

Reach Magazines Ltd
3009449

graphic removed

graphic removed

Our Reach

Annual Report 2019

THURSDAY



A9G79WSB

A16

22/10/2020

#152

COMPANIES HOUSE

In this report

Strategic Report	1
Introduction	1
Chairman's statement	2
Our business and the value we create	4
Our brands and influence	6
An evolving business focused on being fit for the future	10
Opportunities and challenges facing our industry	12
Chief Executive's review	16
Business review	20
KPIs	23
Financial review	26
Engaging with our stakeholders	30
Managing our resources and relationships	32
Section 172 statement	42
Risks and uncertainties	43
Governance	48
Chairman's governance introduction	49
Board of directors	50
Corporate governance report	52
Nomination Committee report	56
Audit & Risk Committee report	57
Remuneration report	62
Directors' report	83
Financial Statements	87
Independent auditor's report	88
Consolidated income statement	96
Consolidated statement of comprehensive income	96
Consolidated cash flow statement	97
Consolidated statement of changes in equity	97
Consolidated balance sheet	98
Notes to the consolidated financial statements	99
Parent company balance sheet	131
Parent company statement of changes in equity	131
Notes to the parent company financial statements	132
Other	136
Subsidiary and associated undertakings	136
Shareholder information	139
Group five year summary	IBC

Disclaimer

This Annual Report is sent to shareholders who have elected to receive a hard copy and is available on our website www.reachplc.com for those shareholders who have elected to receive a copy electronically. In this document, references to 'the Group', 'the Company', 'we' or 'our' are to Reach plc and its subsidiaries. A reference to a year expressed as 2019 is to the 52 weeks ended 29 December 2019 and a reference to a year expressed as 2018 is to the 52 weeks ended 30 December 2018. References to 'the year' and 'the current year' are to 2019 and references to 'last year' and 'the prior year' are to 2018. The Annual Report contains forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and future assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward-looking statements. No assurance can be given that the forward-looking statements will be realised. Statements about the directors' expectations, beliefs, hopes, plans, intentions and strategies are inherently subject to change and they are based on expectations and assumptions as to future events, circumstances and other factors which are in some cases outside the Company's control. The Annual Report has been prepared on the basis of the knowledge and information available to directors at the date of its preparation and the Company does not undertake any obligation to update or revise the information during the financial year ahead. It is believed that the expectations set out in these forward-looking statements are reasonable, but they may be affected by a wide range of variables which could cause actual results or trends to differ materially. The forward-looking statements should be read in the context of the principal risk factors set out in the Strategic Report.

Highlights¹

Revenue (£m)
£702.5m -3.0%

chart removed

Digital revenue (£m)
£107.0m +17.2%

chart removed

Adjusted operating profit (£m)¹
£153.4m +5.4%
Statutory: 2019: £131.7m
(2018: loss £107.6m)

chart removed

Adjusted earnings per share – basic (p)¹
41.1p +4.8%
Statutory: 2019: 31.8p
(2018: loss 41.0p)

chart removed

Dividend per share (p)
6.55p +6.7%

chart removed

Net (debt)/cash (£m)
£20.4m +£61.2m

chart removed

¹ Our financial statements disclose financial measures which are required under IFRS. We also report additional financial measures that we believe enhance the relevance and usefulness of the financial statements. These are important for understanding underlying business performance. Statutory figures are shown for comparative purposes where they differ from adjusted figures. See notes 3 and 36 to the consolidated financial statements.

graphic removed

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

Introduction

News matters. Views matter. Words matter.

We should know. We use them every day to inform, entertain and touch our readers. Millions of them, up and down the country. Readers with diverse interests, opinions and opposing political beliefs and voices.

Reach plc is the largest commercial national and regional news publisher in the UK. We create engaging, differentiated content which is distributed through newspapers, magazines and digital platforms – playing a central role in our audiences daily lives.

Our brands have a long heritage of being trusted sources of timely news and information – delivered in any way our audiences want to receive it. It is this trust and scale that sees us as prominent champions, campaigners and changemakers in the UK today.

Yes words matter. Our name, for example. We didn't just pluck it out of a hat. It's who we are. It's what we do.

We are Reach.

Digital champions

see more on
pages 24 and 25

National changemakers

see more on
pages 8 and 9

Local campaigners

see more on
pages 14 and 15

Chairman's statement

Reach delivered a robust financial performance during the past year in line with our expectations."

Nicholas Prettejohn
Chairman

image removed

Introduction

Against a backdrop of political and economic uncertainty, I am pleased to report that 2019 was a year of solid financial performance for Reach with improved trends in revenue, higher earnings and strong cash flow generation. The delivery against operating targets, such as the growth of our online audience, was excellent. We welcomed Jim Mullen as our new Chief Executive as well as other new members of the Board. Towards the end of the year, we started work to redefine the strategic shape of Reach for the coming years.

Highlights

6.7%

increase in dividend

Growth in our online audience Strong Board

Financial performance

The Group saw revenue reduce by 3% to £703m and adjusted operating profit increase by 5% to £153m, resulting in operating margin increasing. Statutory operating profit of £132m was up from a loss of £108m in the prior year. Strong cash generation resulted in the £41m net debt at 30 December 2018 moving to a net cash position of £20m at the financial year end. This was underpinned by a strong operational performance including growth in our online audience. A more comprehensive analysis of business performance is provided by Jim Mullen and Simon Fuller in their statements later in this report.

Dividends

The Board understands the importance of the dividend to shareholders. Following the interim dividend payment of 2.50p per share, I am pleased to confirm that the Board proposes to increase the final dividend by 7.4% to 4.05p per share. Subject to approval by shareholders at the forthcoming Annual General Meeting, this will be paid on 5 June 2020 to shareholders on the register at 11 May 2020. As a result, the total 2019 full-year dividend will be 6.55p per share, an increase of 6.7% over the 2018 full-year dividend, resulting in adjusted earnings dividend cover of 6.3 times. The increase in the dividend reflects the Board's confidence in the ongoing strong cash generation of the business, the future prospects of the Group and its strong balance sheet. The Board continues to adopt a progressive dividend policy and expects dividends to increase by at least 5% per annum.

Pensions

Shareholder value is a natural priority for any Board. However, we recognise that managing the interests of other key stakeholders including our pension schemes is also vitally important. We remain fully committed to appropriately funding our long-term pension obligations and continue to work closely with the Trustees of our pension schemes as we aim to balance the need to fund the pension deficit with the investment requirements of the business and the creation of value for our shareholders.

The Group-wide pension deficit under IAS 19 has reduced by £52.7m to £295.9m before deferred tax. Total payments to fund historical pension deficits were £48.9m in 2019. The triennial valuation of all six pension schemes is at 31 December 2019 and the process of determining future funding contributions is now under way.

Board changes

At the start of March 2019, Simon Fuller joined the Board as Chief Financial Officer and Company Secretary, taking over from Vijay Vaghela who stepped down from the Board at the same time. A chartered accountant with significant listed company experience, Simon was previously the Chief Financial Officer at McColl's Retail Group plc. Vijay spent some 24 years with the Company and, on behalf of the Board and staff of Reach, I thank him for his long and loyal service.

Simon Fox stepped down from the Board in mid-August, leaving Reach after seven years as Chief Executive. During his tenure, he oversaw a number of strategic acquisitions, including the purchase of Local World and the acquisition of the UK publishing assets of Northern & Shell, thereby helping to position Reach as the largest commercial national and regional news publisher in the UK. Simon left Reach in a strong position and well placed for the next stage of its development. On behalf of the Board and our shareholders, I would like to take this opportunity to thank Simon for all his hard work and wish him well for the future.

After a comprehensive search, we were delighted to appoint Jim Mullen to the Board in August 2019 as Chief Executive. Jim brings with him a rich and relevant experience, particularly in the area of digital transformation, gained from his time at Ladbrokes Coral, William Hill and News International. I am confident he will prove to be an outstanding leader for Reach.

Governance

Ensuring that the Company demonstrates and adheres to the principles of good corporate governance is one of my main responsibilities as Chairman and this year signalled an important development in this area, being the first year the Company was required to report under the 2018 version of the UK Corporate Governance Code. You will see in this year's Strategic Report we have included more information about how we engage with our key stakeholders and how they influence our decisions, as well as more information on the vital work we have done on engaging with our colleagues whilst also promoting diversity and inclusion. We have also made a number of changes in this report to help better describe our governance measures including greater risk disclosure and revised key performance measures.

Strong corporate governance delivery starts at Board level and, in my opinion, having breadth of experience, skills and diversity amongst the Board's members is fundamental to successful execution. To that end, in addition to the Board changes referred to earlier, in June 2019 we welcomed Anne Bulford OBE to the Board as Chair of the Audit & Risk Committee and non-executive director of the Company. Anne also serves on the Remuneration and Nomination Committees. A chartered accountant by profession, Anne has chaired a number of audit committees for organisations with a public as well as commercial mandate.

I believe we enter 2020 with a strong Board well equipped to support our corporate governance agenda and provide the effective and entrepreneurial leadership that will promote the long-term sustainable success of the Company.

In closing...

Finally, I would like to extend my thanks on behalf of the Board to our talented and hardworking colleagues who have contributed so much to the Group's performance this year. We are at an exciting stage in the growth and development of the business. The Board and I look forward to working with our excellent team as we continue to deliver value for all our stakeholders.

Nicholas Prettejohn
Chairman

24 February 2020

Our business and the value we create

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

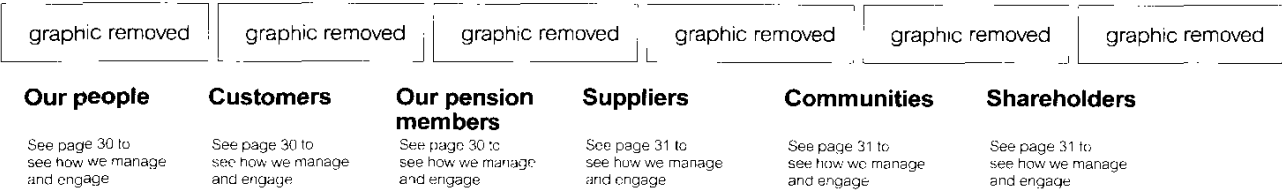
Content and brands

As a publisher, content is key to our success. We create and source national and regional content that, along with our editorial convictions informs and engages our audiences, while attracting advertisers who relate to our brands. Our iconic and influential brands have a long history of being trusted sources of information.



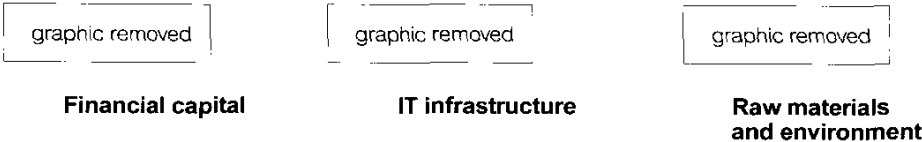
Stakeholders

Our operations create value for our key stakeholders and in turn they help us generate the content and brand efficacy we rely upon.



Resources

We carefully manage the critical resources that we need to maintain a successful business model.



See the Business Review on pages 20 to 22 and the Financial Review on pages 26 to 29 to see how we manage the critical resources that we need

Strategy

Our strategy is in place to ensure the growth of our business and further diversify our media content by leveraging our brands, customer loyalty and employees.

Maximise cash flow from print

Enhance print brands Improve content quality and efficiency	Read more on page 20
--	----------------------

Channels

Print

Our traditional print newspapers and magazines are a mix of national and regional paid-for and free publications. Success is driven by the resilience of our circulations, the scale of our portfolio and through attracting advertising.

Reach Printing Services operates six print sites and 24 full colour presses providing internal print services to our titles as well as print solutions externally to third parties.

image removed

How this makes money

We principally make money from paid-for publications (circulation), advertising, contract printing and events.

Our print revenues and efficiency are enhanced by selling print solutions to third-parties.



Digital

Our network of over 50 websites provides 24/7 coverage of news, sport and showbiz stories, with 1.3bn average monthly page views.

With over 40m UK unique monthly users, our portfolio represents the fifth largest online property in the UK.

image removed

How this makes money

We principally make money from online advertising and partnerships.



Accelerate digital audience and revenue

Grow digital reach
Leverage technology data and content

Read more on pages 21 and 22

Improve revenue performance
Seek new opportunities to accelerate revenue growth

Our brands and influence

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

Our influence goes beyond our print and digital publications. We are an intrinsic part of the communities in which we operate.

Our brands include

graphic removed

Our influence

Total UK reach of our national and regional news brands per month (combined digital and print)¹

46.7m

2018: 45.8m

graphic removed

UK news publishing industry monthly online audience³

graphic removed

40.2m
Reach Group

38.4m
News UK Sites

35.4m
Mail Online /
Daily Mail

graphic removed

31.1m
ESi Media

25.1m
The Guardian

20.6m
Telegraph
Media Group

In 2019²

14.6m

2018: 17.7m

people read one
of our newspapers
or magazines
each month

graphic removed

Total UK page views per year⁴

10.4bn +28%

2018: 8.1bn

graphic removed

5th largest online property in the UK³

Monthly UUs (m)

chart removed

Mobile UK page views per year⁴

+40%

5.7bn

graphic removed

8.0bn

2018

2019

Sources

- 1 IPA Touchpoints 2019 and comScore October 2019 average with applied duplication
- 2 IPA Touchpoints 2019.

- 3 ComScore December 2019

- 4 Google Analytics January to December 2019 and March to December 2018;
Adobe Analytics January and February 2018.

National change

graphic removed

Highlighting the plight of Cystic Fibrosis sufferers

Thousands of Cystic Fibrosis sufferers have a much better chance of a longer life thanks to a campaign by the Daily Express.

We printed heart-rending stories highlighting the terrible plight of those afflicted by the disease and denied access to 'wonder drugs' because the NHS and US drugs firm Vertex couldn't reach a deal on how much the treatment was worth.

After our relentless campaigning, a compromise agreement was finally reached, and the drugs reached overjoyed recipients.

I got a very special delivery
and it's all thanks to you so
wanted to say another HUGE
thank you. This is the best
day. You're the best.
You saved me."

Carlie Pleasant, 30

image removed

makers

Our **national reach** is still as strong as ever. We are bringing the brands people love to them in the way they want to consume information. We are not forgetting our strong heritage and the way different generations want to read news.

I want older people to see we're not all the same. We're not just teenagers, we're a frustrated future. We are the ones facing climate change and all the natural disasters that come with it."

Yasmeen El-Mansoob, 16

graphic removed

image removed

Encouraging teenagers take over for the Daily Mirror NextGen edition

When the Daily Mirror wanted to look at the issues facing today's teenagers we thought what better way than letting young people edit the website and paper.

The result was the NextGen edition – written, researched and compiled by more than 20 state school pupils.

It included interviews with A-list celebs, senior politicians, sports stars and even Prince William, as well as hard-hitting reports on knife-crime, homelessness, climate crisis and social media.

We gave them a voice. They gave us a ground-breaking paper that was an editorial and commercial success.

An evolving business focused on being fit for the future

Since the Group's inception in 1904 we have always looked to adapt and evolve to the world around us.

Acquisition of the Mirror Group

Acquired the Mirror Group and changed our name to Trinity Mirror. Following the acquisition the Group was responsible for publishing national titles such as Daily Mirror, Sunday Mirror, Daily Record, Sunday Mail and regional titles such as the Liverpool Echo, Daily Post and Birmingham Evening Mail.

image removed

Partnership with Brand Events

Trinity Mirror teams up with events company Brand Events to launch a venture focusing on UK-wide regional consumer events in three main sectors: Sports, Crafts and Food.

graphic removed

Launch BelfastLive

First 'Live' site launched, providing online access to in-depth, real time news and information about Belfast, for the people of Belfast.

image removed

graphic removed

image removed

**Sept
1999**

**Feb
2010**

**Feb
2015**

**Nov
2015**

**Oct
2016**

**May
2017**

Acquisition of Manchester Evening News

Trinity Mirror acquires the Manchester Evening News and 31 other regional titles from the Guardian Mirror Group.

graphic removed

Launch of InYour Area

Trinity Mirror launches a new online hyperlocal news, information and local community product aggregating in real time from various public sources, such as new websites and councils, as well as its own editorial content, all using a postcode.

graphic removed

Acquisition of Local World

Following the acquisition the business was responsible for publishing titles such as the Nottingham Post, Derby Telegraph, Leicester Mercury and South Wales Evening Post.

graphic removed

graphic removed

Acquisition of Express & Star

Following the acquisition, the business was responsible for additional titles such as OK! Magazine, Daily Star, New! and Daily Express. The Group changes its name to Reach plc.

graphic removed

graphic removed

graphic removed

Reach and IBM launch Mantis

Reach joins forces with IBM to launch a new brand safety platform, using AI and machine learning to check whether content is appropriate for advertising and reducing unnecessary blacklisting.

graphic removed

graphic removed

image removed

Pools.com

Reach takes a stake in thepools.com, the online sports betting operation of The Football Pools, the world's oldest football gaming company founded in 1923.

May
2018

Oct
2018

Dec
2018

Oct
2019

Nov
2019

Rebrand to Reach

Trinity Mirror rebrands as Reach following shareholder approval.

Major 'Live' sites expansion

Announcement of major new investment in its digital network of 'Live' sites with seven launches and 46 new editorial hires, marking a major opportunity to expand the Company's readership.

Investment in the Irish Daily Star

Reach acquires 50% stake in the Irish Daily Star, a tabloid newspaper published in Ireland.

graphic removed

Opportunities and challenges facing our industry

The media sector is rapidly evolving and faces challenging trading conditions with consumer behaviour and digital developments changing the shape of the publishing industry.

graphic removed

Decline of circulation revenues

The challenge facing the industry

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

The opportunities for Reach

- High quality content results in loyal readership
- Cover price strategy: cover price increases little and often
- Subscription offers within our own newspapers, to drive frequency
- Printing and distributing non-Reach titles to optimise production and logistics
- Added value in print product helps stabilise demand, eg puzzles and supplements

How is Reach responding?

- We continue to invest in high quality, reliable and trusted content, with over 2,567 journalists and editorial colleagues
- In May 2019, we published an edition of the Daily Mirror that was edited by a group of teenagers, thereby giving voice to our youth; in Nov 2019, we published a 'green' issue of the Daily Mirror, reporting from the UK and around the globe on the climate crisis threatening our existence
- We share content where possible between national and regional titles to improve our offer and reduce costs

Strategic links

Maximise cash flow from print, page 20

graphic removed

Online becoming the primary source for news

The challenge facing the industry

- Traditional print revenue sources – newspaper sales, display advertising and classified advertising – continue to decline
- While online news is growing, a sustainable model for reader payments is still elusive, with advertisers now paying by results (eg clicks)
- A lot of audience comes via third parties, such as Google or Facebook, which leaves the industry vulnerable to their changes in focus, eg Facebook's 'dialling back on news' in 2018
- The primary revenue model is page view driven, which is a threat to lower audience public interest news

The opportunities for Reach

- Reach can drive scale from local news markets, and has focused on digital news gathering (eg our In Your Area product)
- Nine of the top ten regional news sites in the UK are owned by Reach
- Third-party funding opportunities may be possible through collaboration with other industry players (eg BBC)
- Reach can lead on the diversity and representation challenge
- Migration of audiences to apps offers the chance to have direct relationships
- While Facebook and Google pose a significant threat to commercial opportunities, they also demonstrate a new range of advertising opportunities

Strategic links

Accelerate digital audience and revenue, pages 21 and 22

graphic removed

graphic removed

graphic removed

Digital algorithms in flux

The challenge facing the industry

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

The opportunities for Reach

- Reach is one of the largest digital news publishers in the UK, investing in people and systems, with scalable domestic and international revenue streams
- There are opportunities to expand our reach through investing in new and existing platforms
- Innovative technology solutions can solve the industry challenges

How is Reach responding?

- Through proactive management of our platforms and partner relationships, we minimise yield volatility
- Our customer-centric strategy is designed to maximise value demand from our customers while reducing reliance on lower value advertising revenue

Strategic links

Accelerate digital audience and revenue, pages 21 and 22

Monetising digital and local news

The challenge facing the industry

- Digital advertising for publishers remains a difficult market with over supply of advertising inventory, global platforms, hostile regulatory and tech environments around data and public service news providers (eg BBC)
- Not all news content is suitable for monetisation through advertising
- Local news has a smaller audience and certain public interest topics may not be easily monetised (eg local democracy reporting)

The opportunities for Reach

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

How is Reach responding?

- Launching new Live regional sites
- Growing international digital revenues
- Developing new products, eg InYourArea, to capture new revenue opportunities, including hyper-local advertising streams

Strategic links

Accelerate digital audience and revenue, pages 21 and 22

Increased competition

The challenge facing the industry

- Increased competition for eyeballs and advertising pounds
- Competing with multiple English language services
- Advertising ecosystem is dominated by platforms including Facebook and Google

The opportunities for Reach

- Work collaboratively with platforms and partners
- New platforms and products
- Leveraging our established and trusted brands, while growing audience and content

How is Reach responding?

- Working with platforms to increase demand within the digital buying auctions to drive up price
- Innovating with new partners and platforms
- Continuous testing and learning, including further developing the user experience

Strategic links

Maximise cash flow from print, page 20

Accelerate digital audience and revenue, pages 21 and 22

graphic removed

image removed

graphic removed

Helping Cornwall's homeless

Helping Cornwall's Homeless was a campaign by Cornwall Live to help tackle Cornwall's homelessness problem during a key six-week winter period by raising awareness, money, support and donated belongings.

Over the past decade, Cornwall has been battling a homelessness problem which is worsening by the year.

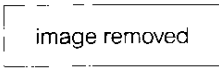
The campaign set out key objectives and targets for the six weeks and made the ways to get involved very clear to our readers to help engagement and interest. This included donating cash, their time to help, or any possessions they had that would help the cause.

Since its beginning in mid-November, there was a total of 100 bags of donations, with endless numbers of items from underwear to tinned food. A staggering 64 people also decided to give up their time to volunteer for St Petrocs, a local charity working to end street homelessness in Cornwall.

I couldn't be more delighted with how our readers have responded to the campaign we launched six weeks ago. It has been a wonderful journey of discovery for all of us involved."

Philippa Jenkins
Editor, CornwallLive

Local camp


 image removed

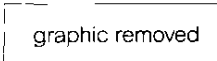
Supporting struggling families during the summer holidays

Providing children and young people with fun activities, safe places to go and nourishing meals during the school holidays was the aim of a campaign by The Sentinel and StokeonTrentLive, to tackle inequality. The Hubb Foundation was launched by Carol Shanahan, owner of Port Vale Football Club, in conjunction with The Sentinel.

The Hubb is a community interest company that tries to reach more families who need support when schools are closed. It operates across the six towns of Stoke-on-Trent, and to date, has served almost 12,000 free meals to children of all ages.

During school holidays, some children have had to fend for themselves, and go without meals, so The Sentinel have highlighted these socio-economic problems and helped raise funds through their links with local businesses. The Hubb fills a real void in the community, and it now attracting significant national media attention.


 graphic removed


 graphic removed

aigners

Our **local reach** ensures we get the relevant information to the relevant audience through the channels they want them. We are ensuring we do this by having the right brands in the right locations.

I am one of three founding trustees of The Hubb which I'm proud to say recently gained charitable status. As well as being a trustee I volunteer, along with my family, and help out at Hubb activity sessions."

Martin Tideswell
Editor, StokeonTrentLive

Chief Executive's review

We have now established a solid and stable foundation on which to drive customer focused, sustainable growth for Reach."

Jim Mullen
Chief Executive

image removed

Introduction and early reflections

This is my first annual review since taking over as CEO of Reach in August 2019. I am delighted to report a successful period of continuing good operational and financial progress for Reach, one which has seen the refocusing of the Company's strategy as we aim to generate and accelerate our growth for the long term, and the appointment of a Chief Customer Officer.

Highlights

13.2%

increase in LFL digital revenue

4.8%

increase in adjusted EPS – basic

Clear strategy

My early impressions of Reach are extremely positive and I feel privileged to lead a business that is laden with excellent journalistic, creative and operational talent. People are the core of our business and critical in taking the business forward. Reach has been on an acquisitive journey that has resulted in the unrivalled position of being the largest commercial national and regional news publisher in the UK. Tight cost control has delivered efficiency and balance sheet strength. However the challenges facing commercial news and content publishers have been well documented and I have been asked on several occasions what attracted me to joining Reach. The short answer is that I saw a compelling opportunity to drive increasing value as we deepen our relationship and better engage and understand our customers.

With a revival in readers searching for trusted news and content, a distribution reach unmatched in UK media and a record number of anonymous customers engaging on a daily basis, it is clear to me that there is significant opportunity to develop closer and better known relationships with our customers to further drive increased engagement and commercial yield.

The Group's operational and financial resilience is commendable. Best of all, though, is that Reach is very well positioned to take advantage of the many real opportunities that we are currently seeing in our industry. With our strong balance sheet, cost control and disciplined investment, and a print business that is highly cash generative, we have the capability and opportunity to create further value from our trusted reader and customer relationships and thereby further diversify our revenue base. All of which is additive to our long-standing commitments to our shareholders and pension schemes.

Overview

Reach delivered a solid financial performance in 2019, with a good operational performance, and record growth in audience numbers particularly in the second half of the year.

A refocus on operational management post the successful integration of the publishing assets of Northern & Shell ('Express & Star') has allowed us to deliver an improved operating margin and profitability, whilst an improvement in the rate of decline of print revenue together with strong growth in digital revenue resulted in an improved Group revenue performance on a like-for-like basis.

For the 52 weeks ended 29 December 2019, adjusted operating profit increased by 5.4% to £153.4m as a result of our continued focus on driving operating efficiency and reducing costs. Adjusted operating margin increased by 1.7 percentage points to 21.8%.

The Company saw reported revenue of £702.5m which is a decline of 3% or £21.4m. On a like-for-like basis revenue declined by 5.3% which is an improvement compared to 2018 where the year-on-year revenue decline was 6.6%. Like-for-like print revenue fell by 7.9% compared to 8.3% in 2018 but digital revenue demonstrated strong growth, increasing by 13.2% on a like-for-like basis compared to 9.6% in 2018. This increase in digital revenue benefited from strong page view growth, up 25% versus prior year. The slowdown in the year-on-year decline of print revenue was helped by resilient circulation revenue which declined by only 4.5% compared to a fall of 5.1% in 2018. Advertising revenue fell by 19.4% which compares to 16.2% in 2018.

The circulation revenue decline benefited from cover price increases during the year as well as increased availability, while the fall in advertising revenue was in part driven by the agreed reduction in Health Lottery advertising as part of the Express & Star acquisition. Excluding this effect, advertising revenue declined by 17.2%.

Cash generation continued strongly during the year and resulted in the Group becoming debt free with a net cash balance of £20.4m at the financial year-end. The strong cash flows enabled the early repayment of all our bank financing.

We also successfully refinanced our borrowing arrangements during the period. The Company's new debt facilities consist of an undrawn £65m non-amortising facility committed to December 2023, providing Reach with a simple long-term debt capital structure and a strong financial platform from which to continue delivering upon the growth objectives of the business.

The provision for dealing with and resolving civil claims in relation to historical phone hacking and unlawful information gathering has been increased by £11.0m at the year end to reflect an increase in the estimate of the cost of settling claims. This brings the total amount charged to the income statement since 2014 to £86.5m. At the year end, £21.1m of the provision remains outstanding and this represents the current best estimate of the amount required to settle the expected claims. Although it is not possible to provide a range of potential outcomes in respect of this provision, the Board remains confident that the exposures are manageable and under control. Due to this uncertainty, a contingent liability has been highlighted in the financial statements.

Adjusted profit before tax increased by 6.1% to £150.6m (2018: £141.9m) while adjusted earnings per share rose by 4.8% to 41.1p per share (2018: 39.2p per share).

Further details on our financial performance during the year are provided in the Financial Review.

Chief Executive's review continued

Our customer-focused future

As a result of our strong financial and operating performance during the year, combined with the strength of the Company's balance sheet, we have now established a solid and stable foundation on which to drive customer focused, sustainable growth for Reach.

Our news brands have a long heritage of being trusted sources of news and information. Through our national and regional print titles we reach 15m UK adults each month. During the last five years, we have been driving expansion of our national and regional digital coverage. Our UK monthly online audience in December 2019 was 40m, up 8% on the prior year. To date, we have been very successful in growing page views of our online news sites. This has largely been achieved through investing in journalism and content producers, offering high quality, trusted content particularly on topical news items, campaigning, sport, celebrity news, royalty coverage and politics. We've also seen encouraging growth in page dwell time which is also important to driving yields.

There is much more that we can do. The yield that results from programmatic or algorithmic advertising has been and will remain a significant pillar of our growth but we now need to develop a strategy to capture the value we have in our trusted reader and customer relationships. To build upon this growing reach we intend to deliver more value from the increasing depth of our trusted reader and customer relationships.

The reach and distribution channels of digital and print are all too often kept separate. What binds them together is the reader and customer value of those who consume one or more of our brands or those who engage with our products and services found via our brands. As an industry, we too often talk about the decline of our print products, but 15m people read one of our newspapers and magazines each month. Although it is in decline, our print customer base is loyal and resilient and coupled with strong growth in our digital audience, we have an unparalleled reach in the UK of 47m (combined deduped print and digital reach) and we still remain the largest commercial national and regional news publisher in the UK. We have already started the process of getting a better grasp on our customer cross-over, uniquely identifying print readers and understanding our digital customers better.

We have continued to invest in our InYourArea brand which will build upon the distribution of our network to deliver relevant local content and build direct local customer relationships. Through the investment in 2019 in our Live sites, we have invested in journalism to make sure we are further extending our network and covering areas in the UK where we are not currently present and where we expect organic growth offers better value returns than acquisitions.

We plan to bridge the current anonymity of our digital and print relationships by building known customer relationships. Thus making content more relevant, advertising more targeted, services more useful and customer relationships more meaningful and therefore more valuable. The 47m people we now reach in the UK means we have a significant base to begin our strategy of building more valuable customer relationships.

Our competitive position

Looking at the business today, some 84% of the Group's revenue comes from the print business, yet Reach in 2019 has moved from the sixth biggest digital asset in the UK to the fifth biggest digital asset after Google, Facebook, Amazon and Microsoft with 40m unique users accessing our online content in December 2019 (as measured by ComScore). In many of the large UK cities we serve, Reach's news content is relied upon for daily consumption by more than 50% of the local population. When we take our significant regional and national print products into account, we have a reach of 47m people accessing our content.

Amongst the top four of the UK's digital assets, we estimate that more than 90% of customers have signed up and provided their data. This has enabled these digital content providers to develop strong commercial offerings. In contrast, to date less than c.2% of Reach's customers have given us their consent through registration, largely because we have not asked for it. This highlights the initial opportunities we have and the very significant growth potential we see. Increased customer engagement will come from driving registration by engaging customers on key verticals and getting a better understanding of their behaviours and top interests. This increase in registered users will enable us to better personalise our offering and introduce these customers to new products and services.

Importantly, we already have much of the necessary technical resource in house. While there will be need for some technology investment in the future, we do not currently anticipate significant capex spend. We have a sophisticated content management system which we will continue to develop to enhance reader experiences when they visit our websites and apps. Our ad stack is optimised to deliver maximum revenue from advertising which is relevant to readers. As we develop our strategy, we will work with partners whose technology allows us to deliver our plans effectively and sustainably.

Our print titles are well managed with editorial conviction and still consistently produce award-winning journalism that shape the national and regional conversation. In 2019, amongst a number of campaigns pioneered by Reach titles:

- In 2019, the Daily Mirror continued its long history of special editions, campaigns and agenda-setting reporting. The title decided the best and bravest way to explore the issues facing today's teenagers was to allow a group of young people to edit the Mirror in print and online for a day. A team of 20 teenagers took control of all content in the groundbreaking NextGen edition. This same bold approach saw the Mirror devote an entire issue to the global climate crisis. It featured brilliant reporting from Northern Canada, India and Ghana; the launch of a campaign to plant a million trees; analysis from across the UK on our changing environment; and bespoke advertising from numerous existing and new clients. The paper even turned its masthead green for a day.
- The Daily Express waged a hard-fought and successful campaign to save the lives of isolated and helpless Cystic Fibrosis sufferers. Launching in February 2019, the paper demanded sufferers be given access to wonder drugs Orkambi and Symkevi following deadlock between the NHS and US drug giant Vertex. By giving the sick a banner to unify behind, the Express shattered the stalemate meaning thousands of gravely-ill patients will live out their dream of a healthier, happier future. The fight continues. The paper has now launched a campaign for the cutting-edge Cystic Fibrosis wonder drug Trikafta to be made available on the NHS as soon as possible.

- Scotland has the highest rate of drug-related deaths anywhere in Europe, prompting the Daily Record to ask some fundamental questions about the crisis. After speaking to key voices across all areas of the debate and travelling to Portugal, a country which had experienced and addressed similar problems, the Record concluded it was time to start treating drug addiction as a health issue rather than a crime. The highlight of the campaign was the Record's front page with the headline 'DECRIMINALISE DRUG USE'. This has since become the official policy of the Scottish government, which is trying to put pressure on the Prime Minister to devolve the powers to Holyrood.
- The Manchester Evening News ('MEN') played a leading role in ensuring the North of England was a major factor in the 2019 General Election. Joining with more than 30 regional titles, the MEN spearheaded the 'Power up the North' campaign after exposing funding inequality that had actively widened the gap between North and South. With a huge audience amplified by national media attention, this unique collaboration ensured both major political parties went into the campaign with key policy pledges for the North. That narrative has accelerated post-Election and we remain central to ensuring promises are delivered.
- Plastic waste has been a widely-discussed topic in recent years. In 2019, WalesOnline ran the 'Wales Against Plastics' campaign to shed light on the damage done by plastic waste to the Welsh landscape, from beaches to ancient woodlands. The news site called on councils to increase recycling and limit environmentally-damaging landfill, and highlighted Welsh businesses who were reducing their plastic packaging. It also asked readers to pledge to reduce their plastic waste, while offering practical advice on how to do so. Furthermore, the WalesOnline team organised their own clean-ups with editorial staff and members of the public at Swansea Bay beach and Aberavon beach, during which they cleaned up more than 30 bin bags worth of litter.

The titles within our portfolio represent a diverse set of opinions across the political spectrum which is arguably unmatched in the UK media landscape and as such are geographically, demographically and through the audience in which they represent a true reflection of our readers and customer. This is a rich base of customer information to build a customer value strategy.

Our customer value strategy

This is the start of a customer value strategy to build upon our significant reach and engage directly with our customers, essentially adding depth to the breadth we already have. This is in addition to our continuing operating efficiency, commitment to our core purpose of publishing first class journalism and content, and delivering on our pension and shareholder obligations. With that in mind, we are committed to the continuation of paying a progressive dividend and meeting our pension obligations. We will therefore continue to strive to deliver sustainable growth in revenue, profit and cash flow by layering our customer value strategy on to our operational efficiency initiative and better leverage our significant distribution and reach. Content is at the heart of this strategy and we will build an intelligent and relevant content business for the long term. We will continue to keep a tight control on capital investment with ongoing discipline being a key principle. Reach will better harness our talent and teams, and become a more data-driven and customer-centric organisation with a unified single view of the customer across Reach. To deliver this, our vision is 'Touching lives, shaping conversations and stirring emotions... our trusted brands connect people to the world. Every minute, every day'.

Current trading, outlook and customer value strategy

The Group has continued to perform in line with management's expectations since the year end. The Board is confident that the Group will make further good progress through the rest of the year delivering its customer-focused strategic objectives and digital growth ambitions.

Jim Mullen

Chief Executive Officer

24 February 2020

Business review

A year of progress, with improved digital momentum

2019 performance has been encouraging, with improvements across a range of financial and operational metrics, and provides a solid base for the future. Strong growth in digital audience drove an improved digital like-for-like revenue trend, whilst like-for-like circulation revenue decline (and therefore print revenue decline) trends improved due to targeted product and availability investment. We continue to deliver improvements for our customers through our brands, content and experience, as well as being focused on driving efficiencies across our business and delivering returns to shareholders while meeting our agreed pension obligations.

Strategic progress

Set out below is a summary of the progress made during 2019 in pursuing our strategy to maximise cash flow from print while accelerating digital audience and revenue:

Maximise cash flow from print

We continue to enhance the content and distribution of our print brands as we seek to support circulation revenue:

- Editorial improvements were made to the Daily Express, increasing its pagination by eight pages per day including four pages of puzzles, which has proved popular with readers;
- Following the success of the Sunday edition of the Liverpool Echo, in February we launched the Manchester Evening News on a Sunday with negligible increase in resource required, again demonstrating the efficiency of our editorial and publishing operating model;
- The OK! bumper pack comprising OK!, New and Star magazines has been evolved with Star magazine being replaced with a 7-day TV listings magazine ('Star TV') which is a re-branded version of 'We Love TV' which already appears in the Daily Mirror on Saturday. This has added value to the OK! bumper pack at a lower cost; and
- We continue to innovate our products with the Daily Mirror publishing two special editions during the year:
 - The Daily Mirror Next Gen Edition, published in May, was written and edited by young people from schools across the country, providing a platform for their voices to be heard more clearly and highlighting the issues that they felt passionate about. This special edition proved particularly popular amongst our advertisers, including SEAT, who were masthead sponsors for the edition.
 - The Daily Mirror Climate Issue, published in November, reported from Britain and around the globe on the climate crisis threatening our planet, telling the stories of those lives already impacted by floods and fires, and by rising sea levels and temperatures. This issue also saw the launch of our 'Million Mirror Trees' planting campaign.

We also continue to implement operational efficiency improvements designed to optimise the print cost base:

- Delivered structural cost savings of £12m, £2m ahead of our target of £10m, including optimising our printing supply chain and evolving our printing processes;
- Completed the integration of Express & Star, delivering savings on an annualised basis of £23m (£3m delivered in 2018, an incremental £16m delivered in 2019 with a further incremental £4m being delivered in 2020); and
- We also continue to review our portfolio of regional titles and closed three titles during the year.

image removed

National changemakers

Read more on pages 8 and 9

Accelerate digital audience and revenue

Reach is currently the fifth largest digital asset in the UK and we continue to grow our digital reach. Through our digital distribution channels, our content reached over 40m unique users in December 2019 and we reach over 50% of the population in the big cities that we serve on a weekly basis.

We recorded strong organic growth in our digital audience through the course of 2019, with the number of page views accelerating in the second half of the year. Average worldwide monthly page views in 2019 grew by 25% year on year to 1.3bn (up 34% in H2).

We launched two new embeds across all online publications in our network. The 'Don't Miss' and 'Most Read' embeds are designed to improve recirculation by providing relevant in-article recommendations to our readers.

The Manchester Evening News ('MEN') became the first-ever UK regional news site to break the 1bn views mark in a single year. With over 750m views on desktop and mobile, plus a further 250m on its app, the MEN hit this milestone at the end of November 2019.

During the year, we opened new digital-only sites in areas or segments where we do not currently have a print presence such as Cork Beo and Business Live, which brings together all our regional business coverage onto a single site.

Apart from our websites, we also have a stable of podcasts, including our hugely successful Blood Red Liverpool podcast, with monthly listens growing steadily. We launched several new podcasts during the year on topics including mental health and parenting.

In November, we announced a significant expansion of our digital network of regional news sites under the 'Live' brand, committing to at least seven new launches in 2020 and hiring 46 journalists into permanent positions. New launch areas include Bolton, Bradford, County Durham, Newport, North Yorkshire, Sheffield and Sunderland. This expansion represents further growth of our proven model and brings Reach journalism to even more communities across the country, demonstrating our commitment.

Since the year end, we announced a further investment in digital reach with more than 50 new jobs for our personalised hyper local news platform InYourArea, which has shown rapid growth since its launch in 2017. InYourArea already has 2.5m engaged users and consistently shows double-digit monthly growth, evidence of our continuing ability to lead in the hyper local news sector.

Local campaigners

Read more on
pages 14 and 15

image removed

image removed

Business review continued

Accelerate digital audience and revenue continued

We recognise that digital audience growth alone is insufficient and we must build our digital revenue alongside it, which we have done with like-for-like digital revenue increasing by 13.2%, an acceleration year on year.

Key initiatives that continue to drive digital revenue growth include:

- Audience engagement to deliver higher page views and optimisation of the advertising yield for each page impression and each page;
- Strong revenue growth from InYourArea where we have a range of self-serve products for local advertisers including estate agents, jobs, local deals and a business membership and directory; and
- Growth and development of our Ozone commercial partnership with News UK, The Telegraph and The Guardian, offering quality audiences at scale in a brand safe, transparent and trustworthy environment.

At the end of January 2020, Maureen McDonagh joined from Facebook in a new role as Chief Customer Officer. Maureen is responsible for delivering a joined-up data and customer strategy, working closely with the digital teams at Reach and steering a range of customer-focused objectives.

Beyond digital revenue, we continue seeking ways to diversify, for example, through events (leveraging our association with Brand Events), our book publishing business and Reach Sport (our sports media publishing business), which handled the publication of all the match day programmes for all the Rugby World Cup fixtures held this year in Japan.

Merger and acquisition opportunities

We will continue to consider merger and acquisition opportunities which accelerate progress in the delivery of our strategy and where the financial and business cases meet our requirements. These opportunities could be to provide further industry consolidation, increase our digital footprint or audience scale, develop our product set or to monetise our existing audience.

Sustainable growth

We believe growth from digital and new revenue streams will offset print declines on an aggregate basis, leading to a future stabilisation of revenue. This, combined with our inbuilt and *relentless focus on maximising efficiency*, gives the Board confidence that the delivery of sustainable growth in revenue, profit and cash flow is achievable in the future, for the benefit of all stakeholders.

Our colleagues

Our thanks go to all our colleagues for their valuable contribution to the strong financial and operating performance of Reach during 2019.

Digital Champions

Read more on pages 24 and 25

image removed

image removed

The media sector is rapidly evolving and faces challenging trading conditions with consumer behaviour and digital innovations changing the landscape of publishing.

Financial

Digital revenue growth (%)

LFL +13.2%

Actual:

chart removed

Print revenue decline (%)

LFL -7.9%

Actual:

chart removed

Non-Financial

Customers reached across
Print and Digital per month (m)

+2%

chart removed

Target

Year-on-year growth in LFL digital revenue

Strategic Link:

Accelerate digital audience and revenue, pages 21 and 22

Target

Improved year-on-year in LFL percentage decline rate

Strategic Link:

Maximise cash flow from print, page 20

Target

Year-on-year growth in customers reached per month

Strategic Links:

Maximum cash flow from print, page 20

Accelerate digital audience and revenue, pages 21 and 22

Adjusted operating margin (%)

+1.7pp

chart removed

Adjusted operating cash flow (£m)

+£0.2m

chart removed

Total average worldwide page views
per month (bn)

+25%

chart removed

Target

Continue to grow operating margin

Strategic Links:

Maximise cash flow from print, page 20

Accelerate digital audience and revenue, pages 21 and 22

Target

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

Strategic Link:

Maximise cash flow from print, page 20

Target

Year-on-year growth in total UK page views

Strategic Link:

Accelerate digital audience and revenue, pages 21 and 22

I've just started walking her to nursery and I noticed how dangerous that junction is," explained Mr Knight, who is an engineer. You basically just have to hope that a car sees you and slows down so you can cross or you can be there for ages. This is particularly dangerous in the mornings when there are a lot of children running around because they don't really pay attention to where they are going."

Chris Knight, 35

Digital cha

Our **digital** reach is growing and it's been one of our focuses over the past 12 months. We are listening to what our customers want and give them more depth and breadth in our products.

graphic removed

graphic removed

Empowering local communities

image removed

A Croydon dad started a petition calling for a pedestrian crossing to be installed at a junction which he labelled "absolutely horrendous" to cross. Starting the petition on the InYourArea website was suggested to Mr Chris Knight by Upper Norwood's councillors.

Getting something done in your local community can involve frustrating calls to councils, or more likely shrugging and driving on by. InYourArea puts the power back in a community's hands to make changes in their area and ensure their voices are heard for micro-campaigns. Petitions started on InYourArea highlight issues and also alert newsrooms to stories.

From a campaign to save a conservation area at Briary Wood in Bridgend through to Chris Knight's calling for a new pedestrian crossing, these petitions and stories began life on our community news platform InYourArea – with news from across your city through to neighbourhood level.

mpions

graphic removed

graphic removed

Delivering festive cheer to those in need

The South Wales Evening Post's campaign created 300 festive hampers to feed families who could not afford a Christmas dinner.

Teaming up with the Co-op and local politicians, we appealed for specific food items or cash donations over a six-week period, and were inundated with support – so much so that an additional 600 families were also supported by the appeal, through additional food packages, or other donations, such as toys, that also came in.

We were overwhelmed by the response, and, sadly, the fact that every single donated item was so desperately needed in our city."

Jonathan Roberts
Editor, WalesOnline

image removed

Financial review

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

Simon Fuller

Chief Financial Officer and Company Secretary

image removed

Solid financial progress and strong business fundamentals

The Group delivered a solid trading performance in 2019, with improved revenue trends and the delivery of significant cost savings resulting in an improvement in adjusted operating profit. The balance sheet strengthened with all bank debt repaid, a positive cash balance of £20.4m and a reduced IAS 19 pension deficit, while the strong cash flows continue to support the payment of a progressive dividend and our ongoing obligations to funding the pension scheme deficits.

Trading performance

Improved revenue mix

On a like-for-like basis, revenue declined by 5.3% compared to a like-for-like fall of 6.6% in 2018. Within this, print revenue fell by 7.9% (2018: down 8.3%) and digital revenue showed stronger growth, increasing by 13.2% (2018: up 9.6%). Total revenue fell by 3.0% to £702.5m benefiting from the acquisition of Express & Star.

Print revenue fell by 5.1% or £32.0m to £591.3m (2018: £623.3m). On a like-for-like basis, print revenue declined by 7.9% (2018: down 8.3%), with the more resilient circulation revenue declining by 4.5%. Circulation revenue now accounts for 61.2% of print revenue, while the more structurally challenged advertising revenue declined by 19.4%. The circulation revenue decline was part-mitigated by cover price increases and availability investment, while the advertising decline was impacted by the agreed reduction in Health Lottery advertising as part of the Express & Star acquisition (excluding this effect, advertising declined by 17.2%).

Circulation volumes for the Group's national daily titles (excluding the impact of sampling) fell by 12.6% which compares to a decline for the UK tabloid market of 9.8%. The Group's national Sunday titles (excluding the impact of sampling) fell by 14.6% which compares to a decline for UK tabloid market of 10.7%. Volume declines for our regional titles were 14.1% for paid-for dailies, 21.2% for paid-for weeklies and 4.6% for paid-for Sundays. Our regional Sunday volumes were improved by the launch of MEN on Sunday which if excluded volume declines were 14.1%. The circulation volumes for the paid-for magazines, OK! and New!, continued to face challenging trading. The circulation volume trend versus the market average have been impacted by cover price differentials and strategy.

The like-for-like decline in advertising revenue reflects the impact of the reduction in Health Lottery advertising and the absence of the FIFA World Cup, which was in June and July in the prior year. Our nationally sourced advertising performed better than locally sourced advertising, which still suffers the drag of declining classified advertising. Print advertising volume market share on the Group's national titles on a like-for-like basis was broadly similar to 2018.

Printing like-for-like revenue increased by 6.6% benefiting from new printing contracts and additional services to existing customers.

Other like-for-like revenue increased by 1.8% including the benefit from the printing and distribution of programmes for the Rugby World Cup.

Digital revenue comprises the combined display and transactional revenue streams which are predominantly directly driven by page views. We have accelerated our digital audience growth, establishing ourselves as a digital player of true scale and we continue to find ways to monetise this scale and reach. Digital revenues were £107.0m in 2019 (2018: £91.3m).

Digital revenue on a like-for-like basis was up by 13.2% (compared to 9.6% in the 2018), benefiting from page view growth with revenue growth accelerating from 9.7% in the first half to 16.4% in the second half. The growth in the first half was impacted by our digital audience continuing to be negatively impacted by the changes in Facebook and Google algorithms in early 2018, while the second half benefited from our digital initiatives.

Average monthly worldwide page views in 2019 grew by 25% year on year to 1.3bn. The first half saw page view growth of 15% while the second half saw accelerated page view growth of 34%. In 2019 mobile page views grew by 37% while desktop page views fell by 4%.

Other revenue is derived from our specialist digital recruitment websites. In 2018 this also included revenue from our specialist digital marketing services business, which was disposed of in

September 2018, and from third-party rental and other services income to tenants in Canary Wharf, which ended as we terminated sub leases following our move from four to two floors in June 2018.

Delivery of significant cost savings

Statutory operating costs fell by £254.1m to £578.2m due to there being no impairment charge compared to a charge of £200.0m in the prior year together with lower pension and restructuring charges and the benefit of cost savings despite the inclusion of Express & Star costs for an additional two months.

A key priority for the Group is maintaining quality journalism whilst ensuring the commercial viability and profitability of our brands into the future. To achieve this we continue to drive efficiencies which we expect to not adversely impact our products. The Group tightly manages the cost base with cost savings delivered through natural mitigation where volumes decline, day-to-day management interventions, structural costs savings which permanently remove costs and synergy savings relating to the acquisition of Express & Star. In 2019, the Group delivered structural cost savings of £12m, £2m ahead of our target of £10m and completed the integration of Express & Star, delivering savings on an annualised basis of £23m (£3m delivered in 2018, an incremental £16m delivered in 2019 with a further incremental £4m being delivered in 2020).

These savings have been achieved by a series of initiatives across the business, including editorial, commercial, printing, senior management structures and back office functions. We also drive longer term infrastructure and operational benefits by reducing office space, moving data centres to the cloud, alongside investing in new and improved systems. In addition to cost savings, we drive further optimisation initiatives through maximising the utilisation of our printing network by securing new or retaining existing print contracts or securing external printing for our newspapers where appropriate, managing the profitability of our titles and closing titles where there is no path to sustainability.

Labour costs were £240.1m (reduction of £5.8m versus 2018) with savings from print-related staff reductions partly offset by the additional two months of Express & Star and an increase in digital focused resource, alongside inflationary increases.

Newsprint costs were £73.1m (reduction of £2.5m versus 2018) with savings from reduced volumes and closures mostly offset by the additional two months of Express & Star and newsprint price increases (increase in H2 2018 and H1 2019 though reduction in H2 2019). Price inflationary pressures seen in recent years have eased more recently.

Depreciation was £21.5m (reduction of £0.8m versus 2018) as capital expenditure continues to be below depreciation, with minimal capex required for our print sites and expected for digital development.

Other costs were £243.5m (reduction of £245.0m on 2018) driven by reduced operating adjusted items of £225.6m (principally, the prior year impairment). The remaining reduction of £19.4m is driven by print costs actions more than offsetting the additional two months of Express & Star and an increase in digital focused costs and inflationary increases.

The total impact of the items excluded from adjusted operating costs was a charge of £27.3m (2018: £252.9m). Operating adjusted items comprise restructuring charges in respect of cost reduction measures of £10.7m (2018: £20.0m), a £11.0m (2018: £12.5m) increase in the provision for dealing with and resolving civil claims in relation to historical phone hacking, pension administrative expenses of £2.9m (2018: £3.0m) and an impairment of a printing press of £2.7m (2018: nil). In 2018, operating adjusted items also included a non-cash impairment of goodwill publishing rights and titles and freehold buildings of £200.0m, pension past service costs for Guaranteed Minimum Pension equalisation of £15.8m and a charge for other items of £1.6m.

Financial review continued

Statutory results

The statutory operating profit of £131.7m for the year compares to a statutory operating loss of £107.6m in the prior year which was impacted by a non-cash impairment charge.

Statutory financing costs were £10.9m (2018: £12.4m) reflecting the reduction in the pension finance charge on a lower opening pension deficit and the reduction in finance costs as borrowings drawn to fund the acquisition of Express & Star have been repaid.

The statutory tax charge of £26.6m (2018: credit of £0.3m) comprises a current tax charge of £15.9m (2018: £17.2m) and a deferred tax charge of £10.7m (2018: credit of £17.5m).

Statutory profit after tax amounted to £94.3m compared to a loss after tax of £119.6m and statutory earnings per share for the year of 31.8 pence per share compares to a statutory loss per share of 41.0 pence in the prior year.

Adjusted results

The acquisition of Express & Star coupled with our continued focus on tightly managing the cost base ensured we delivered a solid performance, with adjusted operating profit growing by 5.4% or £7.8m to £153.4m. Adjusted operating margin increased by 1.7 percentage points from 20.1% in 2018 to 21.8% in 2019 reflecting our optimisation strategy.

The continued strong cash flows generated by the business ensured that finance costs were £2.9m, a decrease of £0.9m from the prior year due to repayment of term loan borrowings drawn to fund the acquisition of Express & Star.

The adjusted tax charge of £28.9m (2018: £27.7m) represents 19.2% (2018: 19.5%) of adjusted profit before tax. The rate is broadly in line with the statutory tax rate of 19.0%.

Adjusted profit after tax increased by £7.5m or 6.6% to £121.7m and adjusted earnings per share increased by 1.9 pence or 4.8% to 41.1 pence.

Reconciliation of statutory to adjusted results	Statutory results £m	Operating adjusted items (a) £m	Pension finance charge (b) £m	Adjusted results £m
Revenue	702.5	–	–	702.5
Operating profit	131.7	21.7	–	153.4
Profit before tax	120.9	21.7	8.0	150.6
Profit after tax	94.3	20.9	6.5	121.7
Basic earnings per share (p)	31.8	7.1	2.2	41.1

(a) Operating adjusted items relate to the items charged or credited to operating profit as set out in note 8 to the consolidated financial statements.
(b) Pension finance charge relating to the defined benefit pension schemes as set out in note 20 to the consolidated financial statements.

Reconciliation of adjusted to statutory results

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

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

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

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

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

The Group's pension schemes are all closed to new members and to future accrual and are therefore not related to the current business. The pension administration expenses and the pension finance charge are included in adjusted items as the amounts are significant and they relate to the historical pension commitment. Additionally, the charge in respect of Guaranteed Minimum Pension equalisation was included in adjusted items last year as the amount was material and it related to the historical pension commitment.

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

Balance Sheet

Positive cash balance at year end

Net debt reduced by £61.2m from £40.8m net debt at the prior end to a net cash position of £20.4m at the year end.

In December 2019, the Group repaid early the remaining £39.7m drawing on the Acquisition Term Loan ('ATL') from cash reserves. With the repayment of £20.3m in the first half of the year, the ATL has been fully settled.

The Group also cancelled the previous amortising Revolving Credit Facility ('RCF') and entered into a new four-year £65m non-amortising RCF. This is to provide the necessary resources to continue to invest in the future strategy. The Group had no drawings at the reporting date on the RCF.

Deferred consideration of £59.0m in respect of the acquisition of Express & Star is included in trade and other payables. Of this amount, £18.9m is classified as current liabilities (payable on 28 February 2020) and £40.1m is classified as non-current liabilities (payable £16.0m on 28 February 2021, £17.1m on 28 February 2022 and £7.0m on 28 February 2023). There are no conditions attached to the payment of the deferred consideration and the transaction was structured such that no interest accrues on these payments.

The strong cash flows generated by the Group provide resilience and financial flexibility to invest in the business, meet pension funding obligations and pay a progressive dividend.

Historical legal issues

The historical legal issues provision relates to the cost associated with dealing with and resolving civil claims in relation to historical phone hacking and unlawful information gathering. In April 2019, the law changed in respect of conditional fee agreements, the effect of which was to limit from that date the extent to which a claimant's law firm can recover a premium in legal costs for success. During the year, the Group has progressed and settled a number of claims and also seen new claims come forward, a number of which were advanced immediately prior to this change. The Group has also been required to provide further invoice information to claimant's lawyers in respect of certain suppliers to the Group over a period of time.

The provision has been increased by £11.0m at the year end to reflect an increase in the estimate of the cost of settling claims. At the year end, £21.1m of the provision remains outstanding and this represents the current best estimate of the amount required to settle the expected claims. There are three parts to the provision: known claims, potential future claims and common court costs. The estimates are based on historical trends and experience of claims and costs. The provision is expected to be utilised over the next few years. The Group has recorded an increase in the provision in each of the last five years which highlights the challenges in making a best estimate. Certain cases and other matters relating to the issue are subject to court proceedings, the dynamics of which continue to evolve, and the outcome of those proceedings could have an impact on how much is required to settle the remaining claims and on the number of claims. It is not possible to provide a range of potential outcomes in respect of this provision. Due to this uncertainty, a contingent liability has been highlighted in note 35 in the notes to the consolidated financial statements.

Reduction in accounting pension deficit

The IAS 19 pension deficit in respect of the Group's six defined benefit pension schemes fell by £52.7m to £295.9m (£242.9m net of deferred tax). Group contributions, strong asset returns and a reduction in the expected rate of improvement in mortality have been mostly offset by an unfavourable movement in financial assumptions driven by a fall in the discount rate and higher inflation increases.

Group contributions to the defined benefit pension schemes in the year were £48.9m (2018: £90.1m including a contribution of £41.2m to the Express & Star schemes relating to the acquisition). Contributions have been agreed at £48.9m for 2020, £56.1m per annum for 2021 to 2023, £55.3m per annum for 2024 to 2026 and £53.3m for 2027.

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

Cash Flow

Continued good cash generation

Cash flows from operating activities were £147.4m (2018: £137.8m), an increase of 7.0%. Net debt of £40.8m at the end of last year moved to a cash balance of £20.4m due to the £61.2m of cash flow before debt repayments.

Restructuring payments were £13.6m (2018: £18.1m) which included the completion of the integration of Express & Star. Restructuring costs in 2020 are expected to be £5m.

Capital expenditure was £3.9m (2018: £11.2m) which is more in line with the expected annual run rate as the Group is fully invested in its print plants and expenses costs relating to digital. Spend was higher in 2018 as it included expenditure in connection with the reduction in floors at Canary Wharf and costs relating to a new finance system.

The Group presents an adjusted cash flow which reconciles the adjusted operating profit to the net change in cash and cash equivalents. Set out in note 41 is the reconciliation between the statutory and the adjusted cash flow.

The adjusted operating cash flow was £133.1m (2018: £132.9m) which is before historical legal issues payments (£3.5m), dividends (£18.6m), pension funding payments (£48.9m), debt repayment (£60.0m) and additional purchase of shares in an associate (£0.9m). After these, the net increase in cash balances was £1.2m.

Dividends

The Board proposes a final dividend of 4.05 pence per share for 2019, an increase of 7.4%, bringing the total dividend for 2019 to 6.55 pence per share, an increase of 6.7%. The final dividend, which is subject to approval by shareholders at the Annual General Meeting on 7 May 2020, will be paid on 5 June 2020 to shareholders on the register at 11 May 2020.

The Board continues to adopt a progressive dividend policy which is aligned to the free cash generation of the Group. The free cash generation for this purpose is the net cash flow generated by the Group before the repayment of debt, dividend payments, other capital returns to shareholders and additional contributions made to the defined benefit pension schemes as a result of any substantial increase in dividends and/or capital returns to shareholders. Based on the Board's expectation of future cash flows, the Board expects dividends to increase by at least 5% per annum.

Simon Fuller

Chief Financial Officer and Company Secretary

24 February 2020

Engaging with our stakeholders

Engaging and understanding the needs of our key stakeholders is critical to our vision to reach more people, more often, more meaningfully. Listening to and connecting effectively with our wide variety of stakeholders plays a critical part in our long-term success.

graphic removed

graphic removed

graphic removed

Our people

Why we engage

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

How we engage

- Internal intranet 'Buzz'
- Email updates and a combination of verbal and written information cascades
- Monthly 'Your Say' Pulse surveys
- 'Town Hall' meetings with management
- Regular performance discussions under 'Your Success' programme
- Training and talent development programmes such as 'Leaders of the Future' and 'Springboard'
- Via new Colleague Ambassador Non-Executive Director
- Speaking with formal workforce engagement groups such as trade unions

Outcomes

- During the year, we created a new Internal Communications position to ensure our people are properly informed about and engaged with important developments in our business

➔ Read more on pages 32 to 35

Our pension members

Why we engage

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

How we engage

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

Outcomes

- Good relationship with all schemes
- Working together to remove the defined benefit deficit
- Current employees have the opportunity to save more

Our customers

Why we engage

Understanding our customers' needs and behaviours allows us to deliver relevant products and services. It promotes customer retention and helps us attract new ones. Better knowledge of our customers also helps us to identify growth opportunities for the business.

Engaging with readers and advertisers directly and via their agencies is also important in order to understand their business priorities.

How we engage

- Agency and advertiser roadshows entitled 'Reach Beyond Scale' to highlight benefits of new combined portfolio
- Agencies and advertisers invited in to understand the process of how a newsroom produces and prioritises daily content and to show the operational scale of producing a daily newspaper
- Brand websites
- Contact with editors and journalists
- Social media engagement
- Satisfaction surveys and reward schemes

Outcomes

- Customers are at the heart of everything Reach does
- Reach operates a reader panel 'YourVoice' consisting of 2,000 customers across the Reach portfolio
- During 2019, Reach conducted over 40 studies with customers across the Reach portfolio, using qualitative and quantitative techniques, gaining over 25,000 research response in total
- Customer research findings are reported to the Board on a regular basis
- Our work for Prostate Cancer UK during the year won Best Use of Print in a Content Marketing Campaign at the Drum Content Awards, while Prostate Cancer UK won Best Newsbrand Campaign at Newsworks Planning Awards

We have various mechanisms that enable the Board and management to understand and consider stakeholder views as part of their oversight and decision-making.

graphic removed

graphic removed

graphic removed

Suppliers and partners

Why we engage

It is crucial that we develop strong working relationships with our suppliers, so we can enhance the efficiency of our business and create value, and make sure we treat suppliers in line with our values and ethical standards. We outsource a number of our activities to third-party suppliers and providers.

How we engage

- Logistics efficiencies and environmental management
- Supplier conferences
- Standard terms of business
- Regular supplier meetings, including business plan presentations
- Contingency planning
- Commitment to use of newsprint paper produced from fibre using recycled material or wood from certified sustainable forests
- Discuss key regulatory or governance changes including GDPR, Carbon or other CSR matters

Outcomes

- Good spread of supply on newsprint – UK / North America / Europe
- Long-term wholesaler contracts with two key UK suppliers
- Wholesalers support our CSR ambitions by aggregating unsold newspapers for recycling
- We have combined our primary and secondary distribution with a single wholesaler, Menzies
- Ongoing route optimisation

Our communities

Why we engage

We are committed to supporting the communities in which we operate, including local businesses, residents and the wider public. We aim to contribute positively to the communities and environment in which we operate.

How we engage

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

Outcomes

- Awards / recognition
- Televised events / sponsorship
- Reach has been instrumental in raising awareness of mental health with campaigns across multiple regional titles
- WalesOnline ran the 'Wales Against Plastics' campaign to shed light on the damage done by plastic waste to the Welsh landscape, from beaches to ancient woodlands

Read more on page 41

Our shareholders

Why we engage

Our shareholders play an important role in monitoring and safeguarding the governance of our Group. As a publicly listed company we aim to provide fair, balanced and understandable information to instil trust and confidence, and allow informed investment decisions to be made. We also endeavour to provide all investors with reasonable access to Reach's management.

How we engage

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

Outcomes

- The Investor Relations team provided the Board with regular feedback on investors' views and key market issues
- Senior management and the Investor Relations team held regular meetings with existing and potential institutional investors and analysts during 2019. In total, 38 meetings were held with 21 institutional investors
- The Group Company Secretary's team engages with private shareholders, who, with our registrars, Equiniti, provide a number of services to private shareholders
- Reach issued 32 RNS announcements during the year, including four relating to the Company's results
- The Reach plc website (www.reachplc.com) provides a broad range of information and data on the Group and its activities

Read more on page 42

Managing our resources and relationships

Our people

Our people are the foundation of our business, driving success and progress. Our achievements in 2019 can be attributed to our talented colleagues who work with pride, passion and dedication in an evolving media environment. In 2019, Reach colleagues and teams received over 70 industry awards and were recognised as highly commended in over 20 further categories.

We are committed to delivering a people plan that underpins our business strategy. We focus on identifying, developing and supporting our people to ensure that we have the best people in the right roles, now and in the future. Our people are encouraged to take accountability and drive performance at pace, whilst putting the customer at the centre of what they do.

Highlights

- Significant industry recognition for award winning employees and teams
- Launch of Your Success, a new approach to performance management
- Provision of comprehensive talent, apprenticeship and development programmes supporting succession and personal career aspirations
- Participants on our Leaders of the Future Talent programme involved in key strategy project work
- Investment in communications and colleague engagement

At the year end, the Group employed 4,573 permanent employees across 58 locations.

priorities from the survey feedback and put initiatives in place to drive and measure improvements. We have seen an improvement in our overall engagement score from 2018 (when the survey was launched) through 2019, which is encouraging particularly as we continue to face significant change in a challenging industry sector.

Another way we measure colleague engagement is through monitoring retention rates and absenteeism. In 2019, the voluntary rate of employee turnover was 10.4%, down from 15.2% in 2018 and the retention rate (defined as employees in the Group's employment for the full 12 months) was 79.8%, down from 84.8% in 2018. The retention rate continues to be impacted by ongoing restructuring activity as we evolve and adapt to ensure the business can successfully operate in the dynamic and challenging Media sector. In 2019, the Group's absenteeism rate (which follows the common definition used by the Advisory, Conciliation and Arbitration Service) reduced slightly to an average of 2.1% from 2.2% in 2018.

chart removed

image removed

Olivia Streatfeild
Colleague Ambassador

Employee engagement

You will already have seen on page 30 a summary of some of the key ways we engage with our colleagues across the Group.

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

We are committed to regularly measuring employee engagement through our monthly Your Say Pulse surveys. Your Say gives us real time insights month-by-month as well as year on year, which is particularly valuable as we are able to gather and act on information throughout the year which is important for a business moving at pace. We have been able to identify Group and local

Colleague Ambassador

A key development during the year in the area of colleague engagement was the appointment of one of our non-executive directors, Olivia Streatfeild, to the new role of 'Colleague Ambassador'. As Colleague Ambassador, Olivia will provide the Board with an independent link to the workforce and assist the Board in engaging with colleagues and receiving feedback on important issues. Terms of reference for the role were approved by the Board which include the following activities:

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

Employee benefits

The Group continues to offer a defined contribution pension scheme; life assurance; sickness benefits; and an employee assistance programme for staff and their families, which provides access to confidential and impartial advice on a wide range of welfare issues.

All employees are also given the opportunity to select from a range of additional voluntary benefits that support our general wellbeing initiatives and a variety of tools and resources are available for people to access on a dedicated Wellbeing Platform.

We have trained over 50 Mental Health First Aiders across the Group who are available to provide mental health support for colleagues. Mental Health First Aiders were introduced at Reach in 2018, with over 40 individuals trained initially and a further 17 trained in September 2019 to ensure this important resource remains accessible for those who need it.

An annual pay award was made to all employees in 2019, with the lowest earning employees receiving a higher increase and we continued our commitment to offering all our employees a true living wage as a minimum standard. Our employees participate in incentive schemes either through the Management Bonus Scheme, a local business incentive scheme or, for all other qualifying employees, through inclusion in the Group's Employee Bonus Scheme. For the Management Bonus Scheme, awards are achieved for performance against Group and local targets and the average bonus payable for 2019 was 63.4%. Awards under the Employee Bonus Scheme are made if Group Profit targets are achieved and for 2019 the bonus payable was 61.7%.

Learning and Development

During 2019, we completed the first annual cycle of our new performance management approach called 'Your Success'. Your Success was launched to promote and encourage more regular meaningful performance discussions. Rather than be prescriptive, guidance and tools are offered to support and encourage both the line manager and employee to have open and honest performance discussions throughout the year. Employees receive an end of year rating that reflects both their performance in their role and behaviours in equal measure. This also provides the opportunity for the employee to discuss their career aspirations. As a result, we have seen an increase in regular performance and development discussions, which gives greater importance and focus on performance management that supports achievement of our strategy as well as personal growth. Your Say survey results show an increase in scores from January 2019 to January 2020 for indicating that people feel they are growing and developing in roles and are getting enough feedback to know they are doing their job well.

Our Talent Management Programmes continue to progress well and feedback from participants is positive. Leaders of the Future is our senior leaders programme and will run every 2nd year. The 2019 cohort have led and contributed to significant strategic business projects to accelerate their development and bring different perspectives to our business plan. Springboard, which is a development programme focused on our entry level managers, will continue on an annual basis. For the programmes running through 2019, 10 individuals achieved promotions (70% female, 30% male). Springboard launched again in January 2020, and is made up of a cohort of 13 employees (62% female, 38% male) who have been identified as key talent in succession planning. In addition, we further developed our talent identification process during 2019 to ensure a more consistent and objective approach across Reach.

Diversity and inclusion

We are committed to building an inclusive culture where every individual, of any identity, from all backgrounds and life experiences feel they belong and can reach their potential, thrive and love the work they're doing at Reach. We believe that we will be a more successful business if our workforce represents and empowers the people whose stories we tell, whose campaigns we champion and whose products and businesses we support.

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

Within the framework of the law, we are committed as far as possible to achieving and maintaining a workforce that reflects the communities within which we operate. We are clear that no employee or potential employee should receive less favourable treatment due to their race, nationality, ethnic origin, religion or belief, age, disability, gender, sexual orientation, marital status including marriage or civil partnership status, pregnancy and maternity, connections with a national minority or membership or non membership of a trade union. The Group's recruitment process is designed to ensure the identification of the person with the appropriate attributes and experience best suited to the role irrespective of any differences.

In 2019, the percentage of women within the Group increased to 39% (2018: 37%) with women occupying a third of senior managerial roles across the Group. Senior managers have responsibility for key businesses or functions within the Group.

chart removed

chart removed

Managing our resources and relationships continued

Gender pay gap

Our full gender pay gap is published separately on our corporate website and our 2019 report is due to be released by the end of March 2020. In summary for 2019, we see a similar headline position as to 2018. The mean hourly pay gap has decreased from 18.5% to 17.6% while the median hourly pay gap has risen slightly from 14.7% to 16.3%. We remain committed to taking action to reduce the gender pay gap as part of our broader ambition for inclusivity across our business.

We recognise that progression of women into more senior roles is a key factor influencing our pay gap and continues to be our main focus alongside encouraging and supporting participation of women at all levels in the organisation. Further progress has been made in this area with some significant female appointments. Female participation on our Talent and Apprenticeship programmes exceeded that of males in 2019, which is also the case as we launch the 2020 programmes. The Bridge Programme, which is an internal development plan introduced in 2018 as a specific response to the needs of some key women in our business, successfully ran again in 2019.

We acknowledge that the workforce on the manufacturing side of our business (i.e. our print plants) is a traditionally male dominated workforce throughout all levels and given the nature of the business this is unlikely to change significantly for this area of the business.

We know that making a difference will take some time and remain committed to driving change whilst ensuring we are transparent and fair to all in our approach.

Health and safety of our people

We take the health and safety of our people very seriously, demonstrated by the full and transparent reporting of our health and safety data on the following page. 2019 saw some great achievements in the area of health and safety with an overall reduction of work-related accidents and the Company being awarded the RoSPA 'Order of Distinction' in recognition of 15 years of outstanding performance in health and safety.

Our colleagues work in two key areas, publishing and manufacturing (i.e. our print plants), and therefore our activities are focused on supporting colleagues in the different challenges they face in these working environments.

In our publishing business, the emphasis for health and safety assistance during 2019 shifted from supporting mainly office based activities, to supporting an increase in flexible working, including at home and remote working. Therefore, new procedures to support peripatetic and home working teams were introduced and will continue to be monitored for effectiveness in 2020.

Another key area for health and safety in the publishing business during the year was in respect of dealing with verbal and online abuse against employees, following an increase in reports of abuse received on social media. Personal safety training and guidance was introduced and further initiatives that aim to improve reporting of this type of incident are planned for 2020, along with the implementation of a new procedures and training for dealing with this issue.

In respect of our manufacturing business, in 2019 all manufacturing sites (with the exception of our print plant in Teeside) transitioned from OHSAS 18001 to ISO 45001 (2018), being the new international standard for management systems of occupational health and safety. The Teeside print plant is planned to transition in May 2020. The move to this more stringent standard represents a positive development for our print plants and our business.

During the year, health and safety training continued throughout the manufacturing businesses using mainly in-house trainers. In line with the Company's wider wellbeing initiatives, mental health awareness training workshops for manufacturing managers commenced in November 2019 and will continue throughout 2020.

Statutory medicals are planned for all manufacturing sites in 2020, with medical referrals for the publishing businesses as required.

Group health and safety statistics

The tables on page 25 provide statistics for health and safety accidents in 2019, with a comparison to the previous year. There was a decrease in the number of accidents reportable under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013). All RIDDOR incidents have been thoroughly investigated and action taken to resolve any issues identified.

A more detailed breakdown is given in the tables on the following page.

Health and safety enforcement activity

There was no health and safety enforcement action taken against any of the Company businesses during 2019.

Future health and safety initiatives

To promote and maintain further improvement in 2020 the Company intends to:

- Continue certification of the ISO 45001 (2018) standard at all manufacturing sites and implement annual health and safety improvement plans;
- Continue with the provision of health and safety guidance and training for senior executives, managers and operational staff via tutored courses and e-learning modules;
- Continue to support flexible working plans, particularly peripatetic and home workers;
- Closely monitor the health and safety performance of contractors involved in engineering, construction and relocation projects;
- Continue with internal health and safety inspections, audits and reviews, taking follow up action to maintain standards;
- Periodically review, and where necessary, update risk assessments and safe systems of work;
- Continue the provision of 'toolbox talks' to manufacturing and maintenance staff covering health and safety issues that are relevant to their work;
- Analyse accidents, incidents and near misses in an effort to identify and effectively control potential hazards;
- Continue with behavioural safety initiatives at print sites in an effort to help identify opportunities for accident prevention and further improvement; and
- Continue the promotion of staff health and wellbeing through training, organisational risk assessment and implementing plans for improvement if required.

Health and safety accident statistics

Breakdown of accidents by type of event	RIDDOR accidents 2019 (%)	RIDDOR accidents 2018 (%)	All accidents 2019 (%)	All accidents 2018 (%)
Slips and falls (same level)	50	20	20	28
Lifting and handling of materials	–	–	8	4
Contact with machinery	50	40	8	10
Falls from a height	–	–	3	–
Stepping on or striking fixed object	–	20	15	12
Struck by moving vehicle	–	20	–	1
Contact with sharp/abrasive material	–	–	15	7
Struck by flying or falling object	–	–	12	18
Contact with hazardous substance	–	–	2	9
Contact with hot materials/substance	–	–	7	4
Object collapsing or overturning	–	–	2	–
Use of hand tools	–	–	3	4
Contact with electricity	–	–	–	–
Others	–	–	5	3
Total	100	100	100	100

All percentages rounded to the nearest decimal point.

Health and safety performance indicators	2019	2018
Fatalities	–	–
RIDDOR specified injuries ¹	1	1
RIDDOR over seven day injuries	1	4
RIDDOR occupational ill health/diseases/conditions	–	–
RIDDOR dangerous occurrences	–	–
Total number of accidents	60	74
RIDDOR events frequency rate ²	0.02	0.05
All accidents frequency rate	0.69	0.8
Total days lost due to accidents	42	126

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

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

Managing our resources and relationships continued

Wholesalers and retailers

Our publications exist for our readers and their success relies on understanding their needs and adding value to their daily lives. Our publications also rely on close partnerships with wholesalers and retailers.

Understanding our wholesalers and retailers

Wholesalers

- We aim for trusted partnerships with wholesalers underpinned by a five-year contract and relevant key performance indicators
- Wholesalers support our Corporate Social Responsibility ambitions by using their depots as sorting and collection points for all unsold newspapers to be recycled
- We understand a wholesaler's business via regular site visits to depots as well as senior level business presentations which inform that future financial sustainability is maintained

Retailers

- We can understand retailers' businesses from experience at all levels within the newspaper sales teams working in the field in retail stores
- We know precisely the number of sales each of our daily and Sunday titles achieves in every news outlet in the UK every day
- We know what type of store format each retail outlet is from information provided to us by wholesalers

Forums and engagement

Wholesalers

- We meet with wholesalers monthly for operational reviews
- *Senior management meetings take place annually*
- We participate in and get the results of annual publisher surveys rating wholesale service against a range of criteria

Retailers

- We are an Elite trading partner of the National Federation of Retail Newsagents ('NFRN'), a body representing c12k independent retailers
- We attend half biannual publishing summits with NFRN members to discuss and resolve concerns
- The Press Distribution Forum, of which we are a publisher member, meets with retail representatives providing a self-regulated forum for associations involved in the supply and distribution of newspapers and magazines. Reach currently chairs this group, confirming our commitment to a diverse and plural press and its widespread availability to retailers and readers

Working with wholesalers and retailers

Wholesalers

- Daily contact to ensure all operational and supply issues are controlled and effectively executed
- We receive daily distribution summaries which inform us of the effectiveness of that day's wholesale distribution
- We receive daily files providing supplies and sales data for every news retailer

Retailers

- We have a Retail Channel Manager who is in daily liaison with retail multiple retailers setting up promotional activity both in store and in paper
- We attend local and regional retail trade shows which enable us to effectively communicate with independent retailers
- We work closely with retailers' trade magazine, Retail Newsagent, to enable us to keep retailers informed of updated plans and activity

Environmental management

We are committed to ensuring that our activities do not damage the environment. Our Environmental Policy seeks to reduce our impact in the areas of: paper sourcing; energy consumption and emissions; volatile organic compound (VOC) emissions; waste; and the environmental impacts of our suppliers of contracted printing and distribution. We recognise that climate change, triggered by greenhouse gases from burning fossil fuels, poses a threat to the world's environment, and we are committing to setting an emissions reduction target in 2020.

Environmental management is overseen by the Corporate Social Responsibility (CSR) Steering Committee, chaired by the Chief Financial Officer. The CSR Steering Committee has oversight of the targets and progress of the environmental programme, ensuring that it continues to deliver against the Environmental Policy objectives, considering the context that the Group is operating in. On a biannual basis, the CSR Steering Committee oversees a review of the environmental risks to the business and approves any necessary changes arising from this.

Our focus in 2019 was to ensure all major publishing sites were certified to ISO14001:2015, being an internationally agreed standard that sets out the requirements for an environmental management system. All our print and major publishing sites maintained their ISO 14001:2015 certification and our environmental systems have been strengthened by the wider business approach of the standard. Additional sites have been added to the scope of the standard: Luton Print site and the Belfast, Bristol, Stoke and Hull publishing offices. This is a testament to the hard work and commitment of our Management, Environmental and Facilities teams. We have now incorporated an analysis of how climate change affects our individual businesses in the business interruption plans for each site.

We continued to report voluntarily on our emissions through the international Carbon Disclosure Project (CDP), completing their questionnaire on Climate Change and have retained a score of C. We repeated the independent review of our submission to identify areas for increased disclosure and we continue to work to increase the transparency of our reporting.

There were no prosecutions or compliance notices for breaches of environmental legislation during 2019.

Achievements

This year, the Company has again maintained its inclusion in the FTSE4Good Index, which measures the quality and transparency of our environmental, social and ethical disclosures. In 2019, we were also scored by ISS (Institutional Shareholder Services Inc.) and achieved a rating of 1 (the lowest possible risk rating) on the Environmental and Social Quality Score.

Influencing positive environmental change

As a media organisation, we also have the opportunity to influence public opinion and seek to encourage positive action through relevant campaigns in our publications. A key example is the Daily Mirror's Climate Issue on 14th November 2019 – a special edition of the newspaper devoted to raising awareness of the climate crisis. The paper featured commentary from climate experts and activists, reporting on the areas worst-hit by climate change around the world and in the UK, from the destruction of Arctic habitats to the 2019 England Floods. The paper gave readers the opportunity to play their part by giving away 20,000 trees in partnership with the Woodland Trust, and highlighted several sustainability initiatives including meat-free meals and plastic-free products.

During 2020 we will seek to track and monitor the reach and impact of campaigns related to sustainability and the environment across our publications and report on the results.

Energy and emissions

Electricity use is our main source of energy consumption. Our electricity consumption reduced by 8% in 2019 versus 2018 and is 6% lower than it was in 2017. In October 2019 we started a three year contract to purchase 100% of electricity from renewable sources. On a market-based method this reduced our greenhouse gas emissions from electricity purchased by 36% compared to 2018.

Greenhouse gas emissions associated with the activities under our direct management control (Scope 1 and 2 emissions) fell by 16% in absolute terms and by 19% on a normalised basis (per million printed pages). Greenhouse gas emissions from Scope 3 have increased by 4% in absolute terms.

Targets and Performance

2019 Targets	Progress in 2019	2020 Target
Maintain ISO 14001:2015 certification for publishing (including digital) and print sites.	All legacy in-house printing facilities and major publishing sites certified to ISO 14001:2015. Reach Belfast was certified for the first time in 2019.	Maintain ISO 14001:2015 certification for publishing (including digital) and print sites. Integrate the site at Lower Thames Street by the end of 2020.
Integrate major publishing sites acquired from Local World into Reach's environmental management system and ensure they are certified to ISO 14001:2015 by end 2019.	Hull, Bristol and Stoke were certified in 2019, completing the certification of sites acquired from Local World.	
		New Target – We will seek to track and monitor the reach and impact of campaigns related to sustainability and the environment across our publications and report on the results.

Managing our resources and relationships continued

Energy and emissions continued

Reach continued to participate in Phase 2 of the Carbon Reduction Commitment ('CRC') Energy Efficiency Scheme and made preparations for compliance with the The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 known as SECR (Streamlined Energy and Carbon Reporting). We comply with the Climate Change Agreements (Eligible Facilities) Regulations.

A breakdown of the Group's energy consumption and associated greenhouse gas emissions during 2019 is set out in the table below.

The 2019 consumption data reported includes all operations that we managed in 2019, including Express & Star, unless otherwise stated. A total greenhouse gas (GHG) emissions figure for 2017 (which includes an estimated uplift for the sites acquired in 2018) is also provided to facilitate year on year comparisons.

Energy consumption and greenhouse gas emissions (Tonnes CO₂ equivalent)

	Consumption			GHG emissions (TCO ₂ e) ⁴		
	2019	2018	2017	2019	2018 ⁷	2017 ⁸
SCOPE 1¹						
Gas combustion (heating, all Reach premises) kWh	17,359,411	19,690,931	18,017,593	3,192	3,622	3,318
Oil combustion (electricity generation, all Reach premises) litres	89,903	115,513	154,177	242	311	412
Refrigerant gas loss (all Reach premises) kg	263	403	121	608	647	221
Commercial vehicles (all Reach owned vehicles) km	171,525	210,385	321,709	43	54	83
LPG consumption ⁸ litres	46,958	40,013	18,000	71	50	27
Total SCOPE 1				4,156	4,684	4,061
Total SCOPE 1 per million pages printed				0.04	0.05	0.05
SCOPE 2²						
Grid electricity used kWh (all Reach premises) – location-based	51,206,683	55,826,953	54,689,338	13,088	15,803	19,227
Grid electricity used kWh (all Reach premises) – market-based	51,206,683	55,826,953	54,689,338	9,816	15,305	20,700
Total SCOPE 2 (location-based)				13,088	15,803	19,227
Total SCOPE 2 per million pages printed (location-based)				0.12	0.15	0.25
SCOPE 3³						
Transmission and distribution of Grid electricity used (all Reach premises) kWh	51,206,683	55,826,953	54,689,338	1,111	1,347	1,798
Business travel (road, not involving company vehicles) km	7,957,630	8,840,043	12,291,704	1,530	1,714	2,396
Business travel (rail) ⁵ km	3,109,746	3,167,664	3,441,734	128	140	161
Business travel (air) ⁵ km	3,926,445	3,478,451	3,600,110	664	673	717
Electricity for contracted printing (generation, transmission and distribution) ⁶ kWh	12,397,145	9,136,342	4,052,056	3,438	2,807	1,558
Gas for contracted printing ⁶ kWh	5,958,840	1,886,811	1,828,809	1,096	347	337
Vehicle fuel for contracted distribution – long haul ⁶ litres	1,645,174	1,792,452	1,873,981	4,268	4,709	4,873
Total SCOPE 3				12,235	11,737	11,840
Total SCOPE 3 per million pages printed				0.11	0.11	0.15
Overall Total SCOPE 1, 2 and 3 (location-based)				29,479	32,224	35,128
Overall Total SCOPE 1, 2 and 3 (market-based)				26,207	31,726	36,601
Total SCOPE 1, 2 (location-based) and 3 including an estimated uplift for sites acquired in 2018 to facilitate year-on-year comparisons				n/a	n/a	41,664
Overall Total SCOPE 1, 2 (location-based) and 3, per million pages printed				0.28	0.31	0.53

Notes:

1. Scope 1 covers the annual quantity of emissions in tonnes of carbon dioxide equivalent from emission sources that are under the operational control of Reach.
2. Scope 2 covers the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity by Reach for its own use. Scope 2 emissions have been calculated using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard - Revised Edition.
3. Scope 3 covers other indirect greenhouse gas emissions, ie where the emissions are from sources that are not owned by Reach and where Reach does not have operational control.
4. GHG emissions have been calculated in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and in line with Defra's Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance (June 2013) and using the UK Government's Greenhouse gas reporting: conversion factors 2019. All GHG emissions per million pages printed are calculated using location-based figures.
5. 2018 rail and air data does not include Express & Star.
6. Consumption figures are provided by external contractors.
7. The acquisition of Express & Star in April 2018 increased the total carbon footprint by approximately 14% and full year data is included in the 2018 emissions data. In line with Defra's Environmental Reporting Guidelines, emissions for 2017 have been restated with an approximately 14% uplift, so that the emissions over three years are on a comparable business scope.
8. LPG is included for 2019. 2018 and 2017 have been restated to include LPG.

Targets and Performance

2019 Targets	Progress in 2019	2020 Target
Reduce kWh of electricity consumed at all sites in FY 2019 by 0.5% compared with 2018.	Total electricity consumption across all Reach sites has fallen by 8%.	Reach commits to continuing initiatives, which build on our successful record of tangible reduction of electricity consumption as part of our journey to becoming a zero carbon company.
Publish a medium-term carbon emissions reduction target by the end of 2019.	Work is ongoing – target to be established by end 2020.	Publish a medium-term carbon emissions reduction target by the end of 2020.
Aim to maintain emissions associated with UK/domestic business travel in FY 2019 compared with 2018, on a like for like basis. Note: Overseas travel is excluded because the requirement to cover news events fluctuates year on year and is outside the Company's control.	UK/domestic business travel reduced by 12% in 2019, partly due to the revised travel policy encouraging the use of technology rather than travelling, where possible.	Maintain emissions associated with UK/ domestic business travel in FY 2020 compared with 2019, on a like-for-like basis. Note: Overseas travel is excluded because the requirement to cover news events fluctuates year on year and is outside the Company's control.

Supply chain

Our commitment to a sustainable and ethical supply chain

Paper sourcing and sustainable forestry

We remain committed to maximising the use of graphic paper that is produced from recycled fibre, or fibre from forests that have been independently certified as sustainable. In 2019 we sourced 97% of all of our graphic paper for Reach own products, from recycled or certified fibre, against our target of 85%.

Contracted printing and product distribution services

We take account of environmental standards when awarding contracts for the printing of magazine supplements and the road distribution of printed products. Key contractors measure and report the energy consumption and carbon emissions associated with the work they undertake on our behalf. This is reported under our Scope 3 emissions.

Transparency in supply chains

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

Targets and Performance

2019 Targets	Progress in 2019	2020 Target
Use a minimum of 85% graphic paper (all newsprint and magazine paper grades) manufactured from fibre using recycled materials or wood from certified sustainable forests.	We have continued to work with our suppliers on this issue. In 2018 we sourced 97% of our graphic paper from recycled or certified fibre.	We aim to use 100% graphic paper (all newsprint and magazine paper grades) manufactured from fibre using recycled materials or wood from certified sustainable forests. We commit to achieving at least 95% recycled or certified.

Managing our resources and relationships continued

Facilities and infrastructure

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

Waste management and recycling

We are committed to reducing the waste we produce and maximising the recycling and reuse of waste. We are working towards reporting the total weight of waste we produce and intend to report on this for 2020 in next year's report.

During 2019, we met our targets to maximise the reuse or recycling of paper waste and hazardous wastes from our print sites. We also met our target that 100% of waste electrical and electronic equipment ('WEEE') from all Reach sites be either refurbished and reused or processed for materials recycling.

	2019	2018	2017
% hazardous waste at print sites to landfill	1.7%	1.7%	1.9%
% non-hazardous paper waste from print sites under our ownership recycled	100%	100%	100%
% WEEE from publishing sites reused or recycled	100%	100%	100%

Plastics

We have completed an assessment of plastic use across the organisation. Areas of improvement identified included eliminating single use plastics within our offices. We are looking to set specific targets in line with our findings this year.

See page 41 for how our editorial work is supporting this issue.

Water consumption

We continue our programme to review water efficiency across our property portfolio where possible. In 2019 water consumption reduced by 15% versus 2018.

	2019	2018	2017
Total water consumption at all print and major publishing sites (m ³)*	44,985	52,721	51,539

* The 2% increase in water consumption in 2018 was due to the acquisition of the Express & Star sites. Excluding these sites, total consumption had decreased by 12%.

Targets and Performance

2019 Targets	Progress in 2019	2020 Target
Continue to recycle 100% of all non-hazardous paper waste from print sites under our ownership.	Achieved 100% in 2019.	Continue to recycle 100% of all non-hazardous paper waste from print sites under our ownership.
Maximum of 3% of hazardous wastes generated at print sites under our ownership to go to landfill.	1.7% of hazardous wastes generated at print sites went to landfill during 2019.	Maximum of 3% of hazardous wastes generated at print sites under our ownership to go to landfill.
Map single plastic use around the business, to identify areas of most impact and opportunities for elimination, reduction and recycling.	Single use plastic policy agreed. Areas for improvement identified.	Plastic use reduction targets to be agreed and set.

Social and Community

With more than 100 trusted regional news brands, Reach has built relationships with many local communities across the UK, serving each of them through its editorial work. This includes publicising charities and fundraising campaigns, holding councils to account, raising awareness of important local issues such as socioeconomic inequality, and examining the regional impact of nationwide issues ranging from mental health to plastic waste.

LancsLive, EssexLive and DerbyshireLive Mental Health

We've been instrumental in raising awareness of mental health with campaigns across multiple regional titles. LancsLive launched its '1in4' campaign during Mental Health Awareness Week in May, highlighting the one in four people in the UK experiencing mental health problems, telling real people's stories and providing information on mental health services in Lancashire.

Similarly, DerbyshireLive partnered with the Derwent Rural Counselling Service in the Midlands, ran several awareness-raising articles about mental health, hosted a live Q&A with a mental health counsellor for its readers and set up a stand at the Intu Derby shopping centre to provide advice in person. A number of readers referred themselves to the service as a direct result of the site's campaign, and one thanked the site for sparking the conversation in the community.

Meanwhile, EssexLive ran its 'Speak Up for Essex Boys' campaign throughout 2019, which saw careful and sensitive reporting of the stories of young men from across Essex who had taken their own lives. The initiative raised awareness of male mental health and the disproportionately high suicide rate among men under the age of 45 at a time when the issue was high on the national news agenda.

WalesOnline Wales Against Plastics

Plastic waste has been a widely discussed topic in recent years, and in 2019 WalesOnline ran the 'Wales Against Plastics' campaign to shed light on the damage done by plastic waste to the Welsh landscape, from beaches to ancient woodlands.

The news site called on councils to increase recycling and limit environmentally damaging landfill, and highlighted Welsh businesses who were reducing their plastic packaging. It also asked readers to pledge to reduce their plastic waste, whilst offering practical advice on how to do so.

Furthermore, the WalesOnline team organised their own clean-ups with editorial staff and members of the public at Swansea Bay beach and Aberavon beach, during which they cleaned up more than 30 bin bags worth of litter.

The Sentinel and StokeOnTrentLive Socioeconomic Inequality

Our regional titles go to great lengths to tackle inequality in their local communities. In 2019 the Stoke Sentinel provided major support for the Hubb Foundation, a charity set up by local businesses and the paper's Editor-in-Chief Martin Tideswell.

The foundation operates from local schools and community centres to provide safe environments, fun activities and nutritious meals for children during the school holidays, helping them avoid becoming involved in anti-social behaviour. In 2019 the foundation provided more than 9,000 meals for children during the summer holidays.

The Sentinel and StokeonTrentLive support the charity in a number of ways: by promoting its sessions; highlighting the low social mobility in the region which necessitates the Hubb's activities, and helping to raise funds through their links with local businesses.

The WalesOnline team organised their own clean-ups with editorial staff and members of the public at Swansea Bay beach and Aberavon beach."

graphic removed

image removed

Section 172 statement

How the Board engaged with key stakeholders during the year

Pages 30 and 31 of the Strategic report give an overview of how the Company has engaged with key stakeholders during the year, including shareholders, pension schemes, colleagues, customers and readers, suppliers and communities.

Pages 32 to 34 set out the work the Company has done in respect of employee engagement. The Board now receives quarterly updates on employee engagement from the Group HR Director, who presents an engagement dashboard to the Board. Information in respect of colleagues is also now reported to the Board by the newly appointed 'Colleague Ambassador' non-executive director, Olivia Streatfeild.

Pages 37 to 41 show the impact of the Company's business on the environment and the communities in which it operates. During the year the Board received a presentation on its supply chain and received updates on various initiatives by the Chief Financial Officer who sits on the Company's Corporate Responsibility Committee.

How factors under s172 have influenced the Board's key decisions and strategy during the year

Strategy and Board

During the year the Board supported the development and approval of the Company's customer value strategy, which is explained on page 19 of the Strategic report. The Board received presentations on the evolving needs of the business' customers and readers and technological developments and considered the need for a customer centric and data-driven strategy to ensure the long term sustainable success of the Company. It considered how the strategic development would impact colleagues and how the culture of the organisation could be developed to support the strategy. The development and implementation of the strategy is led by the newly appointed Chief Executive Officer Jim Mullen. In considering the appointment of Jim, the Board considered his clear strategic vision and strong understanding of the needs and interests of the Company's key stakeholders.

Corporate Governance

During the year the Board decided to address new Corporate Governance requirements to strengthen engagement with the workforce by creating a new 'Colleague Ambassador' role and appointing non-executive director Olivia Streatfeild to this role. The Board considered the current composition of the workforce; engagement mechanisms already in place; and the Company's ambitions in respect of workforce engagement. More information on this role can be found on page 32 of the Strategic report.

Finance

During the year, the Board approved a refinancing that involved securing a new non-amortising £65m revolving credit facility to replace the previous facility and repaid in full the acquisition term loan used to part finance the acquisition of Express & Star. The Company engaged with lenders in respect of the refinancing and considered the need to ensure the Company will have sufficient financing available to deliver its strategy notwithstanding uncertainty in the macro-economic environment.

For 2019, the Board approved an interim dividend of 2.50 pence per share and the proposal of a final dividend for 2019 of 4.05 pence per share. In making this proposal, the Board carefully considered and balanced the interests of the Group's defined benefit pension schemes and commitments made under the recovery plans for these schemes; the interests of the Company's shareholders in receiving a return on their investment; and the long term investment needs of the business.

Non-Financial Information Statement Index

The below table sets out where information in relation to the following matters can be found:

Topic	Pages
Employees	32–35
Environmental matters	37–40
Social and community matters	41
Human rights	46
Anti-bribery and corruption	46

Risks and uncertainties

Principal risks and uncertainties

The Group recognises the importance of the effective understanding and management of risk in enabling us to identify factors, both external and internal that may materially affect our ability to achieve our goals. There is an ongoing process for the identification, evaluation and management of the principal risks faced by the Group, including emerging risks. Appropriate mitigating actions are in place to minimise the impact of the risks and uncertainties which are identified as part of the risk process. All risks are considered in the context of the changing regulatory and compliance landscape, and enabling the continuity of our operations. More detail on environmental and health and safety risks are set out on pages 34 to 41 of the Strategic report. How the Group manages risks is set out on pages 46 and 47 of the Strategic report. In accordance with the 2018 UK Corporate Governance Code (and Listing Rules), the Board has prepared statements on the Group's going concern and viability. Details can be found on page 55 of the Corporate Governance report.

In the Annual Report this year, the Group has included a refreshed risks and uncertainties disclosure. This includes a more granular view of risks, as opposed to new risks from the risk register following on from review sessions with the senior management team.

Risk	Description	Mitigation	Update
Print revenue decline acceleration	Structural changes in the traditional publishing industry have led to ongoing decline in print advertising and circulation revenues. Macro-economic factors may contribute to a larger than expected decline. A lack of appropriate strategic focus results in accelerated revenue loss for existing products.	Strategic development led by an experienced Board and Senior Management team. Investment Committee established to approve business plans when reviewed against strategic KPIs. Re-energised strategic focus to develop digital revenue streams through taking a more customer centric focus. Continued tactical measures to minimise print revenue declines and to maintain profits by taking appropriate cash mitigation measures. Governance structures enable ongoing review of performance against targets and strategic KPIs including a weekly structured trading meeting.	Renewed strategic focus offset by continued revenue challenges.
Insufficient digital revenue growth	A failure to grow digital revenues quickly enough to offset print declines.	Senior Management are incentivised with performance-related rewards to deliver our strategic goals. Acquisition, joint venture and other corporate development opportunities, which are aligned to our strategy, continue to be considered (including industry consolidation and non-organic digital opportunities).	
Lack of funding capability	The main financial risk is the lack of funding capability to meet business needs. This may be caused by a lack of working capital, unexpected increases in interest rates or increased liabilities, in particular: <ul style="list-style-type: none"> Pension deficits may grow at such a rate such that annual funding costs consume a disproportionate level of profit. Volume and level of claims may continue to have significant cost implications. 	Pensions Regular reporting to the Board. Collaborative relationship and regular meetings with Trustees. Ongoing review of options to de-risk pension liabilities. Historical Legal Issues Ongoing historic legal issues claim level monitoring and management. Standing item on Board agenda. Working with external lawyers on civil claims and related investigations. Financing Strong cash generating business with a current focus on future financing. Committed loan facilities are in place to 2023 to deliver our strategy. Regular cash flow forecasting, monitoring through Treasury reporting processes. Limited hedging exposure. Appropriate bad debt insurance protection.	Pensions We remain committed to addressing our historical pension deficits and continue to make significant payments to the schemes. Next triennial valuation to be agreed in 2020. Historical legal issues We continue to deal with the historical legal issues in a professional and efficient manner although the final outcome of the civil claims remains uncertain. Funding New facility with banking syndicate in place.

Key: Increase No change Decrease

Risks and uncertainties continued

Risk	Description	Mitigation	Update
Inability to recruit and retain talent	The inability to recruit, develop and retain talent with the appropriate skills, knowledge and experience compromises our ability to deliver strategic business plans.	Ongoing considerations of: <ul style="list-style-type: none"> – Digital capabilities of workforce – Turnover levels – Pay and benefits – Opportunities to expand talent pool (for example, outside London) – Recruitment channels used. 	Retention and recruitment of appropriately skilled digital staff will remain an ongoing challenge, particularly in London. The skillsets required to deliver our evolved strategy amplifies this risk further.
Customer data management challenges	Our evolved strategy relies on the appropriate, secure and GDPR compliant storage and usage of customer data with clear permissions in place. Storage and usage of data in a non-compliant manner may result in reputational or financial damage.	Group wide GDPR governance structures, policies and processes are in place alongside compulsory awareness training for our staff. Externally facing websites have all been updated to make them compliant and the impact on audience and, potentially, revenue is being closely monitored. Specific GDPR consideration being built into upcoming strategic initiatives. Appointment of a Chief Customer Data Officer to provide central group-wide oversight of how customer data is utilised. To appoint a formal Data Protection Officer (DPO) given increasingly data centric nature of the business.	The ongoing focus and challenge remains on embedding processes and ensuring that the consideration of data protection forms part of 'business as usual' thinking. Our evolved customer centric strategy brings the risk into sharper focus. The effect on data protection law arising from the UK's exit from the European Union is unclear at present and will continue to be monitored.
Brand reputation damage	Damage to reputation arising from employee actions or behaviours, including breaches of regulations or best practice guidelines. Editorial errors, behaviours or tone leads to loss of readership, damaged reputation and legal proceedings. An incident which has an adverse impact on the environment.	Recruitment of highly experienced and capable people into key senior management roles. Governance structures provide clear accountability for compliance with all laws and regulations. Policies and procedures are designed to meet all relevant requirements. Employees trained to comply with all relevant legislation. Ongoing consideration of upcoming legislative changes and emerging trends.	There remains awareness that an indiscretion could lead to significant financial and reputational damage. In editorial, we are aware of the heightened risk created in a digital led environment due to the 24/7 nature of operation and the need to move with pace.
Cyber security breach	A cyber security incident which leads to a serious data breach or the loss of systems/ data and reputational damage.	All business-critical systems are well established and are supported by appropriate disaster recovery plans. Regular reviews assess our vulnerability and our ability to re-establish operations in the event of a failure. The technical infrastructure supporting the websites is within the cloud and the sites have been designed effectively providing adequate resilience and continued performance in the event of a significant failure. Further investment to be made to enhance cyber security infrastructure and training.	We continue to recognise the need for continued cyber security investment against an ever changing technological landscape. Our evolved strategy, with an increased focus on customer data, potentially increases the impact of cyber security breaches.

Risk	Description	Mitigation	Update
Health and safety issue	<p>A health and safety incident within one of our sites which results in death or injury to an employee or others.</p> <p>An incident which has an adverse impact on the safety and security of our employees.</p>	<p>Clear Health and Safety policies and procedures consistently applied across the Group.</p> <p>All parts of the Group are serviced by professionally qualified and experienced Health and Safety Managers and Occupational Health service providers.</p> <p>All printing plants have been externally assessed and certified as compliant with relevant standards.</p> <p>Internal and external auditing is ongoing to ensure continuing compliance across our print and publishing sites.</p>	<p>We have received the Gold Award from the Royal Prevention of Accidents (RoSPA) Occupational Health and Safety Awards Scheme for 15 consecutive years, resulting in the Order of Distinction.</p>
Supply chain failure	<p>Our print products rely on a small number of key suppliers (for example newsprint, wholesalers and distributors) and may be adversely affected operationally and financially by changes to supplier dynamics.</p> <p>Specifically, from an IT and Digital perspective, We depend on the reliability and capability of key information systems and technology supplied by third party providers. A major failure, a breach, or prolonged performance issues could have an adverse impact on the business.</p>	<p>Well established long-term relationships with trusted suppliers.</p> <p>Strong ongoing management and/or monitoring of providers including:</p> <ul style="list-style-type: none"> – IT Providers – Outsourced ad production and planning – Wholesalers and distributors – Newsprint suppliers – Manufacturing maintenance and parts providers – Global digital partners. <p>Business continuity/disaster recovery plans in place, including at key partners.</p> <p>Industry wide response likely should key common elements of the print publishing supply chain be compromised.</p> <p>Ongoing review of the operating model, including the assessment of alternative options.</p> <p>In IT, governance oversight arrangements and committee structures are in place covering areas such as risk management, change control, security and service delivery.</p> <p>Measures to reduce the reliance on key staff at IT providers.</p> <p>Appropriate contractual protections in place.</p>	<p>A decreasing number of key suppliers and an increasing number of outsourced arrangements in place means it becomes increasingly important to stabilise and optimise arrangements and ensure appropriate contingency plans are in place.</p> <p>This risk will continue to be considered in the context of the wider 'Business Interruption' risk.</p>
Macro-economic deterioration	<p>Macro-economic factors may have a negative impact on several areas of our business which may restrict our ability to protect profit levels.</p> <p>These include an adverse effect on commercial revenue, increase in pension deficit levels, increasing supply chain costs and other cost pressures arising from any devaluation of Sterling given the UK centric nature of our operations.</p>	<p>Ongoing focus on macro-economic factors which may affect our business. Examples include inflation rate increases, interest rate changes, increased borrowing costs, exchange rate fluctuations and legislative changes.</p> <p>Specifically, the uncertainty around the UK's exit from the European Union prompted a Group wide exercise to evaluate the potential impact and a number of mitigating actions can be taken in the event of, for example, larger than expected revenue declines, operational supply chain challenges or legislative changes. The assessment of our risk exposure remains under review.</p>	<p>As the impact of the UK's exit from the European Union becomes clearer, we will continue to evolve our response to mitigate any impacts.</p> <p>We have a strong record of delivering additional cost savings when faced with unexpected revenue deficits.</p>
Key:	Increase	No change	Decrease

Risks and uncertainties continued

Corporate responsibility risks and how they are managed

The Group believes it has a minimal exposure to the risks related to human rights. In accordance with the Modern Slavery Act 2015 ('the Act'), the Group has an Anti-Slavery Policy in place that all staff, individuals and entities are subject to who perform services for or on behalf of the Group, which details our zero-tolerance approach to slavery, child labour, bribery and corruption. The Anti-Slavery Policy sets out the signs that indicate slavery, servitude, forced or compulsory labour and human trafficking applicable to adults and children, the responsibilities of staff to look out for indications of modern slavery and how to report any suspicions.

The Group evaluates new suppliers, via questionnaires and surveys, ensuring they are ethical and lawful. On the introduction of the Act, existing suppliers were contacted regarding their obligations under the Act and the Group's Terms and Conditions and Procurement Policy were updated in line with the new provisions. The main risks associated with non-compliance with the Anti-Slavery Policy arise from failure of employees to comply with the policy and procedures instigated by the Group; and failure of controls when on-boarding suppliers or during recruitment processes, including suppliers who complete questionnaires untruthfully. Further details on transparency in supply chains can be found on page 39 and the Group's Modern Slavery Statement can be found on our website www.reachplc.com.

The Group takes a zero-tolerance approach to bribery and corruption and is committed to implementing and enforcing effective systems to counter bribery and corruption in all forms. The Group has an embedded Anti-Bribery and Payments Policy, which is applicable to all staff across the Group and requires all suppliers, contractors and business partners to comply with the underlying principles of the policy. In relation to all new business relationships, the Group makes relevant enquiries to establish the third party's approach to compliance and corruption risks, including requesting and reviewing their existing anti-bribery policy and whether or not any bribery or corruption has previously taken place. All colleagues are required to complete an online e-learning module on anti-bribery and corruption to educate on the risks in this area, for which completion rates are monitored.

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

Dignity at Work and Code of Conduct policies have been implemented across the Group which strictly prohibit discrimination in the workplace. Within the UK, discrimination against employees with protected characteristics such as gender, race, disability, sexuality, religion or age is illegal and the Group is exposed to risks during all stages of the employment life cycle. We reduce potential exposure through communicating policies to all employees, promoting awareness during recruitment, training managers and making policies accessible to all via the staff portal.

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

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

We protect the human rights of our employees through ensuring all employees are issued with clear contracts of employment, that working hours as standard are set well within the working time directive maximum thresholds and committing that no employee will be forced to opt out of working time regulations.

Our employees are paid for work undertaken and receive holidays and rest periods in line with regulations. We monitor employee's holiday usage to ensure they take statutory entitlements and reduce the risk of breaches of regulations by publishing employee entitlements. Under our contracts all our employees are paid above national minimum wage thresholds and no one is subject to forced labour. The Group does not have any zero hour contracts.

Our Disciplinary and Grievance processes ensure all employees have the right to be heard and a fair hearing in line with Human Rights Principles. The Group may be exposed to risks under employment regulations and data protection regulations were it to breach human rights principles in relation to privacy.

The Group monitors employees' usage of emails, internet and phone systems but the Group minimises its risk through its data protection and security policies and control systems. Furthermore, employees are informed of the potential for monitoring within their contracts of employment.

The Group does not restrict the freedom of expression of its journalists and size or influence does not inhibit diverse opinions in the Group's news reporting. We have a responsibility to ensure balanced news reporting and we are not unduly influenced by the Government or other organisations.

The Group believes all employees and the public have a right to privacy and aims to protect people against arbitrary, unreasonable or unlawful interference with their privacy, family, home or correspondence, as well as unlawful attacks on their honour and reputation.

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

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

On 25 May 2018, the General Data Protection Regulation (GDPR) came into force in the EU and the Data Protection Act 2018 (DPA) came into force in the UK. During the first half of 2018, the Group undertook extensive preparations for the implementation of the GDPR and the DPA and has continued to drive improvement through 2019. The Group has implemented policies, controls and procedures across the business to manage personal data in accordance with the provisions of the GDPR and the DPA and these are being embedded through a programme of training and ongoing communication.

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


We have previously advocated strongly for the repeal of section 40 of the Crimes and Courts Act 2013 and look forward to that now happening.

The Strategic Report was approved by the Board of Directors on 24 February 2020.

Simon Fuller

Chief Financial Officer and Company Secretary

24 February 2020



Governance

Chairman's governance introduction	49
Board of directors	50
Corporate governance report	52
Nomination Committee report	56
Audit & Risk Committee report	57
Remuneration report	62
Directors' report	83

Chairman's governance introduction

image removed

We recognise our responsibility to take into consideration the interests of our stakeholders as part of our decision making process."

Nicholas Prettejohn
Chairman

Dear Shareholder,

As you are no doubt aware, this Annual Report is the first time we have been required to report on the new requirements under the 2018 UK Corporate Governance Code ('Code'), covering matters such as colleague engagement, stakeholder consideration and remuneration. I believe we have made positive progress in these important areas and I hope this report gives you some insight into our journey in doing so.

Board changes

As I explained in my main Chairman's statement on page 3, 2019 has seen some significant changes to your Board.

As we reported in our last year's Annual Report, in 2018 we recruited Simon Fuller, who was previously the Chief Financial Officer of McColl's Retail Group plc, as successor to Vijay Vaghela who stepped down from the Board following 24 years' service with the Company. Simon started with the business in February 2019 and was appointed to the board on 1 March 2019. Following a comprehensive handover from Vijay, he has made a great start, spending time with many of our key stakeholders and leading a refinancing that will ensure we have the appropriate resources available to us to deliver our strategy.

As we also reported last year, in April 2019 Lee Ginsberg stepped down from the Board as a non-executive director and Chair of the Audit & Risk Committee. Following a comprehensive search process, Anne Bulford OBE was appointed to the Board as non-executive director and Chair of the Audit & Risk Committee on 18 June 2019. Anne is a chartered accountant with strong experience in the media industry having held senior executive positions at the BBC and Channel 4. Anne has wasted no time in leading the Audit & Risk Committee in its important task of overseeing a smooth transition to the Company's new auditor PricewaterhouseCoopers LLP ('PwC'), and I welcome her fresh perspectives and insight.

Our final significant change for the year was the appointment of Jim Mullen as our new Chief Executive Officer, to replace Simon Fox who stepped down from the Board in August following seven years with the Company. Again, I am delighted that we were able to attract such a high calibre successor in Jim, who brings with him a wealth of digital, media industry and advertising experience having previously served as Chief Executive Officer at Ladbrokes Coral plc and Director of Product Management and Digital Strategy at News International. As you will have seen from the Chief Executive's review, Jim is making great progress leading the development and implementation of the Company's customer value strategy.

I would like to take the opportunity to thank my former Board members for their hard work and the significant contributions they have made in their respective areas.

More information on the role of the work of the Nomination Committee in the new appointments can be found on page 56 of the Nomination Committee report.

Stakeholder engagement

A key focus of the Code is stakeholder engagement and as a Board we recognise our responsibility to take into consideration the interests of our stakeholders as part of our decision making process. The Strategic report on pages 30 and 31 sets out how we engage with our key stakeholders and on page 42 we have set out how this has influenced our decision making.

Significantly, during the year the Board took the decision to appoint one of our non-executive directors, Olivia Streatfeild, to the new role of 'Colleague Ambassador'. In this role, Olivia will provide the Board with an independent link to the workforce and assist the Board in engaging with colleagues and receiving feedback on important issues. Olivia has already spent time looking at employee engagement survey feedback and providing feedback on this to the Board. More information on this can be found on page 32 of the Strategic report.

Audit

The appointment of PwC as auditor was approved by shareholders at the 2019 Annual General Meeting ('AGM') and during the year the Audit & Risk Committee has overseen a handover from Deloitte to ensure an independent and effective audit of the 2019 financial year. More information on this can be found on pages 59 and 60 of the Audit Committee report.

Remuneration

This year we will be asking shareholders to renew the three year authority for our Directors' Remuneration Policy. As explained in our Remuneration Committee Chairman's statement on pages 62 and 63, we believe that our current policy continues to be fit for purpose, and therefore only fairly limited changes are proposed for the 2020 AGM, to reflect developing best practice.

Annual General Meeting

I look forward to welcoming shareholders at the Company's upcoming 2020 AGM, which will be held at Natwest Conference Centre, 250 Bishopsgate, London EC2M 4AA on 7 May 2020 at 11.30 a.m.

A detailed explanation of each item of business to be considered at the 2020 AGM will be included in the Notice of Meeting which will either be sent to the shareholders in advance of the 2020 AGM or will be available to download from our website www.reachplc.com. Shareholders who are unable to attend the 2020 AGM are encouraged to vote in advance of the meeting, either online at www.shareview.co.uk or by using the proxy card which will be sent to all shareholders.

Nicholas Prettejohn
Chairman

24 February 2020

Board of directors

image removed

**Nicholas
Prettejohn**

image removed

**Jim
Mullen**

Chairman

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

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

External appointments: Chairman of Scottish Widows; non-executive director of Lloyds Banking Group plc; Chairman of the Royal Northern College of Music; and a Member of the board of Opera Ventures.

Chief Executive Officer

Appointment date: August 2019

Experience: Jim was most recently Chief Executive Officer of Ladbrokes Coral plc and Chief Executive Officer of Ladbrokes plc from 2013 to 2018. He was previously Chief Operating Officer of William Hill Online and prior to this Director of Digital Strategy and Product Management at News International. Jim has significant experience in the advertising and communications industry having spent over 10 years with some of the sectors leading marketing and communications groups.

External appointments: Non-executive director of Racecourse Media Group.

image removed

**Simon
Fuller**

image removed

**Helen
Stevenson**

Chief Financial Officer and Company Secretary

Appointment date: March 2019

Experience: Simon has more than 15 years listed company experience, with the past 10 years working as a finance director at divisional or main board level. Most recently, Simon was Chief Financial Officer of McColl's Retail Group plc, having joined in 2015 after seven years at Tesco in a variety of divisional finance director roles. Earlier in his career Simon also held senior commercial finance roles at BT and COLT, having qualified as a chartered accountant with PricewaterhouseCoopers in 2001. Simon's broad experience enables him to contribute operationally and strategically, whilst also setting high standards of financial management and discipline.

External appointments: Director of The Foundation Years Trust.

Senior Independent Director

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

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

External appointments: Non-executive director of Kin and Carta plc and the Skipton Building Society; Member of the Strategic Advisory Board of Henley Business School; and Governor of Wellington College.

image removed

David Kelly

Non-Executive Director

Appointment date: December 2014

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

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

image removed

Anne Bulford OBE

Non-Executive Director

Appointment date: June 2019

Experience: Anne was a member of the BBC Executive Board from 2013 until spring 2019, initially as Managing Director and from 2016 onwards as Deputy Director-General. Prior to this she held the role of Channel 4's Chief Operating Officer, Director of Finance and Business Affairs at the Royal Opera House and Finance Director of Carlton Productions. Anne's previous non-executive roles include Audit Committee Chair for Ofcom and the Ministry of Justice. Anne qualified as a chartered accountant with KPMG and spent 12 years in practice. Anne was awarded an OBE in 2012 for services to UK broadcasting.

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

image removed

Olivia Streatfeild

Non-Executive Director and Colleague Ambassador

Appointment date: January 2016

Experience: Olivia has previously held the roles of Commercial Director of TalkTalk's Consumer Business and Partner at Sir Charles Dunstone's investment vehicle Freston Ventures. Olivia was an Associate Principal at McKinsey & Company and a leader in the business' consumer retail practice.

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

image removed

Steve Hatch

Non-Executive Director

Appointment date: December 2015.

Experience: Prior to joining Facebook in 2014, Steve was CEO at MEC; Managing Director of Mediaedge and worked as a Board Strategist for Y&R Brands.

External appointments: VP Facebook Northern Europe and Chair of CBI Tech Group.

Key: Member of the Audit & Risk Committee
Member of the Remuneration Committee

Member of the Nomination Committee
Denotes Committee Chairman

Corporate governance report

This report sets out how the Company applied the principles of the July 2018 version of the UK Corporate Governance Code ('Code'). It is the Board's view that for the year ended 29 December 2019 the Company fully complied with the provisions applicable to this reporting period. The Code can be read in full at www.frc.org.uk.

The role of the Board

The Board is collectively responsible for promoting the long-term success of the Company for its shareholders and other stakeholders and to provide effective leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board sets the Company's strategic aims and ensures that the necessary resources are in place to allow the Company's objectives to be met, in a way that enables

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

The Board has a formal schedule of matters reserved to it for decision. Other specific responsibilities are delegated to Board Committees, each of which has clear written terms of reference. The terms of reference for the Audit & Risk Committee, the Nomination Committee and the Remuneration Committee are available on the Company's website at www.reachplc.com.

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

Roles and responsibilities

Role	Name	Responsibility
Chairman	Nicholas Prettejohn	The Chairman's primary role is the leadership of the Board. He ensures that the directors receive accurate, timely and clear information and is responsible for cultivating a boardroom culture of honesty and openness which encourages debate, challenge where appropriate, and enables non-executive directors to make an effective contribution. The Chairman sets the Board's agenda and ensures sufficient time is allocated for the discussion of all agenda items. The Chairman also consults with the non-executive directors, in particular the Senior Independent Director, on matters of corporate governance and ensures all directors are made aware of any major shareholders' issues and concerns. The Board is satisfied that the Chairman's external roles do not detract from his ability to devote sufficient time to the Company to properly fulfil his responsibilities and be effective in his role.
Chief Executive Officer	Jim Mullen	The Chief Executive Officer's role is the day to day running of the Group's business and includes the development and implementation of strategy, decisions made by the Board and operational management of the Group, supported by the Chief Financial Officer and the Senior Executive Team.
Senior Independent Non-Executive Director	Helen Stevenson	The Senior Independent Director acts as a sounding board to the Chairman and serves as an intermediary for the other directors when necessary. The Senior Independent Director is available to shareholders to assist with addressing concerns that may arise and meets with the non-executive directors at least once a year to review the performance of the Chairman.
Non-Executive Directors	Olivia Streatfeild Anne Bulford Steve Hatch David Kelly	All the non-executive directors were deemed independent on appointment and continue to be independent in accordance with the Code. The non-executive directors bring to the Board independence, along with a broad mix of business skills, knowledge and experience. They provide an external perspective to Board discussions and are responsible for the scrutiny of the executive management on behalf of shareholders. The non-executive directors constructively challenge Board discussions and help develop proposals on strategy. The non-executive directors, in conjunction with the Chairman, meet in the absence of the executive directors following each Board meeting. Eight such meetings took place during the year. Details of the latest Board effectiveness review can be found on pages 53 and 54.
Chief Financial Officer and Company Secretary	Simon Fuller	The Company Secretary, supported by the Company Secretarial department, ensures that effective communication flows between the Board and its Committees and between senior management and the non-executive directors. The Company Secretary is responsible for ensuring that the Board operates in accordance with the Company's corporate governance framework. During the year and up until his resignation, Vijay Vaghela acted as Company Secretary in addition to his executive duties, with the support of the Deputy Company Secretary. Simon Fuller assumed the role of Company Secretary on his appointment to the Board on 1 March 2019 and where deemed appropriate his company secretarial responsibilities are formally delegated to the Deputy Company Secretary, who attends all Board and Committee meetings by invitation of the respective Chairman.

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

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

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

Matters reserved for the Board

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

Board meetings

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

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

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

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

Board and committee meetings and attendance

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

Director	Board	Audit	Remuneration	Nomination
Nicholas Prettejohn	11/11	n/a	4/4	3/3
Anne Bulford OBE ¹	7/7	4/4	2/2	1/1
Simon Fuller ²	9/9	n/a	n/a	n/a
Steve Hatch	7/11	3/7	1/4	2/3
Jim Mullen ³	5/5	n/a	n/a	n/a
David Kelly	10/11	7/7	4/4	3/3
Helen Stevenson	10/11	7/7	4/4	3/3
Olivia Streatfeild	8/11	7/7	4/4	2/3
Former Directors				
Simon Fox ⁴	5/5	n/a	n/a	2/3
Vijay Vaghela ⁵	2/2	n/a	n/a	n/a
Lee Ginsberg ⁶	3/3	3/3	2/2	1/1

1 Anne Bulford joined the Board and respective Committees on 18 June 2019

2 Simon Fuller joined the Board on 1 March 2019.

3 Jim Mullen joined the Board on 16 August 2019.

4 Simon Fox stepped down from the Board on 16 August 2019.

5 Vijay Vaghela stepped down from the Board on 1 March 2019.

6 Lee Ginsberg stepped down from the Board on 30 April 2019.

Board performance evaluation

An evaluation of Board performance was conducted in January 2020. The evaluation was conducted internally by way of a written questionnaire and considered areas including:

- Board oversight of purpose, values, strategy and risk
- Composition and diversity of the Board
- Content and structure of meetings
- Induction and training needs

Responses to the questionnaire were collated and summarised in a report that was discussed with the Chairman. This report was then presented to the Board and discussed by the Board at its February 2020 meeting. A number of actions were identified and an action plan agreed that will be monitored by the Company Secretary and the Chairman.

Key observations and outcomes from the evaluation include:

- A strong boardroom culture that is supportive but challenging, with a Board highly engaged in shaping the Company's purpose, values and strategy.
- The Board benefit from a good mix of skills, experience and gender balance. Diversity and inclusion will continue to be an area to focus on in the future.
- The Board received good external perspectives on the Company from advisors during the year, and plans to hear more of the customer voice in the Boardroom going forward.

The Code states that FTSE 350 companies should have an externally facilitated evaluation at least every three years. Whilst the Company is not in the FTSE 350, it recognises the value of conducting an externally facilitated evaluation and therefore intends to hold one in 2020.

Appointments and resignations

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

Further details on the appointment process can be found in the Nomination Committee report on page 56 and biographies of our directors can be found on pages 50 and 51.

Board and Committee Structure

Board of Directors

Audit & Risk Committee

Read the report on pages 57 to 61

Remuneration Committee

Read the report on pages 62 to 82

Nomination Committee

Read the report on page 56

Executive Directors

Senior Executive Team

Administration Committee

Corporate governance report continued

Annual re-election of directors

In accordance with best practice, all current directors are standing for re-election (and in the cases of Anne Bulford and Jim Mullen for election) at the Company's 2020 Annual General Meeting ('AGM').

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

Board induction, training and development

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

Throughout their tenure, directors are given access to the Group's operations and staff, and receive updates on relevant issues as appropriate, taking into account their individual qualifications and experience. This allows the directors to function effectively with appropriate knowledge of the Group.

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

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

Independent advice

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

Directors' conflicts

The Board has a Conflicts Policy in place which provides a formal system for directors to declare conflicts to be considered for authorisation by those directors who are not interested in the matter. In deciding whether to authorise a potential or actual conflict, the non-conflicted directors are required to act in the way they consider would be most likely to promote the success of the Company and they may impose limits or conditions when giving authorisation.

The Board applied the Conflicts Policy throughout 2019 and the relevant procedures for authorisation of potential or actual conflicts were followed. The Board believes that there is currently no compromise to the independence of any director arising from an external appointment or any outside commercial interest.

Directors' indemnity and insurance

As approved by shareholders at the 2008 AGM, included in the adopted Company's Articles of Association resolution, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006. This provision was in force during the financial year and when the Directors' Report was approved.

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

Annual General Meeting ('AGM')

The AGM provides an opportunity for directors to engage with shareholders, answer their questions and meet them informally. The next AGM will take place on 7 May 2020 in London. We invite all shareholders to attend and those who cannot attend in person are encouraged to vote by proxy on all resolutions put forward.

At the AGM on 2 May 2019, all resolutions received a high level of support receiving at least 80% in favour with the exception of the resolution seeking authority to make political donations which received 77.05% of the vote in favour. Further information on this matter can be found in the Directors' report on page 84.

The Notice of Meeting and Proxy Card for the 2020 AGM will be shared with shareholders at least 21 clear days prior to the meeting date, as required by the Company's Articles of Association.

Risk management and internal control

The Company's approach to risk appetite has been developed in line with the Code. By clarifying the type and level of risk the Company is willing to take in order to achieve its strategic objectives, the Company aims to support consistent, risk-informed decision making.

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

Further information on internal controls and risk management can be found on page 60 of the Audit & Risk Committee report. The principal risks and uncertainties the Group faced during the year are set out on pages 43 to 45 of the Strategic report.

Going concern and viability statement

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

chart removed

chart removed

chart removed

Assessment of the Group's prospects

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

Going concern statement

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

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

The key factors considered by the directors were as follows:

- The implications of the current economic environment and the structural changes in the market on the Group's revenues and profits. The Group undertakes regular forecasts and projections of trading identifying areas of focus for management to improve performance and mitigate the impact of any deterioration in the economic outlook and structural challenges;
- The impact of the competitive environment within which the Group's businesses operate;
- The impact on our business of key suppliers (in particular newsprint) being unable to meet their obligations to the Group;
- The impact on our business of key customers being unable to meet their obligations for services provided by the Group;
- The net current liabilities of the Group; and
- The available cash reserves and committed finance facilities available to the Group. In 2019, the Group repaid early the £60m payable under the Acquisition Term Loan. The Group also refinanced the Revolving Credit Facility and has in place a non-amortising £65m facility until December 2023. Drawings can be made with 24 hours' notice and the facility was undrawn at the reporting date.

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

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

Viability statement

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

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

The directors assessed the prospects of the Group over a three year period which reflects the budget and planning cycle adopted by the Group. A three year period is adopted as it enables the directors to consider the impact of declining print revenues, the investment required to drive growth in digital and to identify the extent to which costs need to be minimised to support profit and cash flow. The assessment took into account the Group's current position and the principal risks and uncertainties facing the Group including those that would threaten the business model, future performance, solvency or liquidity.

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

The annual budget for 2020 is used to set budget targets for the Group and is used by the Remuneration Committee to set targets for the annual incentive plan. The annual budget and projections for the subsequent two years are also used for setting the cash flow target for the Long Term Incentive Plan. Whilst the subsequent two year projections are less detailed than the annual budget, they provide a sensible planning tool against which strategic decisions are made.

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

- A continuation of print revenue declines with reference to recent trends and investment to build audience and strong growth in digital revenue in the growing digital market;
- Cost reduction initiatives, including associated restructuring costs, to support profitability;
- Capital expenditure requirements across the business and how these are impacted by the trading environment;
- Deferred consideration of £59m in respect of the acquisition of Express & Star (repayable in 2020 to 2023);
- Funding of the historical defined benefit pension obligations based on the schedule of contributions agreed with the Trustee's of the defined benefit pension schemes on completion of the acquisition of Express & Star;
- Payments in relation to historical legal and tax issues reflecting the provisions held in the balance sheet;
- Covenants under the financing facilities are met; and
- Dividend policy based on dividend increases of at least 5%.

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

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

Sensitivity analysis is applied to the cash flows to model the potential effects should principal risks actually occur, individual or in unison. The Board also assessed the likely effectiveness of any proposed mitigating actions. This did not change the conclusions of the assessment.

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

Nick Prettejohn
Chairman

24 February 2020

Nomination Committee report

A robust and independent process.”

Nicholas Prettejohn
Chairman of the
Nomination Committee

image removed

The key activities of the Nomination Committee ('Committee') during the year were focused on the recruitment of a new Chief Executive Officer and new Audit & Risk Committee Chair and non-executive director following the resignations of Simon Fox and Lee Ginsberg respectively. For both appointments the Committee oversaw an independent and comprehensive search process, more information about which is set out below. Please note we reported the recruitment of Simon Fuller in last year's Nomination Committee Report.

The Committee also oversaw the appointment of Olivia Streatfeild to the position of Colleague Ambassador to address the new 2018 UK Corporate Governance Code ('Code') requirements in respect of workforce engagement. More information about this appointment can be found on page 32 of the Strategic report.

Committee Membership

The Committee membership includes the Chairman of the Board as the Committee Chair, all five non-executive directors and the Chief Executive Officer. The Committee met three times during the year and attendance is set out on page 53 of the Corporate Governance report.

Committee Responsibilities

- Keep under review the Board's structure, size and composition and ensure it has the appropriate balance of skills, expertise and experience;
- Make recommendations regarding any adjustments to the composition of the Board;
- Assess the time commitment required from non-executive directors;
- Propose recommendations to the Board for the continuation in service of each director; and
- Ensure that the Board is well prepared for changes to its composition and appropriate succession plans are in place.

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

Candidate search and appointment process

The Committee's terms of reference set out a process in respect of the appointment of new Board members which aims to ensure an independent process.

In respect of the recruitment of Anne Bulford OBE the Committee engaged executive search firm Egon Zehnder to assist with the search. In respect of the recruitment of Jim Mullen the Committee engaged Russell Reynolds Associates. Neither firm has any other connection with the Company or its directors and both are signatory's to the Voluntary Code of Conduct for Executive Search firms which aims to improve diversity in the executive search process. The Committee considered long-lists of candidates and conducted an interview and assessment process appropriate to each appointment taking into consideration various aspects of diversity. In both cases following a robust and independent process the Committee made recommendations to the Board which were approved.

Anne Bulford was appointed to the Board on 18 June 2019 and Jim Mullen was appointed on 16 August 2019.

As in previous years, shareholders will get the opportunity to vote on the appointment of all Directors appointed during the year at the Company's 2020 Annual General Meeting ('AGM').

Diversity

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

The Board does not have its own policy on diversity as the Group's policies on recruitment, dignity at work and equal opportunities, which cover diversity, apply to the Board. The Group's recruitment process is designed to ensure the identification of the person with the appropriate attributes and experience best suited to the role irrespective of race, age, disability, sex, sexual orientation, gender reassignment, marriage or civil partnership, pregnancy, maternity, membership or non-membership of a trade union, religion and belief.

At the year-end there were three female members of the Board, representing 40% of the Board, which is above the 33% target for FTSE 350 boards set by the Hampton-Alexander review.

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

The Board also recognises the importance of diversity at management level and information on initiatives in this area can be found on pages 33 and 34 of the Strategic report.

Areas of focus for 2020

- Succession planning for the Board and senior management; and
- Identifying future talent pipeline and considering their development.

Nick Prettejohn

Chairman of the Nomination Committee

24 February 2020

Audit & Risk Committee report

image removed

An efficient and effective audit process, providing the Committee with independent and objective assurance."

Anne Bulford
Chairman of the
Audit & Risk Committee

Dear Shareholder,

I am pleased to present the report of the Audit & Risk Committee ('Committee') for 2019, which aims to provide insight into the work of the Committee during the year. Notably this report sets out the significant issues relating to the financial statements that the Committee considered and how these were addressed. It also sets out information about the Company's internal control and risk management systems.

As described earlier in the Annual Report, I joined the Board and was appointed as Chair of the Committee on 18 June 2019. As part of my induction I have spent time with many colleagues around the business including the Chief Executive Officer, Chief Financial Officer, Head of Risk and Internal Audit and members of the Finance Leadership Team. I thank all these colleagues for their time and openness in assisting me in building a comprehensive understanding of the business and its finances.

I have also spent considerable time with the Company's new External Auditor PricewaterhouseCoopers LLP ('PwC'). At the Company's Annual General Meeting ('AGM') on 2 May 2019, shareholders approved the appointment of PwC as the Company's external auditor and therefore the financial year 2019 is PwC's first audit of the Company. Under my leadership, the Committee has spent time overseeing a comprehensive handover and induction for PwC, to ensure that they have been able to run an effective and efficient audit process, providing the Committee with independent and objective assurance.

Committee Membership

All members of the Committee are non-executive directors, who are considered independent, and their biographical details are set out on pages 50 and 51. In accordance with the July 2018 version of the UK Corporate Governance Code ('Code'), the Chairman, Chief Executive Officer and Chief Financial Officer are not members of the Committee but are invited to attend meetings of the Committee when appropriate. The Board has identified Anne Bulford as the member of the Committee having recent and relevant financial experience for the purposes of the Code and believes that the members of the Committee as a whole have competence relevant to the sector in which the Group operates.

Role of the Committee

The role and responsibilities of the Committee are set out in its written Terms of Reference which are published on the Company's website www.reachplc.com. These include the following key responsibilities:

- Monitor the integrity of the financial statements of the Company, including its annual and half year financial results. Other formal announcements relating to financial performance or financial information contained in certain other documents is reviewed by the Board and therefore not specifically discussed by the Committee;
- Review and assess the Annual Report in order to determine whether it can advise the Board that, taken as a whole, the Annual Report is fair, balanced and understandable and

provides shareholders with the information they need to assess the Company's position, performance, business model and strategy;

- Review significant financial reporting issues;
- Recommend to the Board the appointment of the external auditor and approve their remuneration and terms of engagement;
- Lead the audit tendering process and recommend two prospective audit firms to the Board;
- Monitor and review the external auditor's independence, objectivity and the effectiveness of the external audit process including considering relevant UK professional and regulatory requirements;
- Review and approve the external audit plan;
- Develop and implement the Company's policy on non-audit services from the external auditor, taking into account relevant ethical guidance;
- Review the Company's procedures for handling allegations from whistleblowers;
- Review the Company's internal control system and risk management system;
- Monitor and review the effectiveness of the internal audit function;
- Review and approve the remit of the internal audit function and ensure the function has the necessary resources and is able to meet appropriate professional standards for internal auditors; and
- Review and approve the internal audit plan.

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

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

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

Main activities of the Committee during 2019

The Committee held seven meetings in 2019. Items reviewed at the Committee meetings in 2019 included:

– Reports and financial statements	– Overseeing handover and induction of new external auditors
– Group prospects (going concern and viability)	– Findings from the external auditor on the 2019 interim review
– Impairment reviews of the carrying value of intangible assets (Group) and investments (plc) and appropriateness of the number of cash-generating units and the indefinite life assumption for publishing rights and titles	– Findings from the external auditor on the 2018 year end audit
– Tax and Treasury	– Corporate governance updates
– Pensions	– Review of non-audit services policy
– Provision for historical legal issues	– External audit fees
– Contingent liabilities	– Monitoring accounting regulatory changes
– Internal audit plan and results of audits completed	– External audit plan and review of effectiveness
	– Corporate risk assessment including review of the key risks and risk management activities

Audit & Risk Committee report continued

Annual Report

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

In doing this the Committee has:

- Considered the results of an internal review performed by a senior chartered accountant not involved in preparation of the Annual Report;
- Reviewed and discussed the findings from the external auditor as part of the 2019 year end audit; and
- Fully discussed the Annual Report at the Committee meeting in February 2020.

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

Going concern and viability statement

The Company is required to include in its annual report statements relating to going concern and viability. The Committee reviewed and discussed a report from management and concluded that the financial statements can be prepared on a going concern basis and that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years. The directors assessed the prospects of the Group over a three-year period which reflects the budget and planning cycle adopted by the Group. A three-year period is adopted as it enables the directors to consider the impact of declining print revenues, the investment required to drive growth in digital and to identify the extent to which costs need to be managed to support profit and cash flow. The assessment of the Group's prospects, together with the Group's going concern statement and viability statement, are set out on page 55 of the Corporate governance report.

Significant financial issues

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

The Committee considered the following significant issues in relation to the 2019 financial statements:

Impairment reviews and appropriateness of the number of cash-generating units and the indefinite life assumption for publishing rights and titles

The Group's consolidated balance sheet has material goodwill and other intangible assets relating to publishing rights and titles. The Committee received detailed papers from management in respect of:

- The appropriateness of a single cash-generating unit for the publishing rights and titles;
- The indefinite life assumption in respect of publishing rights and titles; and
- Impairment reviews in respect of the carrying value of assets on the consolidated and parent company balance sheets.

Both the Committee and external auditor challenged the conclusions of the papers and considered any external factors which may change the conclusions of the review. Management and the external auditor also undertook a detailed review of the assumptions and of the model supporting the papers.

The appropriateness of a single cash-generating unit for the publishing rights and titles

The assumption is considered at each reporting date and is a Critical Judgement in applying the Group's accounting policies.

The Group has over the past few years reduced the number of cash-generating units as the interdependency of revenues has increased. The Group is a content business with content delivered through multiple brands. The brands have traditionally been in print and are transitioning to digital. The challenges facing the brands has resulted in the Group becoming more integrated to such an extent that the interdependency of revenues across the network of brands is significant. As such, assessing the publishing rights and titles with reference to a single publishing cash-generating unit, whose cash flows are interconnected, is deemed to be the most appropriate treatment.

The indefinite life assumption in respect of publishing rights and titles

The assumption is considered at each reporting date and is a Critical Judgement in applying the Group's accounting policies.

The Group has, from first recognition to the latest results announcement, consistently adopted an indefinite life assumption for its publishing rights and titles. Indefinite life intangible assets are not amortised. The Committee noted that indefinite is not the same as infinite (that is, limitless in extent). The brands have delivered trusted news to readers for many years in print and more recently in digital. The brands are core to our digital strategy either directly or indirectly. In support of the assumption, management have prepared 10 year illustrative projections which highlight that print will continue to be significant and that digital will be increasingly significant. Based on the Group's strategic focus and the illustrative projections it is considered that there is no foreseeable limit to the period over which the net cash inflows are expected to be generated from the publishing rights and titles and that the current carrying value will be supported for the foreseeable future. As such, continuing to adopt the indefinite life assumption in respect of publishing rights and titles is deemed to be the most appropriate treatment.

Impairment reviews in respect of the carrying value of assets on the consolidated and parent company balance sheets

The Committee needs to assess whether the carrying value of assets of a cash generating-unit are impaired and are carried at no more than their recoverable amount (the higher of fair value less costs of disposal and value in use) in the consolidated balance sheet. The Committee also assesses whether the carrying value of investments are impaired and are carried at no more than the recoverable amount (the higher of fair value less costs of disposal and value in use) in the parent company balance sheet.

The value in use has been calculated using a discounted cash flow model and the fair value has been considered based on the value of the Group with costs of disposal considered to be minimal.

The discounted cash flow model has been prepared based on the final budget for 2020 and detailed projections for 2021 and 2022 (prepared at the time of the 2020 budget which were presented to and approved by the Board at the time of approval of the 2020 budget) and then high level projections for the period 2023 to 2029. There are a number of judgements made in setting the assumptions that underpin the model:

- The projections are managements best estimate of the future performance of the Group which are subject to risk and uncertainties as set out in the Annual Report;
- The key assumptions in the projections relate to the continuation of print declines, of digital growth and tight management of costs as experienced by the Group in the current and prior years.

- The long term growth rate has been set at 0% from year 10 which reflects that the 10 year model has revenue and EBITDA broadly flat in the later years of the projections (with the expectation that growth would be delivered beyond);
- Charges to deliver cost reductions and capital expenditure have been based on expected run rates over the next 10 years;
- Tax at 17% has been modelled based on the future tax rates substantively enacted at the balance sheet date.
- The weighted average cost of capital post tax rate of 11.09% (2018: 11.00%) is calculated after due consideration of market factors impacting the rate and items that are specific to the Group such as the current capital structure and the best estimate of future movements in the capital structure.

The value in use from the discounted cash flow model is in excess of the carrying value of assets of the cash generating units resulting in no impairment being required in respect of the carrying value of assets on the consolidated balance sheet. Management also considered two sensitivity scenarios (firstly with reduced revenue trends in key revenue categories over the period 2020 to 2029 and secondly with a significant shock to revenue in 2020 and then the revenue trends following the non-sensitised case from 2021 to 2029 both with a minimum level of cost mitigation) which highlight that in both scenarios no impairment would be required.

The impairment review in respect of the carrying value of investments in the parent company balance sheet resulted in an impairment charge of £23.2m. There is a risk of a further impairment charge in future periods. The Company has distributable reserves of £168.6m together with a merger reserve of £25.3m which provide sufficient headroom against any risk of an impairment to dividends.

The Annual Report contains disclosure of the Critical Judgements in applying the Group's accounting policies, the key factors relating to the impairment reviews and the conclusions reached (note 3 and note 16 in the notes to the consolidated financial statements and note 2 in the notes to the parent company financial statements).

Impairment is not considered a principal risk for the Group, as identified on pages 43 to 45 of the Strategic report, as it relates to historical transactions with no future cash impact nor is there any impact on the financial covenants for the Group's debt facilities.

Pensions

At each reporting date the Group's actuaries, Willis Towers Watson ("WTW"), undertake a detailed calculation of the IAS 19 valuation of the Group's defined benefit pension schemes and of the specific financial disclosures in the financial statements. A detailed review of the bases for the financial assumptions was carried out at the half year and updated data and post code analysis has been undertaken in respect of the demographic assumptions at the year end. An executive summary and a detailed report prepared by WTW setting out the methodology, judgements, assumptions and conclusions is presented to the Committee for review. Full disclosure of the Group's pension schemes is in note 20 in the notes to the consolidated financial statements.

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

The external auditor performs a detailed review of the reports prepared by WTW and of the methodology, judgements and assumptions used for the valuation, including external benchmarking.

The assumptions regarding the discount rate, inflation rates and demographic assumptions are reviewed by the Committee and external auditor. Disclosure of the valuation and the sensitivity of the valuation to changes in the key assumptions are disclosed also in note 20 to the consolidated financial statements.

Pension schemes are included in one of the Group's principal risks that are set out in the risks and uncertainties section on pages 43 to 45 of the Strategic report. This sets out the risk and the management action to mitigate the risk.

Historical legal issues

The Group is exposed to civil claims in relation to historical phone hacking. This is a standing item on the Board agenda and therefore is not specifically an agenda item for the Committee. The Committee does assess the appropriateness of any provisions in relation to these matters and other implications on the consolidated financial statements and that the Annual Report contains sufficient disclosure of such matters. Disclosures relating to the latest position are set out on page 29 of the Strategic report and in note 26 in the notes to the consolidated financial statements.

The external auditor's report to the Committee details the procedures undertaken by them and their discussions with management and this is discussed in detail by the Committee.

Historical legal issues are included in one of the Group's principal risks that are set out in the risks and uncertainties section on pages 43 to 45 of the Strategic report. This sets out the risk and the management action to mitigate the risk.

Interactions with the Financial Reporting Council

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

In addition, the FRC looked at our disclosures in respect of the impairment of non-financial assets as part of a recent thematic review and concluded that they were 'an example of better practice'.

External auditor Independence

As disclosed in our 2018 Annual Report, during 2018 the Committee oversaw a competitive tender process which resulted in recommendation to appoint PwC as auditor for the financial year 2019, which was approved by shareholders at the Company's AGM on 2 May 2019.

PwC attended a number of management and Committee meetings alongside Deloitte for the financial year 2018 audit to ensure an orderly handover.

In accordance with the Auditing Practices Board standards, the Lead Audit Partner at PwC will be rotated every five years to ensure continuing independence.

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

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

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

Audit & Risk Committee report continued

Non-audit services

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

In 2019, the approved non-audit fee items provided by PwC related to the interim review, loan covenant reporting and in relation to a potential acquisition which would have been Class 1. The spend in relation to these services was £130,000, totalling 14.6% of the overall fees paid. The Committee was satisfied that the non-audit services purchased were in line with the non-audit services policy and did not compromise the independence of the auditor.

Effectiveness

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

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

Deloitte's last audit was the 2018 year end and no effectiveness review was carried out given it was their last audit. The effectiveness review of PwC for 2019 will be carried out in the coming months.

Effectiveness of risk management and internal control system

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

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

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

The reviews did not identify any significant failings or weaknesses in the system of risk management and internal control. The Committee confirms that necessary actions have been or are being taken, where failings or weaknesses were identified that were not of a material nature. The principal risks and uncertainties are set out on pages 43 to 45 of the Strategic report. The Committee has considered that the appropriate systems are robust, in place, adequate and are operating properly.

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

Risk management

An ongoing process for identifying, evaluating and managing the significant risks faced by the Company, including emerging risks, has remained in place throughout 2019 and up to the date of approval of this report. The process is subject to regular review by the Board directly and by the Committee. The process accords with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, as applicable for this accounting period.

The Committee regularly reviews the risk map which details a description of the risks, an assessment of the impact on the business, probability of occurrence, management accountability, applicable policies, sources of assurance, risk factors and associated actions. It is a valuable source of information for reference and is regularly reviewed. During 2019, principal risks were identified, assessed and reviewed by impact and probability and the Board reconfirmed its view of the Group's appetite for risk and how this manifests itself in the way the Group conducts its business.

Internal controls

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

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

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

Financial reporting

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

Investment appraisal

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

Functional reporting

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

Risk management and internal controls compliance

The following illustrate how the risk management process and the system of internal control operated during 2019:

Group Internal Audit

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

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

Audit & Risk Committee

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

Risk Management Group

The Risk Management Group is formed of the Senior Executive Team together with invited senior managers across the key Group functions. The Chief Executive Officer, working closely with the Head of Risk and Internal Audit, co-ordinates the risk management activities of the Risk Management Group.

The agreed objectives for the risk management framework have been achieved during 2019 and all significant risks have been reviewed. A risk map has been developed and regularly updated to show the actions taken to minimise risks throughout the Group, the policies in force and the other sources of assurance upon which reliance is placed to mitigate risk.

Monitoring of key risks

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

Year end compliance reporting

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

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

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

Anne Bulford

Chairman of the Audit & Risk Committee

24 February 2020

Remuneration report

A fair balance between management and stakeholder interests."

David Kelly
Chairman of the
Remuneration Committee

image removed

Dear Shareholder,

On behalf of the Board, I am pleased to present to you the Remuneration Report for 2019.

This report is split into three parts: this Annual Statement, which includes a foreword from me and our 'at a glance' summary on pages 64 and 65, the Policy Report and the Annual Report on Remuneration.

This year we will be asking our shareholders to renew the three yearly authority for our directors' remuneration policy at the 2020 Annual General Meeting ('AGM').

The Committee reviewed the policy for its continuing appropriateness in 2019. We believe that our current directors' remuneration policy has the scope and flexibility to allow us to operate pay at Reach in a way that supports our broader strategic direction as a business, including as this strategy and its execution continues to develop. Accordingly, only limited changes to the directors' remuneration policy are proposed for approval at the 2020 AGM, and we have summarised these below, together with comments explaining how we have already started to implement our revised policy.

At-a-glance: Remuneration Policy

Pay element	Updated policy
Base salary	No change to policy. A new CEO and CFO came into post in 2019, and both were appointed on lower salaries than the previous holders of these roles (CEO £46,650 lower; CFO £87,679 lower). Salaries for 2020 are set out in the section of the report describing 'Implementation of Policy for 2020'.
Benefits	No change to policy.
Pensions	New appointees will be aligned to the range of contribution rates for the workforce, as was the case for Jim Mullen on appointment (7.5% annual pension contribution compared to 15% for prior CEO). Simon Fuller's pension contribution level will be transitioned to the same 7.5% of salary level by 1 January 2023. As an initial step, Simon Fuller's pension contribution rate will reduce to 13.1% in 2020, with further phased reductions proposed to be made in 2021 and 2022.
Annual bonus	No change to policy. 2020 annual bonus performance conditions have revised weightings; the new weightings reflect the developing business strategy, but are still heavily weighted to financial performance, particularly operating profit.

Pay element	Updated policy
LTIP	No change to policy. 2020 LTIP awards will apply TSR on a relative basis vs. constituents of FTSE SmallCap (ex IT); alignment to normal market practice.
Shareholding Guidelines for executive directors	The current Shareholding Guidelines of 200% of base salary will be extended to apply additionally for one year from an executive director's stepping down from the Board with the change effective from the 2020 AGM.

We believe that our directors' remuneration policy continues to represent a fair balance between management and stakeholder interests.

Board changes at Reach in 2019

As you have seen earlier in this Annual Report, we welcomed new executive directors during the year: Simon Fuller joined the Board on 1 March 2019 as Chief Financial Officer (having started work in February), and Jim Mullen joined on 16 August 2019 as Chief Executive Officer. You can see details of Simon and Jim's remuneration arrangements on pages 65 and 80. Vijay Vaghela and Simon Fox stepped down from the Board on the same respective dates, and we have set out payments made or to be made to our former colleagues on pages 74 and 80.

The Remuneration Committee (the 'Committee') is satisfied that all treatments applied both on the recruitment and leaving arrangements for the executive directors during the year were appropriate and in line with both our policy and contractual obligations. For example, the full performance conditions continue to apply to all of Simon Fox's inflight incentives (bonuses and LTIPs) with no acceleration of the original vesting dates or variation to holding periods, and any vested element will be subject to time pro-rating, crediting only the period which Simon served as CEO.

Changes to our executive directors in 2019 gave the Committee the opportunity to (within the scope of the existing directors' remuneration policy) re-balance packages in ways which we consider to be more appropriate to support our business, and also reflecting feedback received from shareholders in recent years. Fixed pay for our new Reach executive directors has accordingly been reduced materially compared with the fixed pay for the previous holders of these positions.

Both our new CEO and CFO participated in 2019 LTIP awards, and in the CEO's case his first LTIP award was made at the maximum level allowed under our policy (200% of base salary). Making the first LTIP award to the CEO at this level was considered appropriate as it was needed to secure the CEO's recruitment. The Committee also considered that making a one-off larger award deliverable in shares (and subject both to performance conditions and to the application of a combined three year vesting and two year holding period before value can be realised) was preferable to seeking to match salary expectations, which for many candidates would begin with the salary levels of our previous CEO. This award directly aligns Jim's pay to shareholder outcomes, which our whole Board believes is the correct philosophy for Reach to be pursuing.

For completeness, our new CEO's bonus opportunity is (while still within our policy at 100% of base salary max) above that offered to our prior CEO (75% base salary max). However, this was considered appropriate, reflecting the material reduction in fixed pay within the new Reach CEO's package, and the fact that any bonus earned above 50% of base salary would (in line with our policy) be delivered in shares that are deferred for three years.

Incentive outcomes for 2019 and decisions taken by the Committee in 2019

In light of 2019 performance, executive directors will each receive a bonus based on 67.65% of maximum outcomes. Both executives' bonuses are time pro-rated for 2019. This outcome reflects a strong adjusted operating profit outcome and good progress against strategic objectives, as well as a strong Group revenue performance. Further details of our 2019 annual bonus targets and the final outcomes are included on page 65.

Our 2017 LTIP awards were assessed by reference to three year performance to December 2019. These awards vested to participants at a level of 40% of maximum, representing nil vesting on the Absolute TSR metric (60% weighting) but good performance on our Cumulative Net Cash Flow ('NCF') metric (40% weighting), so that this part of the award vested in full. Our current CEO and CFO did not participate in the 2017 LTIP awards.

In finalising incentive outcomes for the year, the Committee considered whether any discretion should be applied and concluded that the outcomes were a fair reflection of performance and should be applied without further moderation.

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

- Setting performance metrics for normal course annual bonuses and LTIPs in the year;
- Confirming the outcome of performance metrics for annual bonuses and LTIPs in the year;
- The treatment of incentive awards as part of the departure terms for our former CEO in August 2019; and
- The terms on which our new CEO was appointed.

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

Policy implementation for 2020

The Committee has approved increases in the salaries of the CEO and the CFO effective 1 March 2020. Both our CEO and CFO will receive a salary increase equivalent to 2% of base salary, which is consistent with the average level of increase made to our workforce for 2020 salary reviews. In addition, a further 3% salary increase was awarded to our CFO for 2020 (giving a combined 5% level of salary increase). Whilst the Committee is aware of sensitivities towards salary increases for executive directors generally, this additional salary increase for 2020 was considered appropriate due to the CFO having taken on additional executive responsibilities during 2019 (including for Technology and Information, where the prior holders of those responsibilities left the Company and the CFO has taken on Executive Committee accountability going forward) and the CFO's very strong performance in his role since appointment.

The annual bonus plan for our executive directors in 2020 will have a revised balance of metrics as follows:

- Group Adjusted Operating Profit – weighting 50% (2019 weighting was 70%)
- Group Revenue – weighting 25% (2019 weighting was 15%)
- Strategic Measures – weighting 25% (2019 weighting was 15%)

The Committee regards these revised weightings as appropriate for 2020, and reflective of how it is envisaged that our business will develop in the year. Before any 2020 annual bonus outcomes are confirmed the Committee will conduct an overview assessment of performance in the year and consider this alongside the outcomes for the specific metrics. Within the portion of annual bonus for 2020 based on strategic measures there will be both quantifiable and qualitative metrics considering a range of performance indicators, and customer and digital elements.

With regard to the 2020 LTIP, as in previous years, awards will continue to be based on TSR and NCF, representing 60% and 40% of the awards respectively. However, our 2020 LTIP awards will measure TSR on a more market-standard relative basis (measuring Reach's TSR relative to the TSR of the constituents of the FTSE SmallCap ex IT, and applying a median to upper quartile vesting range) rather than our previous absolute TSR measurement basis. We believe this will reward appropriate out-performance of other companies and guards against the possibility of our TSR condition benefitting from more generalised improvements in market sentiment. Taking this step also reflects feedback from some of our shareholders regarding the way in which we have applied TSR for our LTIP in the past.

More information on the proposed implementation of our policy for 2020 is set out on pages 81 and 82.

Format of the report and matters to be approved at our 2020 AGM

At the 2020 AGM, shareholders will be asked to approve two resolutions related to directors' remuneration matters:

- to approve the updated directors' remuneration policy; and
- to approve the directors' remuneration report.

The vote on the directors' remuneration report is our normal annual advisory vote on such matters. If approved by our shareholders, the directors' remuneration policy will apply for a maximum of three years from the 2020 AGM and will replace the directors' remuneration policy previously approved at the 2017 AGM.

I hope that our shareholders remain supportive of our approach to executive pay at Reach and vote in favour of the resolutions on remuneration matters to be tabled at the 2020 AGM.

David Kelly

Chairman of the Remuneration Committee

24 February 2020

Remuneration report continued

	Overview of continuing policy	Remuneration in respect of 2019	Implementation of policy in 2020
Base salary	<ul style="list-style-type: none"> Reviewed annually, taking into account individual performance, market competitiveness, the experience of each executive director and salary increases across the Group. Increases not normally to exceed workforce increases <p>See page 66</p>	<ul style="list-style-type: none"> Chief Executive Officer, Jim Mullen = £475,000 Chief Financial Officer, Simon Fuller = £360,000 <p>See page 74</p>	<ul style="list-style-type: none"> CEO and CFO both receive an increase at 2% of base salary (in line with Reach average employee increases for 2020) CFO also receives a further 3% increase in 2020 reflecting increased responsibilities going forward and strong performance since coming into post <p>See page 81</p>
Benefits	<ul style="list-style-type: none"> Benefits typically consist of provision of a company car or car allowance, private medical cover, permanent health insurance and life assurance <p>See page 66</p>	<ul style="list-style-type: none"> In line with policy <p>See page 74</p>	<ul style="list-style-type: none"> No change to benefits for 2020 <p>See page 81</p>
Pension	<ul style="list-style-type: none"> Pension contributions of up to 15% of salary or an equivalent cash allowance New appointees will be aligned to the pension available for the majority of the workforce (as was the case with the CEO's appointment in August 2019) <p>See page 66</p>	<ul style="list-style-type: none"> CEO at 7.5% of base salary (as agreed in August 2019) CFO at 15% of base salary (as agreed in July 2018) <p>See page 74</p>	<ul style="list-style-type: none"> CFO's pension contribution rate will transition to 7.5% by 1 January 2023 (13.1% in 2020) CEO unchanged <p>See page 81</p>
Annual bonus	<ul style="list-style-type: none"> Maximum annual bonus opportunity for all executive directors of 100% of salary Based on financial/business performance, with financial measures (to include Group profits) representing the majority of the total bonus opportunity Any bonus up to 50% of salary is paid in cash, with the remainder delivered in the form of restricted share awards vesting after three years Malus and clawback provisions apply <p>See page 67</p>	<ul style="list-style-type: none"> New CEO and CFO participated in the annual bonus on a pro-rata basis Outcomes at 67.65% of maximum Pro-rata bonuses for part year payable at 25.2% of annual base salary for the CEO and 46.4% of annual base salary for the CFO <p>See page 74</p>	<ul style="list-style-type: none"> Maximum annual bonus opportunities at 100% of salary for CEO and 75% of salary for the CFO Revised weightings on performance measures for 2020: Group Adjusted Operating Profit 50%; Group Revenue 25%; Strategic Measures 25% <p>See page 81</p>
LTIP	<ul style="list-style-type: none"> Maximum award size for all executive directors of 150% of salary in normal circumstances Awards vest subject to performance over a three-year period. Vested shares are subject to an additional two-year holding period Malus and clawback provisions apply <p>See page 68</p>	<ul style="list-style-type: none"> Award of 150% of salary made to CFO, representing a normal 120% of salary annual award plus a "buy-out" of awards forfeited on leaving his previous employer (further 30% of salary) Award of 200% of salary made to CEO on recruitment Awards subject to Absolute TSR growth targets (60% weighting) and Cumulative Net Cash Flow measured over three years to December 2021 For completeness, in addition to the above Simon Fuller received a further restricted share award over shares worth £50,000 to buy out awards forfeited on leaving his previous employment <p>See page 74</p>	<ul style="list-style-type: none"> Awards of 150% / 120% of salary to be made to the CEO / CFO Performance to be measured over the period January 2020 to December 2022 against relative TSR and cumulative NCF targets Two-year holding period will apply to vested shares <p>See page 82</p>

2019 Remuneration at a glance

2019 Single total figure of remuneration for current executive directors (£'000)

	Salary	Pension benefits	Taxable benefits	Single-year variable	Multiple-year variable	Other*	Total
Jim Mullen	180	13	8	122	n/a	n/a	323
Simon Fuller	306	46	19	167	n/a	50	588

* Explained on page 74

2019 Annual Bonus outcomes

Measure	Weight	Threshold	Target	Stretch	Actual	Vest (% element)	Total
Group adjusted operating profit	70%	No payment below target	£150.0m (30%)	£157.5m (70%)	£153.4m	48.14%	
Group revenue	15%	£696.1m (5%)	£703.2m (10%)	£710.3m (15%)	£702.5m	9.51%	67.65%
Strategic objectives	15%		Based on Committee assessment of achievement against objectives set at start of the year			10%	

2017 – 2019 LTIP outcomes

Targets

Measure	Weight	Threshold 20% vest	Stretch 100% vest	Actual	% vest	Overall % vest
Absolute TSR (Q4 2019)	60%	145p	230p	122.35p*	0%	40%
Cumulative NCF (2017–2019)	40%	£284m	£328m	£335.9m	40%	

* Based on Volume Weighted Average share price plus dividends reinvested between 30 September 2019 to 29 December 2019

Remuneration report continued

Policy Report

This Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The report meets the requirements of the FCA Listing Rules and the Disclosure Guidance and Transparency Rules. In this report we describe how the principles of good governance relating to directors' remuneration, as set out in the 2018 Code, are applied in practice. The Committee confirms that throughout 2019 the Company has complied with these governance rules and best practice provisions.

The remuneration policy as set out below is subject to shareholder approval at the 2020 AGM and will take effect from that date. The prior Policy Report, as approved by shareholders can be found in the 2016 Annual Report available on our website.

Revised Executive Director Remuneration Policy Table

As described earlier in this report, the Committee undertook a review of Reach's remuneration policy in 2019 and is proposing some modest changes to the Policy. Details of the proposed changes are highlighted in the table below.

Pay element and how it supports strategy	Operation	Opportunity	Performance Conditions	Changes from previous policy
Base salary To attract and retain talent by ensuring base salaries are competitive in the relevant talent market.	Base salaries are reviewed annually, taking into account individual performance, market competitiveness, the experience of each executive director, and salary increases across the Group. Any base salary increases are applied in line with the outcome of the review.	Percentage salary increases for executive directors will not normally exceed those of the wider workforce. Increases may be above this level if there is an increase in the scale, scope, market comparability or responsibilities of the role. Where increases are awarded in excess of the wider employee population, the Committee will provide an explanation in the relevant year's Annual Report on Remuneration.	Individual and business performance are considerations in setting base salary.	No material changes. Alignment of any executive director salary increases to wider workforce level increases clarified and confirmed.
Pensions To provide post-retirement benefits for participants in a cost-efficient manner.	Executive directors participate in the Company's defined contribution scheme or receive a cash allowance in lieu.	Up to 15% of base salary for current executive directors and 7.5% of base salary for new hires, being within the range of contribution rates for the workforce (for which there are a wide range of legacy arrangements in place).	None.	Confirmed that new executive director appointments will have a 7.5% of base salary pension contribution.
Benefits To provide non-cash benefits, which are competitive in the market in which the executive is employed.	Benefits typically include the provision of a company car or car allowance, private medical cover, permanent health insurance and life assurance. Where appropriate, other benefits may be offered including, but not limited to, allowances for accommodation, travel, relocation and participation in all-employee share schemes.	Benefits vary by role and individual circumstances; eligibility and cost is reviewed periodically. Relocation benefits may only be paid for a maximum of 2 years.	None.	No material changes. Confirmed that relocation benefits may be offered for a 2-year period only.

Pay element and how it supports strategy	Operation	Opportunity	Performance Conditions	Changes from previous policy
<p>Annual Bonus (delivered in the form of cash and restricted shares)</p> <p>To focus executives on delivering the business priorities for the financial year.</p> <p>Deferral of an element of bonus outcomes under the Restricted Share Plan ('RSP') provides further alignment with the interests of shareholders.</p>	<p>Performance measures, targets and weightings are set at the start of the year. At the end of the year, the Committee determines the extent to which the targets have been achieved.</p> <p>For executive directors, any bonus earned over 50% of salary is delivered in the form of RSP awards.</p> <p>RSP awards may not normally be transferred or otherwise disposed of by a participant for a period of three years from the date of grant, and will be forfeited on resignation to join a competitor.</p> <p>Malus and clawback provisions apply as described in the notes to this table.</p>	<p>For directors, the maximum annual bonus opportunity will be 100% of base salary.</p> <p>For on-target performance, the bonus opportunity is typically up to 50% of maximum.</p> <p>For threshold performance, the bonus opportunity is typically up to 20% of maximum.</p> <p>Additional shares representing reinvested dividends may be released following the vesting of any RSP award.</p>	<p>The performance conditions applied may be financial or non-financial and corporate, functional or individual and in such proportions as the Committee considers appropriate.</p> <p>The performance conditions selected may vary each year depending on business context and strategy, and will be weighted appropriately according to business priorities. Financial measures will represent the majority weighting of performance measures for annual bonus in each year of this policy, and will include but not be limited to Group profits.</p> <p>However, the annual bonus plan remains a discretionary arrangement and the Committee retains a standard power to apply its judgement to adjust the outcome of the annual bonus plan for any performance measure (from zero to any cap) should it consider that to be appropriate.</p>	<p>No material changes.</p> <p>Clarified that the Committee retains a right to adjust formulaic outcomes from all performance conditions.</p>

Remuneration report continued

Pay element and how it supports strategy	Operation	Opportunity	Performance Conditions	Changes from previous policy
LTIPs To align the interests of executives with shareholders in growing the value of the business over the long term.	<p>Awards of Performance Shares may be granted annually with vesting subject to performance over at least three years.</p> <p>There is a three-year performance period and a two-year holding period on vested LTIP shares to provide additional alignment with shareholders.</p> <p>Malus and clawback provisions apply as described in the notes to this table.</p>	<p>The LTIP provides for awards of up to 200% of base salary; however, the Committee intends that this limit will be used only in exceptional circumstances.</p> <p>LTIP awards in normal circumstances are up to 150% of base salary.</p> <p>Additional shares representing reinvested dividends may be released following the end of the holding period.</p>	<p>Performance conditions are reviewed before each award cycle to ensure they are appropriate and targets are set to be appropriately stretching over the performance period.</p> <p>The performance conditions applied may be financial or non-financial and corporate, functional or individual and in such proportions as the Committee considers appropriate. However, the Committee would expect to consult leading shareholders if it proposed materially changing the current performance conditions for LTIP awards made to executive directors (TSR: 60%; Cumulative NCF: 40%), or the weightings between these measures.</p> <p>Performance periods will not be less than, but may be longer than, three years.</p> <p>No more than 20% of awards vest for attaining the threshold level of performance conditions.</p> <p>The Committee also has a standard power to apply its judgement to adjust the formulaic outcome of all LTIP performance measures to take account of any circumstances (including the performance of the Company, any individual or business) should it consider that to be appropriate.</p>	No material changes.

Notes to the Policy Table

1. Payments from existing awards

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

2. Performance measure selection and approach to target setting

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

The Committee considers that the metrics used in the LTIP, total shareholder return and net cash flow, help align executives with shareholder interests, and provide objective and transparent measures of the Company's performance and shareholder value. Our 2020 LTIP awards will measure TSR on a more market-standard relative basis, instead of absolute TSR.

3. Malus and Clawback

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

- There has been a significant deterioration in the underlying financial health of the Company; or
- There has been a material misstatement of the Company's accounts; or
- The Participant has deliberately misled the Company, the Company's shareholders or the market regarding the Company's financial performance; or

- d. Circumstances of potential reputational damage for any group company;
- e. Errors in calculation of performance condition outcomes;
- f. Gross misconduct.

Malus/clawback can operate during the three-year period until the vesting of an RSP award; and from the award date until the end of the two-year holding period for a vested LTIP award.

4. Travel and hospitality

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

5. Committee discretions

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

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

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

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

6. Shareholding guidelines

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

- Executive directors are subject to a guideline requirement of 200% of base salary.
- Until the relevant shareholding levels are acquired, executive directors are required to retain 100% of shares vesting, after the sale of sufficient shares to meet any income tax or national insurance obligations, under the LTIP and RSP.

Details of the executive directors' current personal shareholdings are provided in the Annual Report on Remuneration on page 79.

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

7. Differences in remuneration policy operated for other employees

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

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

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

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

Remuneration report continued

Recruitment policy

External appointment

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

Component	Approach	Maximum annual grant value
Base salary	The base salaries of new appointees will be determined based on the experience and skills of the individual, internal relativities, relevant market data and their current basic salary. Initial salaries may be set below market and consideration given to phasing any increases over two or three years subject to development in the role.	Not applicable.
Pension	New appointees will be entitled to become members of the Company's defined contribution pension scheme or receive a cash alternative.	Newly appointed directors' contributions at 7.5% salary.
Benefits	New appointees will be eligible to receive benefits in line with the policy.	Not applicable.
Annual bonus (cash and restricted shares)	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the portion of the year served.	Up to 100% of base salary.
Long Term Incentive Plan	New appointees will be granted awards under the LTIP on similar terms as other executives, as described in the policy table.	Up to 200% of base salary.

In determining appropriate remuneration structures and levels, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of both the Company and its shareholders. The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, i.e. over and above the approach outlined in the table above, and may exercise the discretion available under Listing Rule 9.4.2 R if necessary to do so. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining. The fair value of any buyout award should generally have a fair value no higher than that of the awards forfeited. The Committee will seek, as far as practicable, to make any buy-out awards subject to comparable requirements in respect of service and performance as the awards forfeited.

Internal promotion

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

Service contracts and exit payment policy

Service contracts of executive directors who served during 2019

Executive	Date of contract
Jim Mullen	16 August 2019
Simon Fuller	1 March 2019
Simon Fox (until 16 August 2019)	30 August 2012
Vijay Vaghela (until 1 March 2019)	18 April 2003

Exit payment policy

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

The termination provisions provide that should the Company seek to terminate an executive director's employment it may do so making a payment in lieu of 12 months' base salary. Any payment in lieu will not include elements relating to any bonus or benefits. The contract provides that the Company may terminate in breach of the agreement and may require the Director to mitigate any loss.

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

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

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

Annual Bonus Plan

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

Restricted Share Plan (Deferred Bonuses)

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

LTIP

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

External appointments

The Company acknowledges that its executive directors are likely to be invited to become non-executive directors of other companies. The Committee believes that these non-executive duties can broaden the directors' knowledge and experience to the benefit of the Company. Executive directors are therefore, with the Board's permission, allowed to accept one such appointment as long as there is no conflict of interest and to retain any fees. Details of external appointments are set out on page 70 of the Corporate Governance Report and details of any remuneration received in respect of such positions is set out on page 76.

Consideration of conditions elsewhere in the Company

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

Consideration of shareholder views

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

Non-executive director remuneration

Non-executive directors do not have service agreements, but are engaged on the basis of a letter of appointment. In line with the 2018 UK Corporate Governance Code ('Code') guidelines, all directors are subject to re-election annually at the AGM. It is the policy of the Board that non-executive directors are not eligible to participate in any of the Company's bonus, long-term incentive or pension schemes.

Details of the policy on fees paid to our non-executive directors are set out in the table overleaf. On any recruitment of a new non-executive director, the Committee will also apply this policy.

Remuneration report continued

Pay element and Function	Operation	Opportunity	Performance Conditions	Changes from previous policy
Chairman and Non-executive directors' fees To attract and retain a Company Chairman and non-executive directors of the highest calibre with broad commercial and other experience relevant to the Company and sector.	Fee levels are reviewed periodically with any adjustments generally effective 1 January in the year following review. The fees paid to the Chairman are determined by the Committee and the fees paid to the non-executive directors are determined by the Board. Additional fees are payable for additional Board responsibilities such as acting as Senior Independent Director and as Chairman of the Audit & Risk and Remuneration Committees. When reviewing fee levels, time commitment, responsibilities and the market positioning of fees against sector comparators and FTSE-listed companies of similar size and complexity, are taken into account.	Any Chairman and non-executive director fee increases are applied in line with the outcome of the annual fee review. There is no prescribed maximum. Fees for the year commencing 1 January 2020 are set out in the Annual Report on Remuneration. The maximum aggregate annual fee for all non-executive directors provided in the Company's Articles of Association is £700,000.	None	No material changes.

Notes:

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

Scenario analysis

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

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

chart removed

chart removed

Annual Report on Remuneration

The following section provides details of how our Remuneration Policy was implemented during 2019.

Remuneration Committee membership

During 2019, the Committee members were the following non-executive directors:

- David Kelly (Chairman)
- Helen Stevenson
- Anne Bulford (from 18 June 2019)
- Nick Prettejohn
- Steve Hatch
- Olivia Streatfeild
- Lee Ginsberg (until 30 April 2019)

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

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

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

The Committee met four times during the year and details of members' attendance at meetings are provided on page 53 of the Corporate Governance report.

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

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

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

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

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

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

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

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

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

During the year, shareholders were engaged regarding remuneration matters ahead of our 2019 AGM. We received positive feedback from those shareholders contacted regarding the actions taken by the Committee.

As described on page 62, each year the Committee receives and considers an annual report summarising the base salaries, benefits and pension arrangements received by each category of Group staff and summarising the bonus potential and performance metrics used in each of the annual bonus schemes in operation across the Group. Whilst the Committee has not engaged directly with employees to explain the alignment of senior executives' pay to wider company pay policy, Olivia Streatfeild, the non-executive director responsible for considering the views of the workforce, is also a member of the Committee, giving the Committee insight into the views expressed by our workforce as they relate to remuneration.

Remuneration report continued

Advisers

The Committee evaluates the support provided by its advisers annually to ensure that advice is independent, appropriate and cost-effective. The Committee retains the responsibility for appointing any consultants in respect of executive director remuneration.

Towards the end of 2018, the Committee conducted a tendering process inviting three firms, to submit and present their bids to a project group composed of Committee members and senior governance managers. At the end of the tender process FIT Remuneration Consultants (FIT) were selected by the Committee to be the new advisers from March 2019.

Neither FIT nor Mercer provides material support to the Company on any other matters and both firms were assessed to be independent for the period under review. FIT's total fees for the provision of remuneration services to the Committee in 2019 were £43,500 plus VAT and Mercer's fees for 2019 were £17,000 plus VAT. The fees of both firms were charged on the basis of their normal terms of business for advice provided.

Summary of shareholder voting on remuneration matters

The following table shows the results of the binding vote (1) on the 2016 Policy Report at the 2017 AGM and (2) the advisory vote on the 2018 Remuneration Report at the 2019 AGM:

Resolution text	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
(1) Approve the Directors' Remuneration Policy	170,757,366	79.01	45,354,296	20.99	216,111,662	15,989,177
(2) Approval of Annual Report on Remuneration	192,593,200	83.14	39,052,286	16.86	231,645,486	5,151,501

Single total figure of remuneration for executive directors (audited)

The table below sets out a single figure for the total remuneration received by each executive director for 2019 and 2018:

Executive	Salary ¹ £'000		Pension benefit ² £'000		Taxable benefits ³ £'000		Single-year variable ⁴ £'000		Multiple-year variable ⁵ £'000		Other ⁶ £'000		Total ⁷ £'000		Total fixed remuneration	Total variable remuneration ⁸
	2019	2018	2019	2018	2019	2018	2019	2018	2019 ⁶	2018 ⁶	2019	2018	2019	2018		
Jim Mullen	180	–	13	–	8	–	122	–	–	–	–	–	323	–	201	122
Simon Fuller	306	–	46	–	19	–	167	–	–	–	50	–	588	–	421	167
Former Executives																
Simon Fox	326	520	49	78	14	22	132	199	259 ⁷	120	–	–	780	939	389	391
Vijay Vaghela	72	439	19	116	2	12	–	171	–	86	–	–	93	824	93	–

1 For current directors, this figure denotes actual salary received from date of appointment, and for former directors, until the date on which they ceased to be directors. Simon Fox stepped down as a Director on 16 August 2019. Vijay Vaghela stepped down as a Director on 1 March 2019.

2 Includes the value of cash supplements received by directors in lieu of pension contributions and the value of any salary sacrificed for pension contributions.

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

4 Annual bonus paid for performance over the relevant financial year. Further details on performance criteria, achievement and resulting awards can be found on page 67, and future annual bonus policy is set out on page 61.

5 The 2018 value for Multiple-year variable reflects the value of LTIP awards granted in 2016 which vested in March 2019 based on 2018 year-end performance. The value of these awards has been updated from the estimated values used in the 2018 Annual Report to reflect the actual share price of 59.8p on the date of vesting being 11 March 2019.

6 The 2019 value for Multiple-year variable reflects the value of LTIP awards granted in 2017 which are due to vest in June 2020 based on 2019 year-end performance. In line with regulation, the market value of these awards is estimated by using the average market value of the shares over the final quarter of 2019 (being 105.8p). Where required, the value will be updated in next years' Annual Report to reflect the actual share price on the date of vesting in June 2020.

7 The value of the 2017 LTIP award vesting for Simon Fox (former CEO) reflects 244,742 shares vesting multiplied by the average market value of the shares over the final quarter of 2019 (being 105.8p). At the date of the grant of the 2017 award (being 2 June 17), the Company's share price was 104.5p and accordingly the revised figures are reflective of an increase of 1.24% in the Company's share price comparing the date of award to the market value of the shares over the final quarter of 2019 as required for reporting. The number of shares vesting also reflects a pro-rata reduction for time of Simon Fox's 2017 LTIP award.

8 The amount in the 'Other' column for Simon Fuller for 2019 is explained in more detail below.

Executive Director Changes in 2019

Jim Mullen and Simon Fuller

The remuneration arrangements for Jim Mullen and Simon Fuller in 2019 are summarised in the 'At a Glance' summary on page 65.

In addition, Simon Fuller received the amounts shown in the 'Other' column of the Single Figure table above representing a Restricted Share award to buy out share awards forfeited on leaving his previous employment (value of shares at date of grant: £50,000).

Simon Fox (audited)

Simon Fox stepped down as Chief Executive with effect from 16 August 2019 but will remain an employee of the Group until 28 March 2020 (although under notice and on garden leave) when his employment will terminate. Until 28 March 2020, Simon will receive base pay, benefits and pension contribution in line with his service contract. Following 28 March 2020 Simon will receive payments for the remainder of his notice period in respect of base salary only.

A bonus under the 2019 bonus scheme has been calculated by reference to the performance targets that apply and will be paid in the normal way in early March 2020. The payment has been pro-rated to reflect only H1 2019. Amounts over 50% of salary for the period will be deferred in shares.

Simon retained interests under the 2017, 2018 and 2019 LTIPs, of 611,855, 469,780 and 224,987 nil-cost options respectively, and these continue to vest at the usual time (details of the 2017 award vesting can be found on page 74). To the extent the awards vest, a further two-year holding period will apply. These figures reflect pro-rating of the original LTIP awards to August 2019 to reflect time served. Shares from exercised options under the 2015 and 2016 LTIPs which are currently within their holding period will be released at the end of the holding periods.

In line with the plan rules, Simon remains eligible to receive 60,103 restricted shares granted in 2017 under the Company's RSP as a deferred bonus item; these awards will be released at the normal time, three years after they were awarded.

Vijay Vaghela

Vijay Vaghela stepped down as Group Finance Director and Company Secretary with effect from 1 March 2019 but remained an employee of the Group until 30 June 2019 when his employment terminated. Until 30 June 2019, Vijay continued to receive base pay, benefits and pension contributions in line with his service contract. The details of Vijay's bonus and share scheme arrangements are available in the 2018 Remuneration Report. In line with the plan rules, his outstanding RSP awards granted as a deferred bonus item will continue to vest at the normal time.

Annual bonus in respect of 2019 performance (audited)

For 2019, executive directors' bonuses were based 70% on Group Adjusted Operating Profit, 15% on Group Revenue and the remaining 15% based on the achievement of key Strategic Objectives to help reinforce the Company's business strategy. Bonuses of up to 75% of base salary were available for delivering stretch performance.

The Committee agreed that executive directors and management will have consistent revenue targets, whereas in previous years executive directors had been targeted on publishing digital revenue growth. The Committee agreed that the total revenue targets were significantly stretching and appropriate when assessing performance against the executive directors' roles and responsibilities.

Based on Group Adjusted Operating Profit, Group Revenue, achievement of Strategic Objectives, and taking into account factors such as the underlying trading performance of the Group and progress against strategy, the Committee made annual bonus awards of 67.65% of maximum opportunity to each of the executive directors. Bonus payments were appropriately time pro-rated for the new CEO and CFO. Any award over 50% of salary paid during the year will be paid in shares under the Company's Restricted Share Plan.

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

Measure	Weighting (% of bonus)	Threshold	Target	Stretch	Actual	Total payout (% of maximum)
Group Adjusted Operating Profit	70%	No payment below target	£150.0m (30%)	£157.5m (70%)	£154.4m (48.14%)	67.65%
Group Revenue	15%	£696.1m (5%)	£703.2m (10%)	£710.3m (15%)	£702.5m (9.51%)	
Strategic Objectives	15%	See details below		10% achievement		

Strategic Objective	Weighting (one-third each of strategic element)	Committee assessment	Outcome
Digital audience and productivity	5%	The Committee considered whether the digital audience targets and digital editorial efficiency targets had been met for both national and regional websites.	3.33%
Digital page yields	5%	The Committee considered whether yields had been met at both national and regional level, and whether the commercial model (including revenues) supporting the live business case had been proven.	5.00%
Digital audience and yield	5%	The Committee considered whether new revenue streams with proven economic models with possibility of scale had been developed, including InYourArea.	1.67%

2017 LTIP Awards (audited)

The performance period for the 2017 LTIP awards ended in December 2019. Neither of the current executive directors were participants in this year's vesting. The below information is relevant to former CEO (Simon Fox) only, and details of this are found on page 74. Vesting of the LTIP award was dependent on the achievement of absolute TSR and cumulative NCF targets, as follows:

Closing three-month average adjusted share price at end of performance period	% of award which can be exercised
230 pence (or above)	60%
Between 145 pence and 230 pence	Straight-line vesting between 12% and 60%
145 pence or below	0%

Satisfaction of the performance condition was determined by reference to the Company's volume-weighted average share price over the final quarter of the performance period in 2019 which was 122.35 pence and warranted nil vesting of the TSR shares (which represented 60% of the total award). The share price for these purposes includes dividends reinvested over the performance period.

Cumulative adjusted NCF over the performance period	% of award which can be exercised
£328 million (or above)	40%
Between £284 million and £328 million	Straight-line vesting between 8% and 40%
£284 million or below	0%

Remuneration report continued

Net cash flow for the 2017 award was previously defined as the net cash flows generated by the business before the payment of dividends, and before any cash outflows that have been treated as non-recurring in the financial statements. Satisfaction of the performance condition was determined by reference to the NCF as set out on page 75, which was £335.9m million and warranted full vesting of the NCF shares (40% of the total award).

External directorship fees

As set out in the Remuneration Policy, the Company recognises the benefits of executive directors taking on external appointments as non-executive directors. Jim Mullen serves as a non-executive director of Racecourse Media Group Limited. For the period of 16 August 2019 to 29 December 2019 he received fees of £15,151 which he retained.

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

The table below sets out a single figure for the total remuneration received by each non-executive director for 2019 and 2018:

Non-executive	Base fee £'000		Other fees £'000		Total £'000	
	2019	2018	2019	2018	2019	2018
Anne Bulford ¹	24	—	7	—	31	—
Lee Ginsberg ²	15	45	4	13	19	58
Steve Hatch	45	45	—	—	45	45
David Kelly	45	45	13	13	58	58
Nicholas Prettejohn ³	180	126	—	—	180	126
Helen Stevenson	45	45	13	13	58	58
Olivia Streatfeild	45	45	—	—	45	45

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

² Lee Ginsberg stepped down as Chair of the Audit & Risk Committee on 30 April 2019

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

The below non-executive director fee rates were in place throughout 2019:

	From 1 Jan 2019
Chairman base fee	£180,000
Non-executive director base fee	£45,000
Additional fee for Senior Independent Director	£12,500
Additional fee for chairing Audit & Risk Committee	£12,500
Additional fee for chairing Remuneration Committee	£12,500

LTIP interests awarded in 2019 (audited)

On 11 March 2019, Simon Fuller was granted awards under the LTIP in the form of performance shares. The three-year period over which performance will be measured will end in December 2021. To the extent that performance conditions are met, awards will vest on 11 March 2022. Jim Mullen received an exceptional LTIP award of 200% of salary as a joining award on 4 December 2019.

	Date of grant	Shares over which awards granted	Value of award granted (£)	% of salary ³
Simon Fuller	11 March 2019	835,913 ¹	£540,000	150
Jim Mullen	4 December 2019	972,364 ²	£950,000	200

¹ The base price for calculating the level of Simon Fuller's award was 64.6 pence, the average three-day closing price between 6 and 8 March 2019.

² The base price for calculating the level of Jim Mullen's award was 97.7 pence, the average market closing price between 29 November 2019 and 3 December 2019.

³ Based on 2019 base salaries. Simon Fuller's award includes a proportion (30% of salary) granted as a buy-out of awards forfeited on leaving his previous employer.

Vesting of LTIP awards granted in 2019 is subject to two performance conditions: absolute TSR, accounting for 60% of each award, and cumulative NCF, accounting for the remaining 40%. Further details of the targets applying to these awards are included in the tables below.

Absolute TSR condition

Closing three-month average adjusted share price at end of performance period	% of total award which can be exercised
165 pence (or above)	60%
Between 115 pence and 165 pence	Straight-line vesting between 12% and 60%
115 pence	12% (being 20% weighting of this part)
Below 115 pence	Nil

Satisfaction of the absolute TSR performance condition will be determined by reference to the Company's volume-weighted average share price over the final quarter of the performance period in 2021. The share price for these purposes includes dividends reinvested over the performance period.

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

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

Net Cash Flow condition

Cumulative adjusted Net Cash Flow over the performance period	% of total award which can be exercised
£340 million or above	40%
Between £300 million and £340 million	Straight-line vesting between 40% and 8%
£300 million	8% (being 20% weighting of this part)
Below £300 million	Nil

Net cash flow for the 2019 award is defined as the net cash flows generated by the business before the payment of dividends, before pension deficit funding payments and before any cash outflows in relation to items that have been treated as non-recurring in the financial statements. In assessing the net cash flow, the Committee may, if appropriate, include or exclude other payments to better reflect underlying business performance. The condition is measured over financial years 2019, 2020 and 2021.

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

Total pension entitlements (audited)

Simon Fuller received an annual cash sum to use for pension purposes equivalent to 15% of base salary in 2019. Jim Mullen received an annual cash sum to use for pension purposes equivalent to 7.5% of base salary in 2019.

Simon Fox received an annual cash sum to use for pension purposes equivalent to 15% base salary in 2019. Details of Vijay Vaghela's pension arrangements are set out in the 2018 Directors' remuneration report.

Percentage change in CEO remuneration

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

	CEO 2019 £'000	CEO 2018 £'000	CEO % change 2018-2019	All other employees % change 2018-2019
Base salary	506	520	-2.7%	3.3%
Taxable benefits	22	22	-	10.3%
Annual bonus	254	199	27.6%	35.0%

The CEO's remuneration for 2019 has been calculated by adding together the base salary, taxable benefits and annual bonus payments paid to Simon Fox and Jim Mullen in respect of the parts of the year they respectively served as directors (i.e. as disclosed in the single figure table). The base salary and taxable benefits for all other employees is calculated using the increase in the earnings of employees taken from salary as at the end of 2019 and the end of 2018 and P11D data from tax years 2018 and 2019 and is based on a consistent set of employees, i.e. the same individuals appear in the 2018 and 2019 populations. The annual bonus is the amount payable in respect of 2019 compared to the amount paid in respect of 2018. The base salary data for part-time employees has been prorated up to the full time equivalent.

Chief Executive Officer pay ratio

The Company disclosed the CEO pay ratio for the 2018 performance year on a voluntary basis in last year's report. This is the second year that the Company has disclosed the CEO pay data and the Committee has agreed to use consistent methodology with 2018.

The table below shows the ratio of the Chief Executive Officer's single figure total remuneration to the total remuneration for the median (50th percentile), 25th and 75th percentile paid employee. The CEO single figure total remuneration was determined by adding together Simon Fox and Jim Mullen's single figures of total remuneration as disclosed in the single figure table.

Year	Method	25th Percentile Pay Ratio	Median Pay Ratio	75th Percentile Pay Ratio
2019	Option B	43 : 1	31 : 1	24 : 1
2018	Option B	38 : 1	27 : 1	18 : 1

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

The median, 25th and 75th percentile employees were identified from the list of full pay relevant employees in the organisation on 5 April 2019. The total compensation figure was then calculated and checks made to ensure the employees identified are representative of pay at these levels in the organisation. The data points are reflective of our Company structure and types of roles across the organisation and accordingly the Committee believes the median pay ratio for 2019 to be consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole as at the reference date. The increase in ratios between 2018 and 2019 reflects improved Company performance and higher incentive pay values achieved as a result.

Remuneration report continued

The Committee will take employee pay arrangements into account when setting the pay of our executive directors for any year, and is committed to paying our directors appropriately and in line with Company performance.

Supporting Data Compensation Figure for 2019	25th Percentile	Median	75th Percentile
Total Employee Pay & Benefits Figure	£25,888	£35,955	£45,543
Salary & Wages Component of Total Employee Pay & Benefits Figure	£24,122	£34,065	£42,601

Review of past performance

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

Ten-year TSR chart

chart removed

Chief Executive's single figure of remuneration

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

	2010	2011	2012 ¹	2013	2014	2015	2016	2017	2018 ²	2019 ³
Single figure of remuneration (£'000)	2,052	1,391	186	110	1,678	2,260	749	893	949	323
Annual bonus outcome (% of salary)	80%	30%	0%	30.0%	45.8%	34.6%	34.6%	39.7%	38.3%	67.65%
LTIP vesting (% of maximum)	0%	0%	n/a	n/a	62.6%	25.3%	0%	40%	40%	n/a

¹ Sly Bailey was CEO in 2010 and 2011 and resigned on 15 June 2012. Sly Bailey single figure for 2012 was £1,354k with 0% bonus and 0% LTIP vesting. Vijay Vaghela acted as CEO on an interim basis between June 2012 and August 2012 and received £35k in respect of this service.

² 2012 to 2018 figures for CEO are in respect of Simon Fox. Simon Fox resigned on 16 August 2019. Simon Fox single figure for 2019 was £780,000 with 67.65% bonus (pro-rated to reflect only H1 2019) and 40% LTIP vesting.

³ 2019 figures reflect Jim Mullen

Relative importance of spend on pay

The table below shows shareholder distributions (dividends and share buybacks) and total employee pay expenditure for 2018 and 2019, along with the percentage change in both.

	2019 £'000	2018 £'000	% change 2018-2019
Shareholder distributions (dividends)	18,600	17,500	6.3%
Total employee expenditure	239,000	244,900	-2.4%

Exit payments (audited)

All exit payments made to executive directors in the year are disclosed on pages 74 and 75 (Executive Director Changes in 2019).

Directors' beneficial interests shareholding requirements (audited)

The below table sets out the beneficial interests of the non-executive directors in the share capital of the Company. Non-executive directors are encouraged to buy shares with their annual fees. The table shows the position as at 29 December 2019 for current non-executive directors and as at the date of stepping down for former non-executive directors.

	Ordinary shares at 29 December 2019	Ordinary shares at 30 December 2018
Non-Executive Directors		
Anne Bulford	11,463	–
Steve Hatch	9,789	9,789
David Kelly	10,000	10,000
Nicholas Prettejohn	106,658	106,658
Helen Stevenson	35,000	35,000
Olivia Streatfeild	52,989	52,989
Former Non-Executive Director		
Lee Ginsberg	10,000	10,000

The table below sets out beneficial interests of the executive directors in the share capital of the Company and achievement against shareholding requirements, being 200% of base salary for the Chief Executive Officer and Chief Financial Officer. Shareholding requirements apply for one year from an executive director's stepping down from the Board. The table shows the position as at 29 December 2019 for current executive directors and as at the date of stepping down from the Board for former executive directors. Until the relevant shareholding levels are attained, executive directors are required to retain 100% of shares vesting, after the sale of sufficient shares to meet any income tax or national insurance obligations under the LTIPs and RSP.

	Owned outright	Vested but subject holding period	Unvested and subject to other conditions ¹	Total share interests for SOGs	Value of share interest ²	Current shareholding (% salary/fee)
Executive Directors						
Jim Mullen	100,000	–	–	100,000	£132,600	28%
Simon Fuller	–	–	77,399	77,399	£54,394	15%
Former Executive Directors						
Simon Fox	1,004,747	187,999	60,103	1,252,849	£1,933,884	371%
Vijay Vaghela	552,059	134,731	51,689	738,479	£1,284,674	287%

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

² Calculations are based on the use of the higher of the acquisition price or the share price as at 29 December 2019. Value of RSP is reduced by 47% to reflect estimated tax and NI due at time of vesting inline with IA guidelines.

None of the directors have a beneficial interest in the shares of any other Group company. Since 29 December 2019, there have been no changes in the directors' interests in shares.

The lowest price of the shares during the year was 55.00 pence as at 13 February 2019 and the highest price was 134.80 pence as at 24 December 2019. The share price as at 29 December 2019 (27 December 2019 being the last market date for the financial year) was 132.6 pence.

Remuneration report continued

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

Director	Date of grant	Share price used at date of grant	At 30 December 2018	Granted	Exercised	Lapsed	At 29 December 2019	Performance period	Exercise period (holding period)
Jim Mullen									
LTIP	4.12.19	£0.977	–	972,364	–	–	972,364	1.1.19–27.12.21	04.12.22–04.03.25 (04.12.22–04.12.24)

Director	Date of grant	Share price used at date of grant	At 30 December 2018	Granted	Exercised	Lapsed	At 29 December 2019	Performance period	Exercise period (holding period)
Simon Fuller									
LTIP	11.03.19	£0.646	–	835,913	–	–	835,913	1.1.19–27.12.21	11.03.22–11.06.24 (11.3.22–11.3.24)
RSP ¹	11.03.19	£0.646	–	77,399	–	–	77,399	–	Restricted until 11.03.22

¹ The RSP award made to Simon Fuller in March 2019 represents a buy-out of share awards forfeited on leaving his previous employment (value of shares at date of grant £50,000)

Director	Date of grant	Share price used at date of grant	At 30 December 2018	Granted	Exercised	Lapsed	At 29 December 2019	Performance period	Exercise period (holding period)
Simon Fox									
LTIP	13.03.15	£1.895	82,011	–	–	–	82,011	29.12.14–31.12.17	13.03.18–13.06.20 (13.03.18–13.03.20)
	11.03.16	£1.4883	500,851	–	(200,340) ¹	(300,511) ¹	105,988 ¹	28.12.15–30.12.18	11.03.19–11.06.21 (11.03.19–11.03.21)
	02.06.17	£1.0517	710,142	–	–	(98,287) ²	611,855	02.01.17–29.12.19	02.06.20–02.09.22 (02.06.20–02.06.22)
	13.04.18	£0.841	890,625	–	–	(420,755) ³	469,780	01.01.18–28.12.20	13.4.21–13.7.23 (13.4.21–13.4.23)
	11.03.19	£0.646	–	1,162,254	–	(937,267) ³	224,987	01.01.19–27.12.21	(11.03.22–11.07.24) (11.3.22–11.3.24)
RSP	11.03.16	£1.4883	44,462	8,698 ²	(53,160)	–	–	–	were restricted until 11.03.19
	17.03.17	£1.1175	60,103	–	–	–	60,103	–	restricted until 17.03.20

¹ Of the 500,851 shares awarded to Simon Fox on 11 March 2016, 200,340 shares vested and were exercised on 12 March 2019. 300,511 shares lapsed as the performance condition had not been met. 94,352 shares were sold to cover tax and N.I. liabilities. The remaining 105,988 shares are held by the Trust on behalf of Simon Fox and are subject to a two year holding period in line with the Policy. Share price on 12 March 2019 was 61.5p. The exercised price was nil

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

³ When Simon stepped down from the Board he retained an interest in the 2017, 2018 and 2019 LTIP awards which were pro-rated to reflect time served. These awards will continue to vest at the usual times subject to achievement of the respective performance conditions.

Director	Date of grant	Share price used at date of grant	At 30 December 2018	Granted	Exercised	Lapsed	At 29 December 2019	Performance period	Exercise period (holding period)
Vijay Vaghela									
LTIP	13.03.15	£1.895	58,773	–	–	–	58,773	29.12.14–31.12.17	13.03.18–13.06.20 (13.03.18–13.03.20)
	11.03.16	£1.4883	358,943 ¹	–	(143,577) ¹	(215,366) ¹	75,958 ¹	28.12.15–30.12.18	11.03.19–11.06.21 (11.03.19–11.03.21)
	02.06.17	£1.0517	509,095	–	–	(509,095) ²	–	–	–
	13.04.18	£0.841	638,781	–	–	(638,781) ³	–	–	–
RSP	11.03.16	£1.4883	38,237	7,480 ²	(45,717)	–	–	–	were restricted until 11.03.19
	17.03.17	£1.1175	51,689	–	–	–	51,689	–	restricted until 17.03.20

¹ Of the 358,943 shares awarded to Vijay Vaghela on 11 March 2016, 143,577 shares vested and were exercised on 12 March 2019. 215,366 lapsed as the performance condition was not met. 67,619 shares were sold to cover tax and N.I. liabilities. The remaining shares of 75,958 are held by the trust on behalf of Vijay Vaghela and are subject to two year holding period in line with the policy. Share price on 12 March 2019 was 61.5p. The exercised price was nil

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

³ As Vijay Vaghela resigned on 18 June 2018 his 2017 and 2018 LTIP awards lapsed in full.

Details of plans

Long Term Incentive Plan

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

Plan	Absolute TSR targets			NCF targets		
	Weighting	Threshold	Full vesting (100% vesting)	Weighting	Threshold	Full vesting (100% vesting)
2017 LTIP	60%	145p (20% vesting)	230p	40%	£284m (20% vesting)	£328m
2018 LTIP	60%	115p (20% vesting)	180p	40%	£300m (20% vesting)	£345m
2019 LTIP	60%	115p (20% vesting)	165p	40%	£300m (20% vesting)	£340m

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

Restricted Share Plan

Restricted shares may not be transferred or otherwise disposed of by a participant for the period of three years from the date of grant subject to malus and clawback provisions as described in the notes to the Remuneration Policy table. Participants beneficially own the restricted shares from the date of grant. Legal title is held by the RSP trustees until the restricted shares are released into the participant's name. Additional shares representing reinvested dividends may be released following the vesting of share awards.

Restrictions on the shares end on the third anniversary of the grant and the shares will be released into the participant's name.

Implementation of remuneration policy for 2020

Base salary

Salaries of the executive directors in 2020 will be:

	Base salary at:		
	1 March 2020	1 March 2019 (or appointment)	Increase
Jim Mullen	£484,500	£475,000	2%
Simon Fuller	£378,000	£360,000	5%

Pension and benefits

Jim Mullen unchanged at 7.5% of salary pension contribution for 2020. Simon Fuller reduced to 13.125% pension contribution for 2020.

Annual bonus and RSP

For 2020, the maximum annual bonus opportunity will continue to be 100% of salary for the Chief Executive Officer and 75% for the Chief Financial Officer.

The annual bonus plan for our executive directors in 2020 will have a balance of metrics as follows:

- Group Adjusted Operating Profit – weighting 50%
- Group Revenue – weighting 25%
- Strategic Measures – weighting 25%

Before any 2020 annual bonus outcomes are confirmed the Committee will conduct an overview assessment of performance in the year and consider this alongside the outcomes for the specific metrics.

Performance targets for the 2020 financial year are considered to be commercially sensitive and are not disclosed on a prospective basis. However, it is intended that performance against targets will continue to be disclosed in next year's Remuneration Report.

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

Remuneration report continued

LTIP to be awarded in 2020

In 2020, proposed LTIP award levels are 150% of salary for the Chief Executive Officer and 120% of salary for the Chief Financial Officer. The three-year performance period for the 2020 LTIP awards ends in December 2022. Vesting of the LTIP awards will be dependent on the achievement of relative TSR and cumulative NCF targets, as follows:

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

The relative TSR condition will be measured on the basis of three-month average return figures at the start and end of the performance period. Prior to vesting, an overview of performance will be considered as described for the TSR element of 2019 LTIP awards earlier in this report.

Cumulative adjusted NCF over the performance period	% of award which can be exercised
£390 million (or above)	40%
Between £390 million and £340 million	Straight-line vesting between 8% and 40%
£340 million	8%
Below £340 million	Nil

Net cash flow for the 2020 award is defined as the net cash flows generated by the business before the payment of dividends, before pension deficit funding payment, and before any cash outflows that have been treated as non-recurring in the financial statements. Satisfaction of the performance condition is determined by reference to the NCF as set out above.

Chairman and non-executive director fees

The fees for the Chairman and non-executive directors will be reviewed during the year. Fees were last reviewed 1 April 2016.

David Kelly

Chairman of the Remuneration Committee

24 February 2020

Directors' report

The Directors' report is a consolidated report relating to the undertakings included in the consolidation. The following information is provided in other appropriate sections of the Annual Report and is incorporated by the following references:

Information	Reported in	Page number(s)
Corporate Governance	The Corporate Governance Statement and Statement of Directors' Responsibilities	52 and 86
Directors	Board of directors	50 and 51
	Directors' Remuneration report	62 to 82
	Directors' share interests	79
Accounting policies, financial instruments and financial risk management	Financial statements	100 to 105 and 125 to 127
Going concern and viability statement	Corporate governance report	54 and 55
Greenhouse gas emissions	Strategic report	38 and 39
Employee engagement	Strategic report	32
Details of Long-Term Incentive Schemes*	Remuneration report	81
Dividend Waiver*	Directors report	84

*Disclosure required under Listing Rule 9.8.4

Corporate Governance Reporting

Details of the Company's compliance with the July 2018 version of the UK Corporate Governance Code ('Code') and the disclosures required under the Code and the UK Listing Rules are contained within the Corporate governance report on pages 52 to 55. The Compliance Statement as required by Rule 7.2.1 of the Financial Conduct Authority's Disclosure and Transparency Rules is set out on page 42.

Dividends

The Board proposes a final dividend for 2019 of 4.05 pence per share (2018: 3.77 pence per share) which, subject to shareholder approval, will be payable on 5 June 2020 to shareholders on the register on 11 May 2020. The proposed final dividend together with the interim dividend of 2.50 pence per share (2018: 2.37 pence per share) results in a total dividend for 2019 of 6.55 pence per share (2018: 6.14 pence per share).

The Company holds 10,017,620 shares in Treasury, representing 3.24% of the issued share capital of the Company. Treasury shares do not receive dividends and are not included when calculating the total voting rights in the Company. The Company, if deemed fit, can sell the shares for cash or transfer the shares for use in an employee share scheme. The Company intends to hold the repurchased shares in Treasury for the foreseeable future.

Dividend Policy

As the Group continues to manage the business through the structural challenges facing print media, the Board has adopted a progressive dividend policy that is aligned to free cash generation of the business. The free cash generation for the purposes of assessing the dividend is the net cash flow generated by the Group before the repayment of debt, dividend payments, other capital returns to shareholders and additional contributions made to the defined benefit pension schemes as a result of a substantial increase in dividends and/or capital returns to shareholders. When setting the level of dividends the Board will ensure that the Group maintains adequate headroom for investment and any unexpected cash flow requirements for historical events or to fund further restructuring. Based on the Board's expectation of future cash flows the Board expects dividends to increase by at least 5% per annum.

The Board will also continue to consider, if appropriate, the return of capital to shareholders through a share buyback if it has generated surplus cash and sees an opportunity to enhance earnings per share and therefore shareholder value. Prior to initiating a share buyback programme the Board will carefully consider the cash generation of the business and the Group's obligations to the Group's defined benefit pension schemes.

The risks associated with the delivery of the dividend policy are as follows:

- The availability of distributable reserves: In 2014, an impairment of the carrying value of investments held by the Company resulted in a negative balance on the profit and loss reserve and therefore the Company had no distributable reserves. This was addressed by undertaking a court approved capital reduction to eliminate the negative balance in the profit and loss reserve and thereafter the distributable reserves have been rebuilt through dividends received from subsidiary companies from profits. The Company would undertake a similar exercise in the future if such an event was to occur, as it still has a £606.7 million balance on the share premium account;
- A significant fall in profit and cash flow which materially reduces free cash flow: Under these circumstances the Group would review all the investment requirements, pension obligations and future debt payments. In such circumstances we would seek to hold dividends unless it would place increased pressure on the ability of the Group to fund investment to deliver its strategy or if it was to create any financing issues; and
- The payment of dividends would potentially restrict the ability of the Group to meet payments due under the recovery plans agreed with the Group's defined benefit pension schemes: The Group agrees recovery plans with the Trustees of the Group's defined benefit pension schemes at each triennial valuation and these may be revised as a result of material corporate activity. The Group has also agreed that additional contributions will be made to the schemes in the event dividends are increased by more than 10% in any one year. The additional contributions to the defined benefit pension schemes will be equivalent to at least 75% of the amount by which dividend payments are more than the amount they would have been if dividends had been increased by 10%. Further, the Group has agreed that dividend payments or any other return of capital to shareholders in any year will not be in excess of payments to the defined benefit pension schemes to address past deficits. These obligations may restrict future increases in dividends.

Directors' report continued

Dividend waivers

There is a waiver in place in respect of all or any future right to dividend payments on shares held in the Trinity Mirror Employees' Benefit Trust (2,857,186 shares as at 29 December 2019), shares held in TIH Employee Benefit Trust (90,855 shares as at 29 December 2019) and shares held in Treasury (10,017,620 shares as at 29 December 2019).

Tax payments

The Group is a UK taxpayer and complies with all UK taxation requirements. The Group paid corporation tax of £11.7 million (2018: £12.5 million) and paid indirect employment taxes (employer and employee NI and employee PAYE) of £70.1 million (2018: £75.8 million) during the year.

Political donations

At the Company's Annual General Meeting ('AGM') held on 2 May 2019, the Company and its subsidiaries received authority from shareholders under the Companies Act 2006 to make donations to political parties of up to £75,000 in aggregate per annum. The resolution passed, with 77.05% of participating shareholders voting in favour. The significant vote against the resolution was as a result of one of the Company's significant shareholders voting against it.

The Company has engaged with this shareholder and confirms that neither the Company nor any of its subsidiaries has made or has any intention of making any direct political donation. This resolution was proposed to ensure that neither it nor its subsidiaries inadvertently commits any breaches of the Companies Act 2006 through the undertaking of routine activities. No political donations were made during 2019 (2018: nil).

Other employee disclosures

We pursue a policy of equal opportunities for all employees and potential employees. We have continued our policy of giving fair consideration to applications for employment made by disabled persons bearing in mind the requirements for skills and aptitude for the job. In the areas of planned employee training and career development, we strive to ensure that disabled employees receive equal treatment on all possible benefits, including opportunities for promotion. Every effort is made to ensure that continuing employment and opportunities are also provided for employees who become disabled, where reasonably practical to do so.

Further information about our employees is set out on pages 32 to 35 of the Strategic report.

Share capital

As at 29 December 2019, the Company's issued share capital comprised 309,286,317 ordinary shares with a nominal value of 10 pence each. The Company held 10,017,620 ordinary shares in Treasury. Therefore, the total number of voting rights in the Company was 299,268,697. All shares other than those held in Treasury are freely transferable and rank *pari passu* for voting and dividend rights. The Company is not aware of any agreements between holders of shares that result in any restrictions.

As at 29 December 2019, the Trinity Mirror Employees' Benefit Trust held 2,857,186 shares (2018: 3,379,758). At the same date the TIH Employee Benefit Trust held 90,855 shares (2018: 90,855). The Trustees of both employee benefit trusts have elected to waive dividends on shares held under the trusts relating to dividends payable during the year.

Details of the authorised and issued share capital, share premium account, Treasury shares and employee benefit trusts can be found in notes 28 to 30 in the notes to the consolidated financial statements.

Change of control provisions

The directors are not aware of there being any significant agreements that contain any material change of control provisions to which the Company is a party other than in respect of the financing facilities which expire in December 2023. Under the terms of these facilities, and in the event of a change of control of the Company, the banks can withdraw funding and all outstanding loans, accrued interest and other amounts due and owing become payable within 30 days of the change.

Substantial shareholdings

The Company has been notified, in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules, of the following direct or indirect shareholdings of in the Company's issued share capital:

Name	As at 29 December 2019	As at 29 December 2019	As at 20 February 2020	As at 20 February 2020
	Number of shares	Percentage of issued share capital	Number of shares	Percentage of issued share capital
Aberforth Partners	36,715,645	12.27%	36,715,645	12.27%
M&G Investment Management	35,386,564	11.82%	35,386,564	11.82%
Schroder Investment Management	29,864,872	9.98%	29,864,872	9.98%
Northern & Shell Media Group Limited	25,826,746	8.63%	25,826,746	8.63%
Premier Fund Management	17,482,056	5.84%	17,482,056	5.84%
Aberdeen Standard Investments	16,650,312	5.56%	—	Below 5%
Majedie Asset Management	14,912,111	4.98%	14,912,111	4.98%
Dimensional Fund Advisors	14,233,453	4.76%	14,233,453	4.76%
The Wellcome Trust	12,491,281	4.17%	12,491,281	4.17%

Company Number

82548

Directors

The directors of the Company who served during the period, unless stated otherwise, are listed below:

Executive

- Jim Mullen (appointed 16 August 2019)
- Simon Fuller (appointed 1 March 2019)
- Simon Fox (resigned 16 August 2019)
- Vijay Vaghela (resigned 1 March 2019)

Non-executive

- Helen Stevenson
- Nicholas Prettejohn
- Steve Hatch
- Lee Ginsberg (resigned 30 April 2019)
- Olivia Streatfeild
- David Kelly
- Anne Bulford OBE (appointed 18 June 2019)

Details of directors' remuneration including details of the beneficial and non-beneficial interests in shares, can be found in the Remuneration report on pages 62 to 82. Details in respect of directors' indemnity and insurance are included on page 54 of the Corporate governance report. Biographical details of each of the directors of the Company can be found on pages 50 and 51.

Articles of Association

The Company's Articles of Association ('Articles') may only be amended by a special resolution at a general meeting of the shareholders.

Appointment and replacement of directors

The Articles give the directors power to appoint and replace directors. Under the Terms of Reference of the Nomination Committee, appointments must be recommended by the Nomination Committee for approval by the Board.

The Articles also require directors to retire and submit themselves for election to the first AGM following appointment and to retire at the AGM held in the third calendar year after election or last re-election, however, to comply with the UK Corporate Governance Code, all the directors will submit themselves for election or re-election at each AGM.

Compensation for loss of office

There are no agreements in place between the Company and any director or employee for loss of office in the event of a takeover.

Purchase of own shares

At the Company's AGM on 2 May 2019, shareholders approved an authority for the Company to make market purchases of its own shares up to a maximum of 29,926,869 shares (being 10% of the issued share capital less Treasury shares at that time) at prices not less than the nominal value of each share (being 10 pence each) and not exceeding 105% of the average mid-market price for the preceding five business days. No use was made of this authority during the period. The Company intends to renew this authority at its 2020 AGM.

Allotment of shares

At the Company's AGM on 2 May 2019, shareholders approved an authority for the Company to allot ordinary shares up to a maximum nominal amount of £9,975,623 (being one-third of the Company's issued share capital less Treasury shares at that time). The Company intends to renew this authority at its 2020 AGM.

Modern Slavery

In compliance with the Modern Slavery Act 2015, the Company's Modern Slavery Statement can be found on the Company's website www.reachplc.com.

External auditor

Each of the persons who are a director at the date of approval of this Annual Report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' report continued

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the consolidated financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in Directors' report confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

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

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

Simon Fuller

Chief Financial Officer and Company Secretary

24 February 2020



graphic removed

Financial Statements

Independent auditor's report	88
Consolidated income statement	96
Consolidated statement of comprehensive income	96
Consolidated cash flow statement	97
Consolidated statement of changes in equity	97
Consolidated balance sheet	98
Notes to the consolidated financial statements	99
Parent company balance sheet	131
Parent company statement of changes in equity	131
Notes to the parent company financial statements	132

Independent auditor's report to the members of Reach plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Reach plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 29 December 2019 and of the Group's profit and cash flows for the 52 week period (the "period") then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and parent company balance sheets as at 29 December 2019; the Consolidated income statement and statement of comprehensive income, the Consolidated cash flow statement and the Consolidated and parent company statements of changes in equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the Group or the parent company in the period from 31 December 2018 to 29 December 2019.

Our audit approach

Overview

- Overall group materiality: £6.5m (2018: £5.6m), based on 5% of profit before tax and before historical legal issues charge of £11.0m.
- Overall parent company materiality: £5.8m (2018: £5.0m), based on 1% of total assets.
- The Group's core publishing operations are accounted for on one general ledger. We performed full scope audits over this and the parent company. This involved work primarily at the Group's shared service centre in Liverpool, the Group's London headquarters and print operations in Watford.
- Our audit scoping gave us coverage of 99 percent of profit before tax, with 99 percent coverage of revenue.
- Carrying value of intangible assets (Group)
 - underlying model & assumptions
 - indefinite life judgement
 - single CGU Judgement
- Carrying value of the investment in subsidiaries in the parent company balance sheet (parent company)
- Provision for Historical Legal Issues (Group)
- Accounting for pension obligations (Group)

graphic removed

Independent auditor's report to the members of Reach plc continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law, pensions regulations and data privacy law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journals to increase revenue or reduce expenditure, misappropriation of cash, and users that post fewer than one journal per month. Audit procedures performed by the Group engagement team included:

- Discussions with management, internal audit and the Group's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Requesting legal confirmations from external lawyers;
- Reviewing the financial statement disclosures and agreement to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, including impairment of intangible assets and investments as explained in the Key Audit Matter below;
- Identifying and testing journal entries to address the risk of inappropriate journals referred to above; and
- With regards to data privacy law, procedures in respect of Historical Legal Issues set out in the Key Audit Matter below.

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of intangible assets (Group) and investments in subsidiaries (Parent)</p> <p>Refer to Note 3 for the directors' disclosure on the critical accounting judgements and key sources of estimation uncertainty and page 58 for the views of the Audit & Risk Committee.</p> <p>At 29 December 2019 the Group held indefinite lived intangibles (being the carrying value of acquired publishing rights and titles, net of prior impairment charges) of £810m and goodwill of £42m. The Parent company also held investments of £773.3m in its subsidiaries after impairment during the year of £23.2m.</p> <p>The assessment of the carrying value of goodwill and intangible assets such as the Group's publishing rights and titles involves considerable judgement particularly in accurately forecasting future cash flows given the market environment for publishers. The key areas of focus are two key judgements in relation to, firstly, the appropriateness of an indefinite (as opposed to finite) useful economic life and, secondly, that a single CGU is appropriate, and the estimation uncertainties in relation to impairment evaluation.</p>	<p>Indefinite life consideration</p> <p>In assessing whether the indefinite life judgement was appropriate, we examined management's analysis of the life of the intangible assets, considering criteria in International Accounting Standard 38, "Intangible assets". In particular we evaluated evidence of the Group's growth of digital revenues and the extent of operational resources in developing a digital audience and advertising.</p> <p>We found that the Group has established digital capabilities and has achieved digital revenue growth over several years which together supported the principle of a potentially sustainable digital business without a finite life.</p> <p>Single Publishing CGU</p> <p>We focused on the main sources of cash inflows, being advertising (including Digital) and circulation revenue (together c.88% of total revenue in 2019). We obtained contracts for newspaper distribution (which generate circulation revenue) and for a sample of advertising agencies, and reviewed for evidence that they were negotiated on a single basis and/ or subject to common pricing and rebate arrangements. We challenged management where we found different price schedules and obtained further evidence to support that they were negotiated together as single packages. We evaluated the extent of centrally sold advertising across both regional and national titles.</p> <p>We also held a series of meetings across the business and tested business processes to evaluate how the business operates on a day to day basis and to evaluate the extent of integration of the regional and national titles and the acquired Express & Star titles with the rest of the business (including advertising sales, circulation, printing and editorial, and business support functions).</p>

Independent auditor's report to the members of Reach plc continued

Key audit matter

It is critical to management's assessment that the Group is able to grow digital revenues at sufficient speed, and to sufficient scale, to offset the long-term decline in print revenues. In the short-term, this is supported by the ability to remove costs to mitigate print revenue declines and thus improve operating margins. In the absence of these two factors being achieved, a significant impairment may arise in the future.

At the previous year end, the Nationals and Regionals Cash generating units (CGUs) were aggregated into one "Publishing" CGU. As at 29 December 2019, the Express & Star CGU has been aggregated into the Publishing CGU.

The impairment evaluation relates both to goodwill and indefinite lived intangibles in the Group balance sheet and to the carrying value of the parent company's investment in its subsidiaries.

The Group prepared a single impairment model which reflected a detailed 3 year plan to 2022 and then assumptions over longer term trends over a period of transition to a digital business to 2029. The model then reflects cash flows into perpetuity from 2030 onwards.

The key risks and areas of judgement and estimation relate to:

- The Group's conclusion that it operated with a single, integrated cash generating unit.
- The appropriateness of a 10-year modelling period.
- The key assumptions in its impairment model, including digital growth rates, the decline rates for print circulation and advertising, cost assumptions (newsprint and other), discount rates and perpetuity growth rates.
- In addition, for the parent company investment the approach to reflecting the liability for defined benefit pensions obligations was a key assumption.

How our audit addressed the key audit matter

Whilst there is some judgement in relation to circulation contracts, the available evidence supported management's argument that revenue contracts were negotiated or contracted on a common basis, and subject (for advertising) to common rebate and sales arrangements.

We considered whether there was contradictory evidence that might indicate there was more than one CGU and challenged management. This included reviewing the management structure and incentive arrangements for those reporting to the CEO and management information used in the business.

We found that, whilst there are arguments for separation of the Group into separate cash generating units for Regional and Nationals, there was sufficient evidence for management's judgement that there is a single CGU.

Impairment assessment

Appropriateness of a 10 year modelling period

We satisfied ourselves that it was valid in the context of a market, industry and business in a long term transition from a print based form to digital delivery and revenues to model over a longer period than the Group's 3 year plan and that 10 years was an appropriate period.

Key assumptions in the impairment model

We met with the management teams within the business to understand the basis of preparation of the 2020 budget and three year plan (2020–22), and challenged management to provide internal and market evidence for the key assumptions, including: historical trend data for circulation revenues (combining volumes and pricing), related medium term decline rates for print advertising categories, digital growth rates, and cost reduction plans and discount rates and the achievement of past budgets.

We evaluated the longer-term assumptions applied in these areas over a 10-year period to 2029, again comparing these with historical trends and market information. We challenged management on the basis for these assumptions in areas such as: the sustainability of revenue from the regional titles in print and digital form; longer term digital growth rates; the ability to continue to sustain cost reductions, and medium term newsprint pricing.

Given that there is some uncertainty over the digital future in the news sector, we applied a series of sensitivities to management's model, to consider alternative but plausible downside scenarios. We also compared the output of management's model and our sensitivities with the current share price, allowing for a reasonable control premium.

Particularly in relation to the company investment carrying value we challenged management on the differential between the current market capitalisation, the carrying value and the outcome of the impairment model; we evaluated management's explanations as part of assessing the reasonableness of the assumptions in the impairment model.

For the parent company investment impairment consideration, we also considered management's approach to modelling past service pension contributions and compared this with the IAS 19 deficit and to funding commitments made with the Trustees and evaluated the relative merits of alternative approaches and their impact on the resulting carrying value.

We found that the Group's impairment model supported the carrying value of the Group's intangible assets and was based on reasonable assumptions. However, this was sensitive to changes in assumptions in the model, in particular, to the Group's ability to grow its digital revenues to the scale forecast.

The company recorded an impairment of £23.2m in the parent company investment.

We also found that the parent company investment (after impairment) was supported but additionally sensitive to assumptions over the extent of future pension contributions.

We also evaluated the Group's disclosures and sensitivity analysis in notes 15 and 16 to the Group financial statements and note 4 of the company financial statements.

Independent auditor's report to the members of Reach plc continued

Key audit matter

Provision for historical legal issues (Group)

Refer to Note 3 for the directors' disclosure on the critical accounting judgements and key sources of estimation uncertainty and page 59 for the views of the Audit & Risk Committee.

The Group has a provision of £21.1m in respect of historical legal issues as at 29 December 2019 (2018: £13.6m). The provision relates to a number of current and potential civil claims arising from suspected phone hacking and unlawful information gathering in the past. There has been a decline in the number of claims coming through each year but an increase greater than that which was forecast at the end of the prior financial year.

There are three parts to the provision: known claims; potential future claims; and common court costs. The basis for the known claims and the future potential claims is average past settlements, depending on the stage the claim has reached. Common court costs are costs incurred by the claimants' solicitors which are based on information provided by a third party. The Group estimates the number of future claims and provides based upon historical average claim experience.

The increase in the provision (and equivalent charge to the Income Statement) is driven by an increase in the number of claims (ahead of that forecast for the year), changes in the rules around Conditional Fee Agreements ('CFAs') along with an estimate of the number of potential future claims. This is recognised as a key source of estimation uncertainty and a contingent liability in notes 3, 26 and 35 to the Group financial statements respectively.

How our audit addressed the key audit matter

The audit procedures we performed in respect of this risk included:

- Meetings with management, internal legal counsel and those charged with governance to understand the nature of issues that gave rise to claims, experience to date and developments during the year. We corroborated the understanding gained through discussions with external legal counsel, review of correspondence with a sample of claimants' legal representatives and review of court judgements in relation to these matters.
- Testing the calculation of the provision, including agreeing claim settlement values and supporting documents.
- Assessing the completeness of the provision; in relation to future claims we did this through discussions and comparison of information with that of external counsel and evaluating the trend of new claims notified each year.
- Challenging management as to: whether the provision adequately allows for the nature of current claims (including both letters before action and issued claims) and current claim management strategies; and the extent to which the provision for future claims allowed for developments in the year, including required disclosures to the claimants of additional information and changes in the law in relation to CFAs. In each case, we obtained additional information and explanations from management and discussed these matters with external counsel.

Although we recognise that there is subjectivity and continuing uncertainty involved in estimating this provision, based on the audit procedures performed above we are satisfied the provision is not materially misstated.

We also evaluated the appropriateness of the related disclosures included in notes 3, 26 and 35 to the Group financial statements by reference to the audit procedures outlined above.

Independent auditor's report to the members of Reach plc continued

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of pension liability (Group)</p> <p>Refer to Note 3 for the directors' disclosure on the critical accounting judgements and key sources of estimation uncertainty and page 59 for the views of the Audit & Risk Committee.</p> <p>Pensions obligations are significant in the context of the overall balance sheet of the group.</p> <p>The group has six defined benefit pension plans which comprise total pension liabilities of £2,663.9m (2018 £2,462.8m). The net pension deficit (pre deferred tax) on the consolidated balance sheet is £295.9m (2018 £348.6m).</p> <p>The valuation of the schemes' liabilities requires a significant level of judgement and the audit and risk committee have therefore highlighted this key audit matter as a significant financial issue in their report.</p> <p>In particular:</p> <ul style="list-style-type: none"> • Determining the assumptions to be applied requires technical expertise. Changes in a number of the key assumptions can have a material impact on the balance sheet position. • Applying the assumptions to obtain a value of the liabilities is complex. Specialist pension knowledge is required to understand this process and to apply judgement over the method used. 	<p>We have reviewed the pension assumptions, including, but not limited to the key assumptions – discount rates, inflation and mortality. In doing this we have utilised our specialist pensions team and have considered and challenged the reasonableness of the actuarial assumptions against our internally developed benchmark ranges, finding them to be within an acceptable range.</p> <p>We have verified that the net pension deficit is reasonable based on the following:</p> <ul style="list-style-type: none"> • A review of the methodology used to determine the liabilities. Our specialist actuarial team has built up a detailed understanding of this methodology through meetings with the Group's actuary and management. • Testing to ensure that the liabilities are consistent with the most recent funding valuations and that the movement in the liabilities over the financial year is reasonable. <p>The total scheme assets across the six schemes totalled £2,400.8m. We circularised fund managers and custodians to confirm the existence of pension assets and performed independent valuation procedures. We did not identify any significant adjustments in relation to this work.</p> <p>In order to confirm that the key input data, which drives the liability calculations, was complete and accurate, membership data was examined for all six schemes. No issues were identified.</p>
<p>How we tailored the audit scope</p> <p>We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.</p> <p>The group operates from a number of locations in the UK. From a financial reporting perspective the most significant are the Group's London office and headquarters, its Liverpool shared service centre and the operational centre of its print activities in Watford. The Group's core publishing operations are accounted for through the Liverpool shared service centre and in a single general ledger, that is then disaggregated for statutory reporting requirements.</p> <p>Our Group audit scope focused on the core publishing operations and the parent company, which account for over 99% of the Group's revenue, profit before tax and total assets.</p> <p>The materiality level applied in our audit of the two components entities was £5.8m. At the parent company level we also tested the consolidation process, tax and pensions. The audit partner visited all significant locations and met with senior management of all locations as part of the audit process to plan the audit and understand financial performance and key judgements.</p>	

Independent auditor's report to the members of Reach plc continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£6.5m (2018: £5.6m).	£5.8m (2018: £5.0m).
How we determined it	5% of profit before tax and before charge for historical legal issues of £11.0m.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. We have adjusted this for one-off items in the year which do not reflect the underlying performance of the business.	As the parent entity, Reach plc is essentially a holding Company for the Group and therefore the materiality benchmark has been determined to be based on total assets which is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The level of materiality allocated to both components was £5.8m.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above £327,000 (Group audit) (2018: £250,000) and £327,000 (Parent company audit) (2018: £250,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Independent auditor's report to the members of Reach plc continued

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 29 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 60 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 55 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 86, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 58 describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee.
- The directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 86, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the members of Reach plc continued

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit & Risk committee, we were appointed by the directors on 7 June 2019 to audit the financial statements for the year ended 29 December 2019 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Stuart Newman (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 February 2020

Consolidated income statement

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

	notes	Adjusted 2019 £m	Adjusted Items 2019 £m	Statutory 2019 £m	Adjusted 2018 £m	Adjusted Items 2018 £m	Statutory 2018 £m
Revenue	5	702.5	–	702.5	723.9	–	723.9
Cost of sales		(370.7)	–	(370.7)	(377.4)	–	(377.4)
Gross profit		331.8	–	331.8	346.5	–	346.5
Distribution costs		(53.0)	–	(53.0)	(61.2)	–	(61.2)
Administrative expenses		(127.2)	(27.3)	(154.5)	(140.8)	(252.9)	(393.7)
Share of results of associates	19	1.8	5.6	7.4	1.1	(0.3)	0.8
Operating profit/(loss)	6	153.4	(21.7)	131.7	145.6	(253.2)	(107.6)
Interest income	9	0.1	–	0.1	0.1	–	0.1
Pension finance charge	20	–	(8.0)	(8.0)	–	(8.6)	(8.6)
Finance costs	10	(2.9)	–	(2.9)	(3.8)	–	(3.8)
Profit/(loss) before tax		150.6	(29.7)	120.9	141.9	(261.8)	(119.9)
Tax (charge)/credit	11	(28.9)	2.3	(26.6)	(27.7)	28.0	0.3
Profit/(loss) for the period attributable to equity holders of the parent		121.7	(27.4)	94.3	114.2	(233.8)	(119.6)
Earnings/(loss) per share	notes	2019 Pence		2019 Pence	2018 Pence		2018 Pence
Earnings/(loss) per share – basic	13	41.1		31.8	39.2		(41.0)
Earnings/(loss) per share – diluted	13	40.6		31.5	39.0		(41.0)

The above results were derived from continuing operations. Set out in note 36 is the reconciliation between statutory and adjusted results.

Consolidated statement of comprehensive income

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

	notes	2019 £m	2018 £m
Profit/(loss) for the period		94.3	(119.6)
Items that will not be reclassified to profit and loss:			
Actuarial gain on defined benefit pension schemes	20	14.7	4.6
Tax on actuarial gain on defined benefit pension schemes	11	(2.8)	(0.8)
Share of items recognised by associates	19	(11.2)	3.2
Other comprehensive income for the period		0.7	7.0
Total comprehensive income/(loss) for the period		95.0	(112.6)

Consolidated cash flow statement

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

	notes	2019 £m	2018 £m
Cash flows from operating activities			
Cash generated from operations	14	147.4	137.8
Pension deficit funding payments	20	(48.9)	(90.1)
Income tax paid		(11.7)	(12.5)
Net cash inflow from operating activities		86.8	35.2
Investing activities			
Interest received		0.1	0.1
Dividends received from associated undertakings	19	0.5	–
Proceeds on disposal of property, plant and equipment		0.5	6.6
Purchases of property, plant and equipment		(3.9)	(11.2)
Acquisition of subsidiary undertakings		–	(43.1)
Proceeds on disposal of subsidiary undertaking		–	6.4
Acquisition of associated undertaking	19	(0.9)	(4.5)
Net cash used in investing activities		(3.7)	(45.7)
Financing activities			
Dividends paid	12	(18.6)	(17.5)
Interest paid on borrowings		(3.3)	(3.8)
Draw down on bank borrowings		–	80.0
Repayment of bank borrowings	24	(60.0)	(45.0)
Net cash (used in)/received from financing activities		(81.9)	13.7
Net increase in cash and cash equivalents		1.2	3.2
Cash and cash equivalents at the beginning of the period	23	19.2	16.0
Cash and cash equivalents at the end of the period	23	20.4	19.2

Consolidated statement of changes in equity

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

	Share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings and other reserves £m	Total £m
At 31 December 2017	(28.3)	(606.7)	(37.9)	(4.4)	10.5	(666.8)
Loss for the period	–	–	–	–	119.6	119.6
Other comprehensive income for the period	–	–	–	–	(7.0)	(7.0)
Total comprehensive loss for the period	–	–	–	–	112.6	112.6
Issue of shares	(2.6)	–	(17.4)	–	–	(20.0)
Merger reserve transfer	–	–	37.9	–	(37.9)	–
Credit to equity for equity-settled share-based payments	–	–	–	–	(1.0)	(1.0)
Dividends paid	–	–	–	–	17.5	17.5
At 30 December 2018	(30.9)	(606.7)	(17.4)	(4.4)	101.7	(557.7)
Profit for the period	–	–	–	–	(94.3)	(94.3)
Other comprehensive income for the period	–	–	–	–	(0.7)	(0.7)
Total comprehensive income for the period	–	–	–	–	(95.0)	(95.0)
Credit to equity for equity-settled share-based payments	–	–	–	–	(1.1)	(1.1)
Dividends paid	–	–	–	–	18.6	18.6
At 29 December 2019	(30.9)	(606.7)	(17.4)	(4.4)	24.2	(635.2)

Consolidated balance sheet

at 29 December 2019 (at 30 December 2018)

	notes	2019 £m	2018 £m
Non-current assets			
Goodwill	15	42.0	42.0
Other intangible assets	16	810.0	810.0
Property, plant and equipment	17	224.9	246.2
Investment in associates	19	21.9	25.3
Retirement benefit assets	20	31.2	10.2
Deferred tax assets	21	55.9	69.8
		1,185.9	1,203.5
Current assets			
Inventories	22	5.9	6.3
Trade and other receivables	23	116.4	108.4
Cash and cash equivalents	23	20.4	19.2
		142.7	133.9
Total assets		1,328.6	1,337.4
Non-current liabilities			
Trade and other payables	25	(40.1)	(59.0)
Borrowings	24	–	(39.7)
Retirement benefit obligations	20	(327.1)	(358.8)
Deferred tax liabilities	21	(159.3)	(159.7)
Provisions	26	(20.5)	(4.1)
		(547.0)	(621.3)
Current liabilities			
Trade and other payables	27	(122.2)	(111.3)
Borrowings	24	–	(20.3)
Current tax liabilities	11	(8.7)	(4.5)
Provisions	26	(15.5)	(22.3)
		(146.4)	(158.4)
Total liabilities		(693.4)	(779.7)
Net assets		635.2	557.7
Equity			
Share capital	28,29	(30.9)	(30.9)
Share premium account	28,30	(606.7)	(606.7)
Merger reserve	28	(17.4)	(17.4)
Capital redemption reserve	28	(4.4)	(4.4)
Retained earnings and other reserves	28	24.2	101.7
Total equity attributable to equity holders of the parent		(635.2)	(557.7)

These consolidated financial statements on pages 96 to 130 were approved by the Board of directors and authorised for issue on 24 February 2020.

They were signed on its behalf by:

Jim Mullen
Chief Executive

Simon Fuller
Chief Financial Officer and Company Secretary




Notes to the consolidated financial statements

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

1 General information

Reach plc is a public company limited by shares and listed on the London Stock Exchange. The Company is incorporated in England and Wales and the Company's registered number is 82548. The address of the registered office is One Canada Square, Canary Wharf, London E14 5AP. The principal activities of the Group are discussed in the Strategic report on pages 1 to 47.

These consolidated financial statements were approved for issue by the Board of directors on 24 February 2020. The Annual Report for the 52 weeks ended 29 December 2019 will be available on the Company's website at www.reachplc.com and at the Company's registered office at One Canada Square, Canary Wharf, London E14 5AP before the end of March 2020 and will be sent to shareholders who have elected to receive a hard copy with the documents for the Annual General Meeting to be held on 7 May 2020.

The Company presents the results on a statutory and adjusted basis and revenue trends on a statutory and like-for-like basis as described in note 3.

The presentational and functional currency of the Group is Sterling.

2 Adoption of new and revised standards

IFRS 16

IFRS 16 'Leases' is effective for accounting periods beginning on or after 1 January 2019 and will be applied by the Group in the 52 weeks ending 27 December 2020. IFRS 16 will supersede the current lease guidance including IAS 17 and the related interpretation.

Nature of change

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases. At the commencement date of a lease, a lessee will recognise a lease liability for the future lease payments and an asset representing the right to use the underlying asset during the lease term (right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Impact on the Group

The standard will affect the accounting for the Group's operating leases relating to most of the Group's leased properties and leased vehicles.

The Group will apply the simplified transition approach (modified retrospective approach) and will recognise the lease liability on transition at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of transition. The Group will not restate comparatives and the cumulative effect of initially applying IFRS 16 will be recognised as an adjustment to opening reserves at the date of transition.

The Group has elected to apply the following practical expedients as allowed under IFRS 16:

- Exclude short-term leases (leases with a remaining term of less than one-year) and low-value assets (defined as less than £5,000 at initial cost);
- Rely on its assessment of whether leases are onerous immediately before the date of transition as an alternative to performing an impairment review; and
- Exclude initial direct costs from the measurement of the right-of-use assets on transition.

The Group estimates that the application of IFRS 16 will result in the recognition of a lease liability of around £45m and a right-of-use asset of around £44m, along with the derecognition of onerous lease provisions of around £1m and other working capital balances (including lease incentives) of around £3m, which results in an overall adjustment to opening reserves of around £3m.

Based on a constant portfolio of leases as at 29 December 2019 i.e. leases in place as at the current financial reporting date, the Group expects that profit before tax will be lower by around £1m. This is due to an increase in depreciation expense of around £8m on the right-of-use asset and an additional interest expense of around £1m on the lease liability, offset by the removal of the rental expense of around £8m.

There will be no impact on cash flows, although the presentation of the cash flow statement will change, with an increase in net cash inflows from operating activities being offset by an increase in net cash outflows from financing activities.

The application of IFRS 16 requires judgement particularly around the calculation of the incremental borrowing rate and determining the lease term when there are options to extend or terminate early. A complete reconciliation between the 29 December 2019 IAS 17 lease commitment and the IFRS 16 lease liability on the transition date (30 December 2019) will be included in our interim accounts for the period ended 28 June 2020.

All accounting policies in respect of lease accounting will be updated to reflect the impact of IFRS 16 in the consolidated financial statements for the 52 weeks ended 27 December 2020.

The Group has not adopted any new standards and interpretations during the current financial period.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

2 Adoption of new and revised standards continued

Other standards

The following standards and interpretations (*denotes not yet endorsed for use in the EU), which have not been applied and when adopted are not expected to have a material impact on the Group, were in issue and will be effective for periods beginning on or after 1 January 2019 unless stated below:

- IFRIC 23 (New) 'Uncertainty over Income Tax Treatments'
- IFRS 9 (Amended) 'Financial Instruments'
- IAS 28 (Amended) 'Investments in Associates and Joint Ventures'
- IAS 19 (Amended) 'Employee Benefits'
- IFRS 3 (Amended) 'Business Combinations' – effective for periods beginning on or after 1 January 2020*
- IFRS 9 (Amended) 'Financial Instruments' – effective for periods beginning on or after 1 January 2020*
- IAS 1 (Amended) 'Presentation of Financial Statements' – effective for periods beginning on or after 1 January 2020*
- IAS 8 (Amended) 'Accounting Policies, Changes in Accounting Estimates and Errors' – effective for periods beginning on or after 1 January 2020*
- Amendments to References to Conceptual Framework in IFRS Standards – effective for periods beginning on or after 1 January 2020*
- IFRS 17 'Insurance Contracts' – effective for periods beginning on or after 1 January 2021*
- Annual improvements 2015 – 2017 cycle

3 Accounting policies

International Financial Reporting Standards (IFRS)

The Group has adopted standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee of the IASB that are relevant to its operations as adopted by the European Union (EU). Individual standards and interpretations have to be adopted by the EU and the process leads to a delay between the issue and adoption of new standards and interpretations and in some cases amendments by the EU.

The parent company financial statements of Reach plc for the 52 weeks ended 29 December 2019, prepared in accordance with applicable law and UK Accounting Practice, including FRS 101 'Reduced Disclosure Framework', are presented on pages 131 to 135.

Basis of preparation

These consolidated financial statements have been prepared on a going concern basis as set out on page 55 of the Corporate governance report.

For administrative convenience, the consolidated financial statements are made up to a suitable date near the end of the calendar year. These consolidated financial statements have been prepared for the 52 weeks ended 29 December 2019 and the comparative period has been prepared for the 52 weeks ended 30 December 2018.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS standards and IFRIC interpretations as adopted by the EU and with those parts of the Companies Act 2006 applicable to groups reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets held at fair value through profit and loss. A summary of the more important Group accounting policies is set out on pages 100 to 105.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Reach plc and all entities controlled by it for the 52 weeks ended 29 December 2019. Control is achieved where the Company has the power to govern the financial and operating policies of the investee entity, has the rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

On the acquisition of a business, including an interest in an associated undertaking or a joint venture, fair values are attributed to the Group's share of the identifiable assets and liabilities of the business existing at the date of acquisition and reflecting the conditions as at that date. Where necessary, adjustments are made to the financial statements of businesses acquired to bring their accounting policies in line with those used in the preparation of the consolidated financial statements. Results of businesses are included in the consolidated income statement from the effective date of acquisition and in respect of disposals up to the effective date of relinquishing control.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the profit or loss account as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

3 Accounting policies continued

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Negative goodwill arising on an acquisition is recognised directly in the consolidated income statement upon acquisition. On disposal of a subsidiary or associate, the remaining amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill is reviewed for impairment either annually or more frequently if events or changes in circumstances indicate a possible decline in the carrying value. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit, pro-rated on the basis of the carrying amount of each asset in the unit, but subject to not reducing any asset below its recoverable amount. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Other intangible assets

Other intangible assets comprise acquired publishing rights and titles. On acquisition, the fair value of other intangible assets is calculated based on forecast discounted cash flows. On disposal, the carrying amount of the related other intangible asset is de-recognised and the gain or loss arising from de-recognition, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is recognised in the consolidated income statement.

Publishing rights and titles are initially recognised as an asset at fair value with an indefinite economic life. They are not subject to amortisation. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. Where the asset does not generate cash flows that are independent from other assets, value-in-use estimates are made based on the cash flows of the cash-generating unit to which the asset belongs. The publishing rights and titles are reviewed for impairment either at each reporting date or more frequently when there is an indication that the recoverable amount is less than the carrying amount. Recoverable amount is the higher of fair value less costs to sell and value-in-use.

In assessing value-in-use the estimated future cash flows of the cash-generating unit relating to the asset are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimates of future cash flows have not been adjusted. Use of a post-tax discount rate to discount the future post-tax cash flows is materially equivalent to using a pre-tax discount rate to discount the future pre-tax cash flows. The impairment conclusion remains the same on a pre or post tax basis. If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, the carrying value of the cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement in the period in which it occurs and may be reversed in subsequent periods.

Costs incurred in the development of websites are only capitalised if the criteria specified in IAS 38 are met.

Investment in associates

Associates are all entities over which the Group has significant influence but not control and are accounted for by the equity method of accounting, initially recognised at cost. The Group's share of associates post-acquisition profits or losses after tax is recognised in the consolidated income statement and its share of other comprehensive income are recognised in the consolidated statement of comprehensive income.

Revenue recognition

Revenue is measured at the fair value of the consideration received, net of applicable discounts and value added tax.

The sources of revenue for the Group are circulation, print advertising (including digital classified which is predominately upsold from print), printing (including third party printing contracts), print other (contract publishing, syndication, reader offers and events) and digital (display and transactional revenue streams). Revenue is recognised when the performance obligations identified in the contract are fulfilled, with revenue being measured as the transaction price allocated in respect of that performance obligation.

Circulation revenue

The Group sells newspapers and magazines through wholesalers on a sale and return basis. Revenue is recognised when the performance obligation has been fulfilled being when the publication has been delivered to the wholesaler. A receivable is recognised by the Group when the wholesaler confirms the number of copies sold as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Print advertising revenue

Print advertising revenue includes digital classified revenue which is predominantly upsold from print advertising. The performance obligation is fulfilled, and revenue is recognised, on publication of the advert. If an advertising campaign is over a period of time revenue is recognised on a straight line basis over the period of the campaign reflecting the pattern in which the performance obligation is fulfilled. Rebates are recognised based on the level of agency spend over the contract period.

Printing revenue

Printing revenues mainly comprises third party printing contracts. Printing revenue is recognised at a point when the service is provided and the performance obligation is fulfilled.

Print other revenue

Print other revenues includes contract publishing, syndication, readers offers and events. Within print other revenue, the performance obligation is fulfilled, and revenue is recognised, on publication of the product or holding of the event, or when the goods have been purchased by a reader or at a point when the service is provided and the performance obligation is fulfilled.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

3 Accounting policies continued

Revenue recognition continued

Digital revenue

For digital display advertising revenue, the performance obligation is fulfilled, and revenue is recognised, on publication of the advert. If an advertising campaign is over a period of time revenue is recognised over the period of the online campaign on a straight line basis or pages served basis reflecting the pattern in which the performance obligation is fulfilled. For digital transaction revenue, the performance obligation is fulfilled, and revenue is recognised, when the service is provided.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. Assets held under finance leases are recognised at their fair value at the inception of the lease or, if lower, the present value of the minimum lease payments. The asset is recognised within property, plant and equipment and the corresponding liability to the lessor is included within obligations under finance leases. Lease payments are apportioned between finance charges which are charged to the consolidated income statement and reductions in the lease obligation. Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the lease term. Benefits received as incentives to enter into the agreement are spread on a straight-line basis over the lease term.

Foreign currency

Transactions denominated in foreign currencies are translated at the rates of exchange prevailing on the date of the transactions. At each reporting date, items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising on settlement and on retranslation are included in the consolidated income statement for the period.

Retirement benefits

The Group operates a number of defined benefit pension schemes, all of which have been set up under trusts that hold their financial assets independently from those of the Group and are controlled by trustees. The amount recognised in the balance sheet in respect of defined benefit pension schemes is the present value of the defined benefit obligation at the reporting date less the fair value of scheme assets. *The resultant liability or asset of each scheme is included in non-current liabilities or non-current assets as appropriate.* Any surplus recognised is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions. Where surpluses are not recognised, a liability is recognised being the value of future committed deficit contribution. The defined benefit obligation is calculated at each reporting date by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds approximating to the terms of the related pension liability.

The Group operates a defined contribution pension scheme which has been set up under a trust that holds the financial assets independently from those of the Group and is controlled by Trustees. The Group also operated Group Personal Pension Plans which were defined contribution pension schemes where employees hold a personal policy directly with the policy provider. Payments to defined contribution pension schemes are charged as an expense as they fall due.

Tax

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

The corporation tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement except when it relates to items charged or credited in the consolidated statement of comprehensive income or items charged or credited directly to equity, in which case the deferred tax is also dealt with in the consolidated statement of comprehensive income and equity respectively.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and all directly attributable costs of bringing the asset to its location and condition necessary to operate as intended.

Depreciation is charged so as to write-off the cost, other than freehold land and assets under construction which are not depreciated, using the straight-line method over the estimated useful lives of buildings (15–67 years) and plant and equipment (3–25 years). Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

3 Accounting policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first in first out method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest. Conversion to a readily known amount of cash occurs over a short period and is subject to an insignificant risk of changes in value. Therefore balances are initially recognised at fair value and subsequently at amortised cost.

The Group recognises a loss allowance for expected credit losses (ECL) on trade receivables and accrued income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group recognises lifetime ECL for trade receivables and accrued income. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet the following criteria are generally not recoverable:

- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) Significant financial difficulty of the debtor;
- (b) A breach of contract, such as a default or past due event;
- (c) It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term bank deposits with an original maturity of one week or less.

Borrowings

Sterling interest bearing loans and bank overdrafts are recorded at the proceeds received, net of direct issue costs. Foreign currency interest bearing loans are recorded at the exchange rate at the reporting date. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the consolidated income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Trade payables

Trade payables are not interest bearing. Payments occur over a short period and are subject to an insignificant risk of changes in value. Therefore balances are stated at their nominal value.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables, estimated based on prior experience and assessment of the current economic environment.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

3 Accounting policies continued

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Provisions are made for legal and other costs in respect of historical litigation and other matters in progress and for estimated damages where it is judged probable that damages will be payable.

Share-based payments

The Group issues equity-settled benefits to certain employees. These equity-settled share-based payments are measured at fair value at the date of grant taking advice from third party experts. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of a stochastic (Monte-Carlo binomial) model. The expected life used in the model has been adjusted, based on the directors' best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Share capital

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

Where the Group's own shares are purchased, the consideration paid including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are cancelled, the nominal value of shares cancelled is shown in the capital redemption reserve. Where such shares are subsequently reissued or disposed of, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

Alternative performance measures

The Company presents the results on a statutory and adjusted basis and revenue trends on a statutory and like-for-like basis. The Company believes that the adjusted basis and like-for-like trends will provide investors with useful supplemental information about the financial performance of the Group, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key performance indicators used by management in operating the Group and making decisions. Although management believes the adjusted basis is important in evaluating the Group, they are not intended to be considered in isolation or as a substitute for, or as superior to, financial information on a statutory basis. The alternative performance measures are not recognised measures under IFRS and do not have standardised meanings prescribed by IFRS and may be different to those used by other companies, limiting the usefulness for comparison purposes. Note 36 sets out the reconciliation between the statutory and adjusted results. Note 38 shows the reconciliation between the statutory and like-for-like revenues. An adjusted cash flow is presented in note 39 which reconciles the adjusted operating profit to the net change in cash and cash equivalents. Set out in note 41 is the reconciliation between statutory and adjusted cash flow.

Adjusting items

Adjusting items relate to costs or incomes that derive from events or transactions that fall within the normal activities of the Group, but are excluded from the Group's adjusted profit measures, individually or, if of a similar type in aggregate, due to their size and/or nature in order to better reflect management's view of the underlying performance of the Group. The adjusted profit measures are not recognised profit measures under IFRS and may not be directly comparable with adjusted profit measures used by other companies. Details of adjusting items are set out in note 8.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provisions (notes 11, 26 and 35)

There is uncertainty as to liabilities arising from the outcome or resolution of the ongoing historical legal issues and in addition there is uncertainty as to the amount of expenditure that may be tax deductible and additional tax liabilities may fall due in relation to earlier years. Provisions are measured at the best estimate of the expenditure required to settle the obligation based on the assessment of the related facts and circumstances at each reporting date.

Retirement benefits (note 20)

Actuarial assumptions adopted and external factors can significantly impact the surplus or deficit of defined benefit pension schemes. Valuations for funding and accounting purposes are based on assumptions about future economic and demographic variables. These result in risk of a volatile valuation deficit and the risk that the ultimate cost of paying benefits is higher than the current assessed liability value. Advice is sourced from independent and qualified actuaries in selecting suitable assumptions at each reporting date.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

3 Accounting policies continued

Key sources of estimation uncertainty continued

Impairment review (notes 15 and 16)

There is uncertainty in the value-in-use calculation. The most significant area of uncertainty relates to expected future cash flows for each cash-generating unit. Determining whether the carrying values of assets in a cash-generating unit are impaired requires an estimation of the value-in-use of the cash-generating unit to which these have been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Projections are based on both internal and external market information and reflect past experience. The discount rate reflects the weighted average cost of capital of the Group.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, described above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Indefinite life assumption in respect of publishing rights and titles (note 16)

There is judgement required in continuing to adopt an indefinite life assumption in respect of publishing rights and titles. The directors consider publishing rights and titles (with a carrying amount of £810.0m) have indefinite economic lives due to the longevity of the brands and the ability to evolve them in an ever changing media landscape. At each reporting date management review the suitability of this assumption.

Identification of cash-generating units (note 16)

There is judgement required in determining the cash-generating units relating to our Publishing brands. At each reporting date management review the interdependency of revenues across our portfolio of Publishing brands to determine the appropriate cash-generating unit. The Group operates its Publishing brands such that a majority of the revenues are interdependent and revenue would be materially lower if brands operated in isolation. As such, management do not consider that an impairment review at an individual brand level is appropriate or practical. As the Group continues to centralise revenue generating functions and has moved to a matrix operating structure over the past few years all of the individual brands in Publishing have increased revenue interdependency are assessed for impairment as a single Publishing cash-generating unit.

4 Segments

Segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board and chief operating decision maker (executive directors) to allocate resources to the segments and to assess their performance. The Board and chief operating decision maker are not provided with an amount for total assets by segment. The Group's operations are primarily located in the UK and the Group is not subject to significant seasonality during the year.

Following recent acquisitions and disposals and changes to the management structure, management have reviewed the segment disclosure and have concluded that the performance of the Group should be presented as a single reporting segment. As such the previously reported segments of Publishing, Printing, Specialist Digital and Central are no longer reported and the Group presents the Group as a single reporting segment.

5 Revenue

To better reflect how we view and operate the business, the Group amended the presentation of revenues in 2019, aligning our revenue streams with the strategy. Print revenue comprises circulation, advertising (including digital classified which is predominantly upsold from print), printing (including third party printing contracts) and other (contract publishing, syndication, reader offers and events); this corresponds to the part of our strategy focused on maximising cash flow from print. Digital revenue comprises the combined display and transactional revenue streams; this corresponds to the part of our strategy focused on accelerating digital audience and revenue. Other revenue comprises revenue from our specialist digital recruitment websites. Note 37 sets out the reconciliation between the classifications in the prior period to the classifications in the current period.

	2019 £m	2018 £m
Print	591.3	623.3
Circulation	361.7	362.1
Advertising	152.5	189.0
Printing	38.5	35.6
Other	38.6	36.6
Digital	107.0	91.3
Other	4.2	9.3
Total revenue	702.5	723.9

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

5 Revenue continued

The Group's operations are located primarily in the UK. The Group's revenue by location of customers is set out below:

	2019 £m	2018 £m
UK and Republic of Ireland	700.9	721.9
Continental Europe	1.5	1.8
Rest of World	0.1	0.2
Total revenue	702.5	723.9

The Group has two customers where revenue represent more than 10% of total revenue. The two customers represent the majority of the circulation revenue.

6 Result for the period

	2019 £m	2018 £m
Operating result for the period is arrived at after (charging)/crediting:		
Staff costs (note 7)	(240.1)	(245.9)
Cost of inventories recognised as cost of sales	(83.6)	(87.2)
Depreciation of property, plant and equipment	(21.5)	(22.3)
Impairment of fixed assets (note 17)	(2.7)	–
Write-off of fixed assets	(0.2)	(0.5)
Operating lease rentals payable:		
– property	(5.7)	(5.1)
– vehicles, plant and equipment	(1.8)	(2.5)
Trade receivables impairment (note 23)	(0.5)	(1.4)
Net foreign exchange gain	–	0.1
Operating adjusted items (note 8)		
– excluding associates	(27.3)	(252.9)
– share of associates	5.6	(0.3)
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	(0.3)	(0.4)
Fees payable to the Company's auditor for the other services to the Group:		
– the audit of the Company's subsidiaries	(0.5)	(0.6)
Total audit fees	(0.8)	(1.0)
Non-audit fees payable to the Company's auditors for:		
– audit-related assurance services	–	(0.1)
– transaction-related assurance services	(0.1)	(0.4)
Total non-audit fees	(0.1)	(0.5)
Total fees	(0.9)	(1.5)

Fees payable to PricewaterhouseCoopers LLP (2018: Deloitte LLP) for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. A description of the work of the Audit & Risk Committee is set out in the Audit & Risk Committee report on pages 57 to 61 and includes an explanation of how the objectivity and independence of the auditor is safeguarded when non-audit services are provided by the auditor.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

7 Staff costs

The average monthly number of persons, including executive directors, employed by the Group in the period was:

	2019 Number	2018 Number
Production and editorial	3,001	3,176
Sales and distribution	1,097	1,336
Administration	560	622
Total	4,658	5,134

All employees are primarily employed in the UK. The above excludes casual employees working for the Group during the period due to the impracticality of determining an average.

Staff costs, including directors' emoluments, incurred during the period were:

	2019 £m	2018 £m
Wages and salaries	(199.6)	(208.9)
Social security costs	(21.7)	(21.1)
Share-based payments charge in the period (note 31)	(1.1)	(1.0)
Pension costs relating to defined contribution pension schemes (note 20)	(17.7)	(14.9)
Total	(240.1)	(245.9)

Wages and salaries include bonuses payable in the period. Restructuring costs are excluded from staff costs and are disclosed in note 8. Disclosure of individual directors' remuneration, share awards, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those elements specified for audit by the Financial Conduct Authority are shown in the tables in the Remuneration report on pages 62 to 82 and form part of these consolidated financial statements.

8 Operating adjusted items

	2019 £m	2018 £m
Impairment of goodwill, publishing rights and titles and freehold buildings (notes 15, 16 and 17)	–	(200.0)
Pension past service costs for GMP equalisation and administrative expenses (note 20)	(2.9)	(18.8)
Restructuring charges in respect of cost reduction measures (note 26)	(10.7)	(20.0)
Provision for historical legal issues (note 26)	(11.0)	(12.5)
Other	(2.7)	(1.6)
Operating adjusted items included in administrative expenses	(27.3)	(252.9)
Operating adjusted items included in share of results of associates (note 19)	5.6	(0.3)
Total operating adjusted items	(21.7)	(253.2)

Other in 2019 relates to an impairment of a printing press. In 2018, other included: amortisation of intangible assets of £0.2m, transaction costs £6.3m and charge relating to property carrying value of £0.8m less profit on disposal of property of £2.3m and profit on disposal of subsidiary undertaking of £3.4m.

9 Interest income

	2019 £m	2018 £m
Interest income on bank deposits	0.1	0.1

10 Finance costs

	2019 £m	2018 £m
Interest on bank overdrafts and borrowings	(2.9)	(3.8)

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

11 Tax

	2019 £m	2018 £m
Corporation tax charge for the period	(15.9)	(17.2)
Current tax charge	(15.9)	(17.2)
Deferred tax (charge)/credit for the period	(9.9)	17.5
Prior period adjustment	(0.8)	–
Deferred tax (charge)/credit	(10.7)	17.5
Tax (charge)/credit	(26.6)	0.3
	2019 %	2018 %
Reconciliation of tax (charge)/credit		
Standard rate of corporation tax	(19.0)	19.0
Tax effect of items that are not deductible in determining taxable profit	(3.3)	(19.5)
Tax effect of items that are not taxable in determining taxable profit	–	0.7
Prior period adjustment	(0.8)	–
Tax effect of share of results of associates	1.1	0.1
Tax (charge)/credit rate	(22.0)	0.3

The standard rate of corporation tax for the period is 19% (2018: 19%). The tax effect of items that are not deductible in determining taxable profit includes certain costs where there is uncertainty as to their deductibility. The current tax liabilities amounted to £8.7m (2018: £4.5m) at the reporting date and include net provisions of £2.7m (2018: £1.3m). At the reporting date the maximum amount of the unprovided tax exposure relating to uncertain tax items is some £5m (2018: £7m).

The tax on actuarial gains on defined benefit pension schemes taken to the consolidated statement of comprehensive income is a deferred tax charge of £2.8m (2018: charge of £0.8m comprising a deferred tax charge of £8.7m and a current tax credit of £7.9m).

12 Dividends

	2019 Pence per share	2018 Pence per share
Dividends paid per share and recognised as distributions to equity holders in the period	6.27	5.92
Dividend proposed per share but not paid nor included in the accounting records	4.05	3.77

The Board proposes a final dividend for 2019 of 4.05 pence per share. An interim dividend for 2019 of 2.50 pence per share was paid on 27 September 2019 bringing the total dividend in respect of 2019 to 6.55 pence per share. The 2019 final dividend payment is expected to amount to £12.0m.

On 10 May 2019 the final dividend proposed for 2018 of 3.77 pence per share was approved by shareholders at the Annual General Meeting and was paid on 7 June 2019.

Total dividends paid in 2019 were £18.6m (2018 final dividend payment of £11.2m and 2019 interim dividend payment of £7.4m).

13 Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares during the period and diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares.

	2019 Thousand	2018 Thousand
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for basic earnings per share	296,138	291,478
Effect of potential dilutive ordinary shares in respect of share awards	3,457	1,571
Weighted average number of ordinary shares for diluted earnings per share	299,595	293,049

The weighted average number of potentially dilutive ordinary shares not currently dilutive was 3,526,324 (2018: 3,964,133).

	2019 Pence	2018 Pence
Statutory earnings/(loss) per share		
Earnings/(loss) per share – basic	31.8	(41.0)
Earnings/(loss) per share – diluted	31.5	(41.0)

	2019 Pence	2018 Pence
Adjusted earnings per share		
Earnings per share – basic	41.1	39.2
Earnings per share – diluted	40.6	39.0

Set out in note 36 is the reconciliation between the statutory and adjusted results.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

14 Cash flows from operating activities

	2019 £m	2018 £m
Operating profit/(loss)	131.7	(107.6)
Depreciation of property, plant and equipment	21.5	22.3
Impairment charge	–	200.0
Amortisation of intangible assets	–	0.2
Share of results of associates	(7.4)	(0.8)
Charge for share-based payments	1.1	1.0
Loss/(profit) on disposal of land and buildings	0.3	(1.5)
Profit on disposal of subsidiary undertaking	–	(3.4)
Impairment of fixed assets	2.7	–
Write-off of fixed assets	0.2	0.5
Pension administrative expenses	2.9	3.0
Pension past service costs	–	15.8
Operating cash flows before movements in working capital	153.0	129.5
Decrease in inventories	0.4	0.1
Increase in receivables	(7.8)	(2.9)
Increase in payables	1.8	11.1
Cash flows from operating activities	147.4	137.8

15 Goodwill

	Total £m
Cost	
At 31 December 2017	157.4
Addition	35.9
Disposal	(3.4)
At 30 December 2018	189.9
At 29 December 2019	189.9
Accumulated impairment	
At 31 December 2017	(55.4)
Impairment (note 16)	(92.5)
At 30 December 2018	(147.9)
At 29 December 2019	(147.9)
Carrying amount	
At 30 December 2018	42.0
At 29 December 2019	42.0

Goodwill of £42.0m relates to the Publishing (£35.9m) and Digital Classified Recruitment (£6.1m) cash-generating units. Note 16 sets out the Group's cash-generating units and the results of the impairment review.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

16 Other intangible assets

The Group had three cash-generating units at the prior reporting date (Publishing excluding Express & Star, Express & Star and Digital Classified Recruitment). The Express & Star business has been fully integrated within the Publishing business such that the cash inflows are largely interdependent and they have been combined into a single cash-generating unit. This reflects the scale of advertising packages sold across all brands and reflects the group wide nature of our printing operations and the wholesale and distribution contracts. At the reporting date the Group has two cash-generating units (Publishing and Digital Classified Recruitment).

	Publishing rights and titles £m	Customer relationships and domain names £m	Total £m
Cost			
At 31 December 2017	1,985.5	35.3	2,020.8
Addition	106.1	–	106.1
Disposal	–	(5.3)	(5.3)
At 30 December 2018	2,091.6	30.0	2,121.6
At 29 December 2019	2,091.6	30.0	2,121.6
Accumulated amortisation			
At 31 December 2017	(1,186.6)	(35.0)	(1,221.6)
Amortisation	–	(0.2)	(0.2)
Disposal	–	5.2	5.2
Impairment	(95.0)	–	(95.0)
At 30 December 2018	(1,281.6)	(30.0)	(1,311.6)
At 29 December 2019	(1,281.6)	(30.0)	(1,311.6)
Carrying amount			
At 30 December 2018	810.0	–	810.0
At 29 December 2019	810.0	–	810.0

Publishing rights and titles of £810.0m relates to the Publishing cash-generating unit.

There is judgement required in continuing to adopt an indefinite life assumption in respect of publishing rights and titles. The directors consider publishing rights and titles (with a carrying amount of £810.0m) have indefinite economic lives due to the longevity of the brands and the ability to evolve them in an ever changing media landscape. The Group has grown digital revenue in recent years and is focused on investing to continue the growth for the coming years. The directors believe growth from digital and new revenue streams will offset print declines on an aggregate basis, leading to a future stabilisation of revenue. This, combined with our inbuilt and relentless focus on maximising efficiency, gives the Board confidence that the delivery of sustainable growth in revenue, profit and cash flow is achievable in the future.

The Group tests the carrying value of assets at the cash-generating unit level for impairment annually or more frequently if there are indicators that assets might be impaired. The review is undertaken by assessing whether the carrying value of assets is supported by their value-in-use which is calculated as the net present value of future cash flows derived from those assets, using cash flow projections. If an impairment charge is required this is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit but subject to not reducing any asset below its recoverable amount.

The impairment review concluded that no impairment charge was required in 2019. In 2018, the total impairment charge for the year was £200.0m (£187.1m net of deferred tax). The charge was allocated to goodwill (£92.5m), publishing rights and titles (£95.0m) and freehold buildings (£12.5m). Of the £200.0m impairment charge, £150.0m was charged at the 2018 half year and a further £50.0m was charged at the 2018 year end.

For the 2019 impairment review, the Group prepared cash flow projections for each cash-generating unit using the latest forecasts and projections. The growth rates for the first three-year period are internal projections based on both internal and external market information and reflect past experience of and the risk associated with each asset. For the Publishing cash-generating unit, projections for a further seven years have been prepared as this is the period over which the transformation to digital can be assessed. For the Digital Classified Recruitment cash-generating unit the three-year projections have been used. Cash flow projections beyond the respective periods used for each cash-generating unit are extrapolated based on estimated growth rates which do not exceed the average long-term growth rates for the relevant markets. The long-term growth rates beyond the 10-year period have been assessed at 0% based on the Board's view of the cash-generating unit's market position and maturity of the relevant market. We continue to believe that there are significant longer term benefits of our scale local digital audiences and there are opportunities to grow revenue and profit in the longer term.

The discount rate reflects the weighted average cost of capital of the Group. The current post-tax and equivalent pre-tax discount rate used in respect of all cash-generating units is 11.1% and 13.5% respectively.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

16 Other intangible assets continued

The impairment review is highly sensitive to reasonably possible changes in key assumptions used in the value-in-use calculations. For the Publishing cash-generating unit a combination of reasonably possible changes in key assumptions such as print revenue declining at a faster rate than projected, digital revenue growth being significantly lower than projected or the scale of cost saving initiatives being delivered being lower than forecast, could lead to an impairment in the Publishing cash-generating unit. If these sensitivities led to a 22% reduction in cash flows in each of the years in the 10-year period this would lead to the removal of the headroom. Alternatively an increase in the discount rate by 3.6 percentage points would lead to the removal of the headroom. For the Digital Classified Recruitment cash-generating unit, a 23% reduction in cash flows or an increase in the discount rate by 3.5 percentage points would lead to the removal of the headroom.

17 Property, plant and equipment

	Land and buildings			Total
	Freehold £m	Plant and equipment £m	Asset under construction £m	£m
Cost				
At 31 December 2017	210.7	315.0	10.5	536.2
Acquisition of subsidiary undertakings	–	41.5	–	41.5
Disposal of subsidiary undertaking	–	(1.3)	–	(1.3)
Additions	–	0.4	10.8	11.2
Disposals	(4.7)	(8.8)	–	(13.5)
Reclassification	–	15.0	(15.0)	–
Write-off of assets	(0.2)	(2.8)	–	(3.0)
At 30 December 2018	205.8	359.0	6.3	571.1
Additions	–	0.1	3.8	3.9
Disposals	(0.9)	–	–	(0.9)
Reclassification	–	6.6	(6.6)	–
Write-off of assets	–	(0.2)	–	(0.2)
At 29 December 2019	204.9	365.5	3.5	573.9
Accumulated depreciation and impairment				
At 31 December 2017	(63.8)	(224.7)	–	(288.5)
Acquisition of subsidiary undertakings	–	(13.5)	–	(13.5)
Disposal of subsidiary undertaking	–	1.0	–	1.0
Charge for the period	(4.4)	(17.9)	–	(22.3)
Disposals	–	8.4	–	8.4
Impairment (note 16)	(12.5)	–	–	(12.5)
Write-off of assets	–	2.5	–	2.5
At 30 December 2018	(80.7)	(244.2)	–	(324.9)
Charge for the period	(3.2)	(18.3)	–	(21.5)
Disposals	0.1	–	–	0.1
Impairment	–	(2.7)	–	(2.7)
Write-off of assets	–	–	–	–
At 29 December 2019	(83.8)	(265.2)	–	(349.0)
Carrying amount				
At 30 December 2018	125.1	114.8	6.3	246.2
At 29 December 2019	121.1	100.3	3.5	224.9

	2019 £m	2018 £m
Capital commitments		
Expenditure contracted for but not provided in the consolidated financial statements	0.4	2.1

Note 16 sets out the Group cash-generating units and the results of the impairment review.

18 Subsidiary undertakings

A list of the subsidiary undertakings, all of which have been consolidated, is on pages 136 to 138.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

19 Investment in associates

Details of the Group's associates at 29 December 2019 are set out on page 138.

The carrying value of investments in associates is set out below:

	PA Media 2019 £m	Other 2019 £m	Total 2019 £m	PA Media 2018 £m	Other 2018 £m	Total 2018 £m
Opening balance	20.2	5.1	25.3	16.2	0.6	16.8
Investment	0.9	–	0.9	–	4.5	4.5
Dividends received	–	(0.5)	(0.5)	–	–	–
Share of results:	7.0	0.4	7.4	0.8	–	0.8
<i>Results before adjusted items</i>	1.3	0.5	1.8	1.3	(0.2)	1.1
<i>Adjusted items</i>	5.7	(0.1)	5.6	(0.5)	0.2	(0.3)
Share of other comprehensive (loss)/income	(10.9)	(0.3)	(11.2)	3.2	–	3.2
Closing balance	17.2	4.7	21.9	20.2	5.1	25.3

Information on principal associate:

Company	Country of incorporation	Class of shares	Shareholding	Accounting year end
PA Media Group Limited	UK	Ordinary	23.54%	31 December

The table below provide summarised financial information for PA Media Group Limited which is material to the Group. The information disclosed reflects the amounts presented in the financial statements and management accounts of the associate as amended to reflect adjustments made when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	2019 £m	2018 £m
PA Media Group Limited		
Non-current assets	25.3	57.3
Current assets	73.2	55.5
Total assets	98.5	112.8
Current liabilities	(25.3)	(19.0)
Total liabilities	(25.3)	(19.0)
Net assets	73.2	93.8
Group's share of net assets	17.2	20.2
Revenue	73.4	70.4
Profit for the period	32.5	3.7
Group's share of profit for the period	7.0	0.8

The financial statements of PA Media Group Limited are made up to 31 December each year. For the purposes of applying the equity method of accounting, the audited financial statements of PA Group Limited for the year ended 31 December 2018 together with the management accounts up to the end of December 2019 have been used with appropriate year-end adjustments made. Included in the share of operating adjusted items of associates is a £6.7m (2018: nil) profit on our share of the after tax profit on disposal of a building less after tax restructuring charges of £0.3m (2018: £0.1m) and after tax amortisation charge of £0.7m (2018: £0.4m). The share of other comprehensive loss of £10.9m (2018: profit £3.2m) relates primarily to pensions. Included in the current year is the impact of the purchase of a buy-in policy by the Trustees.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

20 Retirement benefit schemes

Defined contribution pension schemes

The Group operates a defined contribution pension scheme for qualifying employees: The Reach Pension Plan (the 'RPP'). The two Group Personal Pension Plans for Express & Star employees were closed on 31 March 2019 with all members given the opportunity to join the RPP on 1 April 2019. The assets of the RPP scheme where employees have an individual account at Fidelity are held separately from those of the Group in funds under the control of Trustees.

The current service cost charged to the consolidated income statement for the year of £17.7m (2018: £14.9m) represents contributions paid by the Group at rates specified in the scheme rules. All amounts that were due have been paid over to the schemes at all reporting dates.

Defined benefit pension schemes

Background

The defined benefit pension schemes operated by the Group are all closed to future accrual. The Group has six defined benefit pension schemes:

- Trinity Mirror schemes (the 'TM Schemes'): the MGN Pension Scheme (the 'MGN Scheme'), the Trinity Retirement Benefit Scheme (the 'Trinity Scheme') and the Midland Independent Newspapers Pension Scheme (the 'MIN Scheme'); and
- Express & Star schemes (the 'E&S Schemes'): the Express Newspapers 1988 Pension Fund (the 'EN88 Scheme'), the Express Newspapers Senior Management Pension Fund (the 'ENSM Scheme') and the West Ferry Printers Pension Scheme (the 'WF Scheme').

Characteristics

The defined benefit pension schemes provide pensions to members, which are based on the final salary pension payable, normally from age 65 (although some schemes have some pensions normally payable from an earlier age) plus surviving spouses or dependants benefits following a member's death. Benefits increase both before and after retirement either in line with statutory minimum requirements or in accordance with the scheme rules if greater. Such increases are either at fixed rates or in line with retail or consumer prices but subject to upper and lower limits. All of the schemes are independent of the Group with assets held independently of the Group. They are governed by Trustees who administer benefits in accordance with the scheme rules and appropriate UK legislation. The schemes each have a professional or experienced independent trustee as their chairman with generally half of the remaining Trustees nominated by the members and half by the Group.

Maturity profile and cash flow

Across all of the schemes at the reporting date, the uninsured liabilities related 60% to current pensioners and their spouses or dependants and 40% related to deferred pensioners. The average term from the reporting date to payment of the remaining uninsured benefits is expected to be around 18 years. Uninsured pension payments in 2019, excluding lump sums and transfer value payments, were £70m and these are projected to rise to an annual peak in 2031 of £99m and reducing thereafter.

Funding arrangements

The funding of the Group's schemes is subject to UK pension legislation as well as the guidance and codes of practice issued by the Pensions Regulator. Funding targets are agreed between the Trustees and the Group and are reviewed and revised usually every three years. The funding targets must include a margin for prudence above the expected cost of paying the benefits and so are different to the liability value for IAS 19 purposes. The funding deficits revealed by these triennial valuations are removed over time in accordance with an agreed recovery plan and schedule of contributions for each scheme.

The funding valuations of the schemes: at 31 December 2016 for the MGN Scheme showed a deficit of £476.0m, for the Trinity Scheme showed a deficit of £78.0m and for the MIN Scheme showed a deficit of £68.2m; at 5 April 2017 for the EN88 Scheme showed a deficit of £69.8m and for the ENSM Scheme showed a deficit of £3.2m; and at 31 December 2017 for the WF Scheme showed a deficit of £6.5m.

The deficits in all schemes are expected to be removed before or in 2027 by a combination of the contributions and asset returns. Contributions (which include funding for pensions administrative expenses) are payable monthly. The Group paid £48.9m into the defined benefit pension schemes in 2019 (2018: £90.1m including an initial pension contribution of £41.2m paid into the E&S Schemes in connection with the acquisition of Express & Star).

Remaining contributions per the current schedule of contributions are for £48.9m in 2020, £56.1m per annum in 2021 to 2023, £55.3m per annum in 2024 to 2026 and £53.3m in 2027.

The Group has agreed that in respect of dividend payments in 2018, 2019 and 2020 that additional contributions would be paid at 75% of the excess if dividends paid in 2018 were above 6.16 pence per share. For 2019 and 2020 the threshold increases in line with the increase in dividends capped at 10% per annum.

The future deficit funding commitments are linked to the three-yearly actuarial valuations. There is no link to the IAS 19 valuations which use different actuarial assumptions and are updated at each reporting date. The next valuation for funding of all six defined benefit pension schemes will be as at 31 December 2019 and this is required to be completed by 31 March 2021, although we expect this to be completed by 31 December 2020.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

20 Retirement benefit schemes continued

Defined benefit pension schemes continued

Funding arrangements continued

Although the funding commitments do not generally impact the IAS 19 position, IFRIC 14 guides companies to consider for IAS 19 disclosures whether any surplus can be recognised as a balance sheet asset and whether any future funding commitments in excess of the IAS 19 liability should be provisioned for. Based on the interpretation of the rules for each of the defined benefit pension schemes, the Group considers that it has an unconditional right to any potential surplus on the ultimate wind-up after all benefits to members have been paid of all of the schemes except the WF Scheme. Under IFRIC 14 it is therefore appropriate to recognise any IAS 19 surpluses which may emerge in future and not to recognise any potential additional liabilities in respect of future funding commitments of all of the schemes except for the WF Scheme. For the WF Scheme at the reporting date the assets are surplus to the IAS 19 benefit liabilities. However, to allow for IFRIC 14 the Group recognises a deficit of the value of its deficit contribution commitment to the scheme in line with the schedule of contributions in force at the reporting date.

The calculation of Guaranteed Minimum Pension ('GMP') is set out in legislation and members of pension schemes that were contracted out of the State Earnings-Related Pension Scheme ('SERPS') between 6 April 1978 and 5 April 1997 will have built up an entitlement to a GMP. GMPs were intended to broadly replicate the SERPS pension benefits but due to their design they give rise to inequalities between men and women, in particular, the GMP for a male comes into payment at age 65 whereas for a female it comes into payment at the age of 60 and GMPs typically receive different levels of increase to non GMP benefits. On 26 October 2018, the High Court handed down its judgement in the *Lloyds Trustees vs Lloyds Bank plc and Others* case relating to the equalisation of member benefits for the gender effects of GMP equalisation. This judgement creates a precedent for other UK defined benefit schemes with GMPs. The judgement confirmed that GMP equalisation was required for the period 17 May 1990 to 5 April 1997 and provided some clarification on legally acceptable methods for achieving equalisation. An allowance for GMP equalisation was first included within liabilities at 30 December 2018 and was recognised as a charge for past service costs in the income statement. The estimate is subject to change as we undertake more detailed member calculations and/or as a result of future legal judgements. There has been no significant developments in 2019 with further guidance expected in 2020.

Risks

Valuations for funding and accounting purposes are based on assumptions about future economic and demographic variables. This results in risk of a volatile valuation deficit and the risk that the ultimate cost of paying benefits is higher than the current assessed liability value.

The main sources of risk are:

- Investment risk: a reduction in asset returns (or assumed future asset returns);
- Inflation risk: an increase in benefit increases (or assumed future increases); and
- Longevity risk: an increase in average life spans (or assumed life expectancy).

These risks are managed by:

- Investing in insured annuity policies: the income from these policies exactly matches the benefit payments for the members covered, removing all of the above risks. At the reporting date the insured annuity policies covered 12% of total liabilities;
- Investing a proportion of assets in other classes such as government and corporate bonds and in liability driven investments: changes in the values of the assets aim to broadly match changes in the values of the uninsured liabilities, reducing the investment risk, however some risk remains as the durations of the bonds are typically shorter than that of the liabilities and so the values may still move differently. At the reporting date non-equity assets amounted to 85% of assets excluding the insured annuity policies;
- Investing a proportion of assets in equities: with the aim of achieving outperformance and so reducing the deficits over the long term. At the reporting date this amounted to 15% of assets excluding the insured annuity policies; and
- The gradual sale of equities over time to purchase additional annuity policies or liability matching investments: to further reduce risk as the schemes, which are closed to future accrual, mature.

Pension scheme accounting deficits are snapshots at moments in time and are not used by either the Group or Trustees to frame funding policy. The Group and Trustees are aligned in focusing on the long-term sustainability of the funding policy which aims to balance the interests of the Group's shareholders and members of the schemes. The Group and Trustees are also aligned in reducing pensions risk over the long term and at a pace which is affordable to the Group.

The E&S Schemes and the Trinity Scheme have an accounting surplus at the reporting date. For the WF Scheme this is before allowing for the IFRIC 14 asset ceiling.

Across the MGN and MIN Schemes, the invested assets are expected to be sufficient to pay the uninsured benefits due up to 2044, based on the reporting date assumptions. The remaining uninsured benefit payments, payable from 2045, are due to be funded by a combination of asset outperformance and the deficit contributions currently scheduled to be paid up to 2027.

For the MGN and MIN Schemes, actuarial projections at the year-end reporting date show removal of the combined accounting deficit by the end of 2025 due to scheduled contributions and asset returns at the current target rate. From this point, the assets are projected to be sufficient to fully fund the liabilities on the accounting basis.

The Group is not exposed to any unusual, entity specific or scheme specific risks. Other than the impact of GMP equalisation, there were no plan amendments, settlements or curtailments in 2019 or 2018 which resulted in a pension cost.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

20 Retirement benefit schemes continued

Defined benefit pension schemes continued

Results

For the purposes of the Group's consolidated financial statements, valuations have been performed in accordance with the requirements of IAS 19 with scheme liabilities calculated using a consistent projected unit valuation method and compared to the estimated value of the scheme assets at 29 December 2019.

The assets and liabilities of the schemes as at the reporting date are:

	TM Schemes £m	E&S Schemes £m	Total £m
Present value of uninsured scheme liabilities	(1,809.6)	(528.3)	(2,337.9)
Present value of insured scheme liabilities	(176.2)	(149.8)	(326.0)
Total present value of scheme liabilities	(1,985.8)	(678.1)	(2,663.9)
Invested and cash assets at fair value	1,487.2	587.6	2,074.8
Value of liability matching insurance contracts	176.2	149.8	326.0
Total fair value of scheme assets	1,663.4	737.4	2,400.8
Funded (deficit)/surplus	(322.4)	59.3	(263.1)
Impact of IFRIC 14	–	(32.8)	(32.8)
Net scheme (deficit)/surplus	(322.4)	26.5	(295.9)

Based on actuarial advice, the assumption used in calculating the scheme liabilities and actuarial values of these liabilities are:

	2019	2018
Financial assumptions (nominal % pa)		
Discount rate	1.94	2.76
Retail price inflation rate	2.96	3.20
Consumer price inflation rate	2.01	2.00
Rate of pension increase in deferment	2.17	2.22
Rate of pension increases in payment (weighted average across the schemes)	3.31	3.39
Mortality assumptions – future life expectancies from age 65 (years)		
Male currently aged 65	21.7	21.6
Female currently aged 65	24.0	23.5
Male currently aged 55	21.5	22.3
Female currently aged 55	24.0	24.3

The estimated impact on the IAS 19 liabilities and on the IAS 19 deficit at the reporting date, due to a reasonably possible change in key assumptions over the next year, are set out in the table below:

	Effect on liabilities £m	Effect on deficit £m
Discount rate +/- 0.5% pa	-200/+220	-185/+200
Retail price inflation rate +/- 0.5% pa	+42/-41	+31/-29
Consumer price inflation rate +/- 0.5% pa	+53/-50	+53/-50
Life expectancy at age 65 +/- 1 year	+150/-145	+130/-125

The RPI sensitivity impacts the rate of increases in deferment for some of the pensions in the EN88 Scheme and the ENSM Scheme and some of the pensions in payment for all schemes except the MGN Scheme. The CPI sensitivity impacts the rate of increases in deferment for some of the pensions in most schemes and the rate of increases in payment for some of the pensions in payment for all schemes.

The effect on the deficit is usually lower than the effect on the liabilities due to the matching impact on the value of the insurance contracts held in respect of some of the liabilities. Each assumption variation represents a reasonably possible change in the assumption over the next year but might not represent the actual effect because assumption changes are unlikely to happen in isolation.

The estimated impact of the assumption variations make no allowance for changes in the values of invested assets that would arise if market conditions were to change in order to give rise to the assumption variation. If allowance were made, the estimated impact would likely be lower as the values of invested assets would normally change in the same directions as the liability values.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

20 Retirement benefit schemes continued

Defined benefit pension schemes continued

Results continued

The amount included in the consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes is as follows:

	2019 £m	2018 £m
Consolidated income statement		
Pension administrative expenses	(2.9)	(3.0)
Past service costs	–	(15.8)
Pension finance charge	(8.0)	(8.6)
Defined benefit cost recognised in income statement	(10.9)	(27.4)
Consolidated statement of comprehensive income		
Actuarial gain due to liability experience	24.9	7.0
Actuarial (loss)/gain due to liability assumption changes	(271.8)	98.7
Total liability actuarial (loss)/gain	(246.9)	105.7
Returns on scheme assets greater/(less) than discount rate	261.9	(98.0)
Impact of IFRIC 14	(0.3)	(3.1)
Total gain recognised in statement of comprehensive income	14.7	4.6
Consolidated balance sheet		
Present value of uninsured scheme liabilities	(2,337.9)	(2,145.3)
Present value of insured scheme liabilities	(326.0)	(317.5)
Total present value of scheme liabilities	(2,663.9)	(2,462.8)
Invested and cash assets at fair value	2,074.8	1,829.2
Value of liability matching insurance contracts	326.0	317.5
Total fair value of scheme assets	2,400.8	2,146.7
Funded deficit	(263.1)	(316.1)
Impact of IFRIC 14	(32.8)	(32.5)
Net scheme deficit	(295.9)	(348.6)
Non-current assets – retirement benefit assets	31.2	10.2
Non-current liabilities – retirement benefit obligations	(327.1)	(358.8)
Net scheme deficit	(295.9)	(348.6)
Net scheme deficit included in consolidated balance sheet	(295.9)	(348.6)
Deferred tax included in consolidated balance sheet	53.0	64.5
Net scheme deficit after deferred tax	(242.9)	(284.1)
Movement in net scheme deficit		
Opening net scheme deficit	(348.6)	(377.6)
Acquisition of subsidiary undertakings pensions schemes	–	(38.3)
Contributions	48.9	90.1
Consolidated income statement	(10.9)	(27.4)
Consolidated statement of comprehensive income	14.7	4.6
Closing net scheme deficit	(295.9)	(348.6)

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

20 Retirement benefit schemes continued

Defined benefit pension schemes continued

Results continued

	2019 £m	2018 £m
Changes in the present value of scheme liabilities		
Opening present value of scheme liabilities	(2,462.8)	(1,929.2)
Acquisition of subsidiary undertakings pension schemes	–	(682.7)
Past service cost loss	–	(18.7)
Interest cost	(66.3)	(61.4)
Actuarial gain – experience	24.9	7.0
Actuarial gain – change to demographic assumptions	42.7	16.6
Actuarial (loss)/gain – change to financial assumptions	(314.5)	82.1
Benefits paid	112.1	123.5
Closing present value of scheme liabilities	(2,663.9)	(2,462.8)

	2019 £m	2018 £m
Impact of IFRIC 14		
Opening impact of IFRIC 14	(32.5)	–
Acquisition of subsidiary undertakings pension schemes	–	(29.4)
Increase in impact of IFRIC 14	(0.3)	(3.1)
Closing impact of IFRIC 14	(32.8)	(32.5)

	2019 £m	2018 £m
Changes in the fair value of scheme assets		
Opening fair value of scheme assets	2,146.7	1,551.6
Acquisition of subsidiary undertakings pension schemes	–	673.8
Past service cost gain	–	2.9
Interest income	58.3	52.8
Actual return on assets greater/(less) than discount rate	261.9	(98.0)
Contributions by employer	48.9	90.1
Benefits paid	(112.1)	(123.5)
Administrative expenses	(2.9)	(3.0)
Closing fair value of scheme assets	2,400.8	2,146.7

	2019 £m	2018 £m
Fair value of scheme assets		
UK equities	49.2	37.4
US equities	128.6	99.5
Other overseas equities	191.1	275.8
Property	24.4	37.5
Corporate bonds	242.1	287.8
Fixed interest gilts	184.2	127.1
Index linked gilts	71.9	48.6
Liability driven investment	773.9	459.1
Cash and other	409.4	456.4
Invested and cash assets at fair value	2,074.8	1,829.2
Value of insurance contracts	326.0	317.5
Fair value of scheme assets	2,400.8	2,146.7

A majority of the scheme assets have quoted prices in active markets. Scheme assets include neither direct investments in the Company's ordinary shares nor any property assets occupied nor other assets used by the Group.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

21 Deferred tax assets and liabilities

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon:

	Accelerated tax depreciation £m	Other short- term timing £m	Tax losses £m	Intangibles £m	Retirement benefit obligations £m	Share-based payments £m	Total £m
At 31 December 2017	(29.3)	(0.2)	–	(135.9)	66.2	0.2	(99.0)
Acquisition of subsidiary undertakings	4.1	1.2	5.7	(18.0)	7.3	–	0.3
Credit/(charge) to consolidated income statement	2.6	(0.4)	(0.6)	16.2	(0.3)	–	17.5
Charge to other comprehensive income statement	–	–	–	–	(8.7)	–	(8.7)
At 30 December 2018	(22.6)	0.6	5.1	(137.7)	64.5	0.2	(89.9)
Credit/(charge) to consolidated income statement	1.0	(0.6)	(2.8)	–	(8.7)	0.4	(10.7)
Charge to other comprehensive income statement	–	–	–	–	(2.8)	–	(2.8)
At 29 December 2019	(21.6)	–	2.3	(137.7)	53.0	0.6	(103.4)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances in the consolidated balance sheet:

	2019 £m	2018 £m
Deferred tax liabilities	(159.3)	(159.7)
Deferred tax assets	55.9	69.8
	(103.4)	(89.9)

The Group has unrecognised capital losses of £36.0m (2018: £36.0m) at the reporting date.

22 Inventories

	2019 £m	2018 £m
Raw materials and consumables	5.9	6.3

23 Trade and other receivables

Trade and other receivables	2019 £m	2018 £m
Gross trade receivables	78.9	77.8
Expected credit loss	(1.2)	(1.6)
Net trade receivables	77.7	76.2
Prepayments	14.2	12.3
Accrued income	18.1	12.9
Other receivables	6.4	7.0
	116.4	108.4

Net trade receivables

Trade receivables net of expected credit loss at the reporting date amounted to £77.7m (2018: £76.2m). The average credit period taken on sales is 41 days (2018: 39 days). No interest is charged on the receivables.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has provided fully for all receivables over 6 months because historical experience is such that these receivables are generally not recoverable.

Before accepting any new customers, the Group, where appropriate, uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed during the period where appropriate. There are two (2018: one) customers who individually represents more than 10% of net trade receivables. Included in the net trade receivables balance are debtors with a carrying amount of £3.3m (2018: £1.3m) which are past their due date at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 87 days (2018: 75 days).

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

23 Trade and other receivables continued

Net trade receivables continued

	2019 £m	2018 £m
Ageing of past due but not impaired receivables		
60–90 days	2.0	1.3
90–120 days	1.2	–
120 days+	0.1	–
	3.3	1.3
Movement in allowance for doubtful debts		
Opening balance	1.6	3.4
Acquisition of subsidiary undertakings	–	0.1
Impairment losses recognised	0.5	1.4
Release of provision	–	(1.8)
Utilisation of provision	(0.9)	(1.5)
Closing balance	1.2	1.6
Ageing of impaired receivables		
60–90 days	–	0.4
90–120 days	–	0.4
120+ days	1.2	0.8
	1.2	1.6

The carrying amount of trade and other receivables approximates their fair value.

	2019 £m	2018 £m
Cash and cash equivalents	20.4	19.2

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of one week or less. The carrying amount of these assets approximates their fair value.

24 Borrowings

	2019 £m	2018 £m
Acquisition Term Loan	–	(60.0)
	–	(60.0)
The borrowings are repayable as follows:		
On demand or within one year	–	(20.3)
In the second year	–	(20.3)
In the third year	–	(19.4)
	–	(60.0)
The borrowings are included in the consolidated balance sheet as follows:		
Amount included in non-current liabilities	–	(39.7)
Amount included in current liabilities	–	(20.3)
	–	(60.0)

During the period, the Acquisition Term Loan was repaid in full.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

25 Net debt

The net debt for the Group is as follows:

	30 December 2018 £m	Cash flow £m	Loans repaid £m	29 December 2019 £m
Non-current liabilities				
Acquisition Term Loan	(39.7)	–	39.7	–
	(39.7)	–	39.7	–
Current liabilities				
Acquisition Term Loan	(20.3)	–	20.3	–
	(20.3)	–	20.3	–
Debt	(60.0)	–	60.0	–
Current assets				
Cash and cash equivalents	19.2	61.2	(60.0)	20.4
Cash and cash equivalents	19.2	61.2	(60.0)	20.4
Net debt	(40.8)	61.2	–	20.4

The Group repaid the Acquisition Term Loan in full during the year with £20.3m repaid in the first half (originally due in December 2019 and £39.7m repaid in the second half (originally due £20.3m in December 2020 and £19.4m in December 2022). The Group cancelled the previous amortising Revolving Credit Facility ('RCF') and entered into new four year non-amortising £65m RCF. The Group had no drawings at the reporting date on the RCF.

Acquisition deferred consideration

Deferred consideration of £59.0m in respect of the acquisition of Express & Star is included in trade and other payables in non-current liabilities amounting to £40.1m (payable £16.0m on 28 February 2021, £17.1m on 28 February 2022 and £7.0m on 28 February 2023) and in current liabilities amounting to £18.9m (payable on 28 February 2020). There are no conditions attached to the payment of the deferred consideration and the transaction was structured such that no interest accrued on these payments. However, under the sale and purchase agreement the Group has the right to offset agreed claims arising from a breach of warranties and indemnities and can also offset any shortfalls on the contracted advertising from the Health Lottery. The deferred consideration has not been discounted as we do not believe that the impact of such discounting is material.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

26 Provisions

	Share-based payments £m	Property £m	Restructuring £m	Historical legal issues £m	Other £m	Total £m
At 31 December 2017	(0.2)	(6.2)	(2.4)	(10.7)	(0.8)	(20.3)
Acquisition of subsidiary undertakings	–	(2.3)	–	–	(0.4)	(2.7)
Charged to income statement	–	(0.4)	(20.0)	(12.5)	(1.9)	(34.8)
Utilisation of provision	0.1	2.3	18.1	9.6	1.3	31.4
At 30 December 2018	(0.1)	(6.6)	(4.3)	(13.6)	(1.8)	(26.4)
Charged to income statement	(0.6)	(1.7)	(10.7)	(11.0)	(4.2)	(28.2)
Reclassification	–	(0.4)	–	–	(2.8)	(3.2)
Utilisation of provision	–	3.0	13.6	3.5	1.7	21.8
At 29 December 2019	(0.7)	(5.7)	(1.4)	(21.1)	(7.1)	(36.0)

The reclassification relates to amounts previously included in accruals now more appropriately included in provisions.

The provisions have been analysed between current and non-current as follows:

	2019 £m	2018 £m
Current	(15.5)	(22.3)
Non-current	(20.5)	(4.1)
	(36.0)	(26.4)

The share-based payments provision relates to National Insurance obligations attached to the future crystallisation of awards. This provision will be utilised over the next three years.

The property provision relates to onerous property leases and future committed costs related to occupied, let and vacant properties. A majority of the provision will be utilised over the next two years and reflects the remaining term of the leases or expected period of vacancy.

The restructuring provision relates to restructuring charges incurred in the delivery of cost reduction measures. This provision is expected to be utilised within the next year.

The historical legal issues provision relates to the cost associated with dealing with and resolving civil claims in relation to historical phone hacking and unlawful information gathering. In April 2019, the law changed in respect of conditional fee agreements, the effect of which was to limit from that date the extent to which a claimant's law firm can recover a premium in legal costs for success. During the year, the Group has progressed and settled a number of claims and also seen new claims come forward, a number of which were advanced immediately prior to this change. The Group has also been required to provide further invoice information to claimant's lawyers in respect of certain suppliers to the Group over a period of time.

The provision has been increased by £11.0m at the year end to reflect an increase in the estimate of the cost of settling claims. At the year end, £21.1m of the provision remains outstanding and this represents the current best estimate of the amount required to settle the expected claims. There are three parts to the provision: known claims, potential future claims and common court costs. The estimates are based on historical trends and experience of claims and costs. The provision is expected to be utilised over the next few years. The Group has recorded an increase in the provision in each of the last five years which highlights the challenges in making a best estimate. Certain cases and other matters relating to the issue are subject to court proceedings, the dynamics of which continue to evolve, and the outcome of those proceedings could have an impact on how much is required to settle the remaining claims and on the number of claims. It is not possible to provide a range of potential outcomes in respect of this provision. Due to this uncertainty, a contingent liability has been highlighted in note 35.

The other provision relates to libel and other matters and is expected to be utilised over the next two years.

27 Trade and other payables

	2019 £m	2018 £m
Trade and other payables		
Trade payables	(20.9)	(8.2)
Social security and other taxes	(4.8)	(7.7)
Accruals and deferred income	(52.0)	(66.0)
Other payables	(25.6)	(29.4)
Deferred consideration	(18.9)	–
	(122.2)	(111.3)

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 37 days (2018: 35 days). For most suppliers no interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The carrying amount of trade payables approximates to their fair value.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

28 Share capital and reserves

	Share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings and other reserves £m	Total £m
At 31 December 2017	(28.3)	(606.7)	(37.9)	(4.4)	10.5	(666.8)
Total comprehensive loss for the period	–	–	–	–	112.6	112.6
Issue of shares	(2.6)	–	(17.4)	–	–	(20.0)
Merger reserve transfer	–	–	37.9	–	(37.9)	–
Credit to equity for equity-settled share-based payments	–	–	–	–	(1.0)	(1.0)
Dividends paid	–	–	–	–	17.5	17.5
At 30 December 2018	(30.9)	(606.7)	(17.4)	(4.4)	101.7	(557.7)
Total comprehensive profit for the period	–	–	–	–	(95.0)	(95.0)
Credit to equity for equity-settled share-based payments	–	–	–	–	(1.1)	(1.1)
Dividends paid	–	–	–	–	18.6	18.6
At 29 December 2019	(30.9)	(606.7)	(17.4)	(4.4)	24.2	(635.2)

The share capital comprises 309,286,317 allotted, called-up and fully paid ordinary shares at 10 pence each. In 2018, the Company issued 25,826,746 shares (at 77.4 pence) relating to the acquisition of Express & Star. The share premium account reflects the premium on issued ordinary shares. The merger reserve comprises the premium on the shares allotted in relation to the acquisition of Express & Star. The capital redemption reserve represents the nominal value of the shares purchased and subsequently cancelled under share buyback programmes.

The Board approved a share buyback programme of up to £10m which commenced in August 2016. The share buyback was completed in November 2017. The Company holds 10,017,620 shares as Treasury shares. Cumulative goodwill written off to retained earnings and other reserves in respect of continuing businesses acquired prior to 1998 is £25.9m (2018: £25.9m). On transition to IFRS, the revalued amounts of freehold properties were deemed to be the cost of the asset and the revaluation reserve has been transferred to retained earnings and other reserves.

Shares purchased by the Reach Employee Benefit Trust are included in retained earnings and other reserves at £3.7m (2018: £4.3m). During the year, 522,572 were released relating to grants made in prior years (2018: 480,280).

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

29 Called-up share capital

	2019 Number	2019 £m	2018 Number	2018 £m
Authorised				
Ordinary shares of 10 pence each	450,000,000	(45.0)	450,000,000	(45.0)
	2019 Number	2019 £m	2018 Number	2018 £m
Allotted, called-up and fully paid ordinary shares of 10 pence each				
Opening balance	309,286,317	(30.9)	283,459,571	(28.3)
Issue of shares	–	–	25,826,746	(2.6)
Closing balance	309,286,317	(30.9)	309,286,317	(30.9)

In 2018, the Company issued 25,826,746 shares (at 77.4 pence) relating to the acquisition of Express & Star. The total share capital increased to 309,286,317 allotted, called-up and fully paid ordinary shares of 10 pence each.

The Company has one class of share capital, being ordinary shares with a nominal value of 10 pence each. The Company's ordinary shares give the shareholders equal rights to vote, receive dividends and to the repayment of capital. There are no restrictions on these shares in relation to the distribution of dividends and the repayment of capital.

The lowest closing price of the shares during the year was 55.0 pence on 13 February 2019 (2018: 54.6 pence on 12 December 2018) and the highest closing price was 134.80 pence on 24 December 2019 (2018: 88.5 pence on 21 March 2018). The closing share price as at the reporting date was 132.6 pence (2018: 65.3 pence).

Reach plc Employees' Benefit Trust

The Reach plc Employees' Benefit Trust ('the Trust') is established in Jersey and is administered by the trustee Estera Trust (Jersey) Limited. The Trust holds shares of the Company for subsequent transfer to employees under the terms of the Group's share plans.

At the reporting date, the Trust held 2,857,186 shares (2018: 3,379,758 shares) with a carrying value of £3,653,464 (2018: £4,321,674) and a market value of £3,788,629 (2018: £2,260,982). In addition, the Trust holds cash to purchase future shares of £6,614 (2018: £6,155). The costs associated with the Trust are included in the consolidated income statement as they accrue. Shares held by the Trust have been excluded from the weighted average number of shares used in the calculation of earnings per share.

TIH Employee Benefit Trust

An employee benefit trust administered by the trustee Zedra Trust Company (Guernsey) Limited holds shares of the Company for subsequent transfer to employees under a restricted share plan. At the reporting date, 90,855 shares (2018: 90,855 shares) were held with a carrying value of £445,523 (2018: £445,523) and a market value of £120,474 (2018: £59,238), none of which (2018: none) had options granted over them under the restricted share plan. Dividends on the shares are payable at an amount of 0.01 pence (2018: 0.01 pence) per share in the event that the Group declares any dividends. Shares held have been excluded from the weighted average number of shares used in the calculation of earnings per share.

30 Share premium account

	2019 £m	2018 £m
Opening balance and closing balance	(606.7)	(606.7)

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

31 Share-based payments

The charge related to share-based payments during the period was £1.1m (2018: £1.0m).

Long Term Incentive Plan

Under these schemes, the Remuneration Committee can recommend the grant of awards of shares to an eligible employee. Full details of how the schemes operate are explained in the Remuneration report on pages 62 to 82. The vesting period is three years and is subject to continued employment of the participant. The Performance Shares granted in 2018 and 2019 vest if targets measuring the Company's share price and Net Cash Flow are met.

	2019 Performance Shares	2018 Performance Shares
Awards outstanding at start of period	5,929,030	5,312,391
Granted during the period	5,564,441	3,238,701
Lapsed during the period	(2,871,553)	(2,279,934)
Exercised during the period	(423,668)	(342,128)
Awards outstanding at end of period	8,198,250	5,929,030

The average exercise period of awards outstanding at the year end is 1.5 years. The share price at the date of grant for the Performance Shares was 60.4 pence in respect of 4,529,077 shares and 105.8 pence in respect of 972,364 shares (2018: 83.5 pence). The weighted average share price at the date of lapse for awards lapsed during the period was 82.0 pence (2018: 83.3 pence). The weighted average share price at the date of exercise for awards exercised during the period was 74.0 pence (2018: 84.7 pence).

The estimated fair values at the date of grant of the shares awarded are as follows:

	Awarded in 2019 £	Awarded in 2018 £	Awarded in 2017 £	Awarded in 2016 £	Awarded in 2015 £
Performance Shares	1,695,375	1,335,640	1,340,069	2,044,993	2,044,059

The fair values for the Performance Shares were calculated using a stochastic (Monte-Carlo binomial) model at the date of grant.

The inputs to the model for awards from 2015 were as follows:

	Performance award 2019 4 December 2019	Performance award 2019 11 March 2019	Performance award 2018	Performance award 2017	Performance award 2016	Performance award 2015
Expected volatility (%)	39.0	41.5	39.0	42.0	45.0	47.0
Expected life (years)	3.0	3.0	3.0	3.0	3.0	3.0
Risk-free (%)	0.6	0.7	0.9	0.1	0.6	0.7

Expected volatility has been determined by calculating the historical volatility of the Company's share price over the three-year period prior to the grant date. The exercise price used in the model is nil as the exercise price of the granted awards is £1 for each block of awards granted.

During the year, awards relating to 2,970,531 shares were granted to executive directors on a discretionary basis under the Long Term Incentive Plan (2018: 1,529,406). The exercise price of each award is £1. The awards vest after three years, subject to the continued employment of the participant and satisfaction of certain performance conditions and are required to be held for a further two years.

During the year, awards relating to 2,593,910 shares were granted to senior managers on a discretionary basis under the Senior Management Incentive Plan (2018: 1,709,295). The exercise price of each award is £1. The awards vest after three years, subject to the continued employment of the participant and satisfaction of certain performance conditions.

During the year, 77,399 Restricted Shares were awarded to one director as explained in the Remuneration report on page 80. The award was based on the average share price over the three days prior to the date of the award of 64.6 pence. The award vests after three years.

32 Operating lease commitments

Total commitments under non-cancellable operating leases:

	Vehicles, plant and equipment 2019 £m	Property 2019 £m	Vehicles, plant and equipment 2018 £m	Property 2018 £m
Within one year	(1.4)	(7.2)	(1.4)	(8.7)
Greater than one and less than five years	(1.7)	(20.3)	(1.0)	(25.0)
Greater than five years	—	(21.6)	—	(25.5)
	(3.1)	(49.1)	(2.4)	(59.2)

Total future minimum lease payments with tenants under non-cancellable property operating leases were nil (2018: £0.8m).

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

33 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through an optimal balance of debt and equity. The capital structure of the Group consists of:

- debt, which includes the borrowings (note 24),
- cash and cash equivalents (note 23) and
- equity attributable to equity holders of the parent comprising share capital and reserves (note 28).

The Group's dividend policy is set out on page 83 of the Directors' report.

Gearing ratio

The Board reviews the capital structure, including the level of gearing and interest cover, as required. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The gearing ratio and interest cover at the reporting date were as follows:

	2019 £m	2018 £m
Net debt (note 25)	–	(40.8)
EBITDA	174.9	167.9
Net debt to EBITDA	n/a	0.2
Adjusted operating profit (note 36)	153.4	145.6
Total interest expense (note 10)	(2.9)	(3.8)
Interest cover	52.9	38.3

Net debt is defined as long-term and short-term borrowings less cash and cash equivalents. EBITDA and operating profit is before operating adjusted items. Total interest expense is interest on bank overdrafts and borrowings.

On 18 December 2019, the Group repaid early the remaining £39.7m drawing on the Acquisition Term Loan (ATL) from cash reserves. With the repayment of the £20.3m in the first half, the ATL has been fully repaid.

The Group also cancelled the previous amortising Revolving Credit Facility ('RCF') and entered into new four year £65m non-amortising RCF. The Group had no drawings at the reporting date on the RCF.

For the period from 31 December 2018 to 18 December 2019, the financial covenants relating to the now cancelled RCF were a minimum interest cover of 5.0 times and a maximum net debt to EBITDA ratio of 2.0 times. For the period from 31 December 2018 to 18 December 2019, the financial covenants relating to the ATL were in line with the terms under the RCF.

The financial covenants relating to the new £65m RCF were a minimum interest cover of 5.0 times and a maximum net debt to EBITDA ratio of 1.75 times.

Externally imposed capital requirement

The Group is subject to externally imposed capital requirements based on financial covenants under the revolving credit facility and acquisition term loan.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 3.

Categories of financial instruments

Cash and trade and other receivables are classified as financial assets and are accordingly held at amortised cost. Trade and other payables, bank overdrafts and bank borrowings are all designated as financial liabilities and held at amortised cost.

Financial risk management objectives

The Group's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group through regular meetings with the Chief Financial Officer and by analysing exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments where appropriate to hedge these exposures. The use of financial derivatives is governed by policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's Treasury function provides regular updates to the Board covering compliance with covenants and other Treasury related matters.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

33 Financial instruments continued

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts where appropriate. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2019 £m	2018 £m	2019 £m	2018 £m
Euro	–	–	1.1	1.6
US\$	–	–	0.3	2.1
Japanese Yen	–	–	0.9	–

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and US\$. The Japanese Yen held at the year end related to the 2019 Rugby World Cup held in Japan.

The Euro exposure arises on sales of newspapers in Europe and from costs relating to our office in Dublin. The Euro and US\$ sales represent less than 1% (2018: less than 1%) of Group revenue. Euro and US\$ balances are kept on deposit and used to fund Euro and US\$ costs. When Euros or US\$ on deposit build to a target balance they are converted into Sterling. The Group does not hedge the Euro and US\$ income or deposits because the risk of foreign exchange movements is not deemed to be significant. The US\$ exposure arises from costs invoiced in US\$ and costs relating to our news office in the US.

The Group's sensitivity to a 10% increase and decrease in the Sterling rate against the Euro and US\$ impacts profit by £0.1m (2018: £0.3m) and equity by nil (2018: nil). A 10% movement in exchange rates based on the level of foreign currency denominated monetary assets and liabilities represent the assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including external loans that are unhedged.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts only to cover specific foreign currency payments such as significant capital expenditure. During the current and prior period no contracts were entered into.

Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Group by considering the appropriate mix between fixed and floating rate borrowings and if appropriate, by the use of interest rate swaps contracts and forward interest rate contracts.

Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through interest rate cycles.

The Group's exposures to interest rates on the financial assets and liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared using the Group's monthly cash forecasting model. A 1% increase in interest rates has been used and represents the assessment of a reasonably possible change.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit for the period would decrease/increase by £0.7m (2018: £1.2m). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Other price risks

The Group has no significant listed equity investments and is not directly exposed to equity price risk. The Group has indirect exposure through its defined benefit pension schemes.

Credit risk management

Credit risk refers to the risk that a counter-party with the Group will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, with the exception of exceptional circumstances, such as the financial crisis in the past, the Group only transacts with financial institutions that are rated the equivalent to investment grade and above. This information is supplied by independent rating agencies where available and, if not, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and credit ratings of its counterparties are reviewed by the Chief Financial Officer and where material the Board at appropriate times and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers spread across diverse sectors. Ongoing credit evaluation is performed on the financial condition of trade receivables. Other than two customers representing more than 10% of net trade debtors, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Group defines counterparties as having similar characteristics if they are connected entities. Concentration of credit risk with a single counterparty is limited by reference to the long-term credit ratings assigned for that counterparty by Standard and Poor's.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

33 Financial instruments continued

Credit risk management continued

The table below shows the internal credit limit and amount on deposit with the Group's major counterparties at the reporting date using the Standard & Poor's credit rating symbols:

Financial institution	Location	Rating	2019 Credit limit £m	2019 Balance £m	2018 Credit limit £m	2018 Balance £m
Santander	London	A	5.0	2.5	5.0	1.5
Barclays Bank	London	A	5.0	0.1	10.0	9.2
Lloyds Bank	London	A+	25.0	0.7	25.0	1.2
National Westminster Bank	London	A	5.0	14.6	5.0	5.3
Royal Bank of Scotland	London	A	5.0	2.1	5.0	1.4
Ulster Bank	Dublin	A	5.0	0.4	–	0.6

The Board continues to place reserve funds with its syndicate and clearing banks. All banks where funds are held have a minimum rating of A-, and the long term deposits are not placed with banks with a low rating -.

Liquidity risk management

Liquidity risk results from having insufficient financial resources to meet day-to-day fluctuations in working capital and cash flow. Ultimate responsibility for liquidity risk management rests with the Board. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities, which include deferred consideration payments as set out in note 25.

Liquidity risk

At the reporting date the Group has a nil (2018: £60m) Sterling variable interest rate bank drawing and has access to financial facilities of which the total unused amount is £65m (2018: £83.3m). The acquisition term loan was fully repaid on 18 December 2019 and the new £65m revolving credit facility expires on 18 December 2023.

The Group expects to meet its obligations from cash held on deposit, operating cash flows and its committed financing facilities.

34 Related party transactions

The immediate parent and controlling party of the Group is Reach plc. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Transactions with the retirement benefit schemes and employee benefit trusts are disclosed in notes 20 and 29 respectively. Details of other related party transactions are disclosed below.

Trading transactions

The Group traded with the following associated undertakings: PA Media Group Limited, Brand Events TM Limited and Independent Star Limited. Sales of goods and services to related parties would be made at the Group's usual list prices less average volume discounts. Purchases were made at market prices discounted to reflect volume purchase and the relationship between the parties. Any outstanding amounts will be settled by cash payment.

PA Media Group Limited

The Group earned revenue of nil (2018: nil) and the Group incurred charges for services received of £4.4m (2018: £2.4m). The amount outstanding at the reporting date amounted to nil (2018: £0.3m owed to PA Media Group Limited).

Brand Events TM Limited

In 2019 the Group earned no revenue and the Group incurred no charges for services received. The Group has agreed to provide a revolving credit facility of £2.0m which was fully drawn at the reporting date.

Independent Star Limited

The Group earned royalties of £0.3m (2018: £0.3m) and the Group incurred charges for services received of nil (2018: nil). The amount outstanding at the reporting date amounted to nil (2018: nil).

Compensation of key management personnel

Key management are the executive directors.

The remuneration of the executive directors are determined by the Remuneration Committee having regard to competitive market position and performance of individuals. Further information regarding the remuneration of the executive directors is provided in the Remuneration report on pages 62 to 82.

35 Contingent liabilities

There is the potential for further liabilities to arise from the outcome or resolution of the ongoing historical legal issues (note 26). At this stage, due to the uncertainty in respect of the nature, timing or measurement of any such liabilities, we are unable to reliably estimate how these matters will proceed and their financial impact.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

36 Reconciliation of statutory to adjusted results

	Statutory results £m	Operating adjusted items ^(a) £m	Pension finance charