. Pensions Regular reporting to the Board. Collaborative relationship and regular meetings with Trustees. Ongoing review of options to de-risk pension liabilities. Historical Legal Issues Ongoing historic legal issues claim level monitoring and management. Standing item on Board agenda. Working with external lawyers on civil claims and related investigations.	We recognise that the current global pandemic has amplified the risk and so quickly took mitigating action to conserve cash. Financing Facility with banking syndicate in place. Pensions We remain committed to addressing our historical pension deficits and continue to make significant payments to the schemes though these were temporarily deferred. Historical legal issues We continue to deal with the historical legal issues in a professional and efficient manner although the final outcome of the civil claims remains uncertain.
Inability to recruit and retain talent	The inability to recruit, develop and retain talent with the appropriate skills, knowledge and experience compromises our ability to deliver strategic business plans.	Ongoing considerations of: – Digital capabilities of workforce; – Turnover levels; – Pay and benefits; – Opportunities to expand talent pool (for example, outside London); – Recruitment channels used; and – Diversity and inclusion.	Retention and recruitment of appropriately skilled staff will remain an ongoing challenge. Our Diversity and Inclusion strategy, to be defined and implemented in 2021, will enable us to ensure we are recruiting and developing staff from the widest possible pool of talent. A Head of Diversity and Inclusion has been appointed to lead this work.
Brand reputation damage	Damage to reputation arising from employee actions or behaviours, including breaches of regulations or best practice guidelines. Editorial errors, behaviours or tone leads to loss of readership, damaged reputation and legal proceedings. An incident which has an adverse impact on environment.	Recruitment of highly experienced and capable people into key senior management roles. Governance structures provide clear accountability for compliance with all laws and regulations. Policies and procedures are designed to meet all relevant requirements. Employees trained to comply with all relevant legislation. Ongoing consideration of upcoming legislative changes and emerging trends. Crisis management procedure developed and communicated.	There remains awareness that an indiscretion could lead to significant financial and reputational damage. In editorial, we are aware of the heightened risk created in a digital-led environment due to the 24/7 nature of operation and the need to move with pace. Operationally, we have had to react very quickly to the current situation with stretched resources at times, so it is important to recognise that an increased risk of error or oversight may exist at this time.

Section 172 statement

In summary, as required by section 172 of the UK Companies Act, a director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- company's reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the factors set out above, as well as other factors which we consider relevant to the decision being made. Those factors, for example include the interests and views of our employees, pension schemes and our customers and readers. We acknowledge that every decision we will make will not necessarily result in a positive outcome for all our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

For details on how our Board operates and the way in which we reach decisions, including the matters we discussed and debated throughout the year and our interaction with, the key stakeholders, please see the Chairman's introduction to corporate governance on page 52, Board activities on page 53 and Engaging with our stakeholders on pages 4 and 5.

The COVID-19 pandemic has had a significant impact on all of our stakeholders since it emerged at the beginning of 2020. This impact and how we have responded to protect our business and manage the expectations of our stakeholders is set out on pages 4 and 5.

We set out below some examples of how the directors have had regard to the matters set in section 172 when discharging their section 172 duty and the effect of that on certain of the decisions taken by them.

Strategy

Each year, the Board carries out a review of the Company's strategy. Having approved the development and launch of the Customer Value Strategy, which was announced in February 2020, in response to the COVID-19 pandemic, in July 2020 the Board approved an accelerated strategy and business transformation of the Company. In making the decision to approve this updated plan, the Board received and considered information in relation to the impact on key stakeholders and other areas. The directors considered the negative impact of the business transformation on the members of the workforce that would unfortunately be made redundant. We consulted with all staff impacted by the business transformation together with the unions and supported those whom were impacted by the changes. This included opportunities for re-training and assistance to members of the workforce seeking new employment. Alongside this they also considered the need to secure the Company's long-term future by responding to the difficult trading conditions arising as a result of the COVID-19 pandemic and the long-term benefits and security that the accelerated strategy and business transformation would bring to our shareholders and to many other stakeholders including the majority of our workforce, the members of our pension schemes and the local communities in which the Company operates.

Diversity and inclusion

In 2020 the Board considered how best to encourage greater diversity and inclusion within the Group. This included discussions around the development and progression of women and ethnic minorities into senior business roles; the availability of flexible working arrangements and feedback received from engagement exercises that were undertaken on this area with our workforce. As a result of this the Board endorsed and supported the appointment of a new Head of Diversity and Inclusion from January 2021 to accelerate our progress in this area and set new initiatives for 2021 and beyond.

Dividends

When considering dividends, the Board makes an assessment of the strength of the Company's balance sheet and future prospects relative to uncertainties in the external environment. Details of our dividend policy are set out in the Director's report on page 90 where we explain our long-term approach to dividends.

The Board took the decision to suspend the payment of dividends in 2020. In making this decision the Board considered a range of factors. These included the impact of the COVID-19 pandemic on the Group's cash flow, our employees and the operating risk the sector faced together with consideration of our pension scheme commitments and the investment required to accelerate the strategy as well as the expectations of our shareholders. The Board concluded that in order to promote the success of the Company in the long term a suspension of the dividend payment was required.

Pension schemes

The Board considered the effects of the COVID-19 pandemic and the cash conservation and cost reduction measures that were swiftly introduced which impacted other stakeholders (pay reductions, suspension of all 2020 bonus schemes, furloughing of a number of colleagues as well as the cancellation of the 2019 final dividend). Reluctantly the Board reached the conclusion that it was in the best interests of the Company to ask all stakeholder groups to contribute to the short-term protection of the business.. The pension schemes were therefore asked to agree a deferment of contributions by the Company to all the group pension funds for April, May and June amounting to £12.2m. This has subsequently been repaid but emphasises the importance to the Board of ensuring support from all stakeholders as part of the Board's decision-making process.

The Strategic report was approved on behalf of the Board on 1 March 2021.

Simon Fuller
Chief Financial Officer

1 March 2021

Governance

We have appointed a new Head of Diversity and Inclusion reporting to the CEO."

Nick Prettejohn
Chairman

image removed

Board leadership and Company purpose
Chairman's governance introduction

Dear Shareholder,

I am pleased to introduce the Corporate Governance report for the year, in which we describe our governance processes, how the Board discharged its responsibilities and provide detail on the operations of the Board. The executive directors and employees are given the responsibility to run the business day-to-day, but it is for the Board to oversee these responsibilities and promote the long term success of the Company, generating value for shareholders and contributing to wider society.

The COVID-19 pandemic has been a huge challenge for people's health, livelihoods, the economy and our business. However, in a lot of ways it has brought out the best in us. I am very proud of the work which has been carried out throughout 2020 on employee wellbeing and the top-down engagement with staff, which will ultimately lead to a better, more open working environment.

As well as the immediate actions to mitigate COVID-19 impacts, which I outline on page 2 and which is also detailed further on pages 4 and 5, the Board and the Company as a whole had to quickly adapt to new ways of working. Since mid-March 2020 all Board meetings have been held by video conference and will continue to be held this way for the foreseeable future. Product delivery of our newspapers has also been carried out entirely remotely during this period.

Our priorities during the year

Progress in the Customer Value Strategy (the 'Strategy') remains the key objective for the business and the Board has received regular updates from senior management on its progress during 2020 and will continue to do so in 2021.

Employee engagement has also been a key theme during 2020, with wellbeing a major concern during the lockdowns and with the continuation of home working for most employees. We have therefore supported management initiatives in this area including regular and consistent communication with all colleagues and Reach leaders, emphasising the importance of wellbeing. Reach has also invested in free access to counselling and online wellbeing tools and plans to provide increased access to a healthcare scheme during 2021.

The Board has a wide range of experience, skills and diversity among its members that proved invaluable during the COVID-19 pandemic. Having improved diversity on the Board during 2019 with the appointment of Anne Bulford CBE, OBE, the Board has supported the management team in seeking to raise standards in this area. The Group set up a diversity and inclusion working group, carried out its first employee census to gather more information about the make-up of the workforce, and has appointed a new Head of Diversity and Inclusion, reporting to the CEO.

We are continuing to help create an agile and inclusive working environment that helps our people work in a way that's best for them and enables collaboration and teamwork in delivering the Strategy.

The Board is committed to developing a one-company culture, without detracting from the immense pride many employees have toward their news title. The transformation has helped to cement the Reach culture by bringing together regional and national editorial operations as well as merging a number of regions in advertising sales.

Central to our message during the transformation was that we will only sustain our core purpose and protect our newsbrands by operating a successful business that delivers to all stakeholders. During 2020, we continued to embed the Strategy throughout the organisation through regular and consistent communications, including all-colleague and leader town halls and connect and learn sessions.

Monitoring culture and colleague engagement

As part of our increased emphasis on employee communication and engagement we undertook the first all-colleague company census during 2020. In order for the Board to make the right decisions to help our people be the best they can be at work it is essential we know who our colleagues are, their priorities, their personal challenges and the further support they might need from the business. This knowledge will help us with internal communications initiatives to embed the Strategy and to provide learnings for future post COVID-19 working arrangements. It has already provided insight for our increased emphasis on diversity and inclusion.

The Board ensures workforce policies and practices are consistent with the Company's values and support its long-term sustainable success. We have in place a staff intranet and e-learning system where we are able to disseminate our Company policies to staff and monitor their uptake. Given the unique challenges of 2020 and the importance of Group-wide engagement in implementing the Strategy, the Board recommended an award of shares to all employees of up to £400. This was approved by shareholders at the October 2020 General Meeting, and the share awards were made in December 2020.

Olivia Streatfeild, our Colleague Ambassador provides a direct link to the Board providing us with insight and understanding. Details of her work are set out on page 34 of the Strategic report.

During 2020, the Board received regular updates and reports which helped us understand the interests and views of the Company's key stakeholders when making decisions. The Company places considerable importance on communications with investors and regularly engages with them throughout the year. Notwithstanding the challenges and impact of the COVID-19 pandemic on the ability to meet people face to face, some 90 investor meetings were held during the year and there have been many ways in which Reach has supported its stakeholders throughout the year. Read more on our stakeholders on pages 4 and 5.

Our effectiveness as a Board

This year, we again carried out the Board effectiveness review internally. The findings show that the work we do as a Board and in our Committees continues to be effective. Our review also confirmed that our focus in the coming year should continue to be on the Strategy, succession and development and we will commence a search for a new non-executive director during 2021. When recruiting, diversity will be a major consideration and focus in the recruitment process.

Remuneration

At the 2020 Annual General Meeting ('AGM'), shareholders voted in favour to renew the three year authority for our Directors' Remuneration Policy. As 2020 proved to be a very challenging year, and although we believe that our current policy continues to be fit for purpose, we will be proposing updates to our policy at the 2021 AGM to align the policy in response to the rapidly developing environment in which we find ourselves.

Nick Prettejohn
Chairman

1 March 2021

Board activity during the year

The Board holds 10 scheduled meetings each year, including a strategy day which is usually held off-site. Save however for the meetings held in January and February, all meetings this year, scheduled or otherwise, were held via video conference.

Strategy

- Following the launch of the Group's Customer Value Strategy (the 'Strategy') in February 2020, the Board subsequently considered and approved the acceleration of the Strategy and the implementation of the Group's business transformation programme;
- Undertook deep dives into the impact of third party cookie removal, Reach ID, the Strategy, the regional business, In Your Area, Sports Network strategy, brand positioning and newsbrands considering the key growth drivers, markets and customers in each;
- Agreed to increase the customer registrations target, a focus of the Strategy, from seven million to ten million.

Financial

- Approved the full-year results announcement and the Annual Report for the 2019 financial year;
- Considered the financial position and liquidity headroom in light of the COVID-19 pandemic and management's recommended mitigation actions;
- Approved the trading statements in May, November and December;
- Approved the half-year results announcement issued in September, having agreed a delay to the reporting timeline;
- Cancelled the payment of the final dividend for 2019;
- Recommended a bonus issue to shareholders, in lieu of an interim divided which was subsequently approved at a General Meeting on 22 October 2020;
- Approved the bulk annuity insurance buy-in in one of the Group's defined benefit pension schemes;
- Approved the budget for 2021 including projections for 2022 and 2023;
- Regularly reviewed the Group's financial performance and forecasts;
- Approved the settlement of a historical property development.

Operational/Commercial

- Considered the potential impact of the COVID-19 pandemic on the safety of our people, the Group's operations and financial performance and reviewed management's plans for mitigating its impact on the Group's operations and customers;
- Approved the acquisition of the remaining 50% equity in Independent Star Limited, the owner of the Irish Daily Star newspaper;
- Considered and reviewed the Group's print capacity requirements;
- Considered operational and financial metrics required to evidence the Strategy.

Internal control and risk management

- Considered and agreed the Group's risk appetite and principal risks;
- Assessed the effectiveness of our internal controls and risk management systems;
- Agreed the Viability Statement as disclosed in the Annual Report 2019;
- Approved the adoption of a going concern basis of accounting in preparing the half and full year results;
- Agreed the Modern Slavery Act statement, available on the Company's website www.reachplc.com;
- Considered the Group Cyber Security Programme and Data Protection.

Governance and stakeholders

- Reviewed and approved the directors' register of interests;
- Discussed feedback from institutional shareholders and analysts;
- Appointed N+1 Singer as joint brokers alongside the existing advisers, Numis;
- Considered the output and recommendations from the Board effectiveness review;
- Approved the implementation of, and terms of reference for, a management Disclosure Committee;
- Considered the diversity strategy for the Group and endorsed the recruitment of a Diversity and Inclusion specialist to assist in developing and delivering this;
- Updated the terms of reference for both the Nomination and Remuneration Committees;
- Recommended updated Articles of Association for approval, which were subsequently approved at a General Meeting on 22 October 2020;
- Reviewed the Investor Relations programme and endorsed the appointment of an Investor Relations Director.

Leadership and colleagues

- Held CEO Town Halls via video conference, broadcast to all colleagues;
- Reviewed the Group's people agenda including ways of working, diversity, talent management and bench strength within the organisation;
- Endorsed the appointment of the Group's first General Counsel;
- Regularly considered the results and feedback in colleague engagement surveys;
- Awarded all colleagues a share grant up to a value of £400, in recognition of their contribution and achievements during a challenging year;
- Received regular reports on the wellbeing of colleagues and signed off a 'healthcare' plan for all colleagues to be implemented during 2021.

Board leadership and Company purpose continued

Our Board

Nick Prettejohn

image removed

Chairman

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

Skills, experience and contribution: Nick has significant Chairmanship and listed company experience. Since his appointment in 2018 Nick has successfully lead the Board through a period of transition, bringing onboard a new CEO, CFO and Audit Committee Chair. Nick has deep financial services experience, in-depth regulatory knowledge, significant experience in strategic planning and implementation, and strong leadership qualities. The Board believe Nick's strong leadership and chairing skills means he continues to effectively lead the Board. Some of Nick's previous appointments include: Chairman of the Financial Advice Working Group, the Britten-Pears Foundation, Brit Insurance and the Royal Northern College of Music; Non-Executive Director of the Prudential Regulation Authority and Legal and General plc; Member of the BBC Trust and CEO of Prudential UK & Europe and Lloyd's of London.

Current External appointments: Chairman of Scottish Widows Limited; Non-Executive Director of Lloyds Banking Group plc; Trustee of Opera Ventures and Chair of Prisoners Abroad.

Jim Mullen

image removed

Chief Executive Officer

Appointment date: August 2019

Skills, experience and contribution: Jim has significant experience in the advertising and communications industry having spent over 10 years in some of the sector's leading marketing and communications groups as well as significant digital transformation projects. Since his appointment in August 2019, Jim has developed and communicated a clear strategic vision for the future of the business and the Board consider his continuing leadership critical to the execution of the Strategy. Some of Jim's previous appointments include CEO of Ladbrokes Coral plc and Ladbrokes plc; Chief Operating Officer of William Hill Online; and Director of Digital Strategy and Product Management at News International.

Current External appointments: Non-Executive Director of Racecourse Media Group.

Simon Fuller

image removed

Chief Financial Officer

Appointment date: March 2019

Skills, experience and contribution: Simon is a Fellow chartered accountant with 17 years of listed company experience. Having spent the past decade working as a finance director at divisional or main board level, Simon's broad experience enables him to contribute strategically and operationally, whilst also setting high standards of financial management and discipline. Some of Simon's previous appointments include CFO of McColl's Retail Group plc; a variety of divisional finance director roles at Tesco and senior commercial finance roles at BT and COLT. Simon qualified as a chartered accountant with PricewaterhouseCoopers LLP in 2001.

Current External appointments: Director of The Foundation Years Trust and the Regulatory Funding Company.

Helen Stevenson

image removed

Senior Independent Director

Appointment date: January 2014 (appointed Senior Independent Director in December 2015)

Skills, experience and contribution: Helen has significant marketing and digital experience from a range of industries having held a number of blue chip senior executive marketing roles during her career. Having served on the Board since 2014, including as Chair of the Remuneration Committee between 2014 and 2017, Helen has been able to provide (and continues to provide) the Chairman with a high level of support and insight as Senior Independent Director. Some of Helen's previous appointments include Chief Marketing Officer UK at Yell Group plc; Marketing Director for Lloyds TSB Group and European Marketing Director of Mars Inc. Helen has also served as a Non-Executive Director of the Department of Work and Pensions.

Current External appointments: Non-Executive Director of Kin and Carta plc; Member of the Strategic Advisory Board of Henley Business School and Governor and Chair of the International Board of Wellington College. Helen is also the Remuneration Committee Chair and a Non-Executive Director at IG Group Holdings plc and Skipton Building Society.

image removed

David Kelly

Independent Non-Executive Director

Appointment date: December 2014

Skills, experience and contribution: David has extensive experience in technology and product development, with a strong background in innovation having held executive roles at companies such as Amazon and eBay. David is an experienced digital operating executive. He also has significant knowledge of the requirements in respect of listed company remuneration and currently serves as Remuneration Chair of two other listed companies. Some of David's previous appointments include Chairman of Love Home Swap, Prezola, MBA & Company Group (Talmix) and Zuto; Non-Executive Director of the Qliro Group and Basekit and founder and CEO of mydeco. David has also held executive positions at Amazon, Lastminute.com and Ebay.

Current External appointments: Chairman of Simply Business, Camelot Global Lottery Solutions Limited, Forest Holidays and Pure360; Senior Independent Director and Chair of the Remuneration Committee of On the Beach Group plc; Independent non-executive director and Chair of the Remuneration Committee of The Gym Group plc and Non-Executive Director of Holiday Extras.

image removed

Anne Bulford CBE, OBE

Independent Non-Executive Director

Appointment date: June 2019

Skills, experience and contribution: Anne is a chartered accountant and an experienced media CFO and Audit Committee Chair. The Board consider her continuing leadership of the Audit & Risk Committee to be important to ensuring the Company continues to benefit from an independent and objective audit. Anne was awarded an OBE in 2012 for services to UK broadcasting, and more recently in 2020, Anne was awarded a CBE for services to broadcasting and charity. Some of Anne's previous appointments include Deputy Director General of the BBC and Chief Operating Officer of Channel 4. Previous Non-executive roles include Audit Committee Chair for Ofcom and the Ministry of Justice. Anne qualified as a chartered accountant with KPMG and spent 12 years in practice.

Current External appointments: Chair of the Audit Committee of the Executive Committee of the Army Board; Non-executive member of KPMG's Public Interest Committee; Non-executive Chair of Trustees of Great Ormond Street Children's Hospital Charity; Non-executive member of the University College London's Gift Acceptance Committee and Governor of the Royal Ballet School.

image removed

Olivia Streatfeild

Independent Non-Executive Director and Colleague Ambassador

Appointment date: January 2016

Skills, experience and contribution: Olivia has a strong commercial and consumer background, having previously held executive roles at TalkTalk including Commercial Director and Marketing & CRM Director. Olivia has a data-driven and analytical approach to problem solving having worked in consulting for McKinsey & Company. This enables Olivia to support the Board in overseeing the new data-driven and customer-centric Strategy. Some of Olivia's previous appointments include Commercial Director of TalkTalk's Consumer Business and Partner at Sir Charles Dunstone's investment vehicle Freston Ventures. Olivia was an Associate Principal at McKinsey & Company and a leader in the business' consumer retail practice.

Current External appointments: Olivia will be stepping down as the Chief Executive Officer of Flamingo Horticulture Investments at the end of March 2021.

image removed

Steve Hatch

Independent Non-Executive Director

Appointment date: December 2015

Skills, experience and contribution: Steve has current executive experience in leading a large digital organisation, working as Vice President of Facebook Northern Europe since 2010. He is therefore able to offer the Board relevant and up-to-date insight and advice in respect of digital and traditional media, business transformation, e-commerce and the changing consumer landscape which is key to the Company's Strategy. In addition Steve is a strong advocate for cognitive diversity in the workplace and has expertise in building diverse and inclusive teams. Steve's long serving career in advertising and marketing, as well as extensive executive management experience and leadership enables Steve to provide valuable insight and advice to the Board. Some of Steve's previous appointments include CEO at the WPP media company MEC; Managing Director of Mediaedge and Board Strategist for Y&R Brands. Up until the start of 2021 Steve was the Chair of CBI Tech Group.

Current External appointments: Vice President of Facebook Northern Europe.

Division of responsibilities
Corporate Governance report

UK Corporate Governance Code
We can confirm that we have applied the principles of the FRC's UK Corporate Governance Code July 2018 (the '2018 Code') during 2020. During the 2020 financial year the Company has applied the main principles and complied with the relevant Provisions of the 2018 Code. It is the Board's view that for the 52 weeks ended 27 December 2020 the Company complied with the provisions applicable to this reporting period. The 2018 Code can be read in full at www.frc.org.uk.

The Board has considered the 2018 Code while completing the annual review of the matters reserved for the Board and made the necessary changes to the Nomination Committee and Remuneration Committee terms of reference, which have been updated in line with the 2018 Code. The Group's culture and how this is linked to the Group's strategy, can be found within the Strategic report. Details on the Board's decision making can be found on page 50.

How we monitor culture and colleague engagement is discussed on pages 33 and 34 of the Strategic report.

Directors' conflicts
The Board has a Conflicts Policy in place which provides a formal system for directors to declare conflicts to be considered for authorisation by those directors who are not interested 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 2020 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.

Relations with shareholders
The Board receives regular updates throughout the year on investor views via the distribution of analyst and broker briefings notes following trading update and full-year and half-year results announcements. After meeting with prospective or major shareholders the CEO provides an update to the Board via email or an update at a subsequent Board meeting, to ensure the Board is up to date with shareholder views.

Annual General Meeting ('AGM')
The AGM provides an opportunity for directors to engage with shareholders, answer their questions and meet them informally. The next AGM will take place on 6 May 2021 in or near London. More details of the arrangements will be posted to our website www.reachplc.com and will be contained within the Notice of Meeting.

At the AGM on 7 May 2020, due to the government restrictions put in place because of the COVID-19 pandemic, the Company was unable to hold the AGM in the normal way with shareholders in attendance. Shareholders were invited to join the AGM via audio and submit questions in advance of the meeting. The answers to all pre-submitted AGM questions were posted to the Company's website following the closure of the meeting. At the 2020 AGM all resolutions received a high level of support receiving at least 95% of the votes in favour, with the exception of the resolution seeking re-election of Mr Steve Hatch as a director which received 67.13% of the vote in favour and the resolution seeking authority to make political donations which received 85.59% of the vote in favour.

The Board considered the 32.87% vote against the re-election of Mr Steve Hatch and following the 2020 AGM, engaged with major shareholders to understand their views. The Board reviewed the reports of proxy agencies in relation to their voting recommendation in respect of the AGM and the negative vote was understood to be due to Mr Hatch's record of attendance at board and committee meetings in 2019. Mr Hatch's Board attendance throughout 2020 has considerably improved with full attendance and the Board regards Mr Hatch's experience and contribution to Board meetings as invaluable.

The Notice of Meeting and Proxy Card for the 2021 AGM will be shared with shareholders at least 20 working days prior to the meeting date, as required by the FRC's Guidance on Board Effectiveness. A detailed explanation of each item of business to be considered at the 2021 AGM will be included in the Notice of Meeting which will either be sent to the shareholders in advance of the 2021 AGM or will be available to download from our website www.reachplc.com. Shareholders who are unable to attend the 2021 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.

Investor Relations Timeline

February 2020
- 2019 full-year results announcement, investor presentation and roadshow
- Capital markets event held at the London Stock Exchange

April
- Investor engagement following announcement of COVID-19 mitigation plans

May
- Trading update announcement followed by Annual General Meeting

July
- Trading update announcement

September
- 2020 half-year results announcement, investor presentation and roadshow

November
- Pre-close trading update announcement, with investor call
- Appointment of new joint broker, N+1 Singer

January 2021
- Trading update announcement
- Appointed an Investor Relations Director

March
- 2020 full-year results announcement, investor presentation and roadshow

The role of the Board

The Board is collectively responsible for promoting the long-term success of the Company for its shareholders and other stakeholders and to provide effective leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. The Company's approach to risk appetite has been developed in line with the FRC's UK Corporate Governance Code July 2018 (the '2018 Code'). By clarifying the type and level of risk the Company is willing to take in order to achieve its strategic objectives, the Company aims to support consistent, risk-informed decision making.

The Board has overall responsibility for the Company's system of risk management and internal controls, and 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.

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, in a way that enables sustainable long-term growth. It is also responsible for corporate governance and the overall financial performance of the Group. The Board establishes the Company's culture, values and ethics and it is important that the correct 'tone from the top' is set, with all directors being required to devote sufficient time to their role.

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 current Board composition is six non-executive directors and two executive directors.

Division of responsibilities

Role	Name	Responsibility
Chairman	Nick Prettejohn	The Chairman's primary role is the leadership of the Board. He ensures that the directors receive accurate, timely and clear information and 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. The Board is satisfied that the Chairman's 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.
Chief Executive Officer ('CEO')	Jim Mullen	The CEO's role is the day-to-day running of the Group's business and includes the development and implementation of strategy, and decisions made by the Board and operational management of the Group, supported by the CFO and the Executive Committee.
Chief Financial Officer ('CFO')	Simon Fuller	The CFO is responsible for the Group's financial activities, including control, planning and reporting, and also contributes to the broader management of the Group's business. The CFO supports the CEO with the development, implementation and tracking of the Group's strategy. Simon Fuller acted as Company Secretary in addition to his executive duties up to 24 February 2020.
Senior Independent Non-Executive Director	Helen Stevenson	The Senior Independent Director acts as a sounding board to the Chairman and 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 and meets with the non-executive directors at least once a year to review the performance of the Chairman.
Non-Executive Directors	Olivia Streatfeild Anne Bulford Steve Hatch David Kelly	All the non-executive directors were deemed independent on appointment and continue to be independent in accordance with the 2018 Code. The non-executive directors bring independence, along with a broad mix of business skills, knowledge and experience to the Board. 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 non-executive directors, in conjunction with the Chairman, meet in the absence of the executive directors following each Board meeting. Ten such meetings took place during the year. Details of the latest Board effectiveness review can be found on page 63.
Company Secretary	Lorraine Clover	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 is responsible for ensuring that the Board operates in accordance with the Company's corporate governance framework. The appointment and removal of the Company Secretary is a matter for the whole Board. Lorraine Clover was appointed as Group Company Secretary on 24 February 2020.

Division of responsibilities continued
Corporate Governance report continued

The executive directors attend Committee meetings by invitation of the Committee Chair where appropriate.

The executive directors are supported by the Executive Committee who meet regularly and assist the executive directors in discharging their managerial responsibilities.

Matters reserved for the Board

In order to retain control of key decisions and ensure that there is a clear division of responsibility between the Board and the running of the business, the Board has a formal schedule of matters reserved for its decision. These reserved matters include financial reporting, investment appraisal and risk management. The matters were reviewed by the Board during 2020 to ensure they were aligned with the 2018 Code. The full schedule of matters reserved can be viewed on our website www.reachplc.com/corporate-governance/accountability.

Board independence and appointment terms

The Board considers that the following directors are independent: Nick Prettejohn, Helen Stevenson, David Kelly, Anne Bulford, Olivia Streatfeild and Steve Hatch. The Board has considered the criteria proposed by the 2018 Code in assessing the independence of the Directors.

The terms and conditions of appointment of the non-executive directors are contained within their Letters of Appointment, which are made available at the Company's AGM. The terms of appointment for the Directors confirm they are expected to devote such time as necessary for the proper performance of their duties. The Board reviews and approves as necessary any additional external appointments the directors may look to obtain.

The CEO and CFO do not currently have a non-executive directorship on a FTSE 100 company.

All directors are subject to a formal performance review process. During 2020 the Board undertook a particularly rigorous evaluation of the performance and independence of both Helen Stevenson and David Kelly as they have served on the Board for over six years. Further details of the Board evaluation can be found on page 63.

Board meetings

The Board met sufficiently regularly to discharge its duties effectively and held additional conference calls between the scheduled meetings as and when circumstances required.

Where a director was unable to attend a meeting, they were provided with the meeting papers to review and so they could provide any comments to the Chairman, Committee Chair or Group Company Secretary prior to the meeting. Directors are provided with meeting papers approximately one week in advance of each Board or Committee meeting.

Members of the Executive Committee and other senior management are regularly invited to attend Board meetings to present on their specific area of responsibility.

Meetings between the non-executive directors, in the absence of the executive directors, are scheduled at the end of each Board meeting to provide the non-executive directors with an opportunity to continually assess the performance of management.

Board and committee meetings and attendance

The Board met ten times as scheduled during 2020 and is scheduled to meet ten times during 2021 with two additional two-day strategy meetings. Additional meetings will be held as required.

Directors' attendance at Board and Committee meetings during the year is outlined below:

Director	Board[1]	Audit	Remuneration	Nomination
Nick Prettejohn	10/10	N/A	3/3	2/2
Anne Bulford	10/10	4/4	3/3	2/2
Simon Fuller	10/10	N/A	N/A	N/A
Steve Hatch	10/10	4/4	3/3	2/2
Jim Mullen	10/10	N/A	N/A	2/2
David Kelly	10/10	4/4	3/3	2/2
Helen Stevenson[2]	10/10	3/4	3/3	2/2
Olivia Streatfeild[3]	10/10	3/4	3/3	2/2

1 In addition to ten scheduled Board meetings there were three ad-hoc meetings called at short notice. David Kelly and Helen Stevenson had pre-existing business commitments and were not able to attend one of those meetings.

2 Helen Stevenson was unable to attend an Audit & Risk Committee meeting due to a pre-existing business commitment.

3 Olivia Streatfeild was unable to attend an Audit & Risk Committee meeting due to a pre-existing business commitment.

Board governance

The Board is made up of a majority of independent directors whose diverse experience enable appropriate debate and challenge at Board and Committee discussions. The Board has an approved governance framework of systems and controls which enables the effective discharge of the Board's responsibilities. Directors have a duty to promote the success of the Company under section 172 of the Companies Act 2006, the Company's section 172 statement can be found on page 50, and this framework supports our directors' compliance with their duties.

During the year a management Disclosure Committee was established in order to provide support and oversight in relation to the Company's requirements to make timely and accurate disclosures of information to the stock market, which are required to be disclosed to meet the legal and regulatory obligations arising from its listing on the London Stock Exchange. The Committee also assists in the determination of whether inside information is present for the purpose of maintaining the Company's insider list, as well as the disclosure treatment of material information. The Disclosure Committee consists of the CEO, CFO, the Group Company Secretary and a number of other senior managers.

The Board also has an Administration Committee that consists of the CEO and CFO, which meets as necessary to deal with operational management decisions for the business in relation to day-to-day financing and administrative matters.

Board and Committee Structure

Board of Directors

Audit & Risk Committee

Read the report on pages 64 to 70

Remuneration Committee

Read the report on pages 71 to 88

Nomination Committee

Read the report on pages 61 to 63

Executive Directors

Executive Committee

Administration Committee

Disclosure Committee

Annual re-election of directors

In accordance with best practice, all current directors are standing for re-election at the Company's 2021 AGM.

The Board believes that each director brings considerable knowledge and wide ranging skills and experience to the Board and continues to make an effective and valuable contribution to the Board.

Independent advice

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

Going concern and viability statement

The 2018 Code and Listing Rules require listed companies to include in their annual report 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.

The directors have considered the ongoing impact and uncertainty relating to the COVID-19 pandemic. The Group has faced reductions in revenue ahead of the declines expected, but the Group has taken a number of mitigating actions to protect profits and cash flow. The Group has a strong balance sheet and liquidity with a net cash positive position of £42.0m at the year end and there are no drawings on the Group's revolving credit facility of £65.0m.

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 and the Company's parent company financial statements.

In accordance with LR 9.8.6(3) of the Listing Rules, and in determining whether the 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 current economic environment, specifically the impact of COVID-19 and the implementation of the Group's Customer Value Strategy (the 'Strategy'). The Group undertakes regular forecasts and projections of trading identifying areas of focus for management to improve the delivery of the Strategy and mitigate the impact of any deterioration in the economic outlook;
- 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;
- The deficit funding contributions to the defined benefit pension schemes; and
- The available cash reserves and committed finance facilities available to the Group. In 2020, the Group had in place a non-amortising £65.0m facility which is in place until December 2023. Of this facility £55.2m has been extended for a further year to December 2024. Drawings can be made with 24 hours' notice and the facility was undrawn at the reporting date.

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 Company and 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 and the Company's parent company financial statements.

Division of responsibilities continued
Corporate Governance report continued

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 2018 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 which is approved by the Board. 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 annual budget for 2021 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 annual budget and projections for the subsequent two years are also used for setting the cash flow target for the Long Term Incentive Plan. Whilst the subsequent two-year projections are less detailed than the annual budget, they provide a sensible planning tool against which strategic decisions are made.

A number of key assumptions and items in the three-year projections are as follows:

- A continuation of print revenue declines with reference to recent trends and investment in the Strategy to grow digital revenue;
- Cost reduction initiatives, including associated restructuring costs, to support profitability;
- Capital expenditure requirements across the business and how these are impacted by the trading environment;
- Deferred consideration of £40m in respect of the acquisition of Express & Star (repayable in 2021 to 2023);
- Funding of the historical defined benefit pension obligations based on the existing schedule of contributions agreed with the Trustees;
- Payments in relation to historical legal and tax issues reflecting the provisions held in the balance sheet;
- Covenants under the financing facilities are met; and
- Dividend policy based on cash dividends recommencing in 2021.

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. For further information on principal risks see pages 46 to 49 of the Strategic report.

Sensitivity analysis is applied to the cash flows to model the potential effects should principal risks actually occur, individual or in unison. Two sensitivity scenarios were considered relating to the impact of COVID-19 on the projections. The first being lower levels of revenue and the second being a further shock as seen in 2020. The Board also assessed the likely effectiveness of any proposed mitigating actions. This did not change the conclusions of the assessment.

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

1 March 2021

Composition, succession and evaluation
Nomination Committee report

image removed

Building an inclusive and supportive culture."

Nick Prettejohn
Chairman of the
Nomination Committee

Director	Attendance
Nick Prettejohn (Chair)	2/2
Helen Stevenson	2/2
Olivia Streatfeild	2/2
David Kelly	2/2
Steve Hatch	2/2
Anne Bulford	2/2
Jim Mullen	2/2

Welcome to the report of the Nomination Committee for the year ended 27 December 2020. During the year, the Nomination Committee (the 'Committee') has focused on the succession planning of both the Board and the senior management within the business. Effective succession planning, along with a vibrant talent agenda, is at the heart of the long-term success of any company and we are putting suitable plans in place to ensure our people are at the heart of what we do. The Committee seeks to ensure that the Board has the right mixture of skills, experience and background to enable it to identify and respond to current and future opportunities and challenges, taking into account inclusion and diversity. The Committee reviews the diversity of the Board, its committees and senior management, as part of the Board evaluation process, however this year it was agreed that the diversity piece would be considered by the Board directly due to its significance and importance within the business. I believe the Company will be more successful if it creates an inclusive and supportive culture where every individual, of any identity, from any background, feels they can be their authentic self at work and thrive. Further details on diversity within the business can be found within the Strategic report on page 26 and on pages 34 and 35.

Following the discussion of the skills and contribution of each director, the Committee supports the proposed re-election of all directors standing for re-election at the 2021 Annual General Meeting ('AGM').

Committee governance

Committee membership

The Committee membership includes the Chairman of the Board as the Committee Chair, all five non-executive directors and the CEO. The majority of members of the Committee are independent non-executive directors. The Committee met twice during the year and attendance is set out in the table opposite.

Committee responsibilities

The Committee is responsible for:

- Board composition: The Committee considers the balance of skills, diversity, knowledge and experience of the Board and its committees and reviews the Board's structure, size and composition, including the time commitment required from non-executive directors;
- Board nominations: The Committee leads on the recruitment and appointment process for directors and makes recommendations regarding any adjustments to the composition of the Board;
- Succession planning: The Committee proposes recommendations to the Board for the continuation in service of each director and ensures that the Board is well prepared for changes to its composition and that appropriate succession plans are in place.

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

Effectiveness

The Committee carried out an internally facilitated review of its effectiveness and the output was discussed by the Committee.

This concluded that the Committee continued to operate effectively and confirmed that the focus for the coming year would continue to be to develop Board succession planning, as well as succession planning for the other members of the executive management team and talent management in the wider organisation. The Committee will also oversee any new diversity and inclusion initiatives for 2021.

Candidate search and appointment process

The appointment of new directors is led by the Nomination Committee, which undertakes a formal, rigorous and transparent candidate search and appointment procedure and subsequently makes recommendations for appointments to the Board.

The Committee's terms of reference set out a process in respect of the appointment of new Board members which aims to ensure an independent process. During the year there were no formal search or appointment processes undertaken for the Board or its Committees.

Composition, succession and evaluation continued
Nomination Committee report continued

Activities undertaken by the Committee during the Year

Succession planning

The Committee reviewed the directors' tenure and discussed the potential for non-executive director roll-off over the next year or two. The Committee concluded that due to the length of tenure of some non-executive directors, and also taking into consideration the result of the Board evaluation and skills assessment, during 2021 it would begin a search process for a new non-executive director.

During the year the Committee and subsequently the Board received updates from the CEO and HR Director on the implementation of a formal coaching development programme, which is aimed at the Group's senior management team.
The Board agreed that there should be a formal succession plan in place for each senior manager as sustainable delivery of the Customer Value Strategy (the 'Strategy') means it is crucial to ensure the right future succession plans are in place. The senior management team will also look to continue to develop their own talent and succession strategy, overseen by the Committee, for their particular business area to ensure there are development opportunities and a diverse talent pipeline.

The Committee and the Board look forward to receiving further updates, and building in this area during 2021.

Terms of Reference

The Committee's terms of reference were reviewed and updated in line with the FRC's UK Corporate Governance Code July 2018 (the '2018 Code'). The terms of reference are available on our website www.reachplc.com.

Internal skills assessment

The Committee also reviewed the results of the skills assessment and considered any potential skills gap for the Board as a whole which may need to be addressed. The Committee concluded that the Board consisted of a good blend of skills with no immediate deficiencies. However, the Strategy, will place a greater emphasis on data skills in future.

Diversity and inclusion

The Board recognises the importance of diversity and inclusion in the boardroom and seeks to recruit directors with varied backgrounds, skills and experience. Appointments are made on merit and against objective criteria, taking account of the skills, experience and expertise of candidates.

Whilst the Group's Diversity and Inclusion Policy (described on page 34 of the Strategic report) applies to the Board, it recognises the need for a specific Board Diversity Policy and this will be introduced during 2021. This new policy will build on the Group's diversity and inclusion activity during 2020, and incorporate the three pillars of our diversity and inclusion plan – Connect, Respect and Thrive. These pillars will drive an inclusive culture and, along with the appointment of the new Head of Diversity and Inclusion, will ensure our focus on diversity and inclusion remains connected to our Strategy.
The proposed changes to our Directors' remuneration policy, set out in the Remuneration report on pages 74 to 76, demonstrate our commitment to setting measurable diversity and inclusion objectives throughout the workforce.

At the year-end there were three female members of the Board, representing 37.5% of the Board, which is above the 33% target for FTSE 350 boards set by the Hampton-Alexander review.

The Board aims to retain or improve this level in the future and look to improve on other areas of diversity too. The Board composition and size is kept under review by the Committee in order to retain an appropriate balance of skills, experience, diversity and knowledge of the Group.

The Board also recognises the importance of diversity and inclusion at senior management level. The Group's Executive Committee, who are direct reports of the CEO and CFO, is made up of 9 members including the CEO and CFO. There are 84 direct reports to the Executive Committee for the purposes of Hampton-Alexander Reporting. Information on senior management initiatives on diversity and inclusion can be found in the Our People section of the Strategic report on pages 33 to 35, including the gender balance of those in senior management.

Board composition as at 27 December 2020

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chart removed

chart removed

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 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 Group Company Secretary facilitates any other professional development that directors consider necessary to assist them in carrying out their duties.

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

Board effectiveness evaluation

A decision was taken not to perform a formal external Board evaluation during 2020, due to the COVID-19 pandemic and the more limited benefit that would be gained when all colleagues were working remotely. Instead, an internally facilitated evaluation of the Board and its Committees, which took the form of a questionnaire, was circulated to the relevant Board members as well as to regular attendees from senior management and external advisors. The questionnaire sought input on a range of matters including Board oversight of purpose, values, strategy and risk, composition and diversity of the Board, engagement with management, customer needs and trends and the quality of Board papers.

The Committee noted the outstanding actions following the 2019 internal Board evaluation, in particular the intention to make site visits to engage with employees which had not been progressed due to the COVID-19 pandemic, and agreed these would be included with the new actions to be undertaken following the 2020 evaluation.

2020 Board effectiveness review

Issue / Recommendation	Action
Board succession planning	The Board through the Nomination Committee, will continue to focus on the composition of the Board and associated succession plans. It intends to commence a search for a new non-executive director during 2021. When recruiting, diversity will be a major consideration and focus in the recruitment process.
Executive Committee succession planning	The Nomination Committee will review management succession and development plans and the talent management of the wider organisation.
Market developments (consumer and competitor)	The Board will continue to focus on understanding consumer needs and behaviour and market developments through deep dives and updates from the CEO and other executives.
Reviewing strategic decisions	Given the rapid pace of transformation within the business, the Board will spend time conducting a debrief after the implementation of strategic decisions and consider lessons learnt.

The Board is satisfied that each director continues to contribute effectively to the Board and the Board Committees.

The 2018 Code states that FTSE350 companies should have an externally facilitated evaluation at least every three years. Whilst the Company is not, as at the date of this report, in the FTSE350, it recognises the value of conducting an externally facilitated evaluation and intends to hold one in 2021.

Director re-election

All directors are subject to re-election to the Board by shareholders on an annual basis at the Company's AGM. Non-executive directors are appointed for a term of three years, subject to annual re-election at the AGM.

The Chairman, on behalf of the Board, has confirmed each non-executive director continues to be an effective member of the Board and will stand for re-election at the 2021 AGM.

Nick Prettejohn
Chairman of the Nomination Committee

1 March 2021

Audit, risk and internal controls

Audit & Risk Committee report

image removed

The Company's risk management processes became increasingly critical at the start of 2020."

Anne Bulford CBE, OBE
Chair of the Audit & Risk Committee

Director	Attendance
Anne Bulford (Chair)	4/4
Helen Stevenson	3/4*
Olivia Streatfeild	3/4**
David Kelly	4/4
Steve Hatch	4/4

* Helen Stevenson was unable to attend due to a pre-existing business commitment.
** Olivia Streatfeild was unable to attend due to a pre-existing business commitment.

I am pleased to present the report of the Audit & Risk Committee (the 'Committee') for 2020. The principal purpose of this report is to look back over the financial period ending 27 December 2020 and describe the Committee's responsibilities during that period.

The Committee fulfils an important oversight role, monitoring the effectiveness of the Group's system of internal control and risk management framework, and reviewing the integrity of the Group's financial reporting. The principal role of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to financial reporting and financial controls.

Since I was appointed as Chair of the Committee in June 2019 I have developed a clear understanding of the business and each of its functions, enabling the Committee to move forward into 2020 with a clear vision – namely, to ensure the soundness and effectiveness of the Group's systems and controls, which has proven more important amid a global pandemic. The impact of COVID-19 was a significant issue and a risk to the Group during the period and still continues to be today. The Company's risk management processes became increasingly critical at the start of 2020 with the emergence of COVID-19 and the many risks this posed to the continuity of our business operations, including supply chain interruption, a reduction in sales and most importantly the risk to the safety of our staff.

I'd like to thank my colleagues on the Committee for their contribution during this challenging year and extend my thanks to our colleagues within the business who have worked tirelessly to ensure the Company's operations have continued during a time of extreme uncertainty.

Committee membership and meetings

The members of the Committee, including their attendance at meetings during the period, can be found in the table above. Each Committee member, in the view of the Board, is considered an independent non-executive director and believes that the members of the Committee as a whole have competence relevant to the sector in which the Group operates, gained from their respective external roles, previous and present. Biographical details of Committee members are set out on pages 54 and 55.

In particular, the Board has identified Anne Bulford as the member of the Committee having recent and relevant financial experience for the purposes of the FRC's UK Corporate Governance Code July 2018 (the '2018 Code'). Anne has a wealth of accounting experience from her previous roles, as well as her 12 years spent in practice as a chartered accountant.

At the invitation of the Chair of the Committee, the Chairman, CEO and CFO along with the Deputy CFO and the Head of Risk and Internal Audit attended all meetings during the year in order to maintain effective and open communications. The external auditors, PricewaterhouseCoopers LLP ('PwC'), attend meetings and have direct access to the Committee should they wish to raise any concerns outside of the formal Committee meetings.

Role of the Committee

The role and responsibilities of the Committee are set out in its terms of reference which are available on the Company's website www.reachplc.com. The key objectives of the Committee are to review and report to the Board and shareholders on the Group's financial reporting, internal control and risk management systems, and on the independence and effectiveness of the external auditor.

Further details on the responsibilities of the Committee are as follows:

- Monitor the financial reporting process including the monitoring of 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;
- Monitor the statutory audit of the annual, and the review of the half-year, consolidated financial statements;
- Review significant financial reporting issues;
- Recommend to the Board the appointment of the external auditor and approve their remuneration and terms of engagement;
- Monitor and review the external auditors' independence, objectivity and the effectiveness of the external audit process including considering relevant UK professional and regulatory requirements, including the appropriateness of the provision by the auditors' of non-audit services;
- Monitor and review the effectiveness of the internal control and risk management systems including the internal audit function; and
- 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.

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.

Activities

The Committee reviewed the following items since the last report:

The Company's 2020 Annual Report and the 2020 Interim Announcement	Corporate risk assessment including review of the key risks, risk management activities and emerging risks
The Group prospects (going concern and viability)	Cyber security and data protection
Impairment reviews of the carrying value of intangible assets (Group) and investments (plc)	Findings from the external auditors' on the 2020 year end audit and the 2020 interim review
Tax and Treasury	Corporate governance updates
Pensions	Non-audit services policy
Provision for historical legal issues and historical property development	External audit fees
Contingent liabilities	Accounting regulatory changes
Internal audit plan and results of audits completed	External audit plan and review of effectiveness

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.

In doing this the Committee has:

- Considered the results of an internal review performed by a senior chartered accountant not involved in the preparation of the Annual Report;
- Reviewed and discussed the findings from the external auditors' as part of the 2020 year end audit; and
- Fully discussed the Annual Report at the Committee meeting in February 2021.

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 2018 Code.

Going concern and viability statement

The Company is required to include in its Annual Report statements relating to going concern and viability. The 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. 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 managed 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 59 and 60 of the Corporate Governance report.

Interactions with the Financial Reporting Council

In December 2020, the Company received advance notice of selection for the FRC's thematic review into IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

A letter was also received from the FRC regarding UK Corporate Governance Code Reporting in February 2021 suggesting areas for consideration in the Company's future reporting. We have addressed the relevant areas of governance this year, particularly diversity and inclusion, but will consider where reporting may be enhanced further next year.

External auditors

Auditors' appointment and independence

In accordance with the requirements of the Statutory Audit Services for Large Companies Market Investigations Order 2014, during 2018 the Committee oversaw a competitive tender process which resulted in the recommendation to appoint PwC as external auditor for the financial year 2019, which was approved by shareholders at the Company's Annual General Meeting ('AGM') on 2 May 2019. The Committee considered it to be appropriate and in the best interests of its shareholders given the length of service of the previous external auditors.

In accordance with the Auditing Practices Board standards, the Lead Audit Partner at PwC will be rotated every five years to ensure continuing independence. PwC have notified the Company that the current partner will rotate off of the audit at the conclusion of the 2020 audit. The replacement partner is shadowing the current partner. It is the Committee's current intention to tender its audit services by no later than 2028 ahead of the mandatory rotation timing for PwC as auditor in 2029.

PwC has indicated its willingness to continue in office and shareholders' approval will be sought at the AGM on 6 May 2021.

The Committee confirms that the Company has complied with the provisions of the Statutory Audit Services Order 2014 relating to the UK audit market for large companies throughout the year.

There are no contractual obligations that restrict the Company's choice of external auditors.

During the year private meetings were held with PwC to ensure there were no restrictions on the scope of their audit and to discuss any items that the external auditors did not wish to raise with the executive directors present.

Audit, risk and internal controls continued
Audit & Risk Committee report continued

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 auditors' objectivity and independence.

The Committee conducts an annual external audit effectiveness review each year which examines auditors' independence, the audit planning process, audit approach and delivery, audit team expertise and experience, resources, responsiveness and communication in respect of the financial year audit.

The review takes the form of an extensive questionnaire being sent to directors and senior managers across the Group. The results are analysed and a full report is submitted for review by the Committee. The report as a whole is discussed with the external auditors. Based on the results, the Committee reaches a conclusion on whether the auditors have provided an effective, independent and objective audit.

The effectiveness review of PwC for the 2020 audit will be carried out in the coming months.

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 auditors and to avoid a conflict of interest. Generally, the external auditors will not be engaged to provide any additional services other than audit related services, including the review of the interim financial information and loan covenant reporting.

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 such cases steps are taken to safeguard auditor objectivity and independence including that a different team of people would work on the task. In all cases, the engagement of the external auditor for non-audit work must be approved in advance by the Committee Chair.

Details of the fees paid to PwC for the financial period ending 27 December 2020 can be found in note 6 in the notes to the consolidated financial statements. In 2020, the approved non-audit fee items provided by PwC related to the interim review, loan covenant reporting and provision of access to the PwC accounting website. The spend in relation to these services was £121,792 totalling 12% of the overall fees paid. The Committee was satisfied that the non-audit services purchased were in line with the non-audit services policy and did not compromise the independence of the auditor.

The Committee is satisfied that the Company was compliant during the year with both the 2018 Code and the 2019 Revised Ethical Standard in respect of the scope and maximum level of permitted fees incurred for non-audit services provided by PwC.

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 2018 Code, the Committee carries out a robust assessment of the principal risks and reviews the effectiveness of the Company's risk management and 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.

Since the beginning of the COVID-19 pandemic restrictions, implemented by the Government in the United Kingdom in March 2020, risk management has come into even sharper focus. The Committee reviewed the risk impact of the actions taken by management following the sudden drop in the Group's revenue and changes to our ways of working, and looked to ensure the health and safety of the Group's employees.

The Committee reviewed reports from internal audit which provide reasonable assurance that internal control procedures remain in place and are being followed. Formal procedures have been established for taking 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 46 to 49 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.

Significant matters considered by the Committee in relation to the financial statements

An important responsibility of the Committee is to assess whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements on significant issues. 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 full-year and half-year results which highlight any issues with respect to the work undertaken. After receiving reports on the significant issues and after discussion with PwC, the Committee agreed that the judgements made by management were appropriate.

The Committee considered the following significant issues in relation to the 2020 financial statements:

Impairment reviews and the indefinite life assumption for publishing rights and titles	The Group's consolidated balance sheet has material goodwill and other intangible assets (publishing rights and titles) and the parent company balance sheet has material investment in subsidiary undertakings. The Committee received detailed papers from management in respect of the impairment reviews in relation to the carrying value of assets on the consolidated and parent company balance sheets. Consideration was also given to the continued adoption of the indefinite life assumption in respect of publishing rights and titles and in assessing the publishing rights and titles with reference to a single publishing cash-generating unit. Both the Committee and external auditors challenged the conclusions and considered any external factors which may change the conclusions of the review. Management and the external auditors also undertook a detailed review of the assumptions and of the model supporting the papers.
The appropriateness of a single cash-generating unit for the publishing rights and titles	The assumption is considered at each reporting date and is a Critical Judgement in applying the Group's accounting policies. The Group has over the past few years reduced the number of cash-generating units as the interdependency of revenues has increased. The Group is a content business with content delivered through multiple brands. The brands have traditionally been in print and are transitioning to digital. The challenges facing the brands has resulted in the Group becoming more integrated to such an extent that the interdependency of revenues across the network of brands is significant. As such, assessing the publishing rights and titles with reference to a single publishing cash-generating unit, whose cash flows are interconnected, is deemed to be the most appropriate treatment. There has been no change to the assessment of this Critical Judgement.
The indefinite life assumption in respect of publishing rights and titles	The assumption is considered at each reporting date and is a Critical Judgement in applying the Group's accounting policies. The Group has, from first recognition to the latest results announcement, consistently adopted an indefinite life assumption for its publishing rights and titles. Indefinite life intangible assets are not amortised. The Committee noted that indefinite is not the same as infinite (that is, limitless in extent).The brands have delivered trusted news to readers for many years in print and more recently in digital. The brands are core to our digital strategy either directly or indirectly. In support of the assumption, management have prepared ten year illustrative projections which highlight that print will continue to be significant and that digital will be increasingly significant. Based on the Group's strategic focus and the illustrative projections it is considered that there is no foreseeable limit to the period over which the net cash inflows are expected to be generated from the publishing rights and titles and that the current carrying value will be supported for the foreseeable future. As such, continuing to adopt the indefinite life assumption in respect of publishing rights and titles is deemed to be the most appropriate treatment. There has been no change to the assessment of this Critical Judgement.
Impairment reviews in respect of the carrying value of assets on the consolidated and parent company balance sheets	The Committee needs to assess whether the carrying value of assets of a cash-generating unit are impaired and are carried at no more than their recoverable amount (the higher of fair value less costs of disposal and value in use) in the consolidated balance sheet. The Committee also assesses whether the carrying value of investments are impaired and are carried at no more than the recoverable amount (the higher of fair value less costs of disposal and value in use) in the parent company balance sheet. The value in use has been calculated using a discounted cash flow model and the fair value has been considered based on the value of the Group with costs of disposal considered to be minimal. The discounted cash flow model has been prepared based on the final budget for 2021 and then high level projections for the period 2022 to 2030. There are a number of judgements made in setting the assumptions that underpin the model: • The projections are management's best estimate of the future performance of the Group which are subject to risk and uncertainties as set out in the Annual Report; • The key assumptions in the projections relate to the continuation of print declines, of digital growth and tight management of costs as experienced by the Group in recent years; • The long-term growth rate has been set at 0% from year ten which reflects that the ten-year model has revenue broadly flat over the projection period; • Charges to deliver cost reductions and capital expenditure have been based on expected run rates over the next ten years; • Tax at 19% has been modelled based on the current tax rate at the balance sheet date; and • The weighted average cost of capital post tax rate of 10.90% (2019: 11.09%) is calculated after due consideration of market factors impacting the rate 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.

Audit, risk and internal controls continued
Audit & Risk Committee report continued

Impairment reviews in respect of the carrying value of assets on the consolidated and parent company balance sheets (continued)	The value in use from the discounted cash flow model is in excess of the carrying value of assets of the cash-generating unit resulting in no impairment (2019: nil) being required in respect of the carrying value of assets on the consolidated balance sheet. Management also considered sensitivity scenarios which highlighted that no impairment would be required. The impairment review in respect of the carrying value of investments in the parent company balance sheet resulted in no impairment charge (2019: £23.2m). The level of headroom is low and there is a risk of future impairment charges. The impairment review is highly sensitive to reasonably possible changes in key assumptions. The Company has distributable reserves of £184.8m together with a merger reserve of £25.3m which provide sufficient headroom against any risk of a reduction in distributable reserves (and therefore ability to pay a dividend as a result of an impairment to the carrying value of investments). The Annual Report contains disclosure of the Critical Judgements in applying the Group's accounting policies, the key factors relating to the impairment reviews and the conclusions reached (note 3 and note 16 in the notes to the consolidated financial statements and note 2 in the notes to the parent company financial statements). Impairment is not considered a principal risk for the Group, as identified on pages 46 to 49 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.
Pensions	At each reporting date the Group's actuaries, Willis Towers Watson ('WTW'), 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 review of the bases for the financial assumptions was carried out and the demographic assumptions were updated based on the most recent analysis being used in the triennial valuations as at 31 December 2019. An executive summary and a detailed report prepared by WTW setting out the methodology, judgements, assumptions and conclusions is presented to the Committee for review. Full disclosure of the Group's pension schemes is in note 20 in the notes to the consolidated financial statements. The assumptions are agreed by management after taking advice from WTW. This includes external benchmarking of the key assumptions by WTW. The external auditors perform a detailed review of the reports prepared by WTW and of the methodology, judgements and assumptions used for the valuation, including external benchmarking. The assumptions regarding the discount rate, inflation rates and demographic assumptions are reviewed by the Committee. The Group has updated the approach for setting the discount rate and inflation assumptions based on actuarial advice from WTW. The changes were discussed in detail by the Committee. Disclosure of the valuation, the approach to setting assumptions and the sensitivity of the valuation to changes in the key assumptions are disclosed also in note 20 in the notes to the consolidated financial statements. Pension schemes are included in one of the Group's principal risks that are set out in the risks and uncertainties section on pages 46 to 49 of the Strategic report. This sits under the wider 'Lack of Funding Capability' which sets out the 'Pensions' risk and mitigating management action.
Historical legal issues	The Group is exposed to civil claims in relation to historical phone hacking. 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. Disclosures relating to the latest position are set out on page 31 of the Strategic report and in note 25 in the notes to the consolidated financial statements. The external auditor's report to the Committee details the procedures undertaken by them and their discussions with management and this is discussed in detail by the Committee. Historical legal issues are included in one of the Group's principal risks that are set out in the risks and uncertainties section on pages 46 to 49 of the Strategic report. This sits under the wider 'Lack of Funding Capability' risk which sets out the 'Historical Legal Issues' risk and mitigating management action.
Historical property development	This was an item on the Board agenda and therefore was not specifically an agenda item for the Committee. The Committee reviewed the disclosure in relation to the provision at the half-year in respect of the historical property development. The provision was settled in the second half of the year.
Restructuring and impairment charges	The Group has recorded significant restructuring and impairment charges in respect of the transformation programmes undertaken during the year. The Committee reviewed the inclusion of these items in operating adjusted items and the disclosures in the Annual Report.
Impact of COVID-19 on business operations	This is an item on the Board agenda and therefore is not specifically an agenda item for the Committee. The Committee has assessed the implications on the consolidated financial statements and that the Annual Report contains sufficient disclosure in respect of going concern and viability and the operating adjusted items. The impact of COVID-19 is considered within all the principal risks and uncertainties section in the Strategic report.

Risk management

The Board is responsible for ensuring sound internal control and risk management systems are in place. During 2020, there was an ongoing process for identifying, evaluating and managing the significant and emerging risks faced by the Company, including those exacerbated by the COVID-19 pandemic and those associated with the UK's departure from the European Union. 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 regularly reviews the risk map 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 2020, principal risks were identified, assessed and reviewed by impact and probability and the Board reconfirmed its view of the Group's appetite for risk and how this manifests itself in the way the Group conducts its business.

The way the Company manages risk is set out in the Strategic report on pages 43 to 45, with the principal risks facing the Group and the associated mitigating actions, described on pages 46 to 49.

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. However, 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 including: 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 budgeting, forecasting and comprehensive management reporting discipline, involves the preparation of detailed annual budgets and regular forecasts by the business. These budgets and forecasts are carefully examined by the executive directors and are then summarised and submitted to the Board for approval. Weekly revenue and profit forecasts are prepared and reported against the approved budget and latest forecasts. Weekly trading meetings are held to review and discuss latest performance.

Consolidated monthly management accounts, including detailed revenue and profit analysis with comparisons to budget, latest forecasts and prior year and including treasury, health and safety and risk updates are prepared providing relevant, reliable and up-to-date financial and other information to the Board.

Investment appraisal

The Group has a clearly defined framework for capital expenditure which is controlled centrally. Appropriate authorisation levels and limits 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. Additionally, an Investment Committee is held on a monthly basis to review key business cases prepared by management.

Functional reporting

A number of 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 CEO or CFO as appropriate. The treasury function operates within the terms of clearly defined policy statements. The policy statements exist to ensure that the Group is not exposed to any unnecessary risk and that, where appropriate, there is hedging against foreign currency and interest rate risks.

Audit, risk and internal controls continued
Audit & Risk Committee report continued

Risk management and internal controls compliance

The following illustrate how the risk management process and the system of internal control operated during 2020:

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. Internal audit sits independently of the business with no responsibility for operational management.

The Head of Risk and Internal 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. The internal audit plan was revised during 2020 to reflect the business impact of the COVID-19 pandemic and the revised plan was approved by the Committee.

The Committee oversees the performance of the internal audit function through the Head of Risk and Internal Audit's attendance at Committee meetings. In addition, a review of the effectiveness of the internal audit function was undertaken for the financial year.

The Committee concluded that the function continues to operate effectively.

Risk Management Framework

The executive directors, assisted by the Head of Risk and Internal Audit, oversee and co-ordinate the risk management activities of the Executive Committee.

The agreed objectives for the risk management framework have been achieved during 2020 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.

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 compliance reporting, requiring executive directors and senior managers across the Group 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.

Anne Bulford CBE, OBE
Chair of the Audit & Risk Committee

1 March 2021

Remuneration report

image removed

The Committee is committed to aligning executive directors with the long-term interests of shareholders."

