Company Registration No. 1676637

NEWSQUEST MEDIA GROUP LIMITED

Annual Report and Financial Statements
for the year ended 31 December 2019

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

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Country of incorporation:

A company incorporated in Great Britain and registered in England and Wales.

Registered address:

Loudwater Mill, Station Road, High Wycombe, Buckinghamshire, HP10 9TY

STRATEGIC REPORT

The directors present their reports and the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE PROSPECTS

Newsquest Media Group Limited ("the company") operates within the publishing, printing and digital marketing industry. The accounts are not consolidated accounts and therefore do not consolidate the results of all the operations in the UK of the Newsquest group.

During 2019 the trading environment for regional newspapers, particularly free newspapers, remained challenging as audiences and advertising move to digital solutions while the unit costs of production and distribution continued to rise. During the year the company closed 10 free newspapers that were no longer viable.

There has been no significant changes in resolving the question of how funding for independent local journalism on a systemic scale can be achieved.

The company's strategy is to:

- Leverage economies of scale by acquisition and product launches;
- Develop its news brands' digital revenues; and
- Diversify into digital marketing services.

Prospects

Despite the success of the efforts to develop the business set out above, currently the declines in print revenues outweigh the growth in digital revenues resulting in the need to continue to find cost savings. More immediately the COVID-19 pandemic brought a sudden deep economic slowdown in 2020, and the path of economic recovery is uncertain.

Our top priorities during COVID-19 have been to ensure the safety of our employees and to continue to deliver trusted relevant local content to the communities we serve. We moved quickly to implement work-from-home policies as well as implement UK Government guidance in our production and distribution operations, which has allowed us to continue to operate. Revenues have been significantly impacted and we have taken several measures designed to mitigate the impact on our operating performance and to strengthen the company's balance sheet and liquidity position.

The main initial measures have been furloughs under the UK Government's job retention scheme, pay reductions and unpaid leave for managers on top of pay reductions. All non-essential expenditure has been curtailed. The trustees of the Newsquest Pension Scheme have also agreed a deferral of pension deficit reduction contributions which the company plans to make good as soon as possible.

The weakness in the UK economy necessitates robust cost control and re-engineering of the business. The cash generation of the business provides adequate resources to keep restructuring the business and developing new products. These measures are essential to protect the company during this challenging time. While the pandemic has brought significant disruption, the company remains confident about its ability to emerge from this crisis because of the diversity of its revenue streams, the support of staff and the actions of Government to address the economic weakness.

Key performance indicators

The company's key financial and other performance indicators during the financial period were as follows:

	2019* £'000	2018* £'000	Change %
Adjusted EBITDA**	37,960	34,532	9.9%

* The income statements cover the year from 1 January 2019 to 31 December 2019 and the year from 1 January 2018 to 31 December 2018.

** Earnings before interest, tax, depreciation on tangible fixed assets and ROU assets, restructuring costs, write-down of investments, impairment of intangibles, share based payment charges, pension credit from plan amendments and IAS 19 pension charges (see note 2 (b)). This does not include the EBITDA of unconsolidated subsidiaries.

Despite a 4.9% decline in turnover robust cost control has maintained overall profitability of the business giving rise to a 9.9% increase in adjusted EBITDA.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

Consistent and sustainable revenue generation

The company along with its trading subsidiaries operate in a competitive and dynamic environment where maintaining and developing the interest of local audiences is critical to its commercial success in attracting advertisers and readers. Competing news platforms and alternative media impact the company's ability to grow revenues.

The company manages this competitive risk by continually seeking to ensure its products meet the needs of the communities it serves and investing in digital services.

General economic conditions and COVID 19

The company and its trading subsidiaries are also exposed to the general economic conditions that affect their advertisers and readers. The company's profitability is also affected by workforce costs, the main operating costs of the company, along with newsprint prices. The ability of the company to flex these costs in line with revenues in the short term is limited.

The COVID-19 pandemic has brought a deep economic slowdown at an unprecedented rate. The actions taken under Prospects above have ensured that the company has been able to trade profitably through the crisis to date.

Pension funding

The company, as the principal employer of the Newsquest Pension Scheme (the Scheme), is ultimately responsible for meeting any deficit in the pension scheme. On 31 March 2011 the Scheme closed the future accrual of pension benefits.

With effect from 1 July 2018 the company reached agreement with the Newsquest Pension Trustee that annual increases in pension benefits will be with reference to CPI in all sections of the Newsquest Pension Scheme and agreed a more conservative funding and investment basis for the Scheme, which will enhance the security of pensioner benefits. The new schedule of contributions aims to eliminate the deficit on the Scheme's new funding basis by the end of 2021. The schedule of contributions means that the vast majority of the company's free cashflow is applied to the Scheme. A deferral of contributions in 2020 to 2021 has been agreed with the Trustees but the Company now expects to make those good in 2020.

CORPORATE GOVERNANCE – S172 STATEMENT

The company has noted the Wates Corporate Governance Principles for large private companies and s172 of the Companies Act 2006, and in response to these has prepared the following statement to take the reader through the key principles of the business and make comment on the actions taken around these.

Purpose and Leadership

Newsquest was formed in 1996 as a management buy-out of Reed Regional Newspapers and was acquired by the American media company Gannett Co., Inc in 1999.

We aim to provide accurate reports of news, information and local life in the communities we serve, and to reflect the views of the community.

As a community focussed business our leadership model is a devolved one on a day to day basis, applied by regional business leaders, and supported by specialists and centralised support functions. Policy, goal setting, co-ordination and operating standards are the responsibility of the Chief Executive and Finance Director.

The Board's Approach

The board of our parent company Gannett Co., Inc. exercises governance over the entire group including Newsquest.

Newsquest's Board consists of four Directors, two of whom are representatives of the parent company Gannett being Gannett's CEO and CFO, alongside the Newsquest Chief Executive and Finance Director. The Board formally meet quarterly to review trading and forecasts and to discuss and define the business strategy. In between Board meetings a regular dialogue of updating on business developments takes place.

Regional business leaders meet collectively with the Chief Executive and Finance Director typically six times a year to discuss business development. Regional manging directors develop and review business plans with their regional management teams.

STRATEGIC REPORT (CONTINUED)

CORPORATE GOVERNANCE – S172 STATEMENT (CONTINUED)

The Board's Approach (continued)

Typically, the company holds an annual strategy day, attended by regional commercial leaders and central management. Business plans and ideas are discussed at this event, and the Board use it to set out more context to the group's plans to a wider management group.

The Chief Executive and Finance Director receive regular and timely information on all key aspects of the business from the regional managing directors and the central group heads. This information includes, but is not limited to, risks and opportunities, environmental matters, health and safety, market conditions, significant developments, financial information and KPIs. Further oversight on the finance function is provided by Gannett's internal audit function.

Sustainability and the Environment

The company is conscious of the importance of good environmental practices and aims to achieve on-going improvement in environmental performance and to comply with all relevant regulations. Actions to improve sustainability are principally focussed on reducing energy consumption and waste.

Key decisions made in the year

This year's budget was approved by the Board following a comprehensive review of our strategic priorities and risks to our business.

A number of opportunities to develop the business by acquisition were reviewed in the year but no acquisitions were made during 2019. A review of printing operations was taken during the year which led ultimately to the closure of the Southampton printing press.

Capital allocation and dividend policy

In August 2019 it was resolved to pay a dividend of £5m in view of the likely levels of surplus cash. This was returned to Newsquest in the form of capital contribution in November 2019.

The majority of cash flow is currently devoted to funding legacy pension commitments and has been for a number of years. Dividends are paid after meeting agreed pension funding plans and taking account of likely future cash needs. The relationship of dividends and pension contributions paid over the last 4 years is as follows:

	Pension contributions	Dividends
2019	£24,023,000	£5,000,000
2018	£28,125,000	£18,107,260
2017	£15,000,000	£nil
2016	£36,600,000	£nil

No dividends have been paid in 2020 to date.

There have been no other significant capital allocations in the year, and no significant capital projects have been undertaken.

This report was approved by the Board and signed on its behalf on 15 October 2020.

P Hunter
Director

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to £15,688,000 (2018 - £94,044,000). The 2018 comparative results included £56.5m of a non-cash pension credit net of tax from pension plan amendments and £29m of distributions from restructuring subsidiaries to transfer the trade to Newsquest Media Group Ltd and cease trading in the subsidiaries.

During the period, a dividend of £5,000,000 was paid (2018 - £18,107,260, 2017 - £nil, 2016 - £nil). Over the same four-year period, the company paid pension contributions in respect of the closed defined benefit schemes of £103.7m. The directors do not recommend a final dividend (2018 - £nil).

FUTURE DEVELOPMENTS

As further detailed in the strategic report the current weakness in the UK economy will necessitate continuing robust cost control and re-engineering of the business. These measures are essential to protect the company during this challenging time. While the pandemic has brought significant disruption, the company remains optimistic about its ability to emerge from this crisis.

Following the restructuring the Directors expect the company's activities to continue for the foreseeable future.

DIRECTORS

The directors who served during the period and up to the date of signing the financial statements are listed below.

R Dickey	(resigned 7 May 2019)
A Engel	(resigned 31 March 2020)
B Wall	(resigned 30 January 2020)
H Faure Walker	
P Hunter	
P Bascobert	(appointed 30 January 2020, resigned 19 June 2020)
D Horne	(appointed 19 June 2020)
M Reed	(appointed 30 January 2020)

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company maintains Director's and Officer's liability insurance for the directors during the course of their employment. The insurance will cover the directors' legal costs incurred in defending any proceedings brought by third parties. Such qualifying third party indemnity provision remains in place as at the date of approving the directors' report.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company and its trading subsidiaries made no political contributions.

During the period charitable contributions of £5,000 (2018 - £21,000) were made by the company and its trading subsidiaries. In addition, editorial support was provided to local charitable initiatives.

The Gannett Foundation is the charitable arm of Gannett Co., Inc., the ultimate parent undertaking of Newsquest Media Group Limited. The Gannett Foundation provides funding to support local organisations. During the year the Gannett Foundation made charitable donations of £140,170 (2018 - £253,403) to projects in the United Kingdom. The approach taken by the Trustees is to select projects from the great number of applications received that will deliver the most worthwhile practical benefits to communities served by Newsquest's local news brands.

Among the grants made was one of £5,000 towards buying equipment, fixtures and fittings for an accessible kitchen at a resource centre, supporting visually impaired adults at *Essex Basis* in Basildon, Essex. £7,000 went to *Age UK Enfield* to purchase an interactive whiteboard for activities for people with dementia and their carers at a day care centre and £5,000 was granted to *Friends of Appleford* in Salisbury, Wiltshire toward a wooden forest gazebo for children with special needs to participate in forest school and play.

The hospice movement continued to receive support from the trustees this year. An organisation called "Hospice at Home" delivers palliative care in Cumbria and received £9,000 towards internal alterations to the ground floor to create a drop-in hub for parents and families to receive support and information. *St Vincent's Hospice* in Scotland received £3,000 towards kitchen equipment to improve conditions. The *Girlguiding Epsom Division* received £6,000 for installation of radiators and a boiler at a campsite for the girl guides.

Within Wales, £4,000 went toward the purchase of bedroom furniture at a centre providing short term accommodation for homeless women and £2,000 was granted to construct a stairway as part of a bridge reconstruction protect on Montgomery Canal at Llanymynech.

DIRECTORS' REPORT (CONTINUED)

POLITICAL AND CHARITABLE CONTRIBUTIONS (CONTINUED)

Special awards for *Journalists Charity*, *Journalism Diversity Fund* and *NewstrAid Benevolent Fund* were granted £10,000 each, all of which supports those working within the newspaper industry.

Many more grants were given across the UK for a myriad of different causes, including equipment to improve unused gardens for people with learning disabilities and local community in Glasgow, providing sail training for young people in Essex and books to encourage reading among primary school children in South West London.

DISABLED PERSONS

It is the policy of the group to consider the skills and aptitudes of disabled persons fully and fairly at all times in recruitment, career development, training and promotion. In pursuing this policy and having special concern for employees who become disabled, all practical measures are taken to ensure that disabled persons are placed in jobs suited to their individual circumstances.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

GOING CONCERN

The Directors have made an assessment in preparing these financial statements as to whether the company and its subsidiaries (the "group") are a going concern. The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The group meets its funding requirements through existing cash balances and cash generated from operations. Cashflow is also assisted by the disposal of surplus properties.

The company's diverse revenue streams, from print and digital advertising to circulation along with wide geographical dispersion provide a degree of resilience. The business has demonstrated a long track record of ability in adjusting its business model and cost base to maintain positive cash generation from lower revenues.

The company's principal liability and use of its cash flows is to meet the deficit contributions for its legacy pension scheme which the company is committed to paying off in a relatively short period that ends in 2022. To provide additional liquidity in 2020 a deferral of some contributions from 2020 to 2021 was agreed.

Following adjustments to the business cost base and actions to boost liquidity as set out above, at the time of signing these financial statements the group has access to £30m of unrestricted liquidity resources.

The Directors regularly assess cash flow forecasts, including stress testing, which cover a period of more than twelve months from the date of approval of these financial statements. Even at the height of the pandemic when there was a national lockdown these forecasts indicated the company had adequate cash resources to maintain the group as a going concern without factoring in any benefit from asset disposals.

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN (CONTINUED)

On this basis the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

COVID-19

The COVID-19 pandemic has brought a deep economic slowdown at an unprecedented rate to global markets, as broad swathes of the population curtail their activities to slow the spread of the virus. Among our top priorities has been to ensure the safety of our employees and to continue to deliver trusted, comprehensive content to our communities and support local businesses during this period. We moved quickly to implement work-from-home policies as well as implement UK government guidance in our production distribution facilities, which has allowed us to continue to provide our essential products and services. We are expecting our revenues to be significantly impacted and have taken several measures designed to mitigate the impact on our operating performance and to strengthen the company's balance sheet and liquidity position. All non-essential travel and expenditure has been curtailed.

We have implemented furloughs under the UK government's job retention scheme. Management have taken pay reductions and unpaid leave. The trustees of the Newsquest Pension Scheme have also agreed a deferral of pension contributions which the company plans to make good as soon as possible.

These measures are essential to protect the company during this challenging time. While the pandemic has brought significant disruption, the company remains optimistic about its ability to emerge from this crisis.

EMPLOYEE ENGAGEMENT

The company places value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. Such communications are undertaken on a regional basis, and include consultation with staff via elected representatives on a Staff Council, the publication of regular newsletters and the regular meetings of directors and senior managers with staff throughout the period.

SUBSEQUENT EVENTS

Subsequent to the year end the company has been impacted by the COVID-19 pandemic. The company's ultimate parent, Gannett Co. Inc., performed its annual intangible impairment assessment in the quarter ended 30 June 2020 as set out in note 9 to the financial statements. The review resulted in impairment charges of £61m. The primary factor for this impairment charge is the current and expected impact of the COVID-19 pandemic on the company's operations which did not impact the value of intangibles at 31 December 2019.

There are no further events subsequent to the year end to report.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the Board at the time of approving the Strategic Report and Directors' Report are listed on page 5. Having made enquires of fellow directors and of the company's auditors, each of these directors confirm that:

- to the best of each directors' knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITORS

Ernst & Young LLP are deemed to be reappointed in accordance with an elective resolution made under Section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

This report was approved by the Board and signed on its behalf on 15 October 2020.

P Hunter
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWSQUEST MEDIA GROUP LIMITED

Opinion

We have audited the financial statements of Newsquest Media Group Limited for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Statement of comprehensive income, the Statement of changes in equity, the Balance Sheet and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to notes 1 and 28 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting consumer demand and personnel available for work and being able to access offices. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWSQUEST MEDIA GROUP LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Naresh Alimchandani (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
15 October 2020

INCOME STATEMENT
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
TURNOVER		187,742	197,319
Cost of sales		(40,369)	(42,365)
GROSS PROFIT		147,373	154,954
Selling and distribution costs		(38,436)	(38,765)
Administrative expenses		(82,155)	(89,038)
OPERATING PROFIT FROM CORE BUSINESS	2	26,782	27,151
Exceptional restructuring costs	2	(4,037)	(3,242)
Write down of investment in subsidiaries	2	-	(5,271)
Impairment of intangibles	2	-	(10,883)
Release of medical provision	2	-	773
Impairment of tangible fixed assets	2	(13,074)	-
Pension credit from plan amendments	22	-	69,683
OPERATING PROFIT	2	9,671	78,211
Profit on disposal of property		1,214	244
Other finance income/(costs)	22	1,356	(628)
Income from fixed asset investments	5	1,143	30,176
Interest receivable and similar income	6	94	206
Interest payable and similar expenses	7	(118)	(111)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		13,360	108,098
Income tax credit/(charge)	8	2,328	(14,054)
PROFIT FOR THE FINANCIAL PERIOD	20	15,688	94,044
STATEMENT OF OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss			
Actuarial gain due to liability experiences	22	-	4,220
Actuarial (loss)/gain due to pension liability assumption changes	22	(87,609)	22,703
Return on pension plan assets greater/(less) than discount rate	22	68,798	(10,766)
Deferred tax on items relating to components of other comprehensive income	16	(886)	(3,846)
Other comprehensive (loss)/income for the year, net of tax	20	(19,697)	12,311
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD		(4,009)	106,355

The notes on pages 12 to 37 form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total £'000
At 31 December 2017	-	102,287	102,287
Profit for the period	-	94,044	94,044
Dividends (note 19)	-	(18,107)	(18,107)
Other comprehensive income	-	12,311	12,311
Share-based payment transactions (note 3)	-	203	203
Payment to ultimate parent in respect of shares exercised (note 3)	-	(2,612)	(2,612)
At 31 December 2018	-	188,126	188,126
Share issue – see note (a) below	5,000	-	5,000
Capital reduction – see note (b) below	(5,000)	5,000	-
Profit for the period	-	15,688	15,688
Dividends (note 19)	-	(5,000)	(5,000)
Other comprehensive income	-	(19,697)	(19,697)
Share-based payment transactions (note 3)	-	1,754	1,754
Payment to ultimate parent in respect of shares exercised (note 3)	-	(1,350)	(1,350)
At 31 December 2019	-	184,521	184,521

Note (a): On 13 November 2019, a special resolution was passed to increase the share capital by £5,000,000 through an issue of 5,000,000 special ordinary shares of £1 each to the shareholder, Newsquest Capital Limited.

Note (b): Following the completion of the above transaction, it was subsequently resolved on 13 November 2019 to reduce the share capital of the company by the cancellation 5,000,000 £1 special ordinary shares and transfer these amounts to distributable reserves.

BALANCE SHEET
31 December 2019

	Note	£'000	2019 £'000	£'000	2018 £'000
FIXED ASSETS					
Intangible assets	9		88,016		88,016
Tangible fixed assets	10		48,549		66,809
Right-of-use assets	24		5,413		-
Investments	11		11,191		11,191
			153,169		166,016
CURRENT ASSETS					
Assets held for resale	12	369		219	
Stock	13	1,279		1,318	
Debtors: amounts falling due within one year	14	31,410		32,732	
Cash at bank and in hand		16,954		10,974	
		50,012		45,243	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	15	(33,575)		(34,168)	
Lease liabilities	24	(1,494)		-	
NET CURRENT ASSETS			14,943		11,075
NON-CURRENT ASSETS					
Debtors: amounts falling due after one year	14	324		476	
Deferred tax assets	16	7,158		5,399	
Pension surplus	22	42,949		36,381	
			50,431		42,256
TOTAL ASSETS LESS CURRENT LIABILITIES			218,543		219,347
NON-CURRENT LIABILITIES					
Amounts owed to group undertakings		(15)		(15)	
Deferred tax liabilities	16	(24,660)		(24,343)	
Lease liabilities	24	(3,937)		-	
			(28,612)		(24,358)
PROVISIONS FOR LIABILITIES	17		(5,410)		(6,863)
NET ASSETS			184,521		188,126
CAPITAL AND RESERVES					
Called up share capital	18		-		-
Retained earnings	20		184,521		188,126
TOTAL EQUITY	20		184,521		188,126

The notes on pages 12 to 37 form part of the financial statements.

The financial statements on pages 9 to 37 were approved by the Board of Directors and were signed on its behalf on 15 October 2020 by:

P Hunter
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

Basis of preparation of financial statements

The company meets the definition of a qualifying entity for the purpose of FRS 101 (Financial Reporting Standard 101). The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and the Companies Act 2006. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to: the requirements of paragraphs 10 (d), 39 (c) and 134-136 of IAS 1 *Presentation of Financial Statements*, the requirements of paragraphs 30 and 31 of IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*; the requirements of IFRS 7 *Financial Instruments*, the requirements of paragraphs 134 (d) – 134 (f) and 135 (c) – 135 (e) of IAS 36 *Impairment of Assets*, the requirements in IAS 24 *Related Party Disclosures* and the requirements of IAS 8.30 and 31 on new and not yet effective standards.

The company is exempt from preparing group financial statements under Section 401 of the Companies Act 2006 as it is a wholly owned subsidiary undertaking. Accordingly, these financial statements present information about the company and not its Group. Gannett Co. Inc., the ultimate parent company publishes consolidated financial statements which includes the cash flows of the company. The company has therefore taken advantage of the exemption granted by Financial Reporting Standard 101 – 'Reduced Disclosure Framework', to not present a cash flow statement.

General economic conditions and COVID 19

The COVID-19 pandemic has brought a deep economic slowdown at an unprecedented rate to global markets, as broad swathes of the population curtail their activities to slow the spread of the virus. Among our top priorities has been to ensure the safety of our employees and to continue to deliver trusted, comprehensive content to our communities during this period. We moved quickly to implement work-from-home policies as well as implement UK government guidance in our production distribution facilities, which has allowed us to continue to provide our essential products and services. We are expecting our revenues to be significantly impacted and have taken several measures designed to mitigate the impact on our operating performance and to strengthen the company's balance sheet and liquidity position. All non-essential travel and expenditure has been cancelled.

We have implemented furloughs under the UK government's job retention scheme. Management have taken pay reductions and unpaid leave. The trustees of the Newsquest Pension Scheme have also agreed a deferral of pension contributions which the company plans to make good as soon as possible.

These measures are essential to protect the company during this challenging time. While the pandemic has brought significant disruption, the company remains optimistic about its ability to emerge from this crisis.

The principal accounting policies adopted are set out under the notes below.

Going concern

The Directors have made an assessment in preparing these financial statements as to whether the company and its subsidiaries (the "group") are a going concern. The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The group meets its funding requirements through existing cash balances; and cash generated from operations. Cashflow is also assisted by the disposal of surplus properties.

The company's diverse revenue streams, from print and digital advertising to circulation along with wide geographical dispersion provide a degree of resilience. The business has demonstrated a long track record of ability in adjusting its business model and cost base to maintain positive cash generation from lower revenues.

The company's principal liability and use of its cash flows is to meet the deficit contributions for its legacy pension scheme which the company is committed to paying off in a relatively short period that ends in 2022. To provide additional liquidity in 2020 a deferral of some contributions from 2020 to 2021 was agreed.

Following adjustments to the business cost base and actions to boost liquidity as set out above, at the time of signing these financial statements the group has access to £30m of unrestricted liquidity resources.

The Directors regularly assess cash flow forecasts, including stress testing, which cover a period of more than twelve months from the date of approval of these financial statements. Even at the height of the pandemic when there was a national lockdown these forecasts indicated the company had adequate cash resources to maintain the group as a going concern without factoring in any benefit from asset disposals.

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

On this basis the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Accounting period

The income statements cover the year from 1 January 2019 to 31 December 2019 and the year from 1 January 2018 to 31 December 2018. The balance sheets for 2019 and 2018 have been drawn up at 31 December 2019 and 31 December 2018 respectively.

Critical judgements in applying the Company's accounting policies

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported results or net position of the company, should it later be determined that a different choice be more appropriate. Management considers the following to be areas of significant judgement and estimation for the group due to greater complexity and/or particularly subject to the exercise of judgement.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

There are no significant judgements or critical accounting estimates impacting these financial statements.

Publishing and other rights

The company's intangible assets are publishing rights which are stated at fair value on acquisition with no subsequent revaluation. These publishing rights have no finite life and consequently are not amortised. The company does not capitalise internally generated publishing rights.

The carrying value of the publishing rights is reviewed for impairment at least annually with testing undertaken to determine any diminution in the recoverable amount below carrying value. The recoverable amount is the higher of the fair value less costs to sell and the publishing rights value in use. The latter is based on the net present value of estimated future cash flows discounted at the company's pre-tax weighted average cost of capital. Any impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

For the purpose of impairment testing, publishing rights are allocated to each of the company's cash generating units. The directors consider the publishing rights to be one homogenous cash generating unit. The cash generating unit is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. 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 the value of publishing rights and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Provisions for onerous leases and dilapidations

Where the company ceases to occupy a rented property for its trade, an estimate of the anticipated total future cost payable under the terms of the operating lease, including rent, rates and other related expenses, is charged to the income statement at the point where the unavoidable costs of meeting the obligations under the lease exceed the economic benefits expected to be received under it. Where there is a break clause in the lease, rent, rates and other related expenses are provided for up to that point. In addition, an estimate is made of the likelihood of sub-letting the premises and any rent that would be receivable from a sub-tenant. Where receipt of sub-lease rent is considered likely, these amounts are deducted from the rent payable by the group under the lease and provision charged for the net amount.

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

1. ACCOUNTING POLICIES (CONTINUED)

Judgements and key sources of estimation uncertainty (continued)

Under the terms of a number of property leases, the company is required to return the property to its original condition at the lease expiry date. The company has estimated the expected costs of these dilapidations and charged these costs to the Income Statement.

Provisions for onerous leases and dilapidations

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Further details are contained in note 8.

Valuation of share-based payments

The company estimates the expected value of equity-settled share-based payments and this is charged through the income statement over the vesting periods of the relevant awards. The cost is estimated using a Black-Scholes valuation model. The Black-Scholes calculations are based on a number of assumptions and are amended to take account of estimated levels of share vesting and exercise.

Significant accounting policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is derived from advertising, printing and publishing local news and information, recharges to group companies, and arises mainly in the United Kingdom.

Print advertising revenues and circulation revenues for paid-for newspapers are recognised upon publication of the relevant newspaper.

Digital revenues are recognised on publication for advertising or delivery of the service for other digital revenues. The company recognises digital revenue from the display of graphical advertisements based on the actual impressions delivered in the period. An impression is delivered when an advertisement appears in pages viewed by users.

Printing revenue is recognised when the service is provided.

Revenues from barter transactions are recognised when the advertisements are published and are recorded at the fair value of goods or services received, in accordance with IFRS 15 '*Revenue from Contracts with Customers.*'

Royalties

Royalty income is recognised on an accruals basis in accordance with the relevant agreements and is included in other income.

Operating profit

Operating profit is stated after charging restructuring or other exceptional costs but before investment income, profit on disposal of property, other finance income and finance costs.

Dividend income/Income from fixed asset investments

Dividend income and income from fixed asset investments comprising dividends from group undertakings is recognised when the company's right to receive payment is established.

Interest income

Interest income is recognised as the interest accrues using the effective interest method.

Exceptional items

The company presents as exceptional items those material items of income and expense which, because of the nature and expected frequency of the events giving rise to them, merit separate presentation to explain the elements of financial performance in the year and to facilitate comparison with prior periods.

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

1. ACCOUNTING POLICIES (CONTINUED)

Judgements and key sources of estimation uncertainty (continued)

Significant accounting policies (continued)

Investments

Investments held as fixed assets are stated at cost, less provision, if appropriate, for any impairment in value other than a temporary impairment in value. The carrying value of investments is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets and depreciation

Property, plant and equipment are stated at cost, net of accumulated depreciation and any accumulated impairment losses. The company has elected, where appropriate, to use book values at the date of transition to FRS101 on 29 December 2014 as the "deemed" cost of plant, property and equipment. Consequently, any historic asset revaluations were not updated. In all other cases cost comprises the aggregate amount paid and the fair value of any other consideration given and includes costs directly attributable to making the asset capable of operating as intended. No depreciation is provided on assets in the course of construction.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Freehold buildings (excluding land)	50 years
Long leasehold properties	See note below*
Asset retirement obligations	See note below**
Web offset presses (excluding press components)	7 years
Pre-press systems	5 - 7 years
Computer equipment	3 years
Other plant and machinery	3 – 7 years
Motor vehicles	4 years

*Long leases are written off over the shorter of the duration of the lease or 2% straight line basis if the lease is longer than 50 years.

**Asset retirement obligations are written off over the duration of the lease.

Short leases are written off over the duration of the lease. Land is not depreciated.

The carrying values of tangible fixed assets are reviewed for impairment, if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

IFRS 16 'Leases'

IFRS 16 'Leases' is effective from 1 January 2019 and replaces the existing standard IAS 17 'Leases'. The financial statements for the year ending 31 December 2019 are the first financial statements presented under IFRS 16. In the lessee's financial statements, the standard eliminates the classification of leases as either operating leases or finance leases as per IAS 17 and introduces a single lessee accounting model. Lease agreements give rise to the recognition of an asset representing the right to use the leased item and a corresponding loan obligation for future lease payables. The company has applied IFRS 16 using the modified retrospective approach, meaning comparatives are not restated. Under this option, the company has elected to calculate the Right-of-Use-Asset balance as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The company has also elected to use the following practical expedients:

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

IFRS 16 'Leases'(continued)

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- use of its onerous lease assessment calculated in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' as an alternative to performing an impairment review of right-of-use assets on initial application;
- leases with less than 12 months remaining at the date of initial application can be accounted for as short-term leases and continue to be expensed as incurred;
- initial direct costs can be excluded from the measurement of right-of-use assets at the date of initial application; and
- hindsight can be used in determining the lease term if the contract contains options to extend or terminate the lease.

The company also made use of the exemptions in respect of short-term leases and leases for which the underlying asset is of low value in accordance with paragraph 6 of IFRS 16.

An explanation of the impact of IFRS 16 on the company's financial statements and related matters consequent upon the adoption of IFRS 16 are set out in note 25. The company's accounting policy in respect of leases, from 1 January 2019, is set further below.

The company as a lessee

The company assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The vast majority of the company's leases are buildings and therefore the new definition of a lease under IFRS 16 did not change the population of contracts that meet the definition of a lease for the company.

The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee at the commencement date of the lease (i.e. the date the underlying asset is available for use), 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 within the income statement on a straight-line basis over the period of the lease.

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate. Under the modified retrospective transition method, lease liabilities are required to be discounted using the incremental borrowing rate at date of transition.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method), and by reducing the carrying amount to reflect the lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option. Interest on the lease liability is presented within finance costs in the income statement.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the corresponding lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

1. **ACCOUNTING POLICIES (CONTINUED)**

Significant accounting policies (continued)

IFRS 16 'Leases' (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The right-of-use assets are presented as a separate line in the balance sheet.

In the comparative, under IAS 17, operating lease rentals were charged to the income statement on a straight-line basis over the periods of the leases. Where lease incentives were provided with the operating lease contract, such incentives are recognised as a liability. The aggregate benefit of incentives was recognised as a reduction of rental expense on a straight-line basis over the term of the lease.

The company as a lessor

When the company acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

The company subleases some of its buildings where the subleases are classified as operating leases. In these instances, the company recognises rental income on a straight-line basis over the term of the relevant lease.

Assets classified as held for resale

Where a property is available for immediate sale in its present condition, a sale is highly probable and expected to be completed within one year, the company classifies that asset as held for sale. The value of the asset is held at the lower of the carrying amount or the expected realisable sale value. The asset is no longer depreciated.

The Directors estimate the sale value based on the current price that the asset is being marketed at and advice from independent property agents. Actual sale proceeds may differ from the estimate.

Sale and leaseback

For a sale and leaseback transactions which result in an operating lease being established at fair value, any profit or loss is recognised to the income statement immediately.

Stocks

Stocks comprising paper, plates and ink are stated at the lower of cost and net realisable value. Costs incurred in bringing to their present location and condition comprises raw materials at purchase cost on a first in first out basis. Net realisable value is selling price less any further costs expected to be incurred to completion and disposal.

Trade and other debtors

Trade debtors do not attract any interest. They are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts. An allowance for impairment is made where based on previous experience of recoverability. Other debtors are provided for where there is evidence that an amount is no longer recoverable.

Trade creditors

Trade creditors are not interest-bearing and are stated at their nominal value.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is certain. The expense relating to any provision is presented in the income statement net of any reimbursement. When discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

Operating leases

As a result of the adoption of the new lease accounting standard (IFRS 16) all operating lease commitments which meet the recognition criteria under IFR16 have been capitalised on 1 January 2019 are being amortised over the period of the lease in accordance with IFRS 16 requirements. For those contracts, predominately IT related, which do not meet the recognition criteria under IFRS16 these are accounted for as operating lease rentals and charged to the income statement on a straight-line basis over the periods of the leases. Where lease incentives are provided with the operating lease contract, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the term of the lease.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The 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 current tax is calculated using tax rates that have been enacted or substantively enacted by the period end 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-based values used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax outcomes that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when the relevant requirements of IAS 12 are satisfied.

Pensions

The company participates in both a defined benefit pension scheme and a defined contribution pension scheme.

The Newsquest Pension Scheme (the Scheme) is a final salary defined pension scheme. The Scheme is closed to new entrants and to future accrual with effect from 31 March 2011. On 12 March 2018 the company acquired CN Group Limited and its' two final salary schemes became sections (CN Fund and CN Supplementary Plan) of the Newsquest Pension Scheme. On 11 December 2019 the larger of the two CN sections was merged into the Newsquest Pension Scheme. The Scheme operates under trust law and is managed and administered by the trustee on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Scheme, a funded defined benefit pension scheme, continues to operate to pay retired employees their pensions. The trustee of the Newsquest Pension Scheme is responsible for the investment of the Scheme's assets, which are held separately from the group. The principal employer of the Scheme is Newsquest Media Group Limited (the company).

During the year, the company made contributions of £23,000,000 (2018 - £25,000,000) in respect of the Newsquest section of the Scheme, based on a new schedule of contributions agreed between the company and the Newsquest Trustees for the period from 30 June 2018 to 30 June 2023. A further £1,023,000 (2018 - £3,125,000) of company contributions were made in respect of the CN sections of the Newsquest Pension Scheme based on new schedule of contributions for the period 1 April 2018 to 31 December 2021.

In respect of the defined contribution pension schemes, contributions are charged to the income statement for the year in which they are payable to the scheme. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments at the year end.

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

Pensions (continued)

Pension Scheme costs reported in the income statement and in other comprehensive income are assessed in accordance with the advice of qualified independent actuaries.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions share price volatility has been considered, no account has been taken of any vesting conditions. No expense is recognised for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated with reference to the vesting period expired. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry to reserves.

Recharges from the company's ultimate parent undertaking for the intrinsic value of the option on exercise that is the difference between the market value on exercise and the option price is taken directly to retained earnings.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at the date or, where appropriate, at the rate of exchange specified in a matching forward contract or currency swap. Any translation differences arising are dealt with in the income statement.

2. OPERATING PROFIT AND ADJUSTED EBITDA

	2019 £'000	2018 £'000
(a) Operating profit/(loss) is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
- owned	6,349	6,295
- held under finance leases	437	883
Depreciation charge on Right of Use assets (note 24)	2,638	-
Profit on disposal of tangible fixed assets	(241)	(159)
Operating lease rentals:		
- land and buildings	-	2,805
- plant and equipment	4,065	4,645
Exceptional restructuring costs	4,037	3,242
Write down of investment in subsidiaries	-	5,271
Impairment of intangibles	-	10,883
Release of medical provision	-	(773)
Pension credit from plan amendments (note 22)	-	(69,683)
Impairment of tangible fixed assets	13,074	-
Expenses relating to short term leases for which the recognition exception is applied (note 24)	409	-

The company paid £546,000 (2018 - £531,630) to its auditors in respect of the audit of the financial statements and for audit services of the entire Gannett International Holdings LLP group. The auditors did not perform any non-audit services during the year (2018 - £nil).

The prior year figures include land & building, vehicles and IT lease commitments. As a result of the adoption of the new lease accounting standard (IFRS 16) all operating lease commitments which meet the recognition criteria under IFR16 have been capitalised on 1 January 2019 and are being amortised over the period of the lease in accordance with IFRS 16 requirements.

Exceptional restructuring costs primarily relate to redundancy.

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

2. OPERATING PROFIT AND ADJUSTED EBITDA (CONTINUED)

(b) Adjusted EBITDA* has been calculated as follows:

	2019 £'000	2018 £'000
Operating profit	9,671	78,211
Depreciation on tangible fixed assets	6,786	7,178
Depreciation on Right of Use assets	2,638	-
Exceptional restructuring costs	4,037	3,242
Impairment of tangible fixed assets	13,074	-
Share based payments	1,754	203
Write down of investments in subsidiaries	-	5,271
Impairment of intangibles	-	10,883
Release of medical provision	-	(773)
Pension credit from plan amendments	-	(69,683)
	37,960	34,532

* Earnings before interest, tax, depreciation, restructuring costs, write-down of investments, impairment of intangibles, share based payment charges, pension credit from plan amendments and IAS 19 pension charges.

3. STAFF COSTS

	2019 £'000	2018 £'000
Wages and salaries[1]	74,828	77,336
Social security costs	6,461	6,907
Other pension costs[2]	3,257	3,188
	84,546	87,431

[1] Included in wages and salaries is a total expense for share-based payments of £1,754,000 (2018 - £203,000). Recharges for the intrinsic value of options exercised in 2019 of £1,350,000 (2018 - £2,612,000) have been taken directly to reserves.

[2] Included in other pension costs in 2019 are £3,257,000 (2018 - £3,188,000) in respect of the defined contribution scheme. There are no costs in 2019 or 2018 in respect of defined benefit schemes.

The average number of full time equivalent employees during the year was as follows:

	2019 Number	2018 Number
Pre-press and printing	221	253
Editorial	676	746
Marketing and sales	710	813
Information technology	53	55
Distribution	160	193
Finance and management	217	235
Digital media	88	118
	2,125	2,413

There are also 4,352 (2018 – 5,706) people involved in distribution who work limited hours to deliver the company's products. The costs of these people are included in staff costs above.

4. DIRECTORS' EMOLUMENTS

	2019 £'000	2018 £'000
Executive Directors' salaries	565	565
Taxable benefits and car allowance	27	27
Performance related payments	311	273
Pension related	30	30
	933	895

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

4. DIRECTORS' EMOLUMENTS (CONTINUED)

The aggregate emoluments of the highest paid director were £552,748 (2018 - £526,204). During the year the highest paid director did not exercise share options under a long-term incentive scheme. In 2019 pension related payments of £17,254 were made by the company on behalf of the highest paid director (2018 - £17,260).

No directors are members of the Newsquest Pension Scheme (a defined benefit scheme closed to future accrual). In the current and prior year, two directors benefitted from contributions to the Newsquest stakeholder pension plan (a defined contribution scheme).

At 31 December 2019 the number of directors in respect of whose qualifying services shares in the company's ultimate parent company Gannett Co. Inc. were received or receivable under long-term incentive schemes is five (2018 – five). One of the directors exercised share options in the company's ultimate parent undertaking Gannett Co. Inc. during the year (2018 – none).

5. INCOME FROM FIXED ASSET INVESTMENTS

	2019 £'000	2018 £'000
Dividends from group undertakings	1,143	30,176

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Bank interest	58	58
Other interest	6	20
Interest receivable from ultimate parent undertaking	-	107
Interest receivable from group undertakings	30	21
	94	206

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
Unwind of discount on provisions (note 17)	98	97
Interest payable to group undertakings	19	14
Other interest	1	-
	118	111

8. TAXATION

(a) Tax charged in the income statement	2019 £'000	2018 £'000
Current income tax charge:		
UK corporation tax at 19.00% (2018 – 19.00%)	-	-
Adjustments in respect of prior periods	-	(58)
	-	(58)
Deferred tax charge:		
Origination and reversal of temporary differences	(2,005)	14,638
Adjustments in respect of prior periods	(323)	(29)
Effect of change in tax rates	-	(497)
	(2,328)	14,112
Total income tax (credit)/charge reported in the income statement all relating to continuing operations	(2,328)	14,054

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

8. TAXATION (CONTINUED)

(b) Tax relating to items charged to other comprehensive income

	2019 £'000	2018 £'000
Deferred tax:		
Actuarial gains due to pension liability assumption changes	(14,894)	4,577
Return on pension plan assets greater than discount rate	11,696	(1,830)
Other including employer contributions paid	4,084	1,099
Total deferred tax	886	3,846
Total income tax charge reported in the other comprehensive income statement all relating to continuing operations	886	3,846

(c) Reconciliation of the total tax (credit)/charge:

	2019 £'000	2018 £'000
Profit from continuing activities before taxation	13,360	108,098
Tax on the profits on ordinary activities at the standard UK rate of corporation tax of 19.00% (2018 – 19.00%)	2,538	20,539
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Current tax over provided in prior years	-	(58)
Deferred tax over provided in prior years	(323)	(29)
Effect of change in tax rates	-	(497)
Tax effect of items that are not deductible or not taxable in determining taxable profit:		
Other non-deductible expenses	422	760
Income not taxable	(217)	(5,734)
UK to UK transfer pricing adjustments	74	160
Deferred tax not provided current year	(707)	3
Difference between current and deferred tax rates in current year	(371)	(1,357)
Group relief surrendered for nil payment	39	-
Deferred tax movement on share-based payments	(195)	340
Deferred tax movement on indexation on rolled over gains	-	(3)
Capital losses claimed for nil payment	(230)	(46)
Current year trading losses carried forward	397	-
Deferred tax movement no current tax impact	(3,755)	(24)
Total income tax (credit)/charge reported in the income statement	(2,328)	14,054

Tax losses arising within the Gannett U.K. Limited group of companies are relieved amongst group companies. The principal factor that may affect tax charges in future periods is the basis on which tax losses are allocated within the group and the rate (if any) at which the company pays for those losses.

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

8. **TAXATION (CONTINUED)**

(d) Deferred tax in the income statement

The deferred tax included in the company income statement is as follows:

	2019 £'000	2018 £'000
Accelerated depreciation for tax purposes	2,528	763
Other timing differences	(1,642)	(1,419)
Trade intangibles	-	1,850
Rolled over gains	-	3
Capital losses	-	(3)
Trade losses	355	821
Properties not eligible for capital allowances	800	358
Share based payments	195	(340)
Pensions	(231)	(16,671)
Impact of change in tax laws and rates	-	497
Deferred tax over provided in prior years	323	29
	2,328	(14,112)

(e) Change in corporation tax rate

A corporation tax rate of 19% applies for the period 1 April 2017 to 31 March 2020. In the March 2020 Budget, the Chancellor reversed the corporation tax reduction from 19% to 17% which would have been effective from 1 April 2020. The corporation tax rate will now remain at 19%.

9. **INTANGIBLE ASSETS**

	Publishing and other rights £'000
Cost	
At 31 December 2019 and 31 December 2018	98,899
Impairment	
At 1 January 2018	-
Impairment charge	10,883
At 31 December 2018	10,883
Impairment charge	-
At 31 December 2019	10,883
Carrying amount	
At 31 December 2019	88,016
At 31 December 2018	88,016

Publishing rights and trademarks previously acquired through business combinations and transferred to the company from other group companies following a group reconstruction are considered by the directors to be a homogenous cash generating unit (CGU) due to customers acquiring advertising solutions in packages across titles, geographical areas and products.

The company tests the carrying value of the publishing rights for impairment annually or more frequently if there are indications that they might be impaired. The recoverable amount of the CGU is determined from value in use calculations. Based on these calculations no impairment was charged to the income statement during the year (2018 - £10,883,000).

Subsequent to the year end, and in the light of COVID-19 pandemic, the company's ultimate parent, Gannett Co. Inc., conducted its annual intangible impairment assessment in the quarter ended 30 June 2020, which was performed in accordance with US GAAP. The outcome of that review, if applied to these accounts, would be an impairment of £61m. The primary factor impacting the decrease in fair value was the current and expected impact of the COVID-19 pandemic on the Company's future profitability, a circumstance which did not apply to the value of intangibles at 31 December 2019.

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

9. **INTANGIBLE ASSETS (CONTINUED)**

The severity and length of the COVID-19 pandemic, the duration and extent of the mitigation measures and governmental actions designed to combat the pandemic, as well as the changes in customer behaviour as a result of the pandemic, are uncertain and difficult to predict. They, together with the structural changes in the news industry, could therefore further negatively or positively impact the company's assessment of its future results and the underlying assumptions utilised in the determination of the estimated fair value of Newsquest's intangible assets.

10. **TANGIBLE FIXED ASSETS**

	Land and buildings £'000	Plant and equipment £'000	Construction in progress £'000	Total £'000
Cost				
At 31 December 2018	79,647	112,190	303	192,140
Additions	1,234	691	748	2,673
Disposals	(1,997)	(6,629)	-	(8,626)
Reclassification	-	449	(449)	-
At 31 December 2019	78,884	106,701	602	186,187
Depreciation				
At 31 December 2018	37,652	87,679	-	125,331
Charge for year	2,013	4,773	-	6,786
Impairment *	2,198	10,876	-	13,074
Disposals	(1,018)	(6,535)	-	(7,553)
At 31 December 2019	40,845	96,793	-	137,638
Carrying amount				
At 31 December 2019	38,039	9,908	602	48,549
At 31 December 2018	41,995	24,511	303	66,809

*An independent appraisal, undertaken during the year, identified the carrying value of some assets to be in excess of their recoverable amount, accordingly these assets have been impaired. The majority of the fixed asset impairment charge arises on print plant equipment that has been driven by the decline in printing revenues.

Included within plant and equipment are leased assets with a carrying amount of £293,000 (2018 - £1,398,000).

Included within land and buildings are long leaseholds with a net book value of £1,975,000 (2018 - £7,322,000), short leaseholds with a net book value of £3,465,000 (2018 - £21,000) and freeholds with a net book value of £31,173,000 (2018 - £33,061,000), within which is freehold land with a net book value of £4,910,000 (2018 - £5,817,000). Also included within land & buildings are assets retirement obligations with a net book value of £1,426,000 (2018 - £1,591,000).

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

11. INVESTMENTS

	Investments in subsidiary undertakings	Other investments	Total investments
Cost	£'000	£'000	£'000
At 31 December 2019 and 31 December 2018	16,394	68	16,462
Impairment			
At 1 January 2018	-	-	-
Impairment charge	5,271	-	5,271
At 31 December 2018	5,271	-	5,271
Impairment charge	-	-	-
At 31 December 2019	5,271	-	5,271
Carrying amount			
At 31 December 2019	11,123	68	11,191
At 31 December 2018	11,123	68	11,191

(a) The wholly owned subsidiary companies of Newsquest Media Group Limited (all of which are incorporated in Great Britain and registered in England and Wales except for those marked with an asterix which are registered in Scotland) at 31 December 2019 are as follows:

Name of company	Nature of business
Newsquest Specialist Media Limited	Publishing
Newsquest (Clyde & Forth Press) Limited*	Publishing
Sopress Investments Limited	Investment holding company
Newsquest Printing (Glasgow) Limited*	Holding company

(b) The dormant subsidiary companies of Newsquest Media Group Limited (all of which are wholly owned directly or indirectly and incorporated in Great Britain and registered in England and Wales except those marked with an asterisk which are registered in Scotland* and Northern Ireland**) at 31 December 2019 are as follows:

Name of Company	Name of Company
Forest Machine Journal Limited*	Newsquest Media (Southern) Limited
Newsquest (Berkshire) Limited*	Newsquest (York) Limited
Newsquest (Essex) Limited	This is Essex Limited
Newsquest (Herald & Times) Limited*	Newsquest (Midlands South) Limited
Newsquest (Herts and Bucks) Limited	LocaliQ Limited
Newsquest (London & Essex) Limited	William Trimble Limited**
Newsquest (Oxfordshire & Wiltshire) Limited	WP Publishing
Newsquest Pension Trustee Limited	

(c) The below list of dormant subsidiary companies of Newsquest Media Group Limited (all of which were wholly owned indirectly and incorporated in Great Britain and registered in England and Wales except those marked with an asterisk which were registered in Scotland) were dissolved during 2019. For entities asterisked **, strike off paperwork was filed at Companies House prior to year end with confirmation of dissolvement received on 7 January 2020:

Name of Company	Name of Company
CN Group Limited	J.Catherall & Co.(Printers), Limited
Cumbrian Newspapers Limited**	CN Group Property Limited
Furness Newspapers Limited	

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

12. ASSETS HELD FOR SALE

	2019 £'000	2018 £'000
Non-current assets held for sale		
Land & Buildings	369	219

13. STOCKS

	2019 £'000	2018 £'000
Raw materials	1,279	1,318

14. DEBTORS

	2019 £'000	2018 £'000
Amounts falling due in less than one year:		
Trade debtors	24,315	24,027
Amounts due from group undertakings	41	39
Other debtors	503	669
Prepayments and accrued income	6,551	7,879
Corporation tax	-	118
	31,410	32,732

	2019 £'000	2018 £'000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	324	476

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade creditors	4,856	4,787
Amounts due to group undertakings	7,432	7,820
Other taxation and social security	4,187	4,394
Other creditors	2,571	3,228
Accruals and deferred income	14,529	13,939
	33,575	34,168

16. DEFERRED TAXATION

	2019 £'000	2018 £'000
As at 31 December 2018	(18,944)	(1,329)
Tax charge during the period recognised in the income statement (note 8)	2,328	(14,112)
Charge recognised in other comprehensive income statement (note 8)	(886)	(3,846)
Transferred in from other group companies	-	343
As at 31 December 2019	(17,502)	(18,944)

The deferred tax included in the company balance sheet is as follows:

	2019 £'000	2018 £'000
Deferred tax liabilities:		
Trade intangibles	(12,516)	(12,515)
Rolled over gains	(1,326)	(1,326)
Assets not eligible for capital allowances	(3,517)	(4,317)
Pension	(7,301)	(6,185)
Deferred tax liabilities	(24,660)	(24,343)

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

16. DEFERRED TAXATION (CONTINUED)

	2019 £'000	2018 £'000
Deferred tax assets:		
Accelerated depreciation for tax purposes	3,223	695
Other timing differences	862	2,491
Capital losses	1,327	1,326
Trade losses	1,485	821
Share based payments	261	66
Deferred tax assets	7,158	5,399
Deferred tax liabilities	(24,660)	(24,343)
Deferred tax assets	7,158	5,399
Net deferred tax liabilities	(17,502)	(18,944)

Unrecognised deferred tax asset on capital losses

The company has UK capital losses carried forward which are available indefinitely for offset against future capital gains. Deferred tax assets of £2,457,515 (2018 - £2,421,285) have not been recognised in respect of these losses as there is uncertainty over their recoverability.

Unrecognised deferred tax asset estimated on future capital losses on assets in use

The company has potential UK capital tax losses on assets in use. Should these losses crystallise they will be available indefinitely for offset against future capital gains. Deferred tax assets of £6,931,710 (2018 - £6,783,491) have not been recognised in respect of these capital losses as there is uncertainty over their recoverability.

Unrecognised deferred tax asset estimated on future capital losses on assets held for sale

The company has potential UK capital tax losses on assets held for sale. Should these losses crystallise they will be available indefinitely for offset against future capital gains. Deferred tax assets of £8,220 (2018 - £33,190) have not been recognised in respect of these capital losses as there is uncertainty over their recoverability.

17. PROVISIONS FOR LIABILITIES

	Leasehold property provision (a) £'000	Newspaper society pension provision (b) £'000	Total £'000
Analysed as:			
- Current	743	95	838
- Non-current	4,646	1,379	6,025
At 1 January 2019	5,389	1,474	6,863
Additions	16	-	16
Utilised	(280)	(95)	(375)
Charge for period	(1,192)	-	(1,192)
Unwind of discount on provisions (note 7)	61	37	98
At 31 December 2019	3,994	1,416	5,410
Analysed as:			
- Current	1,446	95	1,541
- Non-current	2,548	1,321	3,869
At 31 December 2019	3,994	1,416	5,410

(a) The leasehold property provision is expected to be utilised over the term of the leases to which it relates.

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

17. PROVISIONS FOR LIABILITIES (CONTINUED)

(b) The company entered into a covenant to pay £95,058.80 (2018 - £95,058.80) per annum until the earlier of either 31 December 2038 or the net assets of the Newspaper Society's pension scheme have been certified to be equal to or greater than the estimated debt that would be payable if the scheme were wound up at the effective date of the scheme's most recent funding statement. The provision is the net present value of the annual commitment of £95,058.80 until 2038 discounted at rates between 1.8% - 2.7% (2018: 1.8% - 2.7%).

18. CALLED UP SHARE CAPITAL

	2019		2018	
Authorised	**Number**	**£'000**	**Number**	**£'000**
Ordinary shares of $1 each	1,270	1	1,270	1
Deferred Ordinary shares of £1 each	200	-	200	-
Ordinary shares of £1 each	187,372,000	187,372	187,372,000	187,372
1% First Cumulative Redeemable Preference shares of £1 each	325,000	325	325,000	325
1% Second Cumulative Redeemable Preference shares of £1 each	99,900	100	99,900	100
Called up, allotted and fully paid				
Ordinary shares of £1 each	1	-	1	-

On 13 November 2019, a special resolution was passed to increase the share capital by £5,000,000 through an issue of 5,000,000 special ordinary shares of £1 each to the shareholder, Newsquest Capital Limited.

Following the completion of the above transaction, it was subsequently resolved on 13 November 2019 to reduce the share capital of the company by the cancellation 5,000,000 £1 special ordinary shares and transfer these amounts to distributable reserves.

19. DIVIDENDS

	2019 £'000	2018 £'000
Dividends for 2019: £5,000,000 per share (2018: £18,107,260)	5,000	18,107

20. RESERVES

	Share capital £'000	Retained earnings £'000	Total £'000
At 31 December 2017	-	102,287	102,287
Profit for the period	-	94,044	94,044
Dividends (note 19)	-	(18,107)	(18,107)
Other comprehensive income	-	12,311	12,311
Share-based payment transactions (note 3)	-	203	203
Payment to ultimate parent in respect of shares exercised (note 3)	-	(2,612)	(2,612)
At 31 December 2018	-	188,126	188,126
Share issue – see note (a) below	5,000	-	5,000
Capital reduction – see note (b) below	(5,000)	5,000	-
Profit for the period	-	15,688	15,688
Dividends (note 19)	-	(5,000)	(5,000)
Other comprehensive income	-	(19,697)	(19,697)
Share-based payment transactions (note 3)	-	1,754	1,754
Payment to ultimate parent in respect of shares exercised (note 3)	-	(1,350)	(1,350)
At 31 December 2019	-	184,521	184,521

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

20. **RESERVES (CONTINUED)**

Note (a): On 13 November 2019, a special resolution was passed to increase the share capital by £5,000,000 through an issue of 5,000,000 special ordinary shares of £1 each to the shareholder, Newsquest Capital Limited.

Note (b): Following the completion of the above transaction, it was subsequently resolved on 13 November 2019 *to reduce the share capital of the company* by the cancellation 5,000,000 £1 special ordinary shares and transfer these amounts to distributable reserves.

21. **COMMITMENTS AND CONTINGENCIES**

Operating lease commitments

Future minimum amounts payable under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Within one year	-	2,660	3,351	3,354
Between two and five years	-	3,168	6,445	4,509
More than five years	-	2,283	1,016	-
	-	8,111	10,812	7,863

Other mostly comprises non-cancellable supply contracts for IT software and mobile phones.

The prior year figures include land & building, vehicles and IT lease commitments. As a result of the adoption of the new lease accounting standard (IFRS 16) all operating lease commitments which meet the recognition criteria under IFR16 have been capitalised on 1 January 2019 and are being amortised over the period of the lease in accordance with IFRS 16 requirements.

Capital commitments

At 31 December 2019 the company had £424,000 of capital commitments (2018 - £435,000).

22. *PENSIONS*

The Newsquest Workplace Pension

The Newsquest Workplace Pension is a defined contribution pension plan. Automatic enrolment into this scheme applies to those workers who meet the relevant criteria.

The Newsquest Pension Scheme

Newsquest Section

Following consultation, the Newsquest Pension Scheme (the Scheme) ceased the future accrual of pension benefits with effect from 31 March 2011. The Scheme operates under trust law and is managed and administered by the trustee on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Scheme, a funded defined benefit pension scheme, continues to operate to pay retired employees their pensions. The trustees of the Newsquest Pension Scheme are responsible for the investment of the Scheme's assets, which are held separately from the group. The principal employer of the Scheme is Newsquest Media Group Limited (the company).

During the year the company made contributions of £23,000,000 (2018 - £25,000,000) based on a Schedule of Contributions agreed between the company and the Trustees for the period 30 June 2018 to 30 June 2023. This Schedule of Contributions was agreed following the results of the triennial valuation as at 31 March 2018. As set out in the Schedule of Contributions, the company would make the following contributions up to 31 March 2021:

(a) Fixed standard contributions:

£15,000,000 per annum payable for period 1 July 2018 – 31 March 2021

A one-off contribution of £11.25m on or before 31 December 2021, unless a new Schedule of Contributions is put in place before 31 December 2021 or where the updated funding position as at 31 March 2021 calculated by the Scheme Actuary reveals a deficit of less than the standard and

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

22. PENSIONS (CONTINUED)

additional contributions then outstanding under this Schedule. In this case the December 2021 payment in respect of standard contributions will be the lower of the estimated amount required to eliminate that lower deficit and £11.25m.

(b) Additional contributions:

£10,000,000 payable for the period 1 August 2018 – 31 December 2018

£8,000,000 per annum payable for the period 1 January 2019 – 31 December 2019

£4,000,000 per annum payable for the period 1 January 2020 – 31 December 2020

£625,000 per annum payable for the period 1 January 2021 – 31 March 2021

A one-off contribution of £1.875m on or before 31 December 2021, unless a new Schedule of Contributions is put in place before 31 December 2021 or where the updated funding position as at 31 March 2021 calculated by the Scheme Actuary reveals a deficit of less than the standard and additional contributions then outstanding under this Schedule.

In addition, the company will continue to bear the administrative expenses of the Scheme. The recovery plan is designed to eliminate the pension deficit on the Scheme's funding basis by the end of 2021.

CN Fund Section

On 12 March 2018 the company acquired CN Group Limited and its' two final salary schemes became sections of the Newsquest Pension Scheme - CN Fund Section and CN Supplementary Plan Section.

During the year, the company made contributions of £1,023,000 (2018 - £3,125,000) in respect of the CN sections of the Newsquest Pension Scheme based on new schedule of contributions for the period 1 April 2018 to 31 December 2021. As set out in a new Schedule of Contributions which was agreed between the company and the Trustees for the period 1 April 2018 to 31 December 2021 the company will make the following contributions over the next 3 years with the aim of achieving the same funding status as the Newsquest scheme for those sections by the same date:

CN Fund Section (continued)

(a) Deficit repair contributions:

£803,784 per annum for the period 1 April 2018 to 31 December 2018

£1,019,000 per annum for the period 1 January 2019 to 31 March 2021

£764,253 for the period 1 April 2021 to 31 December 2021.

The final contribution of £764,253 is payable on or before 31 December 2021, unless a new Schedule of Contributions is put in place before 31 December 2021 or where the updated funding position as at 31 March 2021 calculated by the Scheme Actuary reveals a deficit of less than the additional contributions then outstanding under this Schedule. In this case the December 2021 payment in respect of additional contributions (if any) will be the equal to the estimated amount required to eliminate that lower deficit minus the amount of the one off standard contribution payable.

On 11 December 2019 the larger of the two CN sections was merged into the Newsquest Pension Scheme.

For the first three months of 2020 the company paid contributions of £5,004,750 in accordance with the above schedule of contributions. When the government locked down the economy at the end of March 2020 the directors approached the trustees to defer pension contributions for the period of the pandemic. A new schedule of contributions, as set out below, was agreed with the Trustees which deferred contributions from April 2020 to 30 September 2020 to 2021. The company now expects the deferred contributions to be made good in 2020.

- Fixed regular monthly contributions of £1,334,917 payable from 1 October 2020 to 31 March 2021;
- Fixed regular monthly contributions of £1,373,630 payable from 1 April 2021 to 30 September 2021;
- A one-off contribution of £12,014,253 on or before 31 December 2021, unless a new Schedule of Contributions is put in place before 31 December 2021, or where the updated funding position as at 31 March 2021 calculated by the Scheme Actuary (on a consistent basis to the 31 March 2018 valuation, updated for market conditions and membership data as at 31 March 2021, or as agreed by the Trustee and Principal Employer) reveals a deficit of less than the standard and additional contributions then outstanding under this Schedule (in which case the December 2021 payment in respect of standard contributions will be the lower of the estimated amount required to eliminate that lower deficit and £12,014,253).

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

22. **PENSIONS (CONTINUED)**

Scheme assets and liabilities

The Scheme holds a globally diversified portfolio of investments to maintain a wide range of diversification and to reduce volatility. At the end of 2019, the scheme held 25.9% (2018 – 26.3%) in passive equities, 36.9% (2018 – 40.9%) in UK indexed linked bonds; 18.4% (2018 – 20.5%) in property of which 10.4% (2018 – 13.2%) held in UK, 4.9% (2018 – 5.5%) in infrastructure and 3.2% (2018 – 1.9%) in loans secured against commercial real estate, 3.8% (2018 – 4.2%) in hedge funds and insurance linked securities and 15.0% (2018 – 8.1%) in cash.

The assets and liabilities of the schemes at 31 December 2019 and 31 December 2018 are:

Schemes assets at fair value

	2019 £'000	2018 £'000
Equity securities	190,523	171,129
Debt securities	272,802	266,300
Property	136,255	133,946
Hedge funds and alternatives	28,320	27,559
Cash and other	110,976	52,884
Total fair value of scheme assets	**738,876**	**651,818**
Present value of scheme liabilities	(695,927)	(615,437)
Defined benefit pension plan surplus	**42,949**	**36,381**

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year ended 31 December 2019 are analysed as follows:

Recognised in the Income Statement

	2019 £'000	2018 £'000
Service cost credit in respect of pension plan amendments	-	(69,683)
Finance (costs)/income	(1,356)	628
	(1,356)	(69,055)

Taken to the Statement of Comprehensive Income

	2019 £'000	2018 £'000
Actuarial gain due to liability experience	-	4,220
Actuarial (loss)/gain arising from changes in pension liability	(87,609)	22,703
Return on plan assets (excluding amounts included in net interest expense)	68,798	(10,766)
Recognised in Statement of Comprehensive Income	(18,811)	16,157

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2019 £'000	2018 £'000
Defined benefit obligation at 31 December 2018 and 31 December 2017	615,437	679,988
Interest on benefit obligation	16,817	17,488
Actuarial loss/(gain)	87,609	(26,923)
Benefits paid	(23,936)	(29,203)
Past service cost – plan amendments	-	(69,683)
Acquisitions	-	43,770
Defined benefit obligation at 31 December 2019 and 31 December 2018	**695,927**	**615,437**

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

22. PENSIONS (CONTINUED)

Changes in fair value of plan assets are analysed as follows:

	2019	2018
	£'000	£'000
Fair value of plan assets at 31 December 2018 and 31 December 2017	651,818	603,002
Interest income on plan assets	18,173	16,860
Return on plan assets greater than discount rate	68,798	(10,766)
Employer contributions	24,023	28,125
Benefits paid	(23,936)	(29,203)
Acquisitions	-	43,800
Fair value of plan assets at 31 December 2019 and 31 December 2018	**738,876**	**651,818**

Analysis of financial assumptions:

The principal assumptions used in determining pension benefit obligations for the scheme are shown below:

	2019	2018
	%	%
Discount rate	2.00	2.80
Price inflation	2.90	3.15
Pension increases for in-payment benefits	2.20	2.15
Pension increases for deferred benefits	2.20	2.15

	Number of years	Number of years
Future life expectancy for a pensioner currently aged 65		
- Male	20.7	21.0
- Female	23.0	23.4
Future life expectancy from age 65 for a pensioner who retires in 15 years and is currently aged 50		
- Male	21.3	21.8
- Female	23.9	24.3

Sensitivity analysis of significant assumptions

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected, by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

The price inflation sensitivity takes into account the effect of deferred revaluation and pension increases in payment. The sensitivities have been calculated using a consistent method to that used to calculate the DBO (i.e. they are based on a roll forward and change basis of the results of the 31 March 2018 triennial valuation).

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Effect on defined benefit obligation
Discount rate 0.5% decrease	+9.6%
Inflation assumption 0.5% increase	+9.2%

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 17.8 years (2018: 17.8 years). This maturity profile of the pension deficit is subject to the assumptions for Scheme asset returns over the period and discount rates. Actual Scheme asset returns and changes in discount rates over this period will have an influence on any future changes to company contributions to the Scheme.

NOTES TO THE ACCOUNTS
Year ended 31 December 2019

22. PENSIONS (CONTINUED)

Maturity profile of defined benefit obligation (continued)

Expected benefits payable are as follows:	£'000
Year ended December 2020	22,652
Year ended December 2021	23,150
Year ended December 2022	23,660
Year ended December 2023	24,180
Year ended December 2024	24,712
Year ended December 2025 to 31 December 2029	131,960

23. SHARE-BASED PAYMENTS

Employee Share Option Plan

The company participates in the Gannett Co., Inc. 2001 Omnibus Incentive Compensation Plan. Under the plan discretionary share options in the group's ultimate parent undertaking, Gannett Co., Inc. are granted to employees. Gannett Co., Inc.'s shares are publicly traded on the New York Stock Exchange and the exercise price of the options is equal to the actual closing market price of the shares on the date of grant.

The options vest evenly over four years from the date of grant provided that the employee remains in service. The contractual life of the options is 8 years and there are no cash settlement alternatives.

There is no expense included in wages and salaries in the income statement for these employee share options in 2019 or 2018. Recharges for the intrinsic value of options exercised in 2019 of £nil (2018 - £38,000) have been taken directly to reserves.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2019 No.	2019 WAEP	2018 No.	2018 WAEP
Outstanding at 1 January 2019 and 1 January 2018	-	-	9,228	$5.67
Exercised[1]	-	-	(9,228)	$5.67
Outstanding at 31 December 2019 and 31 December 2018	-	-	-	-
Exercisable at 31 December 2019 and 31 December 2018	-	-	-	-

[1] The weighted average share price at the date of exercise for the options exercised is $nil (2018 - $11.32).

Restricted stock

Restricted stock grants are discretionary shares awarded to certain individuals out of the 2001 Omnibus Incentive Compensation Plan. Each share awarded entitles the employee to receive one share of Gannett Co., Inc.'s common stock on the expiration of the incentive period which vests 3 or 4 years after the grant date.

Included in wages and salaries in the income statement is a total credit for these employee share options of £1,400,000 (2018 - £72,000 credit). Recharges for the intrinsic value of options exercised in 2019 of £873,000 (2018 - £2,117,000) have been taken directly to reserves.

	2019 No.	2019 WASP*	2018 No.	2018 WASP*
Outstanding at 1 January 2019 and 1 January 2018	288,781	$11.36	445,305	$11.40
Granted during the year[1]	232,187	$8.53	173,507	$11.59
Forfeited during the year	(18,871)	$10.47	(38,297)	$7.33
Transfer from group company	9,736	$10.88	-	-
Settled[2]	(55,678)	$11.59	(291,734)	$11.59
Outstanding at 19 November 2019 and 31 December 2018	456,155	$9.92	288,781	$11.36
Stock adjustment[3]	197,240	$6.28	-	-
Settled[1]	(104,317)	$6.28	-	-
Outstanding at 31 December 2019 and 31 December 2018	549,078	$6.28	288,781	$11.36

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23. **SHARE-BASED PAYMENTS (CONTINUED)**

*The weighted average share price (WASP) is the share price at the time the Restricted stock was granted, averaged over the number of shares outstanding at the balance sheet date.

[1] The weighted average fair value of Restricted stock granted in 2019 was $7.30 (2018 - $10.33). On 19 November 2019 all shares previously granted were re-issued in the newly acquired Gannett company with a fair value of $6.28 and a multiplier of 1.4324 applied to the stock units.

[2] The weighted average share price at the date of settlement of the Restricted stock was $6.52 (2018 - $9.65) for grants vesting prior to 19 November.

[3] On 19 November 2019 the Company's ultimate parent company, Gannett Co., Inc., was acquired by New Media Investment Group Inc. The combined entities retained the Gannett name and ticker (NYSE:GCI). On acquisition the fair value assigned to the restricted stock awards at conversion was $6.28.

[4] The weighted average share price of awards settled after the 19 November 2019 was $4.86.

Performance shares

Performance shares are discretionary shares awarded to certain individuals out of the 2001 Omnibus Incentive Compensation Plan. The number of Performance Shares the employee will ultimately be entitled to receive will be calculated based on multiplying the employee's target number of performance shares by the applicable percentage determined on how Gannett Co., Inc.'s total shareholder return compares to the total shareholder return of the comparator companies during the incentive period. Each share awarded entitles the employee to receive one share of Gannett Co., Inc.'s common stock on the expiration of the incentive period which vest 3 years after the grant date.

Included in wages and salaries in the income statement is a total expense for performance shares of £354,000 (2018 £275,000). Recharges for the intrinsic value of options exercised in 2019 of £477,000 (2018 - £457,000) have been taken directly to reserves. No performance cash settled units were due to vest during the year.

Performance shares

	2019 No.	2019 WASP*	2018 No.	2018 WASP*
Outstanding at 1 January 2019 and 1 January 2018	78,740	$11.98	93,160	$12.71
Granted during the year[1]	24,347	$8.53	17,787	$11.59
Forfeited	(22,071)	$16.29	-	-
Settled[2]	-	-	(32,207)	$13.88
Outstanding at 19 November 2019 and 31 December 2018	81,016	$9.77	78,740	$11.98
Stock adjustment[3]	86,786	$6.28	-	-
Settled[1]	(98,022)	$6.28	-	-
Outstanding at 31 December 2019 and 31 December 2018	69,780	$ 6.28	78,740	$11.98

*The weighted average share price (WASP) is the share price at the time the Performance shares were granted, averaged over the number of shares outstanding at the balance sheet date.

[1] The weighted average fair value of Performance shares granted in 2019 was $6.28 (2018 - $13.29).

[2] The weighted average share price at the date of settlement of the Performance shares was $6.38 (2018 - $11.99).

[3] On 19 November 2019 the Company's ultimate parent company, Gannett Co., Inc., was acquired by New Media Investment Group Inc. The combined entities retained the Gannett name and ticker (NYSE:GCI). On acquisition the fair value assigned to the restricted stock awards at conversion was $6.28.

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24. RIGHT OF USE ASSETS AND LEASES LIABILITIES

Carrying value of Right of Use Assets

	Plant & Machinery £'000	Property £'000	Total £'000
At 1 January 2019	777	7,021	7,798
Additions	-	680	680
Depreciation expense	(334)	(2,304)	(2,638)
Disposals	(7)	(420)	(427)
At 31 December 2019	436	4,977	5,413

Carrying value of Lease Liabilities

	2019 £'000
At 1 January 2019	7,780
Additions	680
Accretion of interest	319
Payments	(2,923)
Disposals	(425)
At 31 December 2019	5,431
Current	1,494
Non-current	3,937
	5,431

Lease liability maturity analysis – contractual undiscounted cash flows

	2019 £'000
Less than one year	1,701
One to five years	3,126
More than five years	1,658
Total undiscounted lease liabilities at 31 December 2019	6,485

Amounts recognised in Profit or Loss

	2019 £'000
Depreciation expense of right of use assets	2,638
Interest expense on lease liabilities	319
Expense relating to short term leases	409
Total amount recognised in P&L	3,366

25. TRANSITION TO IFRS 16

The company adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective transition method. This approach does not require restated comparative figures and therefore the comparative information is reported under IAS 17. Instead, the cumulative effect of applying IFRS 16 is added to the opening right of use asset balance on a lease by lease basis, and depreciated over the life of the respective lease.

The following balances have been added to the company's balance sheet at 1 January 2019:

- right-of-use assets of £7,798,000;
- lease liabilities of £7,780,000;
- prepayments reduction of £317,000, and

£299,000 of the lease liabilities relate to lease incentives that have been derecognised from trade and other payables at 1 January 2019.

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Year ended 31 December 2019

25. TRANSITION TO IFRS 16 (CONTINUED)

On transition to IFRS 16, the following adjustments were made to the company's balance sheet:

	Notes (see below)	At 1 January 2019 £'000
Right of use assets at net book value	A	7,798
Prepayments	B	(317)
Total right-of-use assets recognised, at net book value		7,481
Lease liabilities	C	(7,780)
Lease incentives derecognised from trade and other payables	D	299
Total decrease to retained earnings at 1 January 2019		-

Notes to the above table:

A. Right-of-use assets' recognised at net book value at 1 January 2019 (excluding lease reinstatement costs in note D). The company has taken advantage of the practical expedient that permits initial direct costs to be excluded from the measurement of the right-of-use assets at the date of initial application (para. C10 (d)).

B. On transition to IFRS 16, balances previously included within prepayments have been reclassified to offset against the lease liability.

C. Lease liabilities recognised at 1 January 2019. The company has applied a single discount rate to a portfolio of leases with similar characteristics (para. C10 (a)) and hindsight has been used in determining the lease term if the contract contains options to extend or terminate the lease (para. C10 (e)).

D. On transition to IFRS 16, lease incentives previously included within trade and other payables have been derecognised as they form part of the measurement of the lease liability.

A reconciliation between the company's operating lease commitment at 31 December 2018 and the lease liabilities at 1 January 2019 is presented below:

	At 1 January 2019 £'000
Operating lease commitment at 31 December 2018 as disclosed in the financial statements	15,974
Commitments relating to short-term and low value leases and service contracts	(7,195)
Lease payments relating to renewal periods not included in operating lease, leases not yet broken and additional properties	500
Discounted using the incremental borrowing rate at 1 January 2019	(1,499)
Lease liabilities recognised at 1 January 2019	7,780

The lease liabilities were discounted at the incremental borrowing rate at 1 January 2019. The weighted average discount rate was 4.59%.

26. RELATED PARTIES

The company is a wholly owned subsidiary included in the consolidated financial statements of its ultimate parent company. These financial statements are publicly available, therefore, the company has taken advantage of the exemption under paragraph 8 (k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries. The amounts from or due to group companies at the balance sheet date are shown in notes 14 and 15 respectively.

Directors' emoluments are disclosed in note 4 and matters relating to the Newsquest Pension Scheme in note 22.

NOTES TO THE ACCOUNTS
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27. ULTIMATE PARENT COMPANY

The company's ultimate parent and controlling company is Gannett Co., Inc., a company incorporated in the United States of America. The intermediate parent and controlling company in the United Kingdom is Gannett U.K. Limited, a company incorporated in Great Britain and registered in England and Wales. The immediate parent is Newsquest Capital Limited. The consolidated financial accounts of Gannett Co., Inc., comprise the smallest and largest group of which the company is a member that prepares consolidated financial statements. The annual report and consolidated financial statements of Gannett Co., Inc. can be obtained from the Secretary, Gannett Co., Inc., 7950 Jones Branch Drive, McLean, Virginia 22107 or online at www.gannett.com investor relations.

28. SUBSEQUENT EVENTS

Subsequent to the year end the company has been impacted by the COVID-19 pandemic which has been discussed in note 1. The company's ultimate parent, Gannett Co. Inc., performed its annual intangible impairment assessment in the quarter ended 30 June 2020 as set out in note 9. The review resulted in impairment charges of £61m. The primary factor for this impairment charge is the current and expected impact of the COVID-19 pandemic on the company's operations which did not impact the value of intangibles at 31 December 2019.

There are no further events subsequent to the year end to disclose.