David Kelly
Chairman of the Remuneration Committee

Members	Attendance
David Kelly (Chair)	3/3
Nick Prettejohn	3/3
Helen Stevenson	3/3
Olivia Streatfeild	3/3
Steve Hatch	3/3
Anne Bulford	3/3

Dear Shareholder,

On behalf of the Board, I am pleased to present to you the Remuneration report for 2020.

This report is split into three parts: this Annual Statement, which includes a foreword from me and our 'at a glance' summary on pages 72 and 73, the Policy report and the Annual Remuneration report.

Incentive outcomes for 2020 and decisions taken by the Committee in 2020

A key context for decisions taken by the Remuneration Committee ('Committee') in 2020 was the impact of COVID-19 on our business. Following the onset of the COVID-19 pandemic in late Q1 2020, the Committee supported the actions taken by our Board in relation to senior executive pay for 2020. These actions were considered appropriate to align to the experience and perspective of our shareholders and other stakeholders, including our colleagues. The actions taken were:

- all Board members, along with some members of our most senior editorial and management team, took a base salary and fees reduction of 20% from April to October 2020;
- at the same time a majority of other colleagues received a 10% pay reduction between April and July 2020 and around 10% of colleagues were furloughed;
- the 2020 annual bonus scheme for all employees as well as the executive directors was suspended; and
- although the 2020 Long Term Incentive Plan ('LTIP') awards were made on 27 March 2020, these awards remain subject to the Committee's ability to moderate vesting outcomes should it be considered that the outcomes represent 'windfall gains'.

The outcome for the 2020 annual bonus (which had been suspended) is now confirmed as nil. Details of vesting outcomes for the 2018 LTIP awards (measured to December 2020) are set out on page 83. Our current CEO and CFO did not participate in the 2018 LTIP awards.

Given the impact of the COVID-19 pandemic in 2020 on everyone, the welfare of Reach colleagues has been paramount, and we have worked hard to support remote working and ensuring everyone has the right equipment to be able to work from home or to work in a safe environment where home working is not possible. There has also been an increased focus on wellbeing and employee engagement to ensure the right support is provided. In recognition of their contribution and achievements during a challenging year, and to ensure all Reach colleagues have an opportunity to share in the future success of the business, an award of up to £400 in shares was made to colleagues in December 2020.

The Committee exercised what it regards as normal commercial judgement in respect of directors' remuneration throughout the year (and in all cases in line with the Company's directors' remuneration policy) including in relation to:

- setting performance metrics for normal course annual bonuses and LTIPs in the year; and
- confirming the outcome of performance metrics for annual bonuses and LTIPs in the year.

There were no other exercises of judgement or discretion by the Committee save as detailed in this report.

Revised remuneration policy

At the 2021 Annual General Meeting ('AGM') we are asking shareholders to approve changes to our directors' remuneration policy ('Policy') which was last approved at our AGM in 2020 (96.91% approval).

Two key contexts have informed our decision to bring this proposal to our shareholders in 2021, even though it is only one year on from when we last asked shareholders to approve our Policy:

- when we renewed our Policy at the AGM in 2020, this was largely a 'roll forward' of the prior Policy, although important 'best practice' matters were addressed (pension alignment; post-cessation shareholding requirements). This roll forward reflected that our new CEO had only been in post for around six months (from August 2019) by the time we needed to settle matters for the annual 2020 reporting cycle; and
- most importantly, our new executive team led by our CEO has now been in place for approximately 18 months, and the Company's repositioning on strategy driven by this team is gaining traction within our business and is starting to be understood and appreciated by shareholders. Accordingly, our proposed updates to our Policy seek to better align pay at Reach with this trajectory which is crucial in our goal to deliver long-term value for shareholders.

The changes which we are proposing to make to our Policy are intended to make the incentives within our Policy more meaningful at a critical time in the business's development. In doing so, we propose to up-weight the customer metrics in our incentive plans which will act as the direct link between cash generation and long-term financial performance.

Remuneration report continued

At a glance: Remuneration Policy proposal for AGM 2021 (and 2021 implementation)

Pay element	Updated policy and 2021 implementation
Base salary, benefits and pension	No changes to policy. Jim Mullen's pension is aligned to workforce rates, and Simon Fuller's pension will transition to this rate by 1 January 2023.
Annual bonus	2021 annual bonus performance conditions have revised weightings: • 50% Group Adjusted Operating Profit • 50% basket of strategic metrics including: – Customer Registrations (20%) – Overall digital average revenue per user ('Overall Digital ARPU') (described further on page 88) (20%) – Diversity and Inclusion (10%) Annual bonus maximum levels increase for CEO to 125% salary (previously 100%) and for CFO to 100% salary (previously 75%).
LTIP	2021 LTIP performance conditions have revised weightings: • 70% Relative Total Shareholder Return ('TSR') • 20% Net Cash Flow ('NCF') • 10% Overall Digital ARPU LTIP annual award levels increase for CEO to 175% salary (previously 150%) and for CFO to 150% salary (previously 120%).

The changes being proposed aim to embed the new growth strategy metrics (customer registrations and revenue per on-line user) into our incentive plans at meaningful levels. These metrics are important as the input markers that will drive further growth in value for our shareholders.

The new mix of metrics as proposed best protect shareholders' interests.

- The core business remains important – operating profit remains at 50% of bonus, and we are retaining Net Cash Flow for part of LTIP.
- We are introducing the customer focused metrics to align to and reward the strategy for growth in the long term.
- This does involve some increases in quantum to ensure that all metrics are incentivised appropriately, but these changes will, we think, prove 'good value' for shareholders as they will support the continued changes in our business model which have, we believe, driven turnaround in Reach in the last c.18 months.

We have already taken the opportunity to speak to some of our shareholders and would like to assure all our shareholders that the Committee welcomes all input on remuneration matters. If you have any comments or questions on any element of the Remuneration report or the proposed changes to our Policy, please email me, care of Lorraine Clover, Group Company Secretary at company.secretary@reachplc.com. We are grateful for the guidance and support which we have received from those shareholders we have already spoken with.

We realise that 2021, when there is continuing widespread uncertainty caused by COVID-19, may not feel like the best time to talk about pay with our shareholders. However, as a Board our obligation is to consider the very long-term outlook for the business and all stakeholders (including pensioners and colleagues), and more broadly to ensure that the important contribution to UK public life made by our rigorous local and national news organisations continues. We consider that our customer-led digital strategy is an important part of our future, and that making our proposed changes on remuneration now will best support this. Also, we are proud to make Diversity and Inclusion part of the criteria on which we pay our executive directors; that is who we are as a business.

Format of the report and matters to be approved at our 2021 AGM

At the 2021 AGM, shareholders will be asked to approve four resolutions related to directors' remuneration matters. These resolutions are:

- to approve the directors' Remuneration report;
- to approve the updated directors' remuneration policy;
- to renew the 10-yearly authority for our long-term incentive plan; and
- to introduce a new sharesave plan to be offered to all Group employees on the traditional HMRC basis.

The vote to approve the directors' Remuneration report is the normal annual advisory vote on such matters.

If approved by our shareholders, the directors' remuneration policy will apply for a maximum of three years from the 2021 AGM and will replace the directors' remuneration policy previously approved at the 2020 AGM.

The long-term incentive plan requires renewal at least every 10 years, and presenting this resolution in 2021 is effectively normal course of business (the plan was last approved at the 2012 AGM).

We view the last resolution on the sharesave plan as particularly important as we want to give all of our colleagues the opportunity to share further in Reach's story, building on the success of the free share award granted in December 2020 under the Reach All-Employee Share Plan.

I hope that our shareholders remain supportive of our approach to executive pay at Reach and vote in favour of the resolutions on remuneration matters to be tabled at the 2021 AGM.

David Kelly
Chairman of the Remuneration Committee

1 March 2021

2020 Remuneration at a glance

2020 Single total figure of remuneration for current executive directors (£'000)

	Salary	Pension benefits	Taxable benefits	Single-year variable	Multiple-year variable	Total
Jim Mullen	431	32	22	nil	n/a	485
Simon Fuller	334	45	22	nil	n/a	401

	Overview of policy	Remuneration in respect of 2020	Implementation of policy in 2021
Base salary	– Reviewed annually, taking into account individual performance, market competitiveness, the experience of each executive director and salary increases across the Group. Increases not normally to exceed workforce increases **See page 74**	– CEO, Jim Mullen = £484,500 (but paid £431,000 due to salary reductions in the year) – CFO, Simon Fuller = £378,000 (but paid £334,000 due to salary reductions in the year) **See page 82**	– Salary review date is 1 April 2021; if any increase is made, it will be at employee business-wide levels only **See page 87**
Benefits	– Benefits typically consist of provision of a company car or car allowance, private medical cover, permanent health insurance and life assurance **See page 74**	– In line with policy **See page 82**	– No change to benefits for 2021 **See page 88**
Pension	– All executive directors to be at 7.5% salary contribution level by 1 January 2023, with this rate being within the range of contribution rates for the workforce (for which there are a large range of legacy arrangements in place). Current rates are 7.5% for the CEO and 11.25% for the CFO **See page 74**	– CEO at 7.5% of base salary – CFO's pension contribution rate will transition to 7.5% of base salary by 1 January 2023 (2020: 13.1%) **See page 82**	– CEO unchanged – CFO 11.25% (part of phased transition to 7.5% by 1 January 2023) **See page 88**
Annual bonus	– Maximum annual bonus opportunity proposed by new policy to be 125% of salary for CEO and 100% of salary for CFO – Based on financial/business performance, with financial measures (to include Group profits) not to be less than 50% 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 – Clawback provisions apply **See page 75**	– Annual bonus for 2020 was suspended in April 2020 and now confirmed as nil **See page 82**	– Maximum annual bonus opportunities at 125% of salary for CEO and 100% of salary for the CFO – Revised weightings on performance measures for 2020: Group Adjusted Operating Profit 50%; Strategic 50% (including Customer Registrations (20%); Overall Digital ARPU (10%); Diversity and Inclusion (10%)) **See page 88**
LTIP	– Maximum award size proposed by new policy to be 175% of salary for CEO and 150% of salary for CFO in normal circumstances – Awards vest subject to performance over a three-year period. Vested shares are subject to an additional two-year holding period – Malus and clawback provisions apply **See page 76**	– Awards of 150% / 120% of salary made to the CEO / CFO – Awards subject to Relative TSR targets (60% weighting) and Cumulative Net Cash Flow (40% weighting) measured over three years to December 2022 **See page 82**	– Awards of 175% / 150% of salary to be made to the CEO / CFO, subject to approval of revised policy – Performance to be measured over the period December 2020 to December 2023 against Relative TSR (70% weighting), Cumulative Net Cash Flow targets (20%) and Overall Digital ARPU (10%) – Two-year holding period will apply to vested shares **See page 88**

Remuneration report continued

Introduction

This Annual 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) Regulations 2008 (as amended). 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 FRC's UK Corporate Governance Code July 2018 (the '2018 Code'), are applied in practice. The Committee confirms that throughout 2020 the Company has complied with these governance rules and best practice provisions.

Policy Report

Revised Executive Director Remuneration Policy Table

As described earlier in this report, the Committee undertook a review of Reach's remuneration policy in 2020 and is proposing some changes to the Policy. Details of the proposed changes are highlighted in the table below.

Pay element and how it supports strategy	Operation	Opportunity	Performance Conditions	Changes from previous policy
Base salary To attract and retain talent by ensuring base salaries are competitive in the relevant talent market.	Base salaries are reviewed annually, taking into account individual performance, market competitiveness, the experience of each executive director, and salary increases across the Group. 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. 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 Remuneration report.	Individual and business performance are considerations in setting base salary.	No changes.
Pensions To provide post-retirement benefits for participants in a cost-efficient manner.	Executive directors participate in the Company's defined contribution scheme or receive a cash allowance in lieu.	All executive directors to be at 7.5% salary contribution level by 1 January 2023, with this rate being within the range of contribution rates for the workforce (for which there are a large range of legacy arrangements in place). Current rates are 7.5% for the CEO and 11.25% for the CFO.	None.	Confirmed that all executive directors will have a 7.5% of base salary pension contribution by 1 January 2023.
Benefits To provide non-cash benefits, which are competitive in the market in which the executive is employed.	Benefits typically include the provision of a company car or car 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.	Benefits vary by role and individual circumstances; eligibility and cost is reviewed periodically. Relocation benefits may only be paid for a maximum of two years.	None.	No changes.

Pay element and how it supports strategy	Operation	Opportunity	Performance Conditions	Changes from previous policy
Annual Bonus (delivered in the form of cash and restricted shares) To focus executives on delivering the business priorities for the financial year. Deferral of an element of bonus outcomes under the Restricted Share Plan ('RSP') provides further alignment with the interests of shareholders.	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 RSP awards. RSP awards may not normally be transferred or otherwise disposed of by a participant for a period of three years from the date of grant, and will be forfeited on resignation to join a competitor. Clawback provisions apply as described in the notes to this table.	The maximum annual bonus opportunity will be 125% of base salary for the CEO and 100% of base salary for the CFO. 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 RSP award.	The performance conditions applied may be financial or non-financial and corporate, functional or individual, and in such proportions as the Committee considers appropriate. The performance conditions selected may vary each year depending on business context and strategy and will be weighted appropriately according to business priorities. Financial measures will not be less than 50% of performance measures for annual bonus in each year of this policy, and will include but not be limited to Group profits. However, the annual bonus plan remains a discretionary arrangement and the Committee retains a standard power to apply its judgement to adjust the outcome of the annual bonus plan for any performance measure (from zero to any cap) should it consider that to be appropriate.	Increase in maximum levels from 100% to 125% of base salary for the CEO.

Remuneration report continued

Pay element and how it supports strategy	Operation	Opportunity	Performance Conditions	Changes from previous policy
LTIPs To align the interests of executives with shareholders in growing the value of the business over the long term.	Awards of performance shares may be granted annually with vesting subject to performance over at least three years. There is a three-year performance period and a two-year holding period on vested LTIP shares to provide additional alignment with shareholders. Malus and clawback provisions apply as described in the notes to this table.	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 175% of base salary for the CEO and 150% of base salary for the CFO. Additional shares representing reinvested dividends for the vesting period may be released following the vesting of a LTIP award.	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. The performance conditions applied may be financial or non-financial and corporate, functional or individual, and in such proportions as the Committee considers appropriate. However, the Committee would expect to consult leading shareholders if it proposed materially changing the current performance conditions for LTIP awards made to executive directors (Relative TSR: 70%; Cumulative NCF: 20%; strategic measures: 10%), or the weightings between these measures. Performance periods will not be less than, but may be longer than, three years. No more than 20% of awards vest for attaining the threshold level of performance conditions. The Committee also has a standard power to apply its judgement to adjust the formulaic outcome of any LTIP performance measures (from zero to any cap) should it consider that to be appropriate.	Increases in normal award policy limit for CEO to 175% of base salary (from 150% of salary). Performance conditions section updated to reflect proposed metrics for 2021 awards.

Notes to the Policy Table

1. 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, will be disclosed in the Annual Remuneration report.

2. 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 financial performance in the short term while making progress towards achievement of the Group's strategic objectives.

The Committee considers that the metrics used in the LTIP (total shareholder return, net cash flow and strategic metrics), help align executives with shareholder interests, and provide objective and transparent measures of the Company's performance and shareholder value.

3. Malus and Clawback

The Committee may apply malus and clawback to an LTIP award, to deferred bonus share awards under the RSP and to cash amounts under the annual bonus plan (clawback only). The relevant circumstances when malus and clawback can operate are where:

a. There has been a significant deterioration in the underlying financial health of the Company; or

b. There has been a material misstatement of the Company's accounts; or

c. The participant has deliberately misled the Company, the Company's shareholders or the market regarding the Company's financial performance; or

d. Circumstances of potential reputational damage for any Group company; or

e. Errors in calculation of performance condition outcomes; or

f. Gross misconduct.

Malus and clawback can operate during the three-year period until the vesting of an RSP award and from the award date until the end of the two-year holding period for a vested LTIP award. Cash bonuses can be subject to clawback for up to three years from payment.

4. Travel and hospitality

While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for directors (and any related tax liabilities settled by the Company) may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities and reimbursement of associated expenses within its agreed policies.

5. Committee discretions

The Committee will operate the annual bonus plan, the RSP and LTIP according to their respective rules and the above policy table. The Committee retains discretion, consistent with market practice, in a number of respects, in relation to the operation and administration of these plans. These discretions include, but are not limited to, the following:

- The selection of participants;
- The timing of grant of an award/bonus opportunity;
- The size of an award/bonus opportunity subject to the maximum limits set out in the policy table;
- The determination of performance against targets and resultant vesting/bonus pay-outs;
- Discretion required when dealing with a change of control or restructuring of the Group;
- Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (eg rights issues, corporate restructuring events and special dividends); and
- The annual review of performance measures, weightings and targets from year-to-year.

While performance measures and targets for annual bonus and LTIP will generally remain unchanged once set, the Committee has the usual discretions to amend the measures, weightings and targets in exceptional circumstances (such as a major transaction) where the original conditions would cease to operate as intended. Any such changes would be explained in the subsequent Annual Remuneration report and, if appropriate, be the subject of consultation with the Company's major shareholders.

Any use of these discretions would, where relevant, be explained in the Annual Remuneration report.

6. Shareholding guidelines

The policy on shareholding guidelines for the executive directors can be summarised as follows:

- Executive directors are subject to a guideline requirement of 200% of base salary; and
- 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, under the LTIP and RSP.

From the 2020 AGM, this guideline applies additionally for a period of one year from the date on which an executive director stands down from the Board. The requirement in these circumstances is to retain shares with a value equivalent to the lower of either: a) the 200% of salary guideline; or b) the value of shares held at the date of standing down from the Board (although this calculation excludes shares purchased by an executive director with their own funds or shares obtained under awards granted at recruitment to buy-out awards from a prior employer, or shares from awards made before the 2020 AGM).

Remuneration report continued

7. Differences in remuneration policy operated for other employees

Pay and employment conditions generally in the Group will be taken into account when setting executive directors' remuneration.

The same reward principles guide reward decisions for all Group employees, including executive directors, although remuneration packages differ to take into account appropriate factors in different areas of the business:

Base salary/ benefits/ pension	The Committee receives and considers an annual report summarising the base salaries, benefits and pension arrangements received by each category of Group staff.
Annual bonus	The majority of Group employees can participate in an annual bonus plan, although the quantum and balance of group, business unit and individual objectives varies by level and nature of role. The Committee receives an annual report summarising the bonus potential and performance metrics used in each of the annual bonus schemes in operation across the Group.
Long-term incentives	Key Group employees participate in the LTIP and may receive awards based on the same performance conditions as those for executive directors (although the Committee reserves the discretion to vary the performance conditions for awards made to employees below Board level). The Committee is responsible for operation of the LTIP and approves all LTIP awards made to Group staff. The Company intends to introduce a SAYE all-employee share plan in 2021. In any all-employee plan established by Reach, all employees (including executive directors) will be given the opportunity to participate on the same terms, reflecting HMRC requirements and the limits specified by HMRC from time to time.

Reflecting standard practice, the Company does not consult with staff in drawing up the Company's Annual Remuneration report or when determining the underlying policy.

Recruitment policy

External appointment

In cases of hiring or appointing a new executive director from outside the Company, the Committee may make use of all existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value
Base salary	The base salaries of new appointees will be determined based on the experience and skills of the individual, internal relativities, relevant market data and their current basic salary. Initial salaries may be set below market and consideration given to phasing any increases over two or three years subject to development in the role.	Not applicable.
Pension	New appointees will be entitled to become members of the Company's defined contribution pension scheme or receive a cash alternative.	Newly appointed directors' contributions at 7.5% salary.
Benefits	New appointees will be eligible to receive benefits in line with the policy.	Not applicable.
Annual bonus (cash and restricted shares)	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the portion of the year served.	Up to 125% of base salary.
Long Term Incentive Plan	New appointees will be granted awards under the LTIP on similar terms as other executives, as described in the policy table.	Up to 200% of base salary.

In determining appropriate remuneration structures and levels, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of both the Company and its shareholders. The Committee may make an award in respect of a new appointment to 'buy-out' incentive arrangements forfeited on leaving a previous employer, ie over and above the approach outlined in the table above, and may exercise the discretion available under Listing Rule 9.4.2 R if necessary to do so. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining. The fair value of any buy-out award should generally have a fair value no higher than that of the awards forfeited. The Committee will seek, as far as practicable, to make any buy-out awards subject to comparable requirements in respect of service and performance as the awards forfeited. For the avoidance of doubt, the value of buy-out awards is not capped.

Internal promotion

In cases of appointing a new executive director by way of internal promotion, the recruitment policy will be consistent with that for external appointees, as detailed above. Where an individual has contractual commitments made prior to their promotion to executive director level, the Company will continue to honour these arrangements.

Service contracts of executive directors who served during 2020

Executive	Date of contract
Jim Mullen	16 August 2019
Simon Fuller	1 March 2019

Exit payment policy

Executive director service contracts, including arrangements for early termination, are carefully considered by the Committee and are designed to recruit, retain and motivate directors of the quality required to manage the Company. Each of the executive directors has a service contract with the Company which can be terminated by either party giving one year's written notice. The Company may reimburse reasonable legal costs incurred in connection with a termination of employment, if the Committee considers it appropriate.

The termination provisions provide that should the Company seek to terminate an executive director's employment it may do so making a payment in lieu of twelve months' base salary. Any payment in lieu will not include elements relating to any bonus or benefits. The contract provides that the Company may terminate in breach of the agreement and may require the director to mitigate any loss.

Any new executive directors will be engaged on these, or similar, contractual terms.

Executive director service contracts are available for inspection at the registered office and at the AGM.

In the event that a participant ceases to be an employee of Reach, treatment of outstanding awards under the Group's incentive plans will be determined based on the relevant plan rules as summarised in the following section.

Annual Bonus Plan

If an executive director resigns or is dismissed for cause before the bonus payment date, the right to receive any bonus normally lapses. If an executive director ceases employment before such date by reason of death, injury, ill health, disability or any other reason determined by the Committee, such bonus will be payable as the Committee in its absolute discretion determines, although normally such payment will be pro-rated to reflect only the period worked in the year. Similar treatment will apply in the event of a change in control of the Company.

Restricted Share Plan (Deferred Bonuses)

Under the RSP, outstanding awards held by leavers will normally continue to vest at the usual time, unless the Committee exercises discretion to allow early release in compassionate cases. In cases of summary dismissal or the resignation of a director to join a competitor, unvested awards will lapse. On a change of control, outstanding awards under the RSP would normally vest.

LTIP

Under the LTIP, unvested LTIP shares normally lapse unless the participant is a good leaver. In the case of a good leaver, unvested shares would normally be pro-rated for time and tested for performance over the full performance period, but subject to the Committee's discretion to allow earlier performance testing and release of vested shares in compassionate cases. Vested LTIP awards which are subject to an additional holding period will typically be retained and released at the end of the holding period, subject to the Committee's discretion to allow release of the holding period in compassionate cases. On a change of control, unvested LTIP shares would normally vest immediately and be pro-rated for time and performance, subject to Committee discretion.

External appointments

The Company acknowledges that its executive directors are likely to be invited to become non-executive directors of other companies. The Committee believes that these non-executive duties can broaden the directors' knowledge and experience to the benefit of the Company. Executive directors are therefore, with the Board's permission, allowed to accept one such appointment as long as there is no conflict of interest and to retain any fees. Details of external appointments are set out on pages 54 and 55 of the Corporate Governance report and details of any remuneration received in respect of such positions is set out on page 83.

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 consulted with selected leading shareholders regarding the proposed changes to our remuneration policy to be brought forward at the 2021 AGM.

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 2018 Code guidelines, 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 in the following section. On any recruitment of a new non-executive director, the Committee will also apply this policy.

Remuneration report continued

Pay element and Function	Operation	Opportunity	Performance Conditions	Changes from previous policy
Chairman and non-executive directors' fees To attract and retain a company Chairman and non-executive directors of the highest calibre with broad commercial and other experience relevant to the Company and sector.	Fee levels are reviewed periodically 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 Chair 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.	Any Chairman and non-executive director fee increases are applied in line with the outcome of the annual fee review. There is no prescribed maximum. Fees from 1 January 2020 are set out in the Annual Remuneration report on page 83. The maximum aggregate annual fee for all non-executive directors provided in the Company's Articles of Association is £700,000.	None.	No material changes.

Notes:

While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for directors (and any related tax liabilities settled by the Company) may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities and reimbursement of associated expenses within its agreed policies.

Scenario analysis

The charts below provide an estimate of the potential future reward opportunities for the executive directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'. Potential reward opportunities are based on Reach's Remuneration Policy, applied to latest known base salaries and incentive opportunities. Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant.

- The 'Minimum' scenario reflects base salary, pension and benefits (ie fixed remuneration), being the only elements of the executive directors' remuneration package not linked to performance.
- The 'On-target' scenario reflects 'Minimum' fixed remuneration as above, plus target bonus (based on 50% of maximum opportunity) and LTIP threshold vesting (20% vesting).
- The 'Maximum' scenario reflects 'Minimum' fixed remuneration, plus maximum payout under all incentives. This could be lower than single figure total remuneration which includes the value of LTIP awards which vested on performance based on the share price at vesting (rather than grant).
- The 'Maximum plus Growth' applies a 50% share price growth factor to awards of LTIPs under the 'Maximum' scenario.

chart removed

chart removed

Annual Remuneration report

The following section provides details of how our Remuneration Policy was implemented during 2020.

Remuneration Committee membership

During 2020, the Committee members were the following non-executive directors:

- David Kelly (Chairman)
- Helen Stevenson
- Anne Bulford
- 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 CEO and CFO. During the year under review, the Committee, where appropriate, sought advice and assistance from the executive directors and the HR Director in connection with carrying out its duties. The activities of the Committee include appropriate review and oversight of the operation and implementation of the Company's remuneration policy each year. The Committee also reviewed its terms of reference in the year with updated terms of reference applying from January 2021.

The Chairman of the Board, together with the CEO, 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 decision on their own remuneration.

The Committee met three times during the year and details of members' attendance at meetings are provided on page 58 of the Corporate Governance report.

During the year, the Committee considered its obligations under the 2018 Code and concluded that:

- The directors' remuneration policy supports the Company's strategy (including in the performance measures chosen); and
- Remuneration for our directors remains appropriate.

In addition, the Committee has ensured that its policy and practices are consistent with the six factors set out in Provision 40 of the 2018 Code:

Clarity – Our policy is well understood by our senior executive team and has been clearly articulated to our shareholders and representative bodies.

Simplicity – The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our executive remuneration policies and practices are straightforward to communicate and operate.

Risk – Our policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via: (i) the balanced use of both annual incentives and LTIPs which employ a blend of financial, non-financial and shareholder return targets; (ii) the significant role played by shares in our incentive plans (together with bonus deferral and in employment and post cessation shareholding guidelines); and (iii) malus and clawback provisions within all our incentive plans.

Predictability – Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. The weighting towards use of shares within our incentive plans means that actual pay outcomes are highly aligned to the experience of our shareholders.

Proportionality – There is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive/ 'at-risk' pay, together with the structure of the executive directors' service contracts, ensures that poor performance is not rewarded.

Alignment to culture – Our executive pay policies are fully aligned to Reach's culture through the use of metrics in both the annual bonus and LTIP that measure how we perform against key aspects of our strategy, which has the objective of delivering sustainable growth in revenue, profit and cash flow.

As described on pages 71 and 72, each year the Committee receives and considers an annual report summarising the base salaries, benefits and pension arrangements received by each category of Group staff and summarising the bonus potential and performance metrics used in each of the annual bonus schemes in operation across the Group. Whilst the Committee has not engaged directly with employees to explain the alignment of senior executives' pay to wider company pay policy, Olivia Streatfeild, the non-executive director responsible for considering the views of the workforce, is also a member of the Committee, giving the Committee insight into the views expressed by our workforce as they relate to remuneration.

Remuneration report continued

Advisers

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.

The Committee received advice from FIT Remuneration Consultants LLP ('FIT') in 2020. FIT were appointed to advise the Committee in 2019 following a competitive tender process.

FIT does not provide material support to the Company on any other matters and was assessed to be independent for the period under review. FIT's total fees for the provision of remuneration services to the Committee in 2020 were £77,326 plus VAT. These fees were charged on the basis of their normal terms of business for advice provided.

Summary of shareholder voting on remuneration matters

The following table shows the results of the votes on (1) the Directors' Remuneration Policy and (2) the advisory vote on the 2019 Annual Remuneration report at the 2020 AGM:

Resolution text	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
(1) Approve the Directors' Remuneration Policy	244,766,337	96.91	7,808,500	3.09	252,574,837	5,153,616
(2) Approval of Annual Remuneration report	218,662,132	99.63	819,763	0.37	219,481,895	38,246,558

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 2020 and 2019:

	Salary £'000		Pension benefit[1] £'000		Taxable benefits[2] £'000		Single-year variable[3] £'000		Multiple-year variable £'000[4]		Other £'000[5]		Total £'000		Total fixed remuneration[6] £'000		Total variable remuneration[7] £'000	
Executive	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Jim Mullen	**431**	180	**32**	13	**22**	8	**–**	122	**–**	–	**–**	–	**485**	323	**485**	201	**–**	122
Simon Fuller	**334**	306	**45**	46	**22**	19	**–**	167	**–**	–	**–**	50	**401**	588	**401**	421	**–**	167

1 Includes the value of cash supplements received by directors in lieu of pension contributions.
2 Incorporates the value of all tax assessable benefits arising from employment with the Company and relates to the provision of car allowance and healthcare cover.
3 Annual bonus paid for performance over the relevant financial year. In 2020 this was nil as the bonus was suspended in April 2020.
4 The multiple-year variable values for 2019 and 2020 are nil as neither executive director had an LTIP award which vested by reference to performance for those years.
5 The amount in the 'Other' column for Simon Fuller for 2019 is a Restricted Share award to buy-out share awards forfeited on leaving his previous employment (value of shares at date of grant: £50,000).
6 Total fixed remuneration for 2019 reflects Jim Mullen joining the Board on 16 August 2019 and Simon Fuller joining the Board on 1 March 2019.
7 Total variable remuneration for 2020 is nil as 2020's bonus was suspended and neither executive director held an LTIP award which was due to vest by reference to performance in 2020.

Annual bonus in respect of 2020 performance (audited)

Although 2020 annual bonuses were suspended in April 2020 and paid nil for the year, for information, details of the originally set targets are summarised below.

Measure	Weighting (% of bonus)	Threshold	Target	Stretch	Actual	Total payout (% of maximum)
Group Adjusted Operating Profit	50%	No payment below target	£147.6m (25%)	£154m (50%)	n/a	
Group Revenue	25%	No payment below target	£662.6m (12.5%)	£669.2m (25%)	n/a	n/a
Strategic Objectives	25%	See details below			n/a	

Strategic Objectives	Outcome
A range of objectives were set including in respect of: • Registered customers • In Your Area business cases • Page views	n/a

2018 LTIP Awards (audited)

The performance period for the 2018 LTIP awards ended in December 2020. Although neither of the current executive directors were participants in this year's vesting, the below information is included for information. It is relevant for the disclosure in respect of 'payments to past directors' due to the former CEO (Simon Fox) retaining a pro-rated award after he left the Company. Vesting of the 2018 LTIP award 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
180 pence (or above)	60%
Between 115 pence and 180 pence	Straight-line vesting between 12% and 60%
115 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 2020 which was 141.7 pence and warranted 52.9% vesting of the TSR shares (which represented 60% of the total award). 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
£345m (or above)	40%
Between £300m and £345m	Straight-line vesting between 8% and 40%
£300m or below	0%

Net Cash Flow for the 2018 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. Satisfaction of the performance condition was determined by reference to the NCF, which was £355.3m and warranted 100% vesting of the NCF shares (40% of the total award).

Total vesting was therefore 71.74%, representing 31.74% vesting under TSR and 40.00% vesting under NCF.

Payments to past directors

As was disclosed in the Remuneration report for 2019, Simon Fox retained time pro-rated interests under the 2017, 2018 and 2019 LTIPs and these can continue to vest at the usual vesting times for these awards. To the extent the awards vest, a further two-year holding period will apply. Vesting for the retained 2018 award will be in accordance with the performance outcome for the 2018 LTIP described above.

External directorship fees

As set out in the Remuneration Policy, the Company recognises the benefits of executive directors taking on external appointments as non-executive directors. Jim Mullen serves as a non-executive director of Racecourse Media Group Limited. For 2020 he received fees of £38,667 which he retained.

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 2020 and 2019. During 2020, non-executive directors agreed to a voluntary reduction in their fees as described in the Committee Chair's Annual Statement introducing this report.

	Base fee £'000		Other fees £'000		Total £'000	
Non-executive director	2020	2019	2020	2019	2020	2019
Anne Bulford[1]	**40**	24	**11**	7	**51**	31
Steve Hatch	**40**	45	**–**	–	**40**	45
David Kelly	**40**	45	**11**	13	**51**	58
Nick Prettejohn	**161**	180	**–**	–	**161**	180
Helen Stevenson	**40**	45	**11**	13	**51**	58
Olivia Streatfeild	**40**	45	**–**	–	**40**	45

1 Anne Bulford joined the Board as Chair of the Audit & Risk Committee on 18 June 2019.

The below non-executive director fee rates were in place throughout 2020, although the amounts paid were reduced as described in the Committee Chair's Annual Statement introducing this report.

	From 1 January 2020
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

Remuneration report continued

LTIP interests awarded in 2020 (audited)

On 27 March 2020, Jim Mullen and Simon Fuller were granted awards under the LTIP in the form of performance shares. The three-year period over which performance will be measured will end in December 2022. To the extent that performance conditions are met, awards will vest on 27 March 2023.

	Date of grant	Shares over which awards granted	Value of awards granted (£)	% of salary
Jim Mullen	27 March 2020	750,258[1]	£727,000	150
Simon Fuller	27 March 2020	468,272[1]	£453,756	120

1 The base price for calculating the level of awards was 96.9 pence, the average market closing price between 24 and 26 March 2020.

Vesting of LTIP awards granted in 2020 is subject to two performance conditions: Relative 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.

TSR performance relative to constituents of FTSE SmallCap (ex IT)	% of award which can be exercised
Upper quartile or above	60%
Between median and upper quartile	Straight-line vesting between 12% and 60%
Median	12% (being 20% weighting of this part)
Below median	Nil

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.

Net Cash Flow condition

Cumulative adjusted Net Cash Flow over the performance period	% of total award which can be exercised
£390m or above	40%
Between £340m and £390m	Straight-line vesting between 8% and 40%
£340m	8% (being 20% weighting of this part)
Below £340m	Nil

Net Cash Flow for the 2020 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 condition is measured over financial years 2020, 2021 and 2022.

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.

Total pension entitlements (audited)

Simon Fuller received an annual cash sum to use for pension purposes equivalent to 13.1% of base salary in 2020. Jim Mullen received an annual cash sum to use for pension purposes equivalent to 7.5% of base salary in 2020. Neither of the executive directors participates in a defined benefits pension plan.

Annual percentage change in remuneration of directors and employees

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. In accordance with changes to Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), for 2020 we also show the relevant percentage changes for all other directors.

	CEO	All other employees	CFO	Chairman	Helen Stevenson (Senior Independent Director)	Anne Bulford (Non-Executive Director)[1]	David Kelly (Non-Executive Director)	Olivia Streatfeild (Non-Executive Director)	Steve Hatch (Non-Executive Director)
Salary	-14.8%	4.2%	-11.6%	-10.6%	-12.1%	112.5%	-12.1%	-11.1%	-11.1%
Taxable Benefits	nil	2.9%	4.8%	n/a	n/a	n/a	n/a	n/a	n/a
Annual Bonus[2]	-100%	-100%	-100%	n/a	n/a	n/a	n/a	n/a	n/a

All figures expressed as percentage changes between 2019 and 2020.

1 Anne Bulford was appointed as non-executive director on 18 June 2019; accordingly the percentage difference shown represents a comparison between a full year (2020) and a part year (2019).

2 The annual bonus for 2020 was cancelled.

Annual percentage change in remuneration of directors and employees continued

The CEO's remuneration for 2019 which is used for comparison to 2020 was calculated by adding together the base salary, taxable benefits and annual bonus payments paid to Simon Fox and Jim Mullen in respect of the parts of the year they respectively served as directors (ie as disclosed in the single figure table). Similarly the same basis of calculation was applied for the CFO's remuneration for 2019 taking into account payments paid to Vijay Vaghela. 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 the end of 2020 and the end of 2019 and P11D data from tax years 2019 and 2020 and is based on a consistent set of employees, ie the same individuals appear in the 2020 and 2019 populations. The selected data set captures longer serving staff and accordingly the 4.2% increase for salary includes a number of increases related to internal promotion. The annual bonus is the amount payable in respect of 2020 (nil) compared to the amount paid in respect of 2019. The base salary data for part-time employees has been pro-rated up to the full time equivalent.

Chief Executive Officer pay ratio

This is the third year that the Company has disclosed the CEO pay data and the Committee has agreed to use a consistent methodology with earlier years.

The table below shows the ratio of the CEO'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
2020	**Option B**	**17 : 1**	**14 : 1**	**11 : 1**
2019[1]	Option B	43 : 1	31 : 1	24 : 1
2018	Option B	38 : 1	27 : 1	18 : 1

1 The CEO single figure total remuneration for 2019 was determined by adding together Simon Fox and Jim Mullen's single figures of total remuneration as disclosed in the single figure table for that year.

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 2020. 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 2020 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.

The median pay ratio for 2020 is significantly lower than reported for 2019. This is mainly due to no bonus payable for 2020 and no LTIP vesting for our CEO in relation to the 2020 performance year.

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 for 2020	25th Percentile	Median	75th Percentile
Total Employee Pay and Benefits Figure	£29,305	£35,351	£44,672
Salary and Wages Component of Total Employee Pay and Benefits Figure	£26,150	£34,000	£42,285

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

chart removed

Remuneration report continued

Chief Executive Officer's single figure of remuneration

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

	2011	2012[1]	2013	2014	2015	2016	2017	2018[2]	2019[3]	2020
Single figure of remuneration (£'000)	1,391	186	710	1,678	2,260	749	893	949	323	485
Annual bonus outcome (% of salary)	30.0%	0%	30.0%	45.8%	34.6%	34.6%	39.7%	38.3%	67.65%	nil[4]
LTIP vesting (% of maximum)	0%	n/a	n/a	62.6%	25.3%	0%	40%	40%	n/a	n/a

1 Sly Bailey was CEO in 2010 and 2011 and resigned on 15 June 2012. Sly Bailey single figure for 2012 was £1,354k with 0% bonus and 0% LTIP vesting. Vijay Vaghela acted as CEO on an interim basis between June 2012 and August 2012 and received £35k in respect of this service.
2 2012 to 2018 figures for CEO are in respect of Simon Fox. Simon Fox resigned on 16 August 2019. Simon Fox single figure for 2019 was £780,000 with 67.65% bonus (pro-rated to reflect only H1 2019) and 40% LTIP vesting.
3 2019 figures reflect Jim Mullen.
4 Annual bonus for 2020 was suspended and is therefore nil.

Relative importance of spend on pay

The table below shows shareholder distributions (dividends and share buy-backs) and total employee pay expenditure for 2019 and 2020, along with the percentage change in both.

	2020 £'000	2019 £'000	% change 2019–2020
Shareholder distributions (dividends)	**Nil**	18,600	-100%
Total employee expenditure	**214,600**	239,000	-10.3%

Exit payments (audited)

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

Directors' beneficial interests shareholding requirements (audited)

The table below sets out the beneficial interests of the non-executive directors in the share capital of the Company. Non-executive directors are encouraged to buy shares with their annual fees. The table shows the position as at 27 December 2020 for current non-executive directors.

Non-Executive Directors	**Ordinary shares at 27 December 2020**	Ordinary shares at 29 December 2019
Anne Bulford	**11,953**	11,463
Steve Hatch	**10,207**	9,789
David Kelly	**10,427**	10,000
Nick Prettejohn	**111,248**	106,685
Helen Stevenson	**36,496**	35,000
Olivia Streatfeild	**55,255**	52,989

The table below sets out beneficial interests of the executive directors in the share capital of the Company and achievement against shareholding requirements, being 200% of base salary for the CEO and CFO. Shareholding requirements apply for one year from an executive director's stepping down from the Board. The table shows the position as at 27 December 2020 for current executive directors. 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 under the LTIPs and RSP.

Executive Directors	**Owned outright**	**Vested but subject to holding period**	**Unvested and subject to other conditions[1]**	**Total share interests for SOGs[3]**	**Value of share interests[2]**	**Current shareholding (% salary/fee)**
Jim Mullen	104,276	–	34,932	139,208	£171,905.94	40%
Simon Fuller	–	–	96,306	96,306	£71,459.05	21%

1 Shares awarded under the RSP are subject to a malus and clawback provision.
2 Calculations are based on the use of the higher of the acquisition price or the share price as at 27 December 2020. Value of RSP is reduced by 47% to reflect estimated tax and NI due at time of vesting in line with IA guidelines.
3 'Share Ownership Guidelines'.

None of the directors have a beneficial interest in the shares of any other Group company. Since 27 December 2020, there have been no changes in the directors' interests in shares.

The lowest price of the shares during the year was 51.2 pence (49.0 pence when adjusted to reflect the bonus issue shares allocated pursuant to the bonus issue authorised by shareholders at the General Meeting on 22 October 2020) and the highest price was 180.4 pence (173.0 pence when adjusted for the bonus issue shares). The share price as at 24 December 2020 (the last dealing day before 27 December 2020) was 140.0 pence.

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

Director	Date of grant	Share price used at date of grant	At 29 December 2019	Granted	Exercised	Lapsed	Bonus issue shares allocated[2]	At 27 December 2020	Performance period	Exercise period (holding period)
Jim Mullen										
LTIP	04.12.19	£0.977	972,364	–	–	–	41,587	1,013,951	01.01.19–27.12.21	04.12.22–04.03.23 (04.12.22–04.12.24)
LTIP	27.03.20	£0.969	–	750,258	–	–	32,088	782,346	30.12.19–25.12.22	27.03.23–27.06.23 (27.03.23–27.03.25)
RSP	27.03.20	£0.969	–	33,500	–	–	1,432	34,932	–	Restricted until 27.03.23

Director	Date of grant	Share price used at date of grant	At 29 December 2019	Granted	Exercised	Lapsed	Bonus issue shares allocated[2]	At 27 December 2020	Performance period	Exercise period (holding period)
Simon Fuller										
LTIP	11.03.19	£0.646	835,913	–	–	–	35,751	871,664	01.01.19–27.12.21	11.03.22–11.06.22 (11.03.22–11.03.24)
LTIP	27.03.20	£0.969	–	468,272	–	–	20,027	488,299	30.12.19–25.12.22	27.03.23–27.06.23 (27.03.23–27.03.25)
RSP[1]	11.03.19	£0.646	77,399	–	–	–	3,310	80,709	–	Restricted until 11.03.22
RSP	27.03.20	£0.969	–	14,958	–	–	639	15,597	–	Restricted until 27.03.23

1 The RSP award made to Simon Fuller in March 2019 represents a buy-out of share awards forfeited on leaving his previous employment (value of shares at date of grant: £50,000).
2 Bonus issue shares allocated pursuant to the bonus issue authorised by shareholders at the General Meeting on 22 October 2020.

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 malus and clawback provisions. The LTIP awards are granted as options with a £1 total exercise price.

	TSR targets			NCF targets		
Plan	Weighting	Threshold (20% vesting)	Full vesting (100% vesting)	Weighting	Threshold (20% vesting)	Full vesting (100% vesting)
2018 LTIP (Absolute TSR)	60%	115p	180p	40%	£300m	£345m
2019 LTIP (Absolute TSR)	60%	115p	165p	40%	£300m	£340m
2020 LTIP (Relative TSR)	60%	Median	Upper quartile	40%	£340m	£390m

Relative TSR for the 2020 LTIP is measured against the FTSE SmallCap (ex. IT).

Net Cash Flow under each of the awards 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. 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

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 and clawback provisions as described in the notes to the Remuneration Policy table. 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.

Implementation of remuneration policy for 2021

Base salary

Salaries of the executive directors in 2021 will be reviewed on 1 April 2021. As at the date of this report, the respective salaries of the CEO and CFO are as shown below. Any salary adjustments on 1 April 2021 will not be greater than annual increases made to Group employees generally:

	Base salary at:		
	1 March 2021	1 March 2020	Increase
Jim Mullen	**£484,500**	£484,500	nil
Simon Fuller	**£378,000**	£378,000	nil

Remuneration report continued

Pension and benefits

Jim Mullen unchanged at 7.5% of salary pension contribution for 2021. Simon Fuller reduced to 11.25% pension contribution for 2021.

Annual bonus and RSP

For 2021, the maximum annual bonus opportunity will (subject to approval from shareholders at the 2021 AGM) be 125% of salary for the CEO and 100% for the CFO.

The annual bonus plan for our executive directors in 2021 will have a balance of metrics as follows:

- Group Adjusted Operating Profit – weighting 50%
- Strategic Measures – weighting 50% including:
  - Customer Registrations (20%)
  - Overall Digital ARPU (20%)
  - Diversity and Inclusion (10%)

Overall Digital Average Revenue Per User ('ARPU') is defined as the total digital revenue generated across the business, divided by the active UK digital audience (based on the accepted industry measurement standard). By focusing on a user level measure of value from the UK digital audience of Reach, the Company is able to assess the increased monetisation of its digital audience. This is the focus of the Customer Value Strategy, which will deliver increased engagement (ie higher consumption volumes) and higher revenue per page (ie higher yields).

Before any 2021 annual bonus outcomes are confirmed the Committee will conduct an overview assessment of performance in the year and consider this alongside the outcomes for the specific metrics.

Performance targets for the 2021 financial year are considered to be commercially sensitive and are not disclosed on a prospective basis. However, it is intended that performance against targets will continue to be disclosed in next year's Annual Remuneration report.

Any bonus earned in excess of 50% of salary will be deferred in shares under the RSP for three years.

LTIP to be awarded in 2021

In 2021, proposed LTIP award levels are (subject to approval from shareholders at the 2021 AGM) 175% of salary for the CEO and 150% of salary for the CFO.

The three-year performance period for the 2021 LTIP awards ends in December 2023. The balance of metrics will be:

- Relative TSR (70%)
- Cumulative Net Cash Flow targets (20%)
- Overall Digital ARPU (10%)

TSR performance relative to constituents of FTSE SmallCap (ex IT)	% of award which can be exercised
Upper quartile or above	70%
Between median and upper quartile	Straight-line vesting between 14% and 70%
Median	14% (being 20% weighting of this part)
Below median	Nil

The relative TSR condition will be measured on the basis of three-month average return figures at the start and end of the performance period. Prior to vesting, an overview of performance will be considered as described for the TSR element of 2020 LTIP awards earlier in this report.

Cumulative adjusted NCF over the performance period	% of award which can be exercised
£395m (or above)	20%
Between £345m and £395m	Straight-line vesting between 4% and 20%
£345m	4% (being 20% weighting of this part)
Below £345m	Nil

Net Cash Flow for the 2021 award is defined as the net cash flows generated by the business before the payment of dividends, before pension deficit funding payment, and before any cash outflows that have been treated as non-recurring in the financial statements. Satisfaction of the performance condition is determined by reference to the NCF as set out above.

The Overall Digital ARPU performance measure for 2021's LTIP (10% total weighting) will operate using the same definition as described above for annual bonus. The range of targets for this performance measure have been set by the Committee for 2021's awards by reference to the three-year business plan, and the Committee considers the range as set as requiring stretching growth over the period 2021-2023. The Committee regards the Overall Digital ARPU targets for the 2021 LTIP awards as commercially sensitive at the current time, and accordingly will not be disclosing this target range on a prospective basis. The information will be disclosed when it is appropriate to do so, and no later than the Directors' Remuneration report for the year of vesting.

Chairman and non-executive director fees

The fees for the Chairman and non-executive directors will be reviewed during the year. Fees were last reviewed in May 2020 and have been unchanged since April 2016.

David Kelly
Chairman of the Remuneration Committee

1 March 2021

Directors' report

The Directors' report comprises the Our Board biographies (on pages 54 and 55), the Corporate Governance report (from pages 56 to 60), the Directors' report (from pages 89 to 93) and the Shareholder information section (from pages 150 and 151). The following information is provided in other appropriate sections of the Annual Report and is incorporated by the following references:

Information	Reported in	Page number(s)
Likely future developments and performance of the Company	Strategic report	32
Employee engagement	Strategic report	33 and 34
Employment of disabled persons	Strategic report	34
Greenhouse gas emissions	Strategic report	40 and 41
Corporate Governance statement	Corporate Governance report	56
Directors	Board leadership and Company purpose Remuneration report Remuneration report – directors' beneficial interests shareholding requirements Directors' waiver of emoluments	54 and 55 71 to 88 86 71
Going concern and viability statement	Corporate Governance report	59 and 60
Details of Long-Term Incentive Plan	Remuneration report	87
Dividend waiver	Directors' report	89
Statement of Directors' responsibilities	Directors' report	93
Accounting policies, financial instruments and financial risk management	Financial statements	109 to 114 and 133 to 135

For the purposes of compliance with DTR 4.1.5R(2) and DTR 4.1.8R, the required content of the 'Management Report' can be found in the Strategic report or this Directors' report, including the material incorporated by reference.

Corporate Governance Reporting

Details of the Company's compliance with the FRC's UK Corporate Governance Code July 2018 (the '2018 Code') and the disclosures required under the 2018 Code and the UK Listing Rules are contained within the Corporate Governance report on pages 56 to 60.

Strategic Report

The Company's Strategic report is set out on pages 1 to 50 and includes the Company's business model and strategy, principal risks and uncertainties facing the Group and how these are managed and mitigated.

Results and dividends

A review of the Company's consolidated results can be found on pages 28 to 32.

The Board proposes a final dividend for 2020 of 4.26 pence per share (2019: nil) which, subject to shareholder approval, will be payable on 4 June 2021 to shareholders on the register on 14 May 2021.

Due to the mitigating actions the Company took in response to the COVID-19 pandemic in 2020, the 2019 final dividend was cancelled to protect the Company's cash position. In light of the Company's performance to September 2020 the Board decided it would be appropriate to propose an interim dividend for 2020, subject to shareholder approval, which would be settled through the issue of new ordinary shares of 10 pence each in lieu of payment of a cash dividend, with a value equivalent to 2.63 pence per share. Shareholder approval for the bonus issue of shares was obtained on 22 October 2020 and the bonus issue was made to shareholders shortly after.

The Company 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. In December 2021 up to 1,032,083 shares will be withdrawn from Treasury to satisfy the vesting of the free share award to colleagues granted in December 2020 under the Reach All-Employee Share Plan. After satisfying the award approximately 8,985,537 shares will remain in Treasury.

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 (2,172,983 shares as at 27 December 2020), shares held in TIH Employee Benefit Trust (94,740 shares as at 27 December 2020) and shares held in Treasury (10,017,620 shares as at 27 December 2020).

Directors' report continued

Dividend Policy

The Board recognises the importance of growing dividends for shareholders while also investing to grow the business and meeting our funding commitments to the defined benefit pension schemes. The Board expects to continue to adopt a policy of paying dividends which are aligned to the free cash generation of the Group. Free cash generation for this purpose 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 because of any substantial increase in dividends and/or capital returns to shareholders.

The Board will also continue to consider, if appropriate, the return of capital to shareholders through a share buy-back if it has generated surplus cash and sees an opportunity to enhance earnings per share and therefore shareholder value. Prior to initiating a share buy-back 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, an impairment of the carrying value of investments held by the Company 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 £605.4m 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. In finalising the 2019 triennial valuations, the Group may agree 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 may 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 may agree 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. If agreed to, these obligations may restrict future increases in dividends.

Tax payments

The Group is a UK taxpayer and complies with all UK taxation requirements. The Group paid corporation tax of £14.2m (2019: £11.7m) and paid indirect employment taxes (employer and employee NI and employee PAYE) of £66.7m (2019: £70.1m) during the year for employees in the United Kingdom and €1.2m for employees in the Republic of Ireland (2019: €1.2m).

Political donations

At the Company's Annual General Meeting ('AGM') held on 7 May 2020, 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 pa. The resolution passed, with 85.59% of participating shareholders voting in favour.

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. No political donations were made during 2020 (2019: nil).

Share capital

As at 27 December 2020, the Company's issued share capital comprised 322,085,269 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 312,067,649. 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 27 December 2020, the Trinity Mirror Employees' Benefit Trust held 2,172,983 shares (2019: 2,857,186). At the same date the TIH Employee Benefit Trust held 94,740 shares (2019: 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, Treasury shares and employee benefit trusts can be found in notes 28 to 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 2024. 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.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the consolidated financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the consolidated financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and parent company's position and performance, business model and strategy.

Each of the current directors, whose names and function are listed on pages 54 and 55 in the Board Leadership and Company Purpose section confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the parent company; and
- the Strategic report and the Directors' report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

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

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

This confirmation is given and interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors' report was approved on behalf of the board on 1 March 2021

Simon Fuller
Chief Financial Officer

1 March 2021

Financial Statements

Independent auditor's report to the members of Reach plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Reach Plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 27 December 2020 and of the group's loss, the parent company's profit and the group's cash flows for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Consolidated and Parent company balance sheet as at 27 December 2020; Consolidated income statement, Consolidated statement of comprehensive income, Consolidated cash flow statement, Consolidated and Parent company statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 3 to the group financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

Other than those disclosed in the Audit and Risk committee report, we have provided no non-audit services to the group in the period under audit.

Our audit approach

Overview

Audit scope

- The Group's core publishing operations are accounted for on one general ledger. We performed full scope audits over this and the parent company. This involved work primarily over the Group's central accounting function in Liverpool, the Group's London headquarters and print operations in Watford.
- Our audit scoping gave us coverage of 99% (2019: 99%) of revenue.

Key audit matters

- Carrying value of intangible assets (Group) and investments in subsidiaries (Parent)
- Provision for historical legal issues (Group)
- Valuation of pension liability and valuation of pension assets (Group)
- Impact of COVID-19 (Group and Parent)

Materiality

- Overall group materiality: £6,000,000 (2019: £6,500,000) based on 5% of the three year average profit before tax and before charges for goodwill impairments, charges in respect of significant restructuring, the historical property development onerous contract and charges for historical legal provisions.
- Overall parent company materiality: £5,300,000 (2019: £5,600,000) based on 1% of total assets (capped at 90% of Group materiality).
- Performance materiality: £4,500,000 (Group) and £4,000,000 (Parent company).

Independent auditor's report to the members of Reach plc continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, employment law, pensions regulations and data privacy law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management estimates including the release of provisions, the posting of inappropriate journals to increase revenue or reduce expenditure, misappropriation of cash, and unusual and infrequent users. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the Group's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Requesting legal confirmations from external lawyers and reviewed the nature of legal expenses.
- Challenging assumptions and judgements made by management in their significant accounting estimates, including impairment of intangible assets and investments as explained in the key audit matter below.
- Identifying and testing journal entries to address the risk of inappropriate journals referred to above.
- With regards to data privacy law, procedures in respect of Historical Legal Issues set out in the key audit matter below.
- Reviewing the financial statement disclosures and agreeing to underlying supporting documentation

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including those which 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impact of COVID-19 is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Independent auditor's report to the members of Reach plc continued

Key audit matter

Carrying value of intangible assets (Group) and investments in subsidiaries (Parent)

Refer to Note 3 for the directors' disclosure on the critical accounting judgements and key sources of estimation uncertainty and pages 67 and 68 for the views of the Audit & Risk Committee.

At 27 December 2020 the Group held indefinite lived intangibles (being the carrying value of acquired publishing rights and titles, net of prior impairment charges) of £818.7m (2019: £810.0m) and goodwill of £35.9m (2019: £42.0m). The Parent company also held investments of £773.3m (2019: £773.3) in its subsidiaries.

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.

The key areas of focus are the judgements in relation to the appropriateness of an indefinite (as opposed to finite) useful economic life and the estimation uncertainties in relation to impairment evaluation.

It is critical to management's assessment that the Group is able to 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.

The impairment evaluation relates both to goodwill and indefinite lived intangibles in the Group balance sheet and to the carrying value of the parent company's investment in its subsidiaries.

The Group prepared a single impairment model which reflected the board approved budget for 2021 and then assumptions over longer term trends over a period of transition to a digital business to 2030. The model then reflects cash flows into perpetuity from 2031 onwards.

The key risks and areas of judgement and estimation relate to:

- The appropriateness of a 10-year modelling period;
- The key assumptions in its impairment model; including digital growth rates, the decline rates for print circulation and advertising, cost assumptions (newsprint and other), discount rates and perpetuity growth rates; and
- In addition, for the parent company investment the approach to reflecting the liability for defined benefit pensions obligations was a key assumption.

How our audit addressed the key audit matter

Indefinite life consideration

In assessing whether the indefinite life judgement was appropriate, we examined management's analysis of the life of the intangible assets, considering criteria in International Accounting Standard 38, "Intangible assets". We found that the Group has established digital capabilities and has achieved digital revenue growth over several years which together supported the principle of a potentially sustainable digital business without a finite life. In particular we found the group had successfully grown customer digital registrations ahead of its targets at the start of the year, had achieved growth in digital page views and revenues and made operational and strategic progress in developing its customer value strategy; all of which supported management's case.

Impairment assessment

Appropriateness of a 10 year modelling period

We satisfied ourselves that it was valid, in the context of a business in a long term transition from a print based form to digital delivery and revenues, to model over a longer period than the Group's budget and that 10 years was an appropriate period.

Key assumptions in the impairment model

We met with the business management teams to understand the basis of preparation of the 2021 budget, and challenged management to provide internal and market evidence for the key assumptions (which we then evaluated and tested to source data and to our own external sources as relevant), including: historical trend data for circulation revenues (combining volumes and pricing), related medium term decline rates for print advertising categories, digital growth rates, and cost reduction plans. This included understanding how COVID-19 had affected the business during 2020 and the basis for assumptions for 2021 in relation to this. In addition, we evaluated how the restructuring activities implemented in 2020 affected the group's future cost base and tested the related reconciliations from the 2020 cost base.

We requested that management calculate an independent discount rate which we then benchmarked using our valuations experts.

We evaluated the longer-term assumptions applied in these areas over a 10-year period to 2030, again comparing these with historical trends and market information. We challenged management on the basis for these assumptions in particular with regard to longer term digital growth assumptions (including page view growth), but in addition in areas such as: the sustainability of revenue from the regional titles in print and digital form; the group's operating cost base, and medium term newsprint pricing.

We applied a series of sensitivities to management's model, to consider alternative severe but plausible downside scenarios.

Year on year page view growth in the UK of 42% in FY20 and 28% in FY19 illustrates the Group's ability to grow page views. This is significantly above the cumulative average page growth rate forecast in the analysis.

Overall, the combined digital and advertising revenue cumulative average growth rate over 10 years was not unreasonable when compared to external forecasts.

Particularly in relation to the company investment carrying value we challenged management on the differential between the current market capitalisation, the carrying value and the outcome of the impairment model allowing for a reasonable control premium; we evaluated management's explanations as part of assessing the reasonableness of the assumptions in the impairment model. For the parent company investment impairment consideration, we also considered management's approach to modelling past service pension contributions and compared this with the IAS 19 deficit and the funding commitments made with the Trustees (including the potential of any increases as a result of the triennial funding valuation) and evaluated the relative merits of alternative approaches and their impact on the resulting carrying value.

We found that the Group's Impairment model supported the carrying value of the Group's intangible assets and was based on reasonable assumptions. However, this was sensitive to changes in assumptions in the model, in particular, to the Group's ability to grow its digital revenues to the scale forecast. We also found that the parent company investment (after impairment) was supported but additionally sensitive to assumptions over the extent of future pension contributions.

We also evaluated the Group's disclosures and sensitivity analysis in notes 15 and 16 to the Group financial statements and note 4 of the company financial statements. We consider this to be appropriate.

Independent auditor's report to the members of Reach plc continued

Key audit matter	How our audit addressed the key audit matter
Provision for historical legal issues (Group) Refer to Note 3 for the directors' disclosure on the critical accounting judgements and key sources of estimation uncertainty and page 68 for the views of the Audit & Risk Committee. The Group has a provision of £23.0m in respect of historical legal issues as at 27 December 2020 (2019: £21.1m) and recorded charges in the period of £12.5m. The provision relates to a number of current and potential civil claims arising from suspected phone hacking and unlawful information gathering in the past. The number of claims arising each year has not significantly decreased in 2020. The Group accelerated the settlement of claims in the second half of the year resulting in payments of £9.7m in this period compared to £0.9m in the first half. There are three parts to the provision: known claims; potential future claims; and common court costs. The basis for the known claims and the future potential claims is average past settlements, depending on the stage the claim has reached. The Group estimates the number of future claims and provides based upon historical average claim experience. Common court costs are costs incurred by the claimants' solicitors which are based on information provided by a third party. In light of the payments made and based on additional claims received a charge of £12.5m has been recorded in the year, at the period end a provision of £23.0m remains outstanding. This is recognised as a key source of estimation uncertainty and a contingent liability in notes 25 and 34 to the Group financial statements respectively.	The audit procedures we performed in respect of this risk included: • Meetings with management, internal legal counsel and those charged with governance to understand the nature of issues that gave rise to claims, experience to date and developments during the year. We corroborated the understanding gained through discussion with external legal counsel, review of correspondence with a sample of claimants' legal representatives and a review of court judgments in relation to these matters. • Testing the calculation of the provision, including agreeing claim settlement values and supporting documents. • Assessing the completeness of the provision; in relation to future claims we did this through discussions and comparison of information with that of external counsel and evaluating the trend of new claims notified each year. • Challenging management as to whether the provision adequately allows for: the nature of current claims (including both letters before action and issued claims); the extent to which settlements may be in excess of offers made by the group to settle, based on past experience; and current claim management strategies. We also challenged the extent to which the provision for future claims allowed for recent developments, including required disclosures to the claimants of additional information and changes in the law in relation to CFAs. In each case, we obtained additional information and explanations from management, including information that supported that the trend of settlement costs by year of claim showed decreases over time, and over potential defences available to the group. We corroborated these discussions with external counsel. There is subjectivity and continuing uncertainty involved in estimating this provision however, based on the audit procedures performed above we are satisfied the provision is not materially misstated. We also evaluated the related disclosures included in note 3, 25 and 34 to the Group financial statements by reference to the audit procedures outlined above. We consider them to be appropriate.

Substantial shareholdings

The Company has been notified, in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules, of the following direct or indirect holdings of voting rights, including shares and other financial instruments, in the Company's shares:

	As at 27 December 2020	As at 27 December 2020	As at 25 February 2021	As at 25 February 2021
Name	Number of voting rights	% of total voting rights	Number of voting rights	% of total voting rights
Aberforth Partners	**33,077,740**	11.05%	**36,155,574**	11.59%
M&G plc	**37,444,775**	11.99%	**34,254,026**	10.97%
Schroders plc	**32,814,110**	10.97%	**32,488,881**	10.41%
JP Morgan Asset Management	**18,310,790**	6.11%	**18,310,790**	6.11%
Northern & Shell plc	**25,826,746**	8.63%	**21,131,400**	6%
Premier Miton Group plc	**15,296,157**	4.90%	**15,296,157**	4.90%
Dimensional Fund advisors	**14,233,453**	4.76%	**14,233,453**	4.76%

Company Number

82548

Directors

The names of directors who served during or served the end of the year of their period of appointment, are listed on pages 54 and 55, together with details of each director's skills, experience and current external appointments.

Articles of Association

The Company's Articles of Association ('Articles') set out the internal regulations of the Company and cover such matters as the rights of shareholders, the appointment and removal of directors, and the conduct of the Board and general meetings. The Articles can only be amended with at least a 75% vote in favour of those voting in person or by proxy at a general meeting of the shareholders.

At the General Meeting held on 22 October 2020, shareholders approved the adoption of new Articles of Association which had been updated in line with the 2018 Code, with an 87.57% vote in favour.

A copy of the new Articles of Association are available to view on our website at www.reachplc.com/corporate-governance/constitution.

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 2018 Code, all the directors will submit themselves for election or re-election at each AGM.

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.

Directors' indemnity and insurance

As approved by shareholders at the 2020 AGM, as included in the Adoption of new 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. This provision was in force during the financial year and when the Directors' report was approved.

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

Directors' report continued

Purchase of own shares

At the Company's AGM on 7 May 2020, 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 less Treasury shares 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 2021 AGM.

Allotment of shares

At the Company's AGM on 7 May 2020, shareholders approved an authority for the Company to allot ordinary shares up to a maximum nominal amount of £9,975,623 (being one-third of the Company's issued share capital less Treasury shares at that time). The Company intends to renew this authority at its 2021 AGM.

In accordance with Section 551 of the Companies Act 2006 (in addition, to the extent unutilised, to the authorities conferred upon the directors of the Company by Article 5.1 of the Company's Articles of Association and approved by the Shareholders of the Company at the Company's AGM held on 7 May 2020), at the General Meeting held on 22 October 2020, shareholders approved an authority for the Company to allot and issue bonus issue ordinary shares pursuant to the bonus issue up to an aggregate nominal amount of £1,279,895.20 (representing 4.28 per cent. of the issued ordinary share capital of the Company, excluding treasury shares, as at 25 September 2020).

Modern Slavery

In compliance with the Modern Slavery Act 2015, the Company's Modern Slavery Statement can be found on the Company's website www.reachplc.com.

Disclosure table pursuant to Listing Rule ('LR') 9.8.4C

In accordance with LR 9.8.4C, the table below sets out the location of the information required to be disclosed, where applicable.

Applicable sub-paragraph within LR 9.8.4C	Page
(5) Directors' waivers of emoluments	Remuneration report page 71
(12) Waivers of dividends	Directors' report page 89
(13) Waivers of future dividends	Directors' report page 89

Independent auditor's report to the members of Reach plc continued

Key audit matter	How our audit addressed the key audit matter
Valuation of pension liability (Group) Refer to Note 3 for the directors' disclosure on the critical accounting judgements and key sources of estimation uncertainty and page 68 for the views of the Audit & Risk Committee. Pensions obligations are significant in the context of the overall balance sheet of the group. The group has six defined benefit pension plans which comprise total pension liabilities of £2,864.1m (2019: £2,663.9m). The net pension deficit (pre deferred tax) on the consolidated balance sheet is £314.4m (2019: £295.9m). Additionally during the year, as part of the decision to close the Luton print plant, the Group reached agreement with the Trustees of the West Ferry Scheme to make additional contributions of £5.0m in 2020 (included in the £53.9m of Group contributions) and a further payment of £9.6m on 17 February 2021 to enable the Trustees to purchase a bulk annuity policy which would match the remaining liabilities in the scheme. The valuation of the schemes' liabilities requires a significant level of judgement and the audit and risk committee have therefore highlighted this key audit matter as a significant financial issue in their report • Determining the assumptions to be applied requires technical expertise. • Changes in a significant assumption can have a material impact on the overall defined benefit obligation and ultimately the net asset/liability which sits in the balance sheet. • Developing actuarial models and selecting appropriate assumptions to estimate the present value of the pension liabilities is complex. Specialist actuarial knowledge is required to understand this process and to critically assess the output. The total scheme assets across the six schemes totalled £2,864.1m (FY19: £2,400.8m). More than 80% of the total assets is held in pooled investment vehicles ("PIVs"), of which approximately 67% are considered more complex. Just over 12% of the assets are within annuity policies. PIVs categorised as "more complex" require additional audit work to ensure that the valuation is appropriate. The complex categorisation is predominantly linked to the underlying assets. Where a significant proportion of the underlying assets of the funds being level 2 or 3 and as such there is no observable market price, the fund is not priced either daily or weekly or there are restricting over the purchase or sale of the units or underlying asset of the fund, these are more difficult to fair value and are therefore deemed more complex.	We reviewed the pension assumptions, including, but not limited to the key assumptions: discount rates, inflation and mortality. In doing this we utilised our specialist actuarial team and considered and challenged the reasonableness of the actuarial assumptions against our internally developed benchmark ranges, finding them to be within an acceptable range. We verified that the net pension deficit is reasonable based on the following: • A review of the methodology used to determine the liabilities. Our specialist actuarial team has built up a detailed understanding of this methodology through meetings with the Group's actuary and management. We noted that the group's actuaries have updated the benchmark used to determine the discount rate. The change moved the discount rate from the middle of our independently derived expected range to the optimistic end. We also evaluated the adequacy of disclosures in note 20 in relation to this and other changes to the basis of assumptions in the year. • Testing to ensure that the liabilities are consistent with the most recent funding valuations and that the movement in the liabilities over the financial year is reasonable. Our specialist actuarial team supported us in reviewing the pension buy out for the West Ferry scheme and concluded that the accounting treatment and valuation is appropriate. • Membership data was examined for all six schemes to confirm that the key input data was complete and accurate, which drives the liability calculations. • Independent investment manager confirmations were obtained for all material pooled investment vehicles (PIV), bank letters obtained for all scheme bank accounts and signed contracts obtained for all annuity policies. The total value was agreed to the Groups asset listing. • An assessment was performed on each PIV to determine whether it is inherently simple or more complex in nature. More complex funds are subject to additional procedures and evidence obtained to corroborate the valuation. This included a review of the transactions surrounding the year end to establish the completeness and accuracy of the valuation, obtaining and reviewing the investment manager's latest internal controls report to assess any issues with the control environment or exceptions noted with controls relating to the valuation of assets (and obtaining bridging letters for and gap between the report and the year end). Prior year PIV audited financial statements were also obtained and reviewed in comparison with unaudited statements and the year end valuation provided. All evidence received was reviewed to ensure it did not contradict the year end valuation. We also considered whether there were indicators of additional valuation uncertainties arising from the COVID-19 situation. No issues were identified to the testing performed. In addition to confirming the existence of the annuity policies, census data was tested to confirm the asset value has been based on complete and accurate data. PwC's actuarial team reviewed the asset value placed on the annuity. Under IAS19, insured liabilities have a matching asset of the same value i.e. there is no net asset/liability. Based on this work, no material issues were noted.

Independent auditor's report to the members of Reach plc continued

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 (group and parent) The COVID-19 pandemic has had a significant impact on the recent trading performance and revenues of the Group, in March to June 2020 in particular and creates additional potential risks and uncertainties to the financial statements. Management restructured the Groups operations from July, leading to charges of £814.8m of restructuring costs and impairment charges in relation to the closure of two print sites (see note 8). Management assessed the risks posted by COVID-19, as set out in the Risk and Uncertainties section. Other specific COVID-19 impacts to the financial statements include: • The budgets and models supporting the Group's impairment assessments and going concern and Viability assessments have been updated to reflect managements best estimate of how the impact of COVID-19 in 2020 will affect future revenues in 2021 and subsequent years. • The Reach Works digital classified recruitment business has experienced a significant reduction in revenue. Given the future uncertainty in this industry the goodwill in relation to this business of £6.1m has been impaired • Due to COVID related delays in construction on a development in Liverpool the arrangement became onerous (see Note 25). Management negotiated to exit the contract for a cost of £15.5m. • The discount rate and asset values used to determine the pension liability have become more volatile due to the uncertainty in the economy.	We have performed the following audit procedures: • Held discussions with management to understand, in qualitative and quantitative terms, the impact of COVID-19 on the Group's operations and control environment; • Our work in respect of goodwill, indefinite lived intangibles and parent company investments and relating to pension scheme assets are set out above. • We have reviewed management's rationale for impairment the Reach Works goodwill balance and agree with management's conclusion; • In respect of the Liverpool development, we reviewed the contract and cash settlement which allowed Reach to be released from the construction project and assessed the related accounting charge recorded; • For restructuring costs we reviewed management's assessment and agreed balances to supporting documentation. We challenged charges that have required management judgement or estimates, assessed supporting documentation and involved valuations and accounting experts to support with property valuations and impairments; • We considered whether there were other potential impacts that might need consideration, including in relation to: revenue contracts, debtor recoverability, the potential for other asset impairments, the Group's accounting for COVID Job Retention Schemes, and were satisfied that management had given appropriate consideration to these matters and accounted for them in an appropriate manner; • Read management's disclosures in the Reports and financial statements and ensured these were consistent with our understanding; and We reconsidered our risk assessment and concluded that the restructuring costs were an additional area of focus but not significant risk area and that Going Concern remained a normal risk.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The group operates from a number of locations in the UK. From a financial reporting perspective, the most significant are the Group's London office and headquarters, its Liverpool shared service centre and the operational centre of its print activities in Watford. The Group's core publishing operations are accounted for through the Liverpool shared service centre and in a single general ledger, that is then disaggregated for statutory reporting requirements. Our Group audit scope focused on the core publishing operations and the parent company, which account for over 99% of the Group's revenue. The materiality level applied in our audit of the two components entities was £5.3m. At the parent company level, we also tested the consolidation process, tax and pensions.

Independent auditor's report to the members of Reach plc continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – parent company
Overall materiality	£6,000,000 (2019: £6,500,000).	£5,300,000 (2019: £5,600,000).
How we determined it	5% of the three year average profit before tax and before charges for goodwill impairments, charges in respect of significant restructuring, the historical property development onerous contract and charges for historical legal provisions.	1% of total assets (capped at 90% of group materiality)
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. This has been adjusted for one-off items in each of the years which do not in our view reflect the underlying performance of the business. As a result of the reduced profit for the year, due to the impact of COVID-19, the average profit for 2020, 2019 and 2018 has been used, as this is felt to be more reflective of the business trading going forward.	As the parent entity, Reach plc is essentially a holding Company for the Group and therefore the materiality benchmark has been determined to be based on total assets which is a generally accepted auditing benchmark.

For both components in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The materiality allocated to both components was £5,300,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use *performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected* misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £4,500,000 for the group financial statements and £4,000,000 for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £300,000 (group audit) (2019: £327,000) and £270,000 (parent company audit) (2019: £250,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Agreeing the going concern cash flow model to internal and external supporting evidence
- Reviewing the working capital movements and other cash items such as pension and tax cash outflows
- Ensuring appropriate forecast available facility headroom as well as headroom to related financial covenants. This included considering the appropriateness of management's downside scenarios and the adequacy of headroom in these scenarios.

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

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

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

In relation to the parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Independent auditor's report to the members of Reach plc continued

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 27 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

In our opinion, the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in 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 parent 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;
- The directors' explanation as to their assessment of the group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Independent auditor's report to the members of Reach plc continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and the 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.

Auditors' responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 7 June 2019 to audit the financial statements for the year ended 29 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 29 December 2019 to 27 December 2020.

Stuart Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

1 March 2021

Consolidated income statement

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

	notes	**Adjusted 2020 £m**	**Adjusted Items 2020 £m**	**Statutory 2020 £m**	Adjusted 2019 £m	Adjusted Items 2019 £m	Statutory 2019 £m
Revenue	5	**600.2**	**–**	**600.2**	702.5	–	702.5
Cost of sales		**(303.2)**	**–**	**(303.2)**	(370.7)	–	(370.7)
Gross profit		**297.0**	**–**	**297.0**	331.8	–	331.8
Distribution costs		**(46.2)**	**–**	**(46.2)**	(53.0)	–	(53.0)
Administrative expenses		**(119.6)**	**(125.0)**	**(244.6)**	(127.2)	(27.3)	(154.5)
Share of results of associates	19	**2.6**	**(1.2)**	**1.4**	1.8	5.6	7.4
Operating profit	6	**133.8**	**(126.2)**	**7.6**	153.4	(21.7)	131.7
Interest income	9	**0.1**	**–**	**0.1**	0.1	–	0.1
Pension finance charge	20	**–**	**(4.7)**	**(4.7)**	–	(8.0)	(8.0)
Finance costs	10	**(2.6)**	**–**	**(2.6)**	(2.9)	–	(2.9)
Profit before tax		**131.3**	**(130.9)**	**0.4**	150.6	(29.7)	120.9
Tax charge	11	**(24.9)**	**(2.2)**	**(27.1)**	(28.9)	2.3	(26.6)
Profit/(loss) for the period attributable to equity holders of the parent		**106.4**	**(133.1)**	**(26.7)**	121.7	(27.4)	94.3

Earnings/(loss) per share	notes	**2020 Pence**		**2020 Pence**	Restated 2019 Pence		Restated 2019 Pence
Earnings/(loss) per share – basic	13	**34.4**		**(8.6)**	39.4		30.5
Earnings/(loss) per share – diluted	13	**33.6**		**(8.6)**	39.0		30.2

The above results were derived from continuing operations. Set out in note 35 is the reconciliation between the statutory and adjusted results.

The Group has applied IFRS 16 'Leases' at 30 December 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

Earnings per share for 2019 has been restated following the bonus issue to shareholders, in lieu of and with a value equivalent to an interim dividend of 2.63 pence per share.

Consolidated statement of comprehensive income

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

	notes	**2020 £m**	2019 £m
(Loss)/profit for the period		**(26.7)**	94.3
Items that will not be reclassified to profit and loss:			
Actuarial (loss)/gain on defined benefit pension schemes	20	**(61.6)**	14.7
Tax on actuarial (loss)/gain on defined benefit pension schemes	11	**11.7**	(2.8)
Deferred tax credit resulting from future change in rate	11	**5.9**	–
Share of items recognised by associates	19	**(0.5)**	(11.2)
Other comprehensive (loss)/income for the period		**(44.5)**	0.7
Total comprehensive (loss)/income for the period		**(71.2)**	95.0

The Group has applied IFRS 16 'Leases' at 30 December 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

Consolidated cash flow statement

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

	notes	2020 £m	2019 £m
Cash flows from operating activities			
Cash generated from operations	14	**121.3**	147.4
Pension deficit funding payments	20	**(53.9)**	(48.9)
Income tax paid		**(14.2)**	(11.7)
Net cash inflow from operating activities		**53.2**	86.8
Investing activities			
Interest received		**0.1**	0.1
Dividends received from associated undertakings	19	**0.5**	0.5
Proceeds on disposal of property, plant and equipment		**0.3**	0.5
Purchases of property, plant and equipment		**(1.9)**	(3.9)
Deferred consideration payment	24	**(18.9)**	–
Acquisition of associated undertaking	19	**(0.2)**	(0.9)
Acquisition of subsidiary undertaking	38	**(3.4)**	–
Cash acquired on acquisition of subsidiary undertaking	38	**2.3**	–
Net cash used in investing activities		**(21.2)**	(3.7)
Financing activities			
Dividends paid	12	**–**	(18.6)
Interest paid on bank borrowings		**(1.2)**	(3.3)
Drawdown of bank borrowings		**25.0**	–
Repayment of bank borrowings		**(25.0)**	(60.0)
Interest paid on leases		**(1.5)**	–
Repayment of obligation under leases		**(7.7)**	–
Net cash used in financing activities		**(10.4)**	(81.9)
Net increase in cash and cash equivalents		**21.6**	1.2
Cash and cash equivalents at the beginning of the period	24	**20.4**	19.2
Cash and cash equivalents at the end of the period	24	**42.0**	20.4

The Group has applied IFRS 16 'Leases' at 30 December 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

Consolidated statement of changes in equity

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

	Share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings and other reserves £m	Total £m
At 30 December 2018	(30.9)	(606.7)	(17.4)	(4.4)	101.7	(557.7)
Profit for the period	–	–	–	–	(94.3)	(94.3)
Other comprehensive income for the period	–	–	–	–	(0.7)	(0.7)
Total comprehensive income for the period	–	–	–	–	(95.0)	(95.0)
Credit to equity for equity-settled share-based payments	–	–	–	–	(1.1)	(1.1)
Dividends paid	–	–	–	–	18.6	18.6
At 29 December 2019	**(30.9)**	**(606.7)**	**(17.4)**	**(4.4)**	**24.2**	**(635.2)**
Loss for the period	**–**	**–**	**–**	**–**	**26.7**	**26.7**
Other comprehensive loss for the period	**–**	**–**	**–**	**–**	**44.5**	**44.5**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**71.2**	**71.2**
Bonus issue of shares	**(1.3)**	**1.3**	**–**	**–**	**–**	**–**
Credit to equity for equity-settled share-based payments	**–**	**–**	**–**	**–**	**(2.7)**	**(2.7)**
At 27 December 2020	**(32.2)**	**(605.4)**	**(17.4)**	**(4.4)**	**92.7**	**(566.7)**

The Group has applied IFRS 16 'Leases' at 30 December 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

Consolidated balance sheet

at 27 December 2020 (at 29 December 2019)

	notes	2020 £m	Restated 2019 £m
Non-current assets			
Goodwill	15	**35.9**	42.0
Other intangible assets	16	**818.7**	810.0
Property, plant and equipment	17	**168.4**	224.9
Right-of-use assets	18	**25.3**	–
Investment in associates	19	**18.1**	21.9
Retirement benefit assets	20	**50.4**	31.2
Deferred tax assets	21	**60.5**	55.9
		1,177.3	1,185.9
Current assets			
Inventories	22	**4.6**	5.9
Trade and other receivables	23	**110.5**	116.4
Cash and cash equivalents	23	**42.0**	20.4
		157.1	142.7
Total assets		**1,334.4**	1,328.6
Non-current liabilities			
Deferred consideration	24	**(24.1)**	(40.1)
Lease liabilities	31	**(35.5)**	–
Retirement benefit obligations	20	**(364.8)**	(327.1)
Deferred tax liabilities	21	**(172.4)**	(159.3)
Provisions	25	**(25.2)**	(20.5)
		(622.0)	(547.0)
Current liabilities			
Trade and other payables	26	**(92.1)**	(103.3)
Deferred consideration	24	**(16.0)**	(18.9)
Lease liabilities	31	**(6.1)**	–
Current tax liabilities	11	**–**	(8.7)
Provisions	25	**(31.5)**	(15.5)
		(145.7)	(146.4)
Total liabilities		**(767.7)**	(693.4)
Net assets		**566.7**	635.2
Equity			
Share capital	27,28	**(32.2)**	(30.9)
Share premium account	27,29	**(605.4)**	(606.7)
Merger reserve	27	**(17.4)**	(17.4)
Capital redemption reserve	27	**(4.4)**	(4.4)
Retained earnings and other reserves	27	**92.7**	24.2
Total equity attributable to equity holders of the parent		**(566.7)**	(635.2)

The 2019 consolidated balance sheet has been restated to show deferred consideration separately on the face of the consolidated balance sheet.

The Group has applied IFRS 16 'Leases' at 30 December 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

These consolidated financial statements on pages 104 to 139 were approved by the Board of directors and authorised for issue on 1 March 2021.

They were signed on its behalf by:

Jim Mullen
Chief Executive Officer

Simon Fuller
Chief Financial Officer

Notes to the consolidated financial statements

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

1 General information

Reach plc is a public company limited by shares and listed on the London Stock Exchange. The Company is incorporated in England and Wales and 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 46 to 49.

These consolidated financial statements were approved for issue by the Board of Directors on 1 March 2021. The Annual Report for the 52 weeks ended 27 December 2020 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 before the end of March 2021 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 6 May 2021.

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 note 3.

The presentational and functional currency of the Group is Sterling.

2 Adoption of new and revised standards

IFRS 16 'Leases'

IFRS 16 'Leases' has been applied by the Group in the 52 weeks ending 27 December 2020 and supersedes the current lease guidance including IAS 17 and the related interpretation.

Nature of change

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases. At the commencement date of a lease, a lessee will recognise a lease liability for the future lease payments and an asset representing the right to use the underlying asset during the lease term (right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Impact on the Group

The standard has impacted the accounting for the Group's operating leases relating to leased properties and leased vehicles. The Group has applied the simplified transition approach (modified retrospective approach) and recognised the lease liability on transition at the present value of the remaining lease payments, discounted using its incremental borrowing rate of 3.3% at the date of transition. On initial adoption, right-of-use assets have been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Lease incentives (eg rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under IAS 17, a lease incentive liability was recognised and amortised as a rental expense on a straight-line basis. Short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense to the income statement.

Practical Expedients applied on adoption

In its initial application of IFRS 16, the Group has used the following practical expedients allowed by the standard:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Relied on its assessment of whether a lease is onerous by applying IAS 37 immediately before the date of initial application;
- Not recognised leases whose lease term ends within 12 months of the adoption date of 30 December 2019;
- Excluded initial direct costs from the measurement of right-of-use assets at the date of initial application; and
- Used hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The following table reconciles the minimum lease commitments for the 52 weeks ended 29 December 2019 to the amount of lease liabilities recognised on initial adoption at 30 December 2019.

	£m
Operating lease commitment at 29 December 2019 as shown in the consolidated financial statements	52.2
Discount using the incremental borrowing rate	(7.1)
Discounted using the incremental borrowing rate	45.1
Less: short-term leases of one year or less from the date of application	(0.7)
Add: adjustments as a result of a different treatment of termination options	4.3
Lease liability recognised at 30 December 2019 (classified as current £6.4m and non-current £42.3m)	**48.7**

Impact on the primary statements

Impact on the consolidated income statement

As a result of applying IFRS 16, the Group has recognised depreciation and interest costs, rather than rental expenses for leases that are within the scope of IFRS 16 and which were classified previously as operating leases. In the 52 weeks ended 27 December 2020, the Group recognised £7.2m of additional depreciation charges and £1.5m of interest costs in respect of these leases instead of recognising the rental expense of £7.9m. This resulted in a £0.7m positive impact to adjusted and statutory operating profit and £0.8m negative impact on adjusted and statutory profit before tax.

Impact on consolidated cash flow statement

As a result of applying IFRS 16, in the 52 weeks ended 27 December 2020, the Group has increased net cash flow from operating activities by £9.2m and reduced its net cash from financing activities by £9.2m. There is no impact on the net cash flow.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

2 Adoption of new and revised standards continued

IFRS 16 'Leases' continued

Impact on consolidated balance sheet

	29 December 2019 (audited) £m	IFRS 16 adjustment £m	30 December 2019 (unaudited) £m
Non-current assets			
Goodwill	42.0	–	42.0
Other intangible assets	810.0	–	810.0
Property, plant and equipment	224.9	–	224.9
Right-of-use assets	–	45.6[1]	45.6
Investment in associates	21.9	–	21.9
Retirement benefit assets	31.2	–	31.2
Deferred tax assets	55.9	–	55.9
	1,185.9	45.6	1,231.5
Current assets			
Inventories	5.9	–	5.9
Trade and other receivables	116.4	(0.6)[2]	115.8
Cash and cash equivalents	20.4	–	20.4
	142.7	(0.6)	142.1
Total assets	1,328.6	45.0	1,373.6
Non-current liabilities			
Trade and other payables	(40.1)	–	(40.1)
Lease liabilities	–	(42.3)[3]	(42.3)
Retirement benefit obligations	(327.1)	–	(327.1)
Deferred tax liabilities	(159.3)	–	(159.3)
Provisions	(20.5)	–	(20.5)
	(547.0)	(42.3)	(589.3)
Current liabilities			
Trade and other payables	(122.2)	3.3[4]	(118.9)
Lease liabilities	–	(6.4)[5]	(6.4)
Current tax liabilities	(8.7)	–	(8.7)
Provisions	(15.5)	0.4[6]	(15.1)
	(146.4)	(2.7)	(149.1)
Total liabilities	(693.4)	(45.0)	(738.4)
Net assets	635.2	–	635.2
Total equity attributable to equity holders of the parent	(635.2)	–	(635.2)

1 Right-of-use assets recognised representing the right to use the assets over the lease term.
2 Adjustment mainly in respect of prepaid rent.
3 Non-current element of the lease liability recognised.
4 Adjustment in respect of accruals related to leases.
5 Current element of the lease liability recognised.
6 Adjustment in respect of the onerous lease provision.

Other standards

Other than IFRS 16, no standards and interpretations effective for the 52 weeks ended 27 December 2020 have had a material impact on the Group.

The following standards and interpretations, 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 2020 unless stated below:

- Definition of Material – Amendments to IAS 1 and IAS 8;
- Definition of a Business – Amendments to IFRS 3;
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7;
- Revised Conceptual Framework for Financial Reporting; and
- Annual Improvements to IFRS Standards 2018-2020 Cycle – effective for annual periods commencing on or after 1 January 2022.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

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 IFRS Interpretations Committee of the IASB that are relevant to its operations as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU).

The parent company financial statements of Reach plc for the 52 weeks ended 27 December 2020, prepared in accordance with applicable law and UK Accounting Practice, including FRS 101 'Reduced Disclosure Framework', are presented on pages 140 to 146.

Basis of preparation

These consolidated financial statements have been prepared on a going concern basis as set out on page 59 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 27 December 2020 and the comparative period has been prepared for the 52 weeks ended 29 December 2019.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The consolidated financial statements have been prepared under the historical cost convention. A summary of the more important Group accounting policies is set out below.

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 27 December 2020. 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.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

3 Accounting policies continued

Other intangible assets

Other intangible assets comprise acquired publishing rights and titles. 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.

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.

Revenue recognition

Revenue is recognised in line with IFRS 15 and in accordance with the 5 Step model framework.

Revenue primarily comprises sales of goods and services excluding sales taxes. Revenue is measured based on the consideration received, net of applicable discounts and value added tax to which the Group expects to be entitled to.

The sources of revenue for the Group are circulation, print advertising (including digital classified which is predominately upsold from print), printing (including third party printing contracts), print other (contract publishing, syndication, reader offers and events) and digital (display and transactional revenue streams). 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.

The Group recognises revenue when it transfers control of a product or service to a customer. The following accounting policies are applied to the principal revenue generating activities in which the Group is engaged:

Circulation revenue

The Group sells newspapers and magazines through wholesalers on a sale and return basis. Revenue is recognised when the performance obligation has been fulfilled being when the publication has been delivered to the wholesaler. Revenue is measured at cover price less the contractual wholesaler and retailer margins.

Print advertising revenue

Print advertising revenue includes digital classified revenue which is predominantly upsold from print advertising. 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 on a straight-line basis over the period of the campaign reflecting the pattern in which the performance obligation is fulfilled. Revenue is measured at the transaction price in the contract. Rebates are recognised based on the level of agency spend over the contract period. Rebates are only recognised where the Group has a clear entitlement to the receipt of the rebate and a reliable estimate can be made.

Printing revenue

Printing revenues mainly comprises third party printing contracts. Printing revenue is recognised at a point when the service is provided and the performance obligation is fulfilled. Revenue is measured at the transaction price in the contract.

Print other revenue

Print other revenues includes contract publishing, syndication, readers offers and events. Within print other revenue, the performance obligation is fulfilled, and revenue is recognised, on publication of the product or holding of the event, or when the goods have been purchased by a reader or at a point when the service is provided and the performance obligation is fulfilled. Revenue is measured at the transaction price in the contract.

Digital revenue

For digital display 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 on a straight-line basis or pages served basis reflecting the pattern in which the performance obligation is fulfilled. For digital transaction revenue, the performance obligation is fulfilled, and revenue is recognised, when the service is provided. Revenue is measured at the transaction price in the contract.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

3 **Accounting policies** continued

Government grants

Grants from the Government relate to amounts received under the Coronavirus Job Retention Scheme. These grants are recognised in the income statement to match them with the costs that they are intended to compensate for.

Leases

The Group has applied IFRS 16 'Leases' using the modified retrospective transition approach and therefore comparative information has not been restated and is presented under IAS 17 'Leases'. The details of accounting policies under both IFRS 16 and IAS 17 are presented separately below.

IFRS 16 'Leases' as adopted by the Group at 30 December 2019

Leases are recognised on the balance sheet as a right-of-use asset and corresponding liability at the date at which a leased asset is made available for use by the Group, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's weighted average incremental borrowing rate and subsequently held at amortised cost in accordance with IFRS 9. Finance costs are charged to the income statement over the lease term, at a constant periodic rate of interest. Right-of-use assets are depreciated over the lease term on a straight-line basis. Each lease payment is allocated between the liability and finance cost. The Group does not act as a Lessor.

IAS 17 'Leases' as adopted by the Group for the 52 weeks ended 29 December 2019

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 leases are classified as operating leases.

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. 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. Where surpluses are not recognised, a liability is recognised being the value of future committed deficit contribution. 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 operated Group Personal Pension Plans which were 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.

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.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

3 Accounting policies continued

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 equipment (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.

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 and subsequently at amortised cost.

The Group recognises a loss allowance for expected credit losses (ECL) on trade receivables and accrued income. 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 and accrued income. 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.

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 eg 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 (ie 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.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

3 Accounting policies continued

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.

Alternative performance measures

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 basis 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, it is not intended to be considered in isolation or as a substitute for, or as superior to, financial information on a statutory basis. Revenue trends on an actual and like-for-like basis are the same for 2020. 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 35 sets out the reconciliation between the statutory and adjusted results. An adjusted cash flow is presented in note 36 which reconciles the adjusted operating profit to the net change in cash and cash equivalents. Set out in note 37 is the reconciliation between the statutory and adjusted cash flow.

Adjusting items

Adjusting items relate to costs or incomes that derive from events or transactions that fall within the normal activities of the Group, but are excluded from the Group's adjusted profit measures, individually or, if of a similar type in aggregate, due to their size and/or nature in order to better reflect management's view of the performance of the Group. The adjusted profit measures are not recognised profit measures under IFRS and may not be directly comparable with adjusted profit measures used by other companies. All operating adjusting items are recognised within administrative expenses. Details of adjusting items are set out in note 35 with additional information in notes 8, 11 and 20.

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:

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

3 Accounting policies continued

Key sources of estimation uncertainty continued

Provisions (notes 11, 25 and 34)

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. In particular, we note that there is uncertainty in relation to the size and length of the property related restructuring provisions.

Retirement benefits (note 20)

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. 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 (note 16)

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. 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 the weighted average cost of capital of the Group.

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:

Indefinite life assumption in respect of publishing rights and titles (note 16)

There is judgement required in continuing to adopt an indefinite life assumption in respect of publishing rights and titles. The directors consider publishing rights and titles (with a carrying amount of £818.7m) have indefinite economic lives due to the longevity of the brands and the ability to evolve them in an ever-changing media landscape. At each reporting date management review the suitability of this assumption.

Identification of cash-generating units (note 16)

There is judgement required in determining the cash-generating unit relating to our Publishing brands. At each reporting date management review the interdependency of revenues across our portfolio of Publishing brands to determine the appropriate cash-generating unit. The Group operates its Publishing brands such that a majority of the revenues are interdependent and revenue would be materially lower if brands operated in isolation. As such, management do not consider that an impairment review at an individual brand 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 brands in Publishing have increased revenue interdependency and are assessed for impairment as a single Publishing cash-generating unit.

4 Segments

The performance of the Group is presented as a single reporting segment as this is the basis of internal reports regularly reviewed by the Board and chief operating decision maker (executive directors) to allocate resources and to assess performance. The Group's operations are primarily located in the UK and the Group is not subject to significant seasonality during the year.

5 Revenue

	2020 £m	2019 £m
Print	**479.3**	591.3
Circulation	**319.7**	361.7
Advertising	**108.4**	152.5
Printing	**25.2**	38.5
Other	**26.0**	38.6
Digital	**118.3**	107.0
Other	**2.6**	4.2
Total revenue	**600.2**	702.5

The Group's operations are located primarily in the UK. The Group's revenue by location of customers is set out below:

	2020 £m	2019 £m
UK and Republic of Ireland	**598.5**	700.9
Continental Europe	**1.6**	1.5
Rest of World	**0.1**	0.1
Total revenue	**600.2**	702.5

The Group has two customers (representing the majority of the circulation revenue) where revenues represent more than 10% of total revenue.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

6 Result for the period

	2020 £m	2019 £m
Operating result for the period is arrived at after (charging)/crediting:		
Staff costs (note 7)	**(217.2)**	(240.1)
Cost of inventories recognised as cost of sales	**(54.9)**	(83.6)
Depreciation of property, plant and equipment (note 17)	**(20.2)**	(21.5)
Depreciation of right-of-use assets (note 18)	**(7.2)**	–
Impairment of property, plant and equipment (note 17)	**(1.8)**	–
Write-off of property, plant and equipment (note 17)	**(1.4)**	(0.2)
Operating lease rental payments		
– properties	**–**	(5.7)
– vehicles, plant and equipment	**–**	(1.8)
Trade receivables impairment (note 23)	**(0.3)**	(0.5)
Net foreign exchange loss	**(0.1)**	–
Operating adjusted items (note 8)		
– excluding associates	**(125.0)**	(27.3)
– share of associates	**(1.2)**	5.6
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**(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	**(0.5)**	(0.5)
Total audit fees	**(0.9)**	(0.8)
Non-audit fees payable to the Company's auditors for:		
– audit-related assurance services	**(0.1)**	–
– transaction-related assurance services	**–**	(0.1)
Total non-audit fees	**(0.1)**	(0.1)
Total fees	**(1.0)**	(0.9)

Fees payable to PricewaterhouseCoopers 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 95 to 103 and includes an explanation of how the objectivity and independence of the auditors are safeguarded when non-audit services are provided by the auditor.

7 Staff costs

The average monthly number of persons, including executive directors, employed by the Group in the period was:

	2020 Number	2019 Number
Production and editorial	**3,039**	3,001
Sales and distribution	**928**	1,097
Administration	**516**	560
Total	**4,483**	4,658

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:

	2020 £m	2019 £m
Wages and salaries	**(177.2)**	(199.6)
Social security costs	**(19.9)**	(21.7)
Share-based payments charge in the period (note 30)	**(2.7)**	(1.1)
Pension costs relating to defined contribution pension schemes (note 20)	**(17.4)**	(17.7)
Total	**(217.2)**	(240.1)

Wages and salaries include bonuses payable in the period. Included within staff costs is £6.8m of receipts the Group received in the period from the Coronavirus Job Retention Scheme. Restructuring costs are excluded from staff costs and are disclosed in note 8. 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 71 to 88 and form part of these consolidated financial statements.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

8 Operating adjusted items

	2020 £m	2019 £m
Restructuring charges in respect of cost reduction measures (note 25)	**(36.4)**	(10.7)
Impairment of property, plant and equipment (note 17)	**(34.7)**	(2.7)
Impairment of right-of-use assets (note 18)	**(13.7)**	–
Impairment of goodwill (note 15)	**(6.1)**	–
Pension administrative expenses and past service costs for GMP equalisation (note 20)	**(6.1)**	(2.9)
Provision for historical legal issues (note 25)	**(12.5)**	(11.0)
Provision for historical property development (note 25)	**(15.5)**	–
Operating adjusted items included in administrative expenses	**(125.0)**	(27.3)
Operating adjusted items included in share of results of associates (note 19)	**(1.2)**	5.6
Total operating adjusted items	**(126.2)**	(21.7)

Operating adjusted items relate to costs or incomes that derive from events or transactions that fall within the normal activities of the Group, but are excluded from the Group's adjusted profit measures, individually or, if of a similar type in aggregate, due to their size and/or nature in order to better reflect management's view of the performance of the Group. The adjusted profit measures are not recognised profit measures under IFRS and may not be directly comparable with adjusted profit measures used by other companies. Set out in note 35 is the reconciliation between the statutory and adjusted results which includes descriptions of the items included in adjusted items.

The Group has recorded significant operating adjusted items relating to the transformation programmes undertaken during the year and from historical matters.

The Group announced in July 2020 a transformation programme to reshape the Group into a streamlined, more efficient organisation across editorial, advertising and central operations which was implemented in the year and in September 2020 a review of print capacity requirements which concluded with the closure of two print plants at the end of the year. Restructuring charges in respect of cost reduction measures of £36.4m comprises £16.5m for the transformation programme, £16.9m for the print plant closures and £3.0m relating to other cost saving initiatives. The closure of the two print plants resulted in an impairment to property, plant and equipment of £34.7m and right-of-use assets of £13.7m.

The Group has recorded a £12.5m increase in the provision for historical legal issues relating to the cost associated with dealing with and resolving civil claims in relation to historical phone hacking and unlawful information gathering (note 25) and a £15.5m charge reflecting a historic property development, which as a result of COVID-19 became onerous, resulting in the Group making a payment to the joint venture party to resolve the matter (note 25).

9 Interest income

	2020 £m	2019 £m
Interest income on bank deposits	**0.1**	0.1

10 Finance costs

	2020 £m	2019 £m
Interest on bank overdrafts and borrowings	**(1.1)**	(2.9)
Interest on lease liabilities	**(1.5)**	–
Finance costs	**(2.6)**	(2.9)

11 Tax

	2020 £m	2019 £m
Corporation tax charge for the period	**(2.7)**	(15.9)
Current tax charge	**(2.7)**	(15.9)
Deferred tax charge for the period	**(5.7)**	(9.9)
Prior period adjustment	**0.3**	(0.8)
Deferred tax rate change	**(19.0)**	–
Deferred tax charge	**(24.4)**	(10.7)
Tax charge	**(27.1)**	(26.6)

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

11 **Tax** continued

Reconciliation of tax charge	2020 £m	2019 £m
Profit before tax	**0.4**	120.9
Standard rate of corporation tax	**(0.1)**	(23.0)
Tax effect of items that are not deductible in determining taxable profit	**(6.1)**	(4.2)
Change in rate of deferred tax	**(19.0)**	–
Release of deferred tax on losses no longer expected to be recoverable	**(2.5)**	–
Prior period adjustment	**0.3**	(0.8)
Tax effect of share of results of associates	**0.3**	1.4
Tax charge	**(27.1)**	(26.6)

The standard rate of corporation tax for the period is 19% (2019: 19%). 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 recoverable amounted to £2.8m (2019: current tax liabilities £8.7m) at the reporting date. Tax overpayments are in excess of provisions relating to uncertain tax items (2019: net provisions of £2.7m). At the reporting date the maximum amount of the unprovided tax exposure relating to uncertain tax items is some £6m (2019: £5m).

The opening deferred tax position is recalculated in the period in which a change in the standard rate of corporation tax has been enacted or substantively enacted by parliament. The reversal of the change in rate from 19% to 17% in 2020 has been accounted for in the current year resulting in a £19.0m debit in the consolidated income statement and a £5.9m credit in the consolidated statement of comprehensive income.

The tax on actuarial losses (2019: gains) on defined benefit pension schemes taken to the consolidated statement of comprehensive income is a deferred tax credit of £11.7m (2019: charge of £2.8m).

The amount taken to the consolidated income statement as a result of pension contributions was £11.7m (2019: £8.7m).

12 **Dividends**

	2020 Pence per share	2019 Pence per share
Dividends paid per share and recognised as distributions to equity holders in the period	**–**	6.27
Dividend proposed per share but not paid nor included in the accounting records	**4.26**	4.05

On 10 May 2019, the final dividend proposed for 2018 of 3.77 pence per share was approved by shareholders at the Annual General Meeting and was paid on 7 June 2019. An interim dividend for 2019 of 2.50 pence per share was paid on 27 September 2019. Total dividend payment in 2019 amounted to £18.6m (2018 final dividend payment of £11.2m and 2019 interim dividend payment of £7.4m).

On 6 April 2020, the final dividend proposed for 2019 of 4.05 pence per share was withdrawn by the directors as a result of the COVID-19 pandemic.

On 28 September 2020, the Board recommended a non-cash bonus issue of shares to shareholders, in lieu of and with a value equivalent to an interim dividend of 2.63 pence per share, which was subsequently approved by shareholders (note 27).

The Board has proposed a final dividend for 2020 of 4.26 pence per share. The 2020 final dividend payment is expected to amount to £13.3m.

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.

	2020 Thousand	Restated 2019 Thousand
Weighted average number of ordinary shares for basic earnings per share	**309,430**	308,839
Effect of potential dilutive ordinary shares in respect of share awards	**6,818**	3,457
Weighted average number of ordinary shares for diluted earnings per share	**316,248**	312,296

The weighted average number of potentially dilutive ordinary shares not currently dilutive was 2,542,234 (2019: 3,526,324).

Statutory (loss)/earnings per share	2020 Pence	Restated 2019 Pence
(Loss)/earnings per share – basic	**(8.6)**	30.5
(Loss)/earnings per share – diluted	**(8.6)**	30.2

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

13 Earnings per share continued

Adjusted earnings per share	2020 Pence	Restated 2019 Pence
Earnings per share – basic	**34.4**	39.4
Earnings per share – diluted	**33.6**	39.0

Earnings per share for 2019 has been restated following the bonus issue to shareholders, in lieu of and with a value equivalent to an interim dividend of 2.63 pence per share.

Set out in note 35 is the reconciliation between the statutory and adjusted results.

14 Cash flows from operating activities

	2020 £m	2019 £m
Operating profit	**7.6**	131.7
Depreciation of property, plant and equipment	**20.2**	21.5
Depreciation of right-of-use assets	**7.2**	–
Impairment of goodwill	**6.1**	–
Share of results of associates	**(1.4)**	(7.4)
Charge for share-based payments	**3.6**	1.1
Loss on disposal of land and buildings	**–**	0.3
Impairment of right-of-use assets	**13.7**	–
Impairment of property, plant and equipment	**36.5**	2.7
Write-off of property, plant and equipment	**1.4**	0.2
Pension administrative expenses	**4.6**	2.9
Pension past service costs	**1.5**	–
Operating cash flows before movements in working capital	**101.0**	153.0
Decrease in inventories	**1.3**	0.4
Decrease/(increase) in receivables	**8.9**	(7.8)
Increase in payables	**10.1**	1.8
Cash flows from operating activities	**121.3**	147.4

15 Goodwill

	Total £m
Cost	
At 29 December 2019	189.9
At 27 December 2020	**189.9**
Accumulated impairment	
At 29 December 2019	(147.9)
Impairment	(6.1)
At 27 December 2020	**(154.0)**
Carrying amount	
At 29 December 2019	42.0
At 27 December 2020	**35.9**

The Group has two cash-generating units (Publishing and Digital Classified Recruitment). All goodwill at the reporting date relate to Publishing. The Goodwill relating to Digital Classified Recruitment was impaired reflecting the adverse trading environment in recruitment advertising in the year. Note 16 sets out the results of the impairment review.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

16 Other intangible assets

	Total £m
Cost	
At 28 December 2018	2,091.6
At 29 December 2019	2,091.6
Addition (note 38)	8.7
At 27 December 2020	**2,100.3**
Accumulated amortisation	
At 28 December 2018	(1,281.6)
At 29 December 2019	(1,281.6)
At 27 December 2020	**(1,281.6)**
Carrying amount	
At 29 December 2019	810.0
At 27 December 2020	**818.7**

The Group has two cash-generating units (Publishing and Digital Classified Recruitment). All intangible assets at the reporting date relate to Publishing. The addition in the year relates to the acquisition of Independent Star Limited which is included in Publishing.

There is judgement required in continuing to adopt an indefinite life assumption in respect of publishing rights and titles. The directors consider publishing rights and titles (with a carrying amount of £818.7m) have indefinite economic lives due to the longevity of the brands and the ability to evolve them in an ever-changing media landscape. The Group has grown digital revenue in recent years and is focused on investing to continue the growth for the coming years. The directors believe growth from digital and new revenue streams will offset print declines on an aggregate basis, leading to a future stabilisation of revenue. This, combined with our inbuilt and relentless focus on maximising efficiency, gives the Board confidence that the delivery of sustainable growth in revenue, profit and cash flow is achievable in the future.

There is judgement required in determining the cash-generating units. At each reporting date management review the interdependency of revenues across our Publishing brands to determine the appropriate cash-generating unit. The Group operates its Publishing brands such that a majority of the revenues are interdependent and revenue would be materially lower if brands operated in isolation. As such, management do not consider that an impairment review at an individual brand 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 brands in Publishing have increased revenue interdependency and are assessed for impairment as a single Publishing cash-generating unit.

The Group tests the carrying value of assets at the cash-generating unit level for impairment annually or more frequently if there are indicators 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 impairment review in respect of the Publishing cash-generating unit concluded that no impairment charge was required.

For the impairment review of the Publishing cash-generating unit, cash flows have been prepared using the approved Budget for 2021 and projections for a further nine years as this is the period over which the transformation to digital can be assessed. The projections for 2022 to 2030 are internal projections based on continued decline in print revenues and growth in digital revenues and the associated change in the cost base as a result of the changing revenue mix. The Group's medium term internal projections are that growth in digital revenue will be sufficient to offset the decline in print revenue and that overall revenue will stabilise. The long-term growth rates beyond the 10-year period have been assessed at 0% based on the Board's view of the market position and maturity of the relevant market. We continue to believe that there are significant longer term benefits of our scale national and local digital audiences and there are opportunities to grow revenue and profit in the longer term.

The discount rate reflects the weighted average cost of capital of the Group. The current post-tax and equivalent pre-tax discount rate used is 10.9% and 13.4% respectively.

The impairment review in respect of the Publishing cash-generating unit is highly sensitive to reasonably possible changes in key assumptions used in the value-in-use calculations. There is increased uncertainty due to COVID-19. A combination of reasonably possible changes in key assumptions such as print revenue declining at a faster rate than projected, digital revenue growth being significantly lower than projected or the associated change in the cost base being different than projected, could lead to an impairment in the Publishing cash-generating unit. If these sensitivities led to a 28% reduction in cash flows in each of the years in the 10 year period this would lead to the removal of the headroom. Alternatively an increase in the discount rate by 4.5 percentage points would lead to the removal of the headroom.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

17 Property, plant and equipment

	Freehold Land and Buildings £m	Plant and equipment £m	Asset under construction £m	Total £m
Cost				
At 30 December 2018	205.8	359.0	6.3	571.1
Additions	–	0.1	3.8	3.9
Disposals	(0.9)	–	–	(0.9)
Reclassification	–	6.6	(6.6)	–
Write-off of assets	–	(0.2)	–	(0.2)
At 29 December 2019	204.9	365.5	3.5	573.9
Additions	–	–	1.9	1.9
Disposals	(0.3)	–	–	(0.3)
Reclassification	–	3.4	(3.4)	–
Write-off of assets	–	–	(1.4)	(1.4)
At 27 December 2020	**204.6**	**368.9**	**0.6**	**574.1**
Accumulated depreciation and impairment				
At 30 December 2018	(80.7)	(244.2)	–	(324.9)
Charge for the period	(3.2)	(18.3)	–	(21.5)
Disposals	0.1	–	–	0.1
Impairment	–	(2.7)	–	(2.7)
At 29 December 2019	(83.8)	(265.2)	–	(349.0)
Charge for the period	(3.1)	(17.1)	–	(20.2)
Impairment	(9.8)	(26.7)	–	(36.5)
At 27 December 2020	**(96.7)**	**(309.0)**	**–**	**(405.7)**
Carrying amount				
At 29 December 2019	121.1	100.3	3.5	224.9
At 27 December 2020	**107.9**	**59.9**	**0.6**	**168.4**

	2020 £m	2019 £m
Capital commitments		
Expenditure contracted for but not provided in the consolidated financial statements	–	0.4

Impairment of property, plant and equipment amounted to £36.5m in the period. Included within this is the closure of the two print plants which resulted in an impairment of £34.7m (note 8) comprising freehold land and buildings of £8.6m and plant and equipment of £26.1m.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

18 Right-of-use assets

	Properties £m	Vehicles £m	Total £m
Cost			
At 29 December 2019	–	–	–
Adjustment for transition to IFRS 16 (note 2)	43.1	2.5	45.6
Restated at 30 December 2019	43.1	2.5	45.6
Additions	0.1	0.5	0.6
At 27 December 2020	**43.2**	**3.0**	**46.2**
Accumulated depreciation and impairment			
At 29 December 2019	–	–	–
Charge for the period	(6.2)	(1.0)	(7.2)
Impairment	(13.7)	–	(13.7)
At 27 December 2020	**(19.9)**	**(1.0)**	**(20.9)**
Carrying amount			
Restated at 30 December 2019	43.1	2.5	45.6
At 27 December 2020	**23.3**	**2.0**	**25.3**

Right-of-use assets of £13.7m have been impaired in the year as a result of the closure of a print site (note 8).

Amounts recognised in the consolidated income statement

The income statement includes the following amounts relating to leases:

	2020 £m
Depreciation of right-of-use assets	(7.2)
Impairment of right-of-use assets	(13.7)
Expenses relating to short-term leases	(0.5)
Interest expense (included in finance cost)	(1.5)
Total charged to the consolidated income statement	**(22.9)**

Amounts recognised in the consolidated cash flow statement

The total cash outflow for leases in 2020 was £9.2m.

19 Investment in associates

Details of the Group's associates at 27 December 2020 are set out on page 149.

The carrying value of investments in associates is set out below:

	PA Media 2020 £m	Other 2020 £m	Total 2020 £m	PA Media 2019 £m	Other 2019 £m	Total 2019 £m
Opening balance	**17.2**	**4.7**	**21.9**	20.2	5.1	25.3
Investment	**0.2**	**–**	**0.2**	0.9	–	0.9
Dividends received	**–**	**(0.5)**	**(0.5)**	–	(0.5)	(0.5)
Share of results:	**1.2**	**0.2**	**1.4**	7.0	0.4	7.4
Results before adjusted items	**2.4**	**0.2**	**2.6**	1.3	0.5	1.8
Adjusted items	**(1.2)**	**–**	**(1.2)**	5.7	(0.1)	5.6
Share of other comprehensive loss	**(0.5)**	**–**	**(0.5)**	(10.9)	(0.3)	(11.2)
Deemed disposal of Independent Star associate interest (note 38)	**–**	**(4.4)**	**(4.4)**	–	–	–
Closing balance	**18.1**	**–**	**18.1**	17.2	4.7	21.9

Information on principal associate:

Company	***Country of incorporation***	***Class of shares***	***Shareholding***	***Accounting year end***
PA Media Group Limited	UK	ordinary	23.96%	31 December

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

19 Investment in associates continued

The table below provides summarised financial information for PA Media Group Limited which is material to the Group. The information disclosed reflects the amounts presented in the financial statements and management accounts of the associate as amended to reflect adjustments made when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	2020 £m	2019 £m
PA Media Group Limited		
Non-current assets	**63.9**	25.3
Current assets	**46.1**	73.2
Total assets	**110.0**	98.5
Current liabilities	**(34.5)**	(25.3)
Total liabilities	**(34.5)**	(25.3)
Net assets	**75.5**	73.2
Group's share of net assets	**18.1**	17.2
Revenue	**87.9**	73.4
Profit for the period	**5.1**	32.5
Group's share of profit for the period	**1.2**	7.0

The financial statements of PA Media 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 2019 together with the management accounts up to the end of December 2020 have been used with appropriate year-end adjustments made. Included in the share of operating adjusted items of associates is after tax restructuring charges of £0.3m (2019: £0.3m) and after tax amortisation charge of £0.9m (2019: £0.7m). The prior year also included a £6.7m profit on our share of after tax profit on disposal of a building. The share of other comprehensive loss of £0.5m (2019: £10.9m) relates primarily to pensions. Included in the prior year is the impact of the purchase of a buy-in policy by the Trustees.

20 Retirement benefit schemes

Defined contribution pension schemes

The Group operates a defined contribution pension scheme for qualifying employees: The Reach Pension Plan (the 'RPP'). 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 current service cost charged to the consolidated income statement for the year of £17.4m (2019: £17.7m) 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').

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 period end to payment of the remaining uninsured benefits is expected to be around 16 years. Uninsured pension payments in 2020, excluding lump sums and transfer value payments, were £71m and these are projected to rise to an annual peak in 2033 of £103m and reducing thereafter.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

20 Retirement benefit schemes continued

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: at 31 December 2016 for the MGN Scheme showed a deficit of £476.0m, for the Trinity Scheme showed a deficit of £78.0m and for the MIN Scheme showed a deficit of £68.2m; at 5 April 2017 for the EN88 Scheme showed a deficit of £69.8m and for the ENSM Scheme showed a deficit of £3.2m; and at 31 December 2017 for the WF Scheme showed a deficit of £6.5m. The triennial valuation for funding of the defined benefit pension schemes as at 31 December 2019 would usually be completed by 31 March 2021. We have agreed the funding of the WF Scheme (see below) and the discussions with the remaining five schemes are ongoing. There is no direct link to the IAS 19 valuations which use different actuarial assumption derivation methodologies (although a number of assumptions are consistent) and are updated at each reporting date.

Group contributions in respect of the defined benefit pension schemes in the year were £53.9m (2019: £48.9m). As part of the key mitigation actions resulting from COVID-19 pandemic, the Group agreed with the Trustees a deferment of its pension contributions for April, May and June amounting to £12.2m. Of this amount 80% (£9.8m) was paid over to an escrow account and 20% (£2.4m) was retained in the business. The Group could have drawn on the amounts in escrow if certain conditions were met up to 28 June 2020. None of the conditions were met and the 80% was released to the pension schemes in July 2020. The 20% of the deferment (£2.4m) was paid over to the schemes in September 2020.

As part of the decision to close the Luton print plant the Group reached agreement with the Trustees of the WF Scheme to make additional contributions of £5.0m in 2020 (included in the £53.9m of Group contributions) and a further payment of up to £15.0m by the end of June 2021 to enable the Trustees to purchase a bulk annuity policy which would match the remaining liabilities in the scheme in full. In February 2021 a payment of £9.6m was made and the Trustees purchased the bulk annuity policy. No further contributions are expected to the WF Scheme.

At the reporting date, the funding deficits in all schemes are expected to be removed before or in 2027 by a combination of the contributions and asset returns. Contributions (which include funding for pension administrative expenses) are payable monthly. Contributions per the current schedule of contributions (excluding the WF Scheme) are for £55.1m pa in 2021 to 2023, £54.9m pa in 2024 to 2026 and £52.9m in 2027.

The Group 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 were above 6.16 pence per share. For 2019 and 2020 the threshold increased in line with the increase in dividends capped at 10% pa. No payments were made in respect of this agreement.

The future deficit funding commitments are linked to the three-yearly actuarial valuations. 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 deficit 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. An allowance for GMP equalisation was first included within liabilities at 30 December 2018 and was recognised as a charge for past service costs in the income statement. In 2020 further clarification was issued relating to GMP equalisation in respect of transfers out of schemes. A further allowance for GMP equalisation has been included within liabilities at 27 December 2020 and has been recognised as a charge for past service costs in the income statement. The estimate is subject to change as we undertake more detailed member calculations, as guidance is issued 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 the 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).

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

20 Retirement benefit schemes continued

Risks continued

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 11% 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 81% 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 19% 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 E&S Schemes and the Trinity Scheme have an accounting surplus at the reporting date, before allowing for the IFRIC 14 asset ceiling. Across the MGN Scheme and the MIN Scheme, 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. Actuarial projections at the year-end reporting date show removal of the combined accounting deficit by the end of 2027 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 2020 or 2019 which resulted in a pension cost.

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 27 December 2020.

Based on actuarial advice, the assumptions used in calculating the scheme liabilities and the actuarial value of those liabilities are:

	2020	2019
Financial assumptions (nominal % pa)		
Discount rate	**1.49**	1.94
Retail price inflation rate	**2.86**	2.96
Consumer price inflation rate	**2.26**	2.01
Rate of pension increase in deferment	**2.36**	2.17
Rate of pension increases in payment (weighted average across the schemes)	**3.25**	3.31
Mortality assumptions – future life expectancies from age 65 (years)		
Male currently aged 65	**21.9**	21.7
Female currently aged 65	**24.2**	24.0
Male currently aged 55	**21.6**	21.5
Female currently aged 55	**24.2**	24.0

The discount rate should be chosen to be equal to the yield available on 'high quality' corporate bonds of appropriate term and currency. The yields available on corporate bonds fell by around 0.6% pa over the year. The Group has taken actuarial advice and has updated the approach to determining the bond constituents for the calculation of the discount rate. The bond constituents used for the 2020 disclosures have been taken from a new Bloomberg classification system which counteracted the fall in the discount rate by around 0.1% pa. The discount rate for 2019 was derived from a classification system called BICS, provided by Bloomberg. Over 2020, Bloomberg made changes to BICS so that it provides a single classification to each bond issuer rather than each bond, and is therefore no longer appropriate. Bloomberg have recently offered an alternative classification system called BCLASS, which provides classification information on each individual security and which Bloomberg describes as the "fixed income standard". BCLASS also enables the inclusion of bonds issued by corporate special purpose vehicles, thereby increasing the size of the universe used to determine the discount rate. Our actuaries have determined an appropriate market bond yield based on a BCLASS extract from Bloomberg which excludes bonds which have a 'corporate' BCLASS assignment but which have actual or implied government backing, such as bonds issued by universities or public transportations systems.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

20 Retirement benefit schemes continued

Results continued

The inflation assumptions are based on market expectations over the period of the liabilities. The RPI assumption is set based on a margin deducted from a single equivalent of the break-even RPI inflation curve. This margin, called an inflation risk premium reflects the fact that the RPI market implied inflation curve can be affected by market distortions and as a result it is thought to overstate the underlying market expectations for future RPI inflation. On 25 November 2020, the Government and UK Statistics Authority responded to their consultation on RPI reform and confirmed their intent to align RPI with CPIH (CPI allowing for housing costs) from February 2030. Our actuaries have advised that broadly this is expected to result in RPI inflation being 1.0% pa lower in the longer term than under the existing methodology but that RPI swaps data shows a fall in forward rates from 2030 of only 0.6%. A reasonable explanation for this disparity is that the market is reflecting a higher premium being placed on inflation projection after 2030 suggesting an increase of 0.2% in the assumed inflation risk premium applying from 2030. Allowing for the extent of RPI linkage on the schemes benefits pre and post 2030, the average inflation risk premium has been increased from 0.2% to 0.3% (to broadly reflect 0.2% to 2030 and 0.4% thereafter). This change decreased RPI and CPI by 0.1% and decreased the deficit by £16m. The CPI assumption is set based on a margin deducted from the RPI assumption, due to lack of market data on CPI expectations. Our actuaries have advised that considering the features and liabilities of the schemes that the expected future differential has reduced following the consultation on amending RPI in the long term. Historic inflation data indicates that CPI moves broadly in line with CPIH, which supports an assumed RPI/CPI margin of 1.0% up to 2030 and 0.00% beyond 2030. Based on an analysis of the CPI-linkage of the cashflow profile of the schemes this is estimated to be equivalent to a single margin of 0.6% resulting in the RPI/CPI margin being reduced from 0.95% pa to 0.60% pa. This change increased CPI by 0.35% and increased the deficit by £32m.

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	-215/+235	-200/+215
Retail price inflation rate +/- 0.5% pa	+41/-40	+32/-31
Consumer price inflation rate +/- 0.5% pa	+50/-48	+50/-48
Life expectancy at age 65 +/- 1 year	+175/-170	+150/-150

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 makes 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.

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:

Consolidated income statement	**2020 £m**	2019 £m
Pension administrative expenses	**(4.6)**	(2.9)
Past service costs	**(1.5)**	–
Pension finance charge	**(4.7)**	(8.0)
Defined benefit cost recognised in income statement	**(10.8)**	(10.9)

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

20 Retirement benefit schemes continued

Results continued

Consolidated statement of comprehensive income	2020 £m	2019 £m
Actuarial gain due to liability experience	**48.2**	24.9
Actuarial loss due to liability assumption changes	**(304.6)**	(271.8)
Total liability actuarial loss	**(256.4)**	(246.9)
Returns on scheme assets greater than discount rate	**209.6**	261.9
Impact of IFRIC 14	**(14.8)**	(0.3)
Total (loss)/gain recognised in statement of comprehensive income	**(61.6)**	14.7

Consolidated balance sheet	2020 £m	2019 £m
Present value of uninsured scheme liabilities	**(2,545.5)**	(2,337.9)
Present value of insured scheme liabilities	**(318.6)**	(326.0)
Total present value of scheme liabilities	**(2,864.1)**	(2,663.9)
Invested and cash assets at fair value	**2,278.7**	2,074.8
Value of liability matching insurance contracts	**318.6**	326.0
Total fair value of scheme assets	**2,597.3**	2,400.8
Funded deficit	**(266.8)**	(263.1)
Impact of IFRIC 14	**(47.6)**	(32.8)
Net scheme deficit	**(314.4)**	(295.9)
Non-current assets – retirement benefit assets	**50.4**	31.2
Non-current liabilities – retirement benefit obligations	**(364.8)**	(327.1)
Net scheme deficit	**(314.4)**	(295.9)
Net scheme deficit included in consolidated balance sheet	**(314.4)**	(295.9)
Deferred tax included in consolidated balance sheet	**58.9**	53.0
Net scheme deficit after deferred tax	**(255.5)**	(242.9)

Movement in net scheme deficit	2020 £m	2019 £m
Opening net scheme deficit	**(295.9)**	(348.6)
Contributions	**53.9**	48.9
Consolidated income statement	**(10.8)**	(10.9)
Consolidated statement of comprehensive income	**(61.6)**	14.7
Closing net scheme deficit	**(314.4)**	(295.9)

Changes in the present value of scheme liabilities	2020 £m	2019 £m
Opening present value of scheme liabilities	**(2,663.9)**	(2,462.8)
Past service costs	**(1.5)**	–
Interest cost	**(50.5)**	(66.3)
Actuarial gain – experience	**48.2**	24.9
Actuarial gain – change to demographic assumptions	**(93.5)**	42.7
Actuarial loss – change to financial assumptions	**(211.1)**	(314.5)
Benefits paid	**108.2**	112.1
Closing present value of scheme liabilities	**(2,864.1)**	(2,663.9)

Impact of IFRIC 14	2020 £m	2019 £m
Opening impact of IFRIC 14	**(32.8)**	(32.5)
Increase in impact of IFRIC 14	**(14.8)**	(0.3)
Closing impact of IFRIC 14	**(47.6)**	(32.8)

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

20 Retirement benefit schemes continued

Results continued

Changes in the fair value of scheme assets	**2020 £m**	2019 £m
Opening fair value of scheme assets	**2,400.8**	2,146.7
Interest income	**45.8**	58.3
Actual return on assets greater than discount rate	**209.6**	261.9
Contributions by employer	**53.9**	48.9
Benefits paid	**(108.2)**	(112.1)
Administrative expenses	**(4.6)**	(2.9)
Closing fair value of scheme assets	**2,597.3**	2,400.8

Fair value of scheme assets	**2020 £m**	2019 £m
UK equities	**70.6**	49.2
US equities	**180.4**	128.6
Other overseas equities	**182.6**	191.1
Property	**40.2**	24.4
Corporate bonds	**320.6**	242.1
Fixed interest gilts	**99.0**	184.2
Index linked gilts	**72.7**	71.9
Liability driven investment	**819.8**	773.9
Cash and other	**492.8**	409.4
Invested and cash assets at fair value	**2,278.7**	2,074.8
Value of insurance contracts	**318.6**	326.0
Fair value of scheme assets	**2,597.3**	2,400.8

The assets of the schemes are primarily held in pooled investment vehicles which are unquoted. The pooled investment vehicles hold both quoted and unquoted investments. Scheme assets include neither direct investments in the Company's ordinary shares nor any property assets occupied nor other assets used by the Group.

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 30 December 2018	(22.6)	0.6	5.1	(137.7)	64.5	0.2	(89.9)
Credit/(charge) to consolidated income statement	1.0	(0.6)	(2.8)	–	(8.7)	0.4	(10.7)
Charge to other comprehensive income statement	–	–	–	–	(2.8)	–	(2.8)
At 29 December 2019	(21.6)	–	2.3	(137.7)	53.0	0.6	(103.4)
Acquisition of subsidiary undertakings	**–**	**–**	**–**	**(1.7)**	**–**	**–**	**(1.7)**
Credit/(charge) to consolidated income statement	**4.8**	**0.3**	**(2.3)**	**(16.2)**	**(11.7)**	**0.7**	**(24.4)**
Credit to other comprehensive income statement	**–**	**–**	**–**	**–**	**17.6**	**–**	**17.6**
At 27 December 2020	**(16.8)**	**0.3**	**–**	**(155.6)**	**58.9**	**1.3**	**(111.9)**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances in the consolidated balance sheet:

	2020 £m	2019 £m
Deferred tax liabilities	**(172.4)**	(159.3)
Deferred tax assets	**60.5**	55.9
	(111.9)	(103.4)

The Group has unrecognised capital losses of £37.5m (2019: £36.0m) at the reporting date.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

22 Inventories

	2020 £m	2019 £m
Raw materials and consumables	**4.6**	5.9

23 Trade and other receivables

Trade and other receivables	2020 £m	2019 £m
Gross trade receivables	**72.5**	78.9
Expected credit loss	**(1.5)**	(1.2)
Net trade receivables	**71.0**	77.7
Prepayments	**13.8**	14.2
Accrued income	**18.0**	18.1
Current tax receivable	**2.8**	–
Other receivables	**4.9**	6.4
	110.5	116.4

Net trade receivables

Trade receivables net of expected credit loss at the reporting date amounted to £71.0m (2019: £77.7m). The average credit period taken on sales is 44 days (2019: 41 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 six months 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 are two (2019: two) customers who individually represent more than 10% of net trade receivables. Included in the net trade receivables balance are debtors with a carrying amount of £2.6m (2019: £3.3m) 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 85 days (2019: 87 days).

Ageing of past due but not impaired receivables	2020 £m	2019 £m
60–90 days	**1.8**	2.0
90–120 days	**0.7**	1.2
120 days+	**0.1**	0.1
	2.6	3.3

Movement in allowance for doubtful debts	2020 £m	2019 £m
Opening balance	**1.2**	1.6
Acquisition of subsidiary undertakings	**0.1**	–
Impairment losses recognised	**0.3**	0.5
Utilisation of provision	**(0.1)**	(0.9)
Closing balance	**1.5**	1.2

Ageing of impaired receivables	2020 £m	2019 £m
120+ days	**1.5**	1.2
	1.5	1.2

The carrying amount of trade and other receivables approximates their fair value.

	2020 £m	2019 £m
Cash and cash equivalents	**42.0**	20.4

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.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

24 Net cash

The net cash for the Group is as follows:

	29 December 2019 £m	Cash flow £m	IFRS 16 opening adjustment £m	IFRS 16 movement £m	27 December 2020 £m
Current assets					
Cash and cash equivalents	20.4	21.6	–	–	42.0
Net cash	**20.4**	**21.6**	**–**	**–**	**42.0**
Non-current liabilities					
Lease liabilities	–	–	(42.3)	6.8	(35.5)
Current liabilities					
Lease liabilities	–	–	(6.4)	0.3	(6.1)
Net cash less lease liabilities	**20.4**	**21.6**	**(48.7)**	**7.1**	**0.4**

The Group has a revolving credit facility of £65.0m until December 2023 reducing to £55.2m until December 2024. The Group had no drawings at the reporting date and the facility is subject to four covenants: Net Worth, Interest Cover, Net Debt to EBITDA and Cash Flow all of which were met at the reporting date.

The Group has implemented IFRS 16 'Leases' with effect from 30 December 2019 using the modified retrospective approach to transition and has accordingly not restated prior periods. The impact of the implementation has been to recognise the Group's previous operating lease commitments in relation to properties and vehicles as lease liabilities on the balance sheet at the initial date of application at 30 December 2019 (see note 2). Total lease liabilities at 27 December 2020 are £41.6m.

Acquisition deferred consideration

Deferred consideration (which is shown separately on the face of the consolidated balance sheet in 2020) is in respect of the acquisition of Express & Star. Payment of the first instal-ment of £18.9m was made on 28 February 2020. Of the remaining amount of £40.1m, £16.0m is classified as current liabilities (payable on 28 February 2021) and £24.1m is classified as non-current liabilities (£17.1m on 28 February 2022 and £7.0m on 28 February 2023). There are no conditions attached to the payment of the deferred consideration and the transaction was structured such that no interest accrues 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.

25 Provisions

	Share-based payments £m	Property £m	Restructuring £m	Historical legal issues £m	Other £m	Total £m
At 29 December 2019	(0.7)	(5.7)	(1.4)	(21.1)	(7.1)	(36.0)
IFRS 16 adjustment	–	0.4	–	–	–	0.4
Restated at 30 December 2019	(0.7)	(5.3)	(1.4)	(21.1)	(7.1)	(35.6)
Acquisition of subsidiary undertaking	–	–	–	–	(0.7)	(0.7)
Charged to income statement	(0.9)	(0.9)	(36.4)	(12.5)	(17.6)	(68.3)
Utilisation of provision	–	1.1	18.0	10.6	18.2	47.9
At 27 December 2020	**(1.6)**	**(5.1)**	**(19.8)**	**(23.0)**	**(7.2)**	**(56.7)**

The provisions have been analysed between current and non-current as follows:

	2020 £m	2019 £m
Current	**(31.5)**	(15.5)
Non-current	**(25.2)**	(20.5)
	(56.7)	(36.0)

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 property related onerous contracts and future committed costs related to occupied, let and vacant properties. The provision will be utilised over 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. The balance at the period end comprises severance costs of £9.3m and closure costs relating to the closure of two print plants of £10.5m. The severance costs provision is expected to be utilised within the next year. The closure costs provision includes £3.7m expected to be utilised within the next year and £6.8m expected to be utilised over the remaining term of the long term lease relating to one of the print plants that were closed.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

25 Provisions continued

The historical legal issues provision relates to the cost associated with dealing with and resolving civil claims in relation to historical phone hacking and unlawful information gathering. There are three parts to the provision: known claims, potential future claims and common court costs with estimates based on historical trends and experience of claims and costs. Certain cases and other matters relating to the issue can be subject to court proceedings, the outcome of which can impact on how much is required to settle the remaining claims and on the number of claims. The Group has recorded an increase in the provision every year since 2014 which highlights the challenges in making a best estimate and the time taken to resolve this historical matter. It is not possible to provide a range of potential outcomes in respect of this provision and due to this uncertainty, a contingent liability has been highlighted in note 34. The Group accelerated the settlement of claims in the second half of the year resulting in payments of £9.7m in this period compared to £0.9m in the first half. In light of the payments made and based on additional claims received the provision has been increased by £12.5m in the year. At the period end, a provision of £23.0m remains outstanding and this represents the current best estimate of the amount required to resolve this historical matter. The provision is expected to be utilised over the next few years.

Other provisions include a charge and utilisation of £15.5m reflecting a historic property development, which as a result of COVID-19 became onerous. In 2018 the Group sold part of its freehold property in Liverpool and also entered into an agreement to develop the property into a hotel and retail/office space. As a result of COVID-19 the development incurred significant time delays and cost overruns, with no certainty as to the amount that could be incurred on completion of the development and insufficient contractual protections based on the historical agreement. A new agreement was reached to limit the exposure to the Group to £15.5m. A one-off provision of £15.5m has been charged and this amount was paid in September 2020. The Group has no further exposure in respect of this development. The other provision balance of £7.2m at the period end relates to libel and other matters and is expected to be utilised over the next two years.

26 Trade and other payables

Trade and other payables	2020 £m	2019 £m
Trade payables	**(12.1)**	(20.9)
Social security and other taxes	**(6.8)**	(4.8)
Accruals and deferred income	**(45.6)**	(52.0)
Other payables	**(27.6)**	(25.6)
	(92.1)	(103.3)

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 37 days (2019: 37 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.

27 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 30 December 2018	(30.9)	(606.7)	(17.4)	(4.4)	101.7	(557.7)
Total comprehensive profit for the period	–	–	–	–	(95.0)	(95.0)
Credit to equity for equity-settled share-based payments	–	–	–	–	(1.1)	(1.1)
Dividends paid	–	–	–	–	18.6	18.6
At 29 December 2019	(30.9)	(606.7)	(17.4)	(4.4)	24.2	(635.2)
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**71.2**	**71.2**
Bonus issue of shares	**(1.3)**	**1.3**	**–**	**–**	**–**	**–**
Credit to equity for equity-settled share-based payments	**–**	**–**	**–**	**–**	**(2.7)**	**(2.7)**
At 27 December 2020	**(32.2)**	**(605.4)**	**(17.4)**	**(4.4)**	**92.7**	**(566.7)**

The share capital comprises 322,085,269 allotted, called-up and fully paid ordinary shares of 10p each. On 28 September 2020, the Board recommended a bonus issue to shareholders, in lieu of and with a value equivalent to an interim dividend of 2.63 pence per share, which was subsequently approved by shareholders. On 23 October 2020, 12,798,952 ordinary shares were issued in respect of the bonus issue of shares with the issue being made out of the share premium account in accordance with the Companies Act 2006.

The share premium account reflects the premium on issued ordinary shares. The merger reserve comprises the premium on the shares allotted in relation to the acquisition of Express & Star. The capital redemption reserve represents the nominal value of the shares purchased and subsequently cancelled under share buy-back programmes.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

27 Share capital and reserves continued

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 £25.9m (2019: £25.9m). 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 Reach Employee Benefit Trust are included in retained earnings and other reserves at £2.7m (2019: £3.7m). During the year, 778,658 were released relating to grants made in prior years (2019: 522,572).

28 Called-up share capital

	2020 Number	**2020 £m**	2019 Number	2019 £m
Authorised				
Ordinary shares of 10 pence each	**450,000,000**	**(45.0)**	450,000,000	(45.0)

	2020 Number	**2020 £m**	2019 Number	2019 £m
Allotted, called-up and fully paid ordinary shares of 10 pence each				
Opening balance	**309,286,317**	**(30.9)**	309,286,317	(30.9)
Bonus issue of shares	**12,798,952**	**(1.3)**	–	–
Closing balance	**322,085,269**	**(32.2)**	309,286,317	(30.9)

On 23 October 2020, 12,798,952 ordinary shares were issued in respect of the bonus issue. The total share capital increased to 322,085,269 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 51.2 pence on 25 August 2020 (2019: 55.0 pence on 13 February 2019) and the highest closing price was 180.4 pence on 25 February 2020 (2019: 134.8 pence on 24 December 2019). The closing share price as at the reporting date was 140.0 pence (2019: 132.6 pence).

Reach plc Employees' Benefit Trust

The Reach plc 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 2,172,983 shares (2019: 2,857,186 shares) with a carrying value of £2,657,800 (2019: £3,653,464) and a market value of £3,042,176 (2019: £3,788,629). In addition, the Trust holds cash to purchase future shares of £6,355 (2019: £6,614). 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, 94,740 shares (2019: 90,855 shares) were held with a carrying value of £445,523 (2019: £445,523) and a market value of £132,636 (2019: £120,474), none of which (2019: none) had options granted over them under the restricted share plan. Dividends on the shares are payable at an amount of 0.01 pence (2019: 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.

29 Share premium account

	2020 £m	2019 £m
Opening balance	**(606.7)**	(606.7)
Bonus issue of shares	**1.3**	–
Closing balance	**(605.4)**	(606.7)

On 23 October 2020, 12,798,952 ordinary shares were issued in respect of the bonus issue. The share premium account capital reduced by £1.3m.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

30 Share-based payments

The charge related to share-based payments during the period was £2.7m (2019: £1.1m).

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 71 to 88. The vesting period is three years and is subject to continued employment of the participant. The Performance Shares granted in 2019 and 2020 vest if targets measuring the Company's share price and Net Cash Flow are met.

	2020 Performance Shares	2019 Performance Shares
Awards outstanding at start of period	**8,198,250**	5,929,030
Granted during the period	**3,577,245**	5,564,441
Bonus issue of shares	**424,834**	–
Lapsed during the period	**(1,787,818)**	(2,871,553)
Exercised during the period	**(642,202)**	(423,668)
Awards outstanding at end of period	**9,770,309**	8,198,250

The average exercise period of awards outstanding at the year end is eighteen months. The share price at the date of grant for the Performance Shares was 104.8 pence for 1,218,530 shares, 90.0 pence for 2,223,246 shares, 127.0 pence for 115,523 shares and 140.0 pence in respect of 19,946 shares (2019: 105.8 pence). The weighted average share price at the date of lapse for awards lapsed during the period was 100.8 pence (2019: 82.0 pence). The weighted average share price at the date of exercise for awards exercised during the period was 95.3 pence (2019: 74.0 pence).

The estimated fair values at the date of grant of the shares awarded are as follows:

	Awarded in 2020 £	Awarded in 2019 £	Awarded in 2018 £	Awarded in 2017 £	Awarded in 2016 £
Performance Shares	**2,420,546**	1,695,375	1,335,640	1,340,069	2,044,993

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 2015 were as follows:

	Performance award 2020 3 April 2020	**Performance award 2020 27 March 2020**	Performance award 2019 4 December 2019	Performance award 2019 11 March 2019	Performance award 2018	Performance award 2017	Performance award 2016	Performance award 2015
Expected volatility (%)	**43.8**	**43.4**	39.0	41.5	39.0	42.0	45.0	47.0
Expected life (years)	**3.0**	**3.0**	3.0	3.0	3.0	3.0	3.0	3.0
Risk-free (%)	**0.1**	**0.1**	0.6	0.7	0.9	0.1	0.6	0.7

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.

During the year, awards relating to 1,218,530 shares were granted to executive directors on a discretionary basis under the Long Term Incentive Plan (2019: 2,970,531). The exercise price of each award is £1. 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 year, awards relating to 2,358,715 shares were granted to senior managers on a discretionary basis under the Senior Management Incentive Plan (2019: 2,593,910). The exercise price of each award is £1. The awards vest after three years, subject to the continued employment of the participant and satisfaction of certain performance conditions.

During the year, 50,618 (2019:77,399) Restricted Shares were awarded to directors as explained in the Remuneration report on page 87. The award was based on the average share price over the three days prior to the date of the award of 96.9 pence (2019: 64.6 pence). The award vests after three years.

31 Lease liabilities

	Properties £m	**Vehicles £m**	**Total £m**
At 29 December 2019	–	–	–
Adjustment for transition to IFRS 16 (note 2)	(46.2)	(2.5)	(48.7)
Restated at 30 December 2019	(46.2)	(2.5)	(48.7)
Additions	(0.1)	(0.5)	(0.6)
Interest costs	(1.4)	(0.1)	(1.5)
Payments	8.2	1.0	9.2
At 27 December 2020	**(39.5)**	**(2.1)**	**(41.6)**

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

31 Lease liabilities continued

The Group does not face significant liquidity risk in relation to its lease liabilities. Of the lease liability £6.1m is included in current liabilities and £35.5m is included in non-current liabilities.

The Group has applied IFRS 16 'Leases' at 30 December 2019 using the modified retrospective approach. Comparative for the prior period have not been restated to reflect this and therefore continue to be reported under IAS 17 'Leases'. As such, for the 52 weeks ended 29 December 2019, the total commitments under non-cancellable operating leases were as follows.

	Properties £m	Vehicles £m	Total £m
Within one year	(7.2)	(1.4)	(8.6)
Greater than one and less than five years	(20.3)	(1.7)	(22.0)
Greater than five years	(21.6)	–	(21.6)
At 29 December 2019	**(49.1)**	**(3.1)**	**(52.2)**

32 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 bank debt and equity. The capital structure of the Group consists of:

- bank debt and facilities (note 24)
- cash and cash equivalents (note 24) and
- equity attributable to equity holders of the parent comprising share capital and reserves (note 27).

The Group's dividend policy is set out on page 90 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:

	2020 £m	2019 £m
Net debt	–	–
EBITDA	**161.2**	174.9
Net debt to EBITDA	***n/a***	n/a
Adjusted operating profit	**133.8**	153.4
Interest on bank overdrafts and borrowings	**(1.1)**	(2.9)
Interest cover	**121.6**	52.9

Net debt is defined as long-term and short-term borrowings (excluding leases under IFRS 16) less cash and cash equivalents. Net debt is nil at the reporting date as the Group is in a net cash position. EBITDA and operating profit are before operating adjusted items. Total interest expense is interest on bank overdrafts and borrowings (excluding interest on leases under IFRS16).

The Group has a £65.0m non-amortising Revolving Credit Facility ('RCF') which expires on 18 December 2023. During the year, the Group extended the non-amortising RCF to 18 December 2024 with the commitment reducing to £55.2m. The Group had no drawings at the reporting date on the RCF. The RCF is held by the parent company.

The financial covenants relating to the RCF are in note 24.

Externally imposed capital requirement

The Group is subject to externally imposed capital requirements based on financial covenants under the revolving credit facility.

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

Cash and trade and other receivables are classified as financial assets and are accordingly held at amortised cost. Trade and other payables, bank overdrafts, bank borrowings and lease liabilities are all designated as 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 Chief Financial Officer 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.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

32 Financial instruments continued

Financial risk management objectives continued

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	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Euro	**–**	–	**2.5**	1.1
US$	**–**	–	**1.5**	0.3
Japanese Yen	**–**	–	**–**	0.9

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% (2019: less than 1%) of Group revenue. Euro and US$ balances are kept on deposit and used to fund Euro and US$ costs. When Euros or US$s on deposit build to a target balance they are converted into Sterling. The Group does not hedge the Euro and US$ 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 news 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 £0.4m (2019: £0.1m) and equity by nil (2019: 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.

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 swaps contracts and forward interest rate contracts. During the current and prior period no contracts were entered into.

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 £0.3m (2019: £0.7m). 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 counterparty 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 Chief Financial Officer 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 two customers 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.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

32 **Financial instruments** continued

Credit risk management continued

The 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 is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group's cash and cash equivalents of £42.0m is held with counterparties with a minimum Standard and Poor credit rating of A. The Group monitors the exposure and credit rating of its counterparties on a regular basis.

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.

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, which include deferred consideration payments as set out in note 24.

Liquidity risk

At the reporting date the Group has a nil (2019: nil) Sterling variable interest rate bank drawing and has access to financial facilities of which the total unused amount is £65.0m (2019: £65.0m). The Group has a £65.0m non-amortising Revolving Credit Facility ('RCF') which expires on 18 December 2023. During the year, the Group extended the non-amortising RCF to 18 December 2024 with the commitment reducing to £55.2m.

The Group expects to meet its obligations from cash held on deposit, operating cash flows and its committed financing facilities.

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows of the Group's financial liabilities:

2020 non-derivative financial liabilities	**Less than one year £m**	**Between one and five years £m**	**Greater than five years £m**	**Total £m**
Trade and other payables	**(92.1)**	**–**	**–**	**(92.1)**
Deferred consideration	**(16.0)**	**(24.1)**	**–**	**(40.1)**
Lease liabilities	**(7.3)**	**(21.0)**	**(19.9)**	**(48.2)**
Total cash flows	**(115.4)**	**(45.1)**	**(19.9)**	**(180.4)**

2019 non-derivative financial liabilities	Less than one year £m	Between one and five years £m	Greater than five years £m	Total £m
Trade and other payables	(103.3)	–	–	(103.3)
Deferred consideration	(18.9)	(40.1)	–	(59.0)
Total cash flows	(122.2)	(40.1)	–	(162.3)

33 **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 and employee benefit trusts are disclosed in notes 20 and 28 respectively. Details of other related party transactions are disclosed below.

Trading transactions

The Group traded with the following associated undertakings: PA Media Group Limited, Brand Events TM Limited and Independent Star Limited up to 24 November 2020. 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.

PA Media Group Limited

The Group earned revenue of nil (2019: nil) and the Group incurred charges for services received of £3.8m (2019: £4.4m). The amount outstanding at the reporting date amounted to £0.1m (2019: nil) owed to PA Media Group Limited.

Brand Events TM Limited

In 2019 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 £2.0m which was fully drawn at the reporting date. The Group has fully provided for this.

Independent Star Limited

The Group earned royalties of £0.3m (2019: £0.3m) and the Group incurred charges for services received of nil (2019: nil).

Compensation of key management personnel

Key management are the executive directors.

The remuneration of the executive directors are determined by the Remuneration Committee having regard to competitive market position and performance of individuals. Further information regarding the remuneration of the executive directors is provided in the Remuneration report on pages 71 to 88.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

34 Contingent liabilities

There is the potential for further liabilities to arise from the outcome or resolution of the ongoing historical legal issues (note 25).

35 Reconciliation of statutory to adjusted results

52 weeks ended 27 December 2020	**Statutory results £m**	**Operating adjusted items (a) £m**	**Pension finance charge (b) £m**	**Tax (c) £m**	**Adjusted results £m**
Revenue	**600.2**	**–**	**–**	**–**	**600.2**
Operating profit	**7.6**	**126.2**	**–**	**–**	**133.8**
Profit before tax	**0.4**	**126.2**	**4.7**	**–**	**131.3**
(Loss)/profit after tax	**(26.7)**	**110.3**	**3.8**	**19.0**	**106.4**
Basic (loss)/earnings per share (p)	**(8.6)**	**35.7**	**1.2**	**6.1**	**34.4**

52 weeks ended 29 December 2019	Statutory results £m	Operating adjusted items (a) £m	Pension finance charge (b) £m	Tax (c) £m	Adjusted results £m
Revenue	702.5	–	–	–	702.5
Operating profit	131.7	21.7	–	–	153.4
Profit before tax	120.9	21.7	8.0	–	150.6
Profit after tax	94.3	20.9	6.5	–	121.7
Basic earnings per share (p) restated (d)	30.5	6.8	2.1	–	39.4

(a) Operating adjusted items relate to the items charged or credited to operating profit as set out in note 8.

(b) Pension finance charge relating to the defined benefit pension schemes as set out in note 20.

(c) 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 as set out in note 11.

(d) Basic earnings per share for 2019 has been restated as set out in note 13.

Set out in note 3 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 and contractual issues, defined benefit pension schemes which are all closed to future accrual).

Restructuring charges incurred to deliver cost reduction measures relate to the transformation of the business from print to digital, together with costs to deliver synergies. These costs are principally severance related, but may also include system integration costs. They are included in adjusted items on the basis that they are material and can vary considerably each year, distorting the underlying performance of the business.

Provision for historical legal issues relates to the cost associated with dealing with and resolving civil claims for historical phone hacking and unlawful information gathering. This is included in adjusted items as the amounts are material, it relates to historical matters and movements in the provision can vary year to year.

Impairments to non-current assets arise following impairment reviews or where a decision is made to close or retire printing assets. These non-cash items are included in adjusted items on the basis that they are material and vary considerably each year, distorting the underlying performance of the business.

The Group's defined benefit pension schemes are all closed to new members and to future accrual and are therefore not related to the current business. The pension administration expenses, the past service costs for GMP equalisation and the pension finance charge are included in adjusted items as the amounts are significant and they relate to the historical pension commitment.

The opening deferred tax position is recalculated in the period in which a change in the standard rate of corporation tax has been enacted or substantively enacted by Parliament. The impact of the change in rates are included in adjusted items on the basis that when they occur they are material, distorting the underlying performance of the business.

Other items may be included in adjusted items if they are material, such as transaction costs incurred on significant acquisitions or the profit or loss on the sale of subsidiaries, associates or freehold buildings or liabilities arising from historical contractual issues. They are included in adjusted items on the basis that they are material and vary considerably each year, distorting the underlying performance of the business.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

36 Adjusted cash flow

	2020 £m	2019 £m
Adjusted operating profit	**133.8**	153.4
Depreciation	**27.4**	21.5
Adjusted EBITDA	**161.2**	174.9
Net interest paid on bank borrowings	**(1.1)**	(3.2)
Income tax paid	**(14.2)**	(11.7)
Restructuring payments	**(18.0)**	(13.6)
Net capital expenditure	**(1.6)**	(3.4)
Interest paid on leases	**(1.5)**	–
Repayment of obligation under leases	**(7.7)**	–
Working capital and other	**4.7**	(9.9)
Adjusted operating cash flow	**121.8**	133.1
Historical legal issues payments	**(10.6)**	(3.5)
Historical contract issues payments	**(15.5)**	–
Dividends paid	**–**	(18.6)
Pension funding payments	**(53.9)**	(48.9)
Adjusted net cash flow	**41.8**	62.1
Bank facility drawdown	**25.0**	–
Bank facility repayment	**(25.0)**	(60.0)
Acquisition related cash flow	**(20.2)**	(0.9)
Net increase in cash and cash equivalents	**21.6**	1.2

37 Reconciliation of statutory to adjusted cash flow

52 weeks ended 27 December 2020	2020 Statutory £m	(a) £m	(b) £m	2020 Adjusted £m	
Cash flows from operating activities					
Cash generated from operations	**121.3**	**(25.6)**	**26.1**	**121.8**	Adjusted operating cash flow
Pension deficit funding payments	**(53.9)**	**–**	**–**	**(53.9)**	Pension funding payments
	–	**–**	**(15.5)**	**(15.5)**	Historical contract issues payments
	–	**–**	**(10.6)**	**(10.6)**	Historical legal issues payments
Income tax paid	**(14.2)**	**14.2**	**–**	**–**	
Net cash inflow from operating activities	**53.2**				
Investing activities					
Interest received	**0.1**	**(0.1)**	**–**	**–**	
Dividends received from associated undertakings	**0.5**	**(0.5)**	**–**	**–**	
Proceeds on disposal of property, plant and equipment	**0.3**	**(0.3)**	**–**	**–**	
Purchases of property, plant and equipment	**(1.9)**	**1.9**	**–**	**–**	
Deferred consideration payment	**(18.9)**	**–**	**–**	**(18.9)**	Acquisition related cash flow
Acquisition of associate undertaking	**(0.2)**	**–**	**–**	**(0.2)**	Acquisition related cash flow
Acquisition of subsidiary undertakings	**(3.4)**	**–**	**–**	**(3.4)**	Acquisition related cash flow
Cash acquired on acquisition of subsidiary undertakings	**2.3**	**–**	**–**	**2.3**	Acquisition related cash flow
Net cash used in investing activities	**(21.2)**				
Financing activities					
Interest paid on bank borrowings	**(1.2)**	**1.2**	**–**	**–**	
Drawdown of borrowings	**25.0**	**–**	**–**	**25.0**	Bank facility drawdown
Repayment of borrowings	**(25.0)**	**–**	**–**	**(25.0)**	Bank facility repayment
Interest paid on leases	**(1.5)**	**1.5**	**–**	**–**	
Repayment of obligations under leases	**(7.7)**	**7.7**	**–**	**–**	
Net cash used in financing activities	**(10.4)**				
Net increase in cash and cash equivalents	**21.6**	**–**	**–**	**21.6**	

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

37 Reconciliation of statutory to adjusted cash flow continued

52 weeks ended 29 December 2019	2019 Statutory £m	(a) £m	(b) £m	2019 Adjusted £m	
Cash flows from operating activities					
Cash generated from operations	147.4	(17.8)	3.5	133.1	Adjusted operating cash flow
Pension deficit funding payments	(48.9)	–	–	(48.9)	Pension funding payments
	–	–	(3.5)	(3.5)	Historical legal issues payments
Income tax paid	(11.7)	11.7	–	–	
Net cash inflow from operating activities	86.8				
Investing activities				–	
Interest received	0.1	(0.1)	–	–	
Dividends received from associated undertakings	0.5	(0.5)	–	–	
Proceeds on disposal of property, plant and equipment	0.5	(0.5)	–	–	
Purchases of property, plant and equipment	(3.9)	3.9	–	–	
Acquisition of associate undertaking	(0.9)	–	–	(0.9)	Acquisition related cash flow
Net cash used in investing activities	(3.7)				
Financing activities					
Dividends paid	(18.6)	–	–	(18.6)	Dividends paid
Interest paid on bank borrowings	(3.3)	3.3	–	–	
Repayment of bank borrowings	(60.0)	–	–	(60.0)	Bank facility repayment
Net cash received from financing activities	(81.9)				
Net increase in cash and cash equivalents	1.2	–	–	1.2	

(a) Items included in the statutory cash flow on separate lines which for the adjusted cash flow are included in adjusted operating cash flow.

(b) Payments in respect of historical legal issues and historical contract issues are shown separately in the adjusted cash flow.

38 Acquisition of subsidiary undertaking

On 24 November 2020, the Group acquired the 50% of the issued share capital of Independent Star Limited not previously owned. The acquisition is included in the Publishing segment in continuing operations. Independent Star Limited owns the Irish Daily Star brand in Ireland.

The fair value of the consideration is as follows:

	£m
Cash paid to sellers	3.4
50.0% equity acquired	3.4
50.0% equity interest	3.4
Fair value of consideration	**6.8**

The fair value of net assets acquired and the goodwill arising is as follows:

	£m
Other intangible assets	8.7
Deferred tax	(1.7)
Provisions	(0.7)
Working Capital	(0.8)
Net cash	2.3
Fair value of net assets	7.8
Negative goodwill	(1.0)
Fair Value of consideration	**6.8**

There were no fair value adjustments. Other intangible assets relates to publishing rights and titles. Working capital includes gross receivables of £1.2m less provision for doubtful debts of £0.1m. Negative goodwill arises upon acquisition.

The acquisition of Independent Star Limited contributed £1.0m of revenue and £0.2m of operating profit post acquisition. The revenue and operating profit of the Group would have increased by £10.8m and £0.5m (operating profit of £1.3m less £0.3m relating to earned royalties and less £0.5m share of results of associates) respectively if the acquisition had been made at the beginning of the year.

Notes to the consolidated financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

38 Acquisition of subsidiary undertaking continued

Loss on deemed disposal for Independent Star Limited associate interest:

	£m
Fair value of 50.0% equity interest	3.4
Carrying value of associate interest	(4.4)
Loss on deemed disposal	**(1.0)**

The loss on deemed disposal of £1.0m is offset by the credit in respect of the negative goodwill of £1.0m resulting in no net impact on the consolidated income statement.

The total consideration for the 50% of Independent Star Limited not previously owned reconciles to the implied enterprise value for 100% of £6.8m as follows:

	£m
Enterprise value	6.8
Equity value	**6.8**
50.0% of equity value	3.4
Actual cash and cash like items acquired	(2.3)
Total consideration	**1.1**

The total consideration for the acquisition has been satisfied as follows:

	£m
Utilisation of cash balances	1.1
Total consideration	**1.1**

Net cash payments relating to the acquisition are as follows:

	£m
Cash paid directly to sellers	3.4
Actual cash and cash like items acquired	(2.3)
Net cash payments	**1.1**

Transaction costs of £0.1m were charged to operating profit.

39 Subsidiary undertakings

A list of the subsidiary undertakings, all of which have been consolidated, is on pages 147 to 149.

40 Subsidiaries exempt from audit

No UK subsidiaries have taken advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ending 27 December 2020.

No dormant subsidiaries have taken the exemption from preparing individual financial statements by virtue of Section 394A of Companies Act 2006.

No dormant subsidiaries have taken the exemption from filing with the registrar individual financial statements by virtue of Section 448A of Companies Act 2006.

Parent company balance sheet

at 27 December 2020 (at 29 December 2019) Company registration number 82548

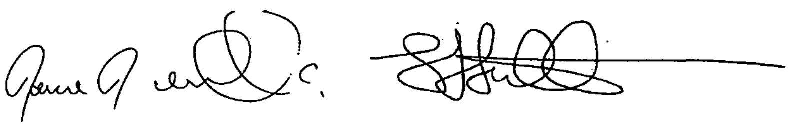
	notes	2020 £m	2019 £m
Fixed assets			
Investments in subsidiary undertakings	4	**773.3**	773.3
Right-of-use assets	5	**14.2**	–
		787.5	773.3
Current assets			
Debtors – amounts falling due within one year	6	**98.3**	120.8
Cash at bank and in hand		**24.7**	2.1
		123.0	122.9
Creditors: amounts falling due within one year			
Lease liabilities	11	**(1.4)**	–
Other creditors	7	**(17.8)**	(20.2)
		(19.2)	(20.2)
Net current assets		**103.8**	102.7
Total assets less current liabilities		**891.3**	876.0
Creditors: amounts falling due after more than one year			
Lease liabilities	11	**(15.1)**	–
Other creditors	7	**(24.1)**	(40.1)
		(39.2)	(40.1)
Net assets		**852.1**	835.9
Equity capital and reserves			
Called-up share capital	8	**(32.2)**	(30.9)
Share premium account	9	**(605.4)**	(606.7)
Merger reserve	10	**(25.3)**	(25.3)
Capital redemption reserve	10	**(4.4)**	(4.4)
Profit and loss account	10	**(184.8)**	(168.6)
Equity shareholders' funds		**(852.1)**	(835.9)

The Company has applied IFRS 16 'Leases' at 30 December 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 1).

The Company reported a profit for the period of £13.5m (2019: £28.0m). 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.

These parent company financial statements on pages 140 to 146 were approved by the Board of directors and authorised for issue on 1 March 2021.

They were signed on its behalf by:



Jim Mullen
Chief Executive Officer

Simon Fuller
Chief Financial Officer

Parent company statement of changes in equity

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

	Called-up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 30 December 2018	(30.9)	(606.7)	(25.3)	(4.4)	(158.1)	(825.4)
Profit for the period	–	–	–	–	(28.0)	(28.0)
Credit to equity for equity-settled share-based payments	–	–	–	–	(1.1)	(1.1)
Dividends paid	–	–	–	–	18.6	18.6
At 29 December 2019	(30.9)	(606.7)	(25.3)	(4.4)	(168.6)	(835.9)
Profit for the period	**–**	**–**	**–**	**–**	**(13.5)**	**(13.5)**
Bonus issue of shares	**(1.3)**	**1.3**	**–**	**–**	**–**	**–**
Credit to equity for equity-settled share-based payments	**–**	**–**	**–**	**–**	**(2.7)**	**(2.7)**
At 27 December 2020	**(32.2)**	**(605.4)**	**(25.3)**	**(4.4)**	**(184.8)**	**(852.1)**

The Company has applied IFRS 16 'Leases' at 30 December 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 1).

Notes to the parent company financial statements

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

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.

These parent company financial statements have been prepared on a going concern basis as set out on page 59 of the Corporate Governance report.

The presentational and functional currency of the Company is Sterling.

Profit for the financial year

The Company reported a retained profit for the period after dividends of £13.5m (2019: £9.4m). 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 accounting policies used in the preparation of the parent company financial statements have been consistently applied to all the periods presented. No interpretations have been early adopted.

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).

IFRS 16 has been applied by the Company in the 52 weeks ending 27 December 2020 and supersedes the current lease guidance including IAS 17 and the related interpretation.

Nature of change

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases. At the commencement date of a lease, a lessee will recognise a lease liability for the future lease payments and an asset representing the right to use the underlying asset during the lease term (right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of use asset.

Impact on the Company

The standard has impacted the accounting for the Company's operating leases relating to leased properties. The Company has applied the simplified transition approach (modified retrospective approach) and recognised the lease liability on transition at the present value of the remaining lease payments, discounted using its incremental borrowing rate of 3.3% at the date of transition. On initial adoption, right-of-use assets have been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Lease incentives (eg rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under IAS 17, a lease incentive liability was recognised and amortised as a rental expense on a straight-line basis. Short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense to the income statement.

Notes to the parent company financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

1 Basis of preparation continued

Impact of amendments to accounting standards continued

Practical Expedients applied on adoption

In its initial application of IFRS 16, the Company has used the following practical expedients allowed by the standard:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Relied on its assessment of whether a lease is onerous by applying IAS 37 immediately before the date of initial application;
- Not recognised leases whose lease term end within 12 months of the adoption date of 30 December 2019;
- Excluded initial direct costs from the measurement of right-of-use assets at the date of initial application; and
- Used hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The following table reconciles the minimum lease commitments for the 52 weeks ended 29 December 2019 to the amount of lease liabilities recognised on initial adoption at 30 December 2019.

	£m
Operating lease commitment at 29 December 2019 as shown in the financial statements	(21.8)
Discount using the incremental borrowing rate	2.6
Lease liability recognised at 30 December 2019 (classified as current £2.0m and non-current £17.2m)	(19.2)

Impact on parent company balance sheet

	29 December 2019 (audited) £m	IFRS 16 adjustment £m	30 December 2019 (unaudited) £m
Non-current assets			
Investment in subsidiary undertakings	773.3	–	773.3
Right-of-use-asset	–	16.1[1]	16.1
	773.3	16.1	789.4
Current assets			
Debtors – amounts falling due within one year	120.8	3.1[4]	123.9
Cash and cash equivalents	2.1	–	2.1
	122.9	3.1	126.0
Total assets	896.2	19.2	915.4
Non-current liabilities			
Lease liabilities	–	(17.2)[2]	(17.2)
Other creditors	(40.1)	–	(40.1)
	(40.1)	(17.2)	(57.3)
Current liabilities			
Lease liabilities	–	(2.0)[3]	(2.0)
Other creditors	(20.2)	–	(20.2)
	(20.2)	(2.0)	(22.2)
Total liabilities	(60.3)	(19.2)	(79.5)
Net assets	835.9	–	835.9
Total equity attributable to equity holders of the parent	(835.9)	–	(835.9)

1 Right-of-use asset recognised representing the right to use the asset over the lease term.
2 Non-current element of the lease liability recognised.
3 Current element of the lease liability recognised.
4 Adjustment in respect of intercompany balances related to leases.

2 Significant accounting policies

The principal accounting policy adopted in preparation of these financial statements are set out below:

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.

Notes to the parent company financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

2 Significant accounting policies continued

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 income statement for the period.

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 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 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 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 income statement except when it relates to items charged or credited in the statement of comprehensive income or items charged or credited directly to equity, in which case the deferred tax is also dealt with in the 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 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.

Financial assets

Financial assets are measured at amortised cost. The principal financial asset is intercompany receivables which are unsecured and repayable on demand. The measurement of expected credit losses is a function of the probability of default, loss given default (ie the magnitude of the loss if there is a default) and the exposure at default.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term bank deposits.

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 be 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

The Company has applied IFRS 16 'Leases' using the modified retrospective transition approach and therefore comparative information has not been restated and is presented under IAS 17 'Leases'. The details of accounting policies under both IFRS 16 and IAS 17 are presented separately below.

IFRS 16 'Leases' as adopted by the Company at 30 December 2019

Leases are recognised on the balance sheet as a right-of-use asset and corresponding liability at the date at which a leased asset is made available for use by the Company, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's weighted average incremental borrowing rate and subsequently held at amortised cost in accordance with IFRS 9. Finance costs are charged to the income statement over the lease term, at a constant periodic rate of interest. Right-of-use assets are depreciated over the lease term on a straight-line basis. Each lease payment is allocated between the liability and finance cost. The Company does not acts a Lessor.

Notes to the parent company financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

2 Significant accounting policies continued

Leases continued

IAS 17 'Leases' as adopted by the Company for the 52 weeks ended 29 December 2019

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 leases are classified as operating leases.

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.

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.

Share based payments

The Company have taken advantage of the FRS101 exemption for IFRS 2 'Share-based payments' and included disclosures relating to share-based payments 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 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. 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 the cost of equity.

3 Staff costs

The average monthly number of persons, including directors, employed by and charged to the Company in the period was:

	2020 Number	2019 Number
Administration	**8**	9

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 financial statements.

All employees are employed in the UK.

	2020 £m	2019 £m
Staff costs, including directors' emoluments, incurred during the period were:		
Wages and salaries	**1.2**	2.1
Social security costs	**1.1**	0.9
Share-based payments charge	**2.7**	1.1
Pension costs relating to defined contribution pension schemes	**0.1**	0.2
Compensation for loss of office	**–**	0.5
	5.1	4.8

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 71 to 88 and form part of these parent company financial statements. Further details of share-based payments are contained in note 30 in the notes to the consolidated financial statements.

Notes to the parent company financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

4 Investments in subsidiary undertakings

	Shares in subsidiary undertakings £m
Cost at beginning and end of period	**1,526.5**
Provision for impairment at beginning and end of period	**(753.2)**
Net book value at beginning and end of period	**773.3**

At the period end reporting date an impairment review was undertaken which indicated that no impairment in the investments held by the Company was required (2019: £23.2m). The impairment review was performed using the same projections used in the impairment review performed in relation to the Group's goodwill and other intangible assets which is disclosed in note 16 in the notes to the consolidated financial statements. In respect of investments the current post-tax and equivalent pre-tax discount rate used is 11.7% and 14.4% respectively and the long-term growth rate beyond the 10-year period is 0%.

The impairment review in respect of the investments held by the Company is highly sensitive to reasonably possible changes in key assumptions used in the value-in-use calculations and there is increased uncertainty due to COVID-19. The headroom in the impairment review is £50m. A combination of reasonably possible changes in key assumptions such as print revenue declining at a faster rate than projected, digital revenue growth being significantly lower than projected or the associated change in the cost base being different than projected, could lead to an impairment in the investments held by the Company. If these sensitivities led to an 4% reduction in cash flows in each of the years in the 10 year period this would lead to the removal of the headroom. Alternatively an increase in the discount rate by 0.5 percentage points would lead to the removal of the headroom.

Details of the Company's subsidiary undertakings at 27 December 2020 are set out on pages 147 to 149.

5 Right-of-use assets

	Properties £m
Cost	
At 29 December 2019	–
Adjustment for transition to IFRS 16 (note 1)	16.1
Restated at 30 December 2019	16.1
At 27 December 2020	**16.1**
Accumulated depreciation	
At 29 December 2019	–
Charge for the period	(1.9)
At 27 December 2020	**(1.9)**
Carrying amount	
Restated at 30 December 2019	16.1
At 27 December 2020	**14.2**

6 Debtors

	2020 £m	2019 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**82.9**	110.5
Other debtors	**15.4**	10.3
	98.3	120.8

The amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

7 Other creditors

	2020 £m	2019 £m
Amounts falling due within one year:		
Share-based payments	**(1.6)**	(0.7)
Accruals	**(0.2)**	(0.6)
Deferred consideration	**(16.0)**	(18.9)
	(17.8)	(20.2)
Amounts falling due after more than one year:		
Deferred consideration	**(24.1)**	(40.1)
	(24.1)	(40.1)

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 24 in the notes to the consolidated financial statements.

Notes to the parent company financial statements continued

for the 52 weeks ended 27 December 2020 (52 weeks ended 29 December 2019)

8 Called-up share capital

The details of the Company's called-up share capital and dividends are disclosed in notes 27 and 28 respectively in the notes to the consolidated financial statements.

9 Share premium account

The details of the Company's share premium account are disclosed in note 29 in the notes to the consolidated financial statements.

10 Other reserves

	Merger reserve £m	Capital redemption reserve £m	Profit and loss account £m
Opening balance	(25.3)	(4.4)	(168.6)
Transfer of retained profit for the period before dividends	–	–	(13.5)
Share-based payments credit	–	–	(2.7)
Closing balance	**(25.3)**	**(4.4)**	**(184.8)**

The merger reserve comprises the premium on the shares allotted in relation to acquisitions. The capital redemption reserve represents the nominal value of the shares purchased and subsequently cancelled as part of share buy-back programmes. The profit and loss account reserves are all distributable.

11 Lease liabilities

	Total £m
At 29 December 2019	–
Adjustment for transition to IFRS 16 (note 1)	(19.2)
Restated at 30 December 2019	(19.2)
Interest costs	(0.6)
Payments	3.3
At 27 December 2020	**(16.5)**

Of the lease liability £1.4m is included in creditors: amounts falling due within one year and £15.1m is included in creditors: amounts falling due after more than one year. Total undiscounted future payments amount to £18.6m are payable £2.0m for 2021 and £2.6m per year for 2022 to 2025 with a total of £6.2m payable after five years.

The parent company has applied IFRS 16 'Leases' at 30 December 2019 using the modified retrospective approach. Comparative for the prior period have not been restated to reflect this and therefore continue to be reported under IAS 17 'Leases'. As such, for the 52 weeks ended 29 December 2019, the total commitments under non-cancellable operating leases were as follows.

	2019 £m
Within one year	(2.6)
Greater than one and less than five years	(10.3)
Greater than five years	(8.9)
At 29 December 2019	**(21.8)**

12 Related party transactions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to related party transactions. Transactions with the retirement benefit schemes and employee benefit trusts are disclosed in notes 20 and 28 respectively in the notes to the consolidated financial statements. Details of other related party transactions are disclosed below.

Trading transactions

The Company did not trade with the Group's associated undertakings.

Compensation of key management personnel

Key management are the executive directors.The remuneration of the executive directors are determined by the Remuneration Committee having regard to competitive market position and performance of individuals. Further information regarding the remuneration of the executive directors is provided in the Remuneration report on pages 71 to 88.

Subsidiary and associated undertakings

as at 27 December 2020

The following subsidiary undertakings are 100% owned (all share classes) and incorporated in England and Wales, with a registered office at One Canada Square, Canary Wharf, London E14 5AP.

Subsidiary name
0800 Recruit Limited
08000 Recruit Limited
Ad-Mag (North East) Limited
Advertiser North London Group (Holdings) Limited
Advertiser North London Limited
AMRA Limited
Arrow Interactive Limited
Beaverbrook Newspapers Limited
Birmingham Live Limited
Birmingham Post & Mail (Exhibitions) Limited
Birmingham Post & Mail Trustees Limited
Blackfriars Leasing Ltd.
Blackmore Vale Publishing Company Limited
BPM Media (Midlands) Limited
Broughton Printers Limited
Burginhall 677 Limited
Buy Sell Limited
Camberry Limited
CDE Services Limited
Century Communications Ltd.
Channel One Liverpool Limited
Chargestake Limited
Charles Elphick Limited
City Television Network Limited
Community Magazines Limited
Conrad & Partners Limited
Coventry Newspapers Limited
Daily Express Limited
Daily Post Investments Limited
Daily Post Overseas Limited
Daily Star Limited
Denitz Investments Limited
Echo Press (1983) Limited
Enterprise Magazines Limited
Examiner News & Information Services Limited
Export Magazine Distributors Limited
Express Newspapers
Express Newspapers Pension Trustees Limited
Express Newspapers Properties Limited
Express Printers Manchester Limited
Express Property Management Limited
Financial Jobs Online Limited
Fish4 Limited
Fish4 Trading Limited
Fish4Cars Limited
Fish4Homes Limited
Fish4Jobs Limited
Gazette Media Company Limited
Gimmejobs Limited
Gisajob Limited
High Street Direct Limited
Hot Exchange Limited
Hot Flats Limited
Hot Flights Limited
Hotrecruit Limited
Huddersfield Examiner Limited
Huddersfield Newspapers Limited
I.T. Trade Publishing Limited
Informer Publications Limited
Internet Recruitment Solutions Limited
Isle of Wight Newspapers Limited
Job Search Limited
Jobsfinancial Limited
Jobsin Limited
JobsinHRSolutions Limited
Jobsinlaw Limited
JobsinUK Limited
Joseph Woodhead & Sons Limited
Just London Jobs Limited
Kennyhill Limited
Kent Regional Newspapers Limited
Lancashire & Cheshire County Newspapers Limited
Legionstyle Limited
Live TV Limited
Liverpool Web Offset Limited
Liverpool Weekly Newspaper Group Limited
Llandudno Advertiser Limited
Local World Holdings Limited
Local World Limited
London and Westminster Newspapers Limited
London Newspaper Group Limited
Mainjoy Limited
Manchester Morning News Limited
Markstead Limited
Mayfair Celebs Limited
Media Wales Limited
Medpress Limited
Meilin Limited
MEN Investment Limited
MEN Media Limited
Mercury Distribution Services Limited
Merseymart Limited
MG Estates Limited
MG Guarantee Co Limited
MG6 Limited
MGL2 Limited
MGN (86) Limited
MGN (AW) Limited
MGN (Canada Square) Limited
MGN (Services) Ltd
MGN Limited
MGN Pension Trustees Limited
MGN Property Developments Limited
Micromart (UK) Limited
Middlesex County Press Limited
Midland Independent Magazines Limited
Midland Independent Newspaper & Media Sales Limited
Midland Independent Weekly Newspapers Limited
Midland Leaflet Services Limited
Midland Newspapers Limited
Midland Newspapers Pension Trustees Limited
Midland Newspapers Printers Limited
Midland United Newspapers Limited
Midland Weekly Media (Birmingham) Limited
Midland Weekly Media (Wolverhampton) Limited
Midland Weekly Media Limited
Midland Weekly Newspapers Limited
Mirror Colour Print (London No. 1 Plant) Limited

Subsidiary and associated undertakings continued

as at 27 December 2020

Mirror Colour Print (London) Limited
Mirror Colour Print (North) Limited
Mirror Colour Print Services (London) Limited
Mirror Colour Print Services Limited
Mirror Financial Services Limited
Mirror Group Music Limited
Mirror Group Newspapers Limited
Mirror Group Newspapers North (1986) Limited
Mirror Projects Limited
MirrorAd Limited
Mirrorair Limited
Mirrorgroup Limited
MirrorNews Limited
MirrorTel Limited
NCJ Media Limited
Net Recruit UK Limited
Newcastle Chronicle and Journal Limited
North Eastern Evening Gazette Limited
North Wales Independent Press Limited
North Wales Weekly News
Nunews Limited
O K Magazines Trading Co Limited
O.K. Magazines Limited
Odhams Newspapers Limited
Official Starting Prices Ltd.
OK! Magazine Holdings Limited
Parkside Accountancy Limited
Parkside Consulting Limited
Planet Recruitment Limited
Planetrecruit Limited
Quids-In (North West) Limited
R.E. Jones & Bros. Limited
R.E. Jones Graphic Services Limited
R.E. Jones Newspaper Group Limited
Reach Directors Limited
Reach Magazines Distribution Limited
Reach Magazines Limited
Reach Magazines Publishing Limited
Reach Magazines Worldwide Limited
Reach Media Group Ltd
Reach Midlands Media Limited
Reach Nationals Limited
Reach Network Media Limited
Reach Pension Trustees Limited
Reach Printing Services (Midlands) Limited
Reach Printing Services (Oldham) Limited
Reach Printing Services (Teesside) Limited
Reach Printing Services (Watford) Limited
Reach Printing Services (West Ferry) Limited
Reach Printing Services Limited
Reach Publishing Group Limited
Reach Publishing Services Limited
Reach Regionals Limited
Reach Regionals Media Limited
Reach Secretaries Limited
Reach Shared Services Limited
Reach Southern Media Limited
Reach Work Limited
Reliant Distributors Limited
RH1 Limited
Scene Magazines Limited
Scene Newspapers Limited
Scene Printing (Midlands) Limited
Scene Printing Web Offset Limited
Sightline Publications Limited
Smart Media Services Limited
Southnews Trustees Limited
Sunday Brands Limited
Sunday Express Limited
Sunday People Limited
Surrey & Berkshire Media Limited
Syndication International (1986) Limited
Syndication International Limited
T M S Pension Trustee Limited
The Adscene Group Limited
The Advertiser Limited
The Associated Catholic Newspapers (1912) Limited
The Birmingham Boat Shows Limited
The Birmingham Post & Mail Limited
The Career Engineer Limited
The Chester Chronicle and Associated Newspapers Limited
The Daily Mirror Newspapers Limited
The Echo Press Limited
The Graduate Group Ltd
The Green Magazine Company Limited
The Hinckley Times Limited
The Hotgroup Limited
The Liverpool Daily Post and Echo Limited
The People Limited
This Is Britain Limited
TIH (Belfast) (Nominees) Limited
TIH (Cardiff) Limited
TIH (Chester) Limited
TIH (Newcastle) Limited
TIH (Properties) Limited
TIH (Teesside) Limited
TIH (Trustee) Limited
TM Leasing Limited
TM Media Holdings Limited
TM Mobile Solutions Limited
TM North America Limited
TM Regional New Media Limited
TM Titles Limited
TM Tower Management Services Limited
Totallyfinancial.com Ltd
Totallylegal.com Limited
Tower Magazines Limited
Trinity 100 Limited
Trinity 102 Limited
Trinity Limited
Trinity Mirror (L I) Limited
Trinity Mirror Acquisitions (2) Limited
Trinity Mirror Acquisitions Limited
Trinity Mirror Cheshire Limited
Trinity Mirror Digital 1 Limited
Trinity Mirror Digital Limited
Trinity Mirror Digital Media Limited
Trinity Mirror Distributors Limited
Trinity Mirror Finance Limited
Trinity Mirror Huddersfield Limited
Trinity Mirror Marketing Direct Limited
Trinity Mirror Media Limited
Trinity Mirror Merseyside Limited
Trinity Mirror North Wales Limited

Subsidiary and associated undertakings continued

as at 27 December 2020

Subsidiary name
Trinity Mirror Printing (Cardiff) Limited
Trinity Mirror Printing (Liverpool) Limited
Trinity Mirror Printing (Newcastle) Limited
Trinity Mirror Regional Newspapers Limited
Trinity Mirror Videos Limited
Trinity Newspaper Group Limited
Trinity Newspapers Southern Limited
Trinity Publications Limited
Trinity Retirement Benefit Scheme Limited
Trinity Shared Services Limited
Trinity Weekly Newspapers Limited
United Magazines Publishing Services Limited
Vectis Innovations Limited
Vibrant Limited
Vivid Group Limited
Vivid Limited
Wandsworth Independent Limited
Websalvo.com Limited
Welsh Universal Holdings Limited
Welshpool Web-Offset Co. Limited
West Ferry Leasing Limited
West Ferry Printers Pension Scheme Trustees Limited
Western Mail & Echo Limited
Whitbread Walker Limited
Wire TV Limited
Wirral Newspapers Limited
Wood Lane One Limited
Wood Lane Two Limited
Workthing 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
Anderston Quay Printers Limited
Dundonian Publications Limited
First Press Publishing Limited
Glaswegian Publications Limited
icScotland Limited
Insider Group Limited
Insider Publications Limited
Media Scotland Limited
Metropolitan Free Newspapers Limited
Newsday Limited
Northern Print Services Limited
Reach Printing Services (Saltire) Limited
Saltire Press Limited
Scotfree Limited
Scottish and Universal Newspapers Limited
Scottish Daily Record and Sunday Mail Limited
Scottish Express Newspapers Limited
The Edinburgh and Lothians Post 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. The registered office changed on 11 January 2021 from 40 Upper Mount Street, Dublin 2 to 38 Upper Mount Street, Dublin 2.

Subsidiary name
Reach Publishing (Ireland) Limited

The following subsidiary undertaking is 100% owned (all share classes) and incorporated in Ireland. The registered office changed on 11 January 2021 from 27-32 Talbot Street, Dublin, D01 X2E1 to 38 Upper Mount Street, Dublin 2.

Subsidiary name
Independent Star Limited

The following subsidiary undertaking is 100% owned (all share classes) and incorporated in Northern Ireland, with a registered office at 415 Holywood Road, Belfast BT4 2GU.

Subsidiary name
Trinity Mirror Limited

Associated Undertakings

Name	Incorporated	Ownership	Registered office address
Brand Events TM Limited	United Kingdom	50%	3rd Floor, 207 Regent Street, London, England, W1B 3HH
Pools Gaming Limited	United Kingdom	49%	Walton House, 55 Charnock Road, Liverpool, L67 1AA
Ozone Project Limited	United Kingdom	25%	3 Marshalsea Road, London, SE1 1EP
PA Media Group Limited	United Kingdom	23.96%	The Point, 37 North Wharf Road, Paddington, London, W2 1AF
Iberian Ediciones Limited (in liquidation)	United Kingdom	50%	26–28 Bedford Row, London, WC1R 4HE

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

Advisers

Corporate Brokers

N+1 Singer Capital Markets Limited
One Bartholomew Lane, London, EC2N 2AX
Telephone: +44 (0) 207 496 3000

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square, London EC4M 7LT
Telephone: +44 (0) 207 260 1324

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place, London, WC2N 6RH

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.

Financial Public Relations

Tulchan Communications LLP
2nd Floor
85 Fleet Street, London EC4Y 1AE
Telephone: +44 (0) 207 353 4200

Financial Calendar 2021:	
6 May 2021	Trading Update
13 May 2021	Ex-Dividend Date
14 May 2021	Record Date
4 June 2021	FY 2020 Final Dividend Payment
26 July 2021	H1 2021 Results
26 November 2021	Trading Update

Annual General Meeting

The next AGM will take place on 6 May 2021 in or near London. More details of the arrangements will be posted to our website www.reachplc.com and will be contained within the Notice of Meeting.

The Notice of Meeting and Proxy Card for the AGM to be held on 6 May 2021 will be provided to shareholders at least 20 working days prior to the meeting date, as required by the FRC's Guidance on Board Effectiveness.

Share price information

The Company's ordinary shares are listed on the Main Market of the London Stock Exchange. Share price information can be found on the website, www.reachplc.com.

ISIN number: GB0009039941

SEDOL number: 0903994

Legal Entity Identifier: 213800GNI5XF3XOATR61

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.

Shareholder information continued

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.

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.

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	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Income statement					
Revenue	**600**	703	724	623	713
Operating profit	**134**	153	146	125	138
Finance costs net of interest income	**(3)**	(3)	(4)	(2)	(5)
Profit before tax	**131**	150	142	123	133
Tax charge	**(25)**	(28)	(28)	(24)	(27)
Profit for the period	**106**	122	114	99	106
Basic earnings per share*	**34.4p**	39.4p	37.5p	34.5p	36.4p

* 2016-1019 Basic earnings per share restated following the bonus issue to shareholders in lieu of and with a value equivalent to a dividend of 2.63 pence per share.

Statutory	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Income statement					
Revenue	**600**	703	724	623	713
Operating profit/(loss)	**8**	132	(108)	98	94
Pension finance charge	**(5)**	(8)	(8)	(12)	(10)
Finance costs net of interest income	**(3)**	(3)	(4)	(4)	(7)
Profit/(loss)before tax	**–**	121	(120)	82	77
Tax charge	**(27)**	(27)	–	(19)	(7)
(Loss)/profit for the period	**(27)**	94	(120)	63	70
Basic (loss)/earnings per share*	**(8.6)p**	30.5p	(39.3)p	22.0p	23.8p

* 2016-1019 Basic (loss)/earnings per share restated following the bonus issue to shareholders in lieu of and with a value equivalent to a dividend of 2.63 pence per share.

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Balance sheet					
Intangible assets	**855**	852	852	901	902
Property, plant and equipment	**168**	225	246	248	262
Other assets and liabilities*	**(498)**	(462)	(499)	(473)	(554)
	525	615	599	676	610
Net cash/(debt)	**42**	20	(41)	(9)	(31)
Net assets	**567**	635	558	667	579
Total equity	**(567)**	(635)	(558)	(667)	(579)

* The Group has implemented IFRS 16 'Leases' in 2020. Right-of-use assets and lease liabilities are included in other assets and liabilities.

Designed and produced by **Radley Yeldar** www.ry.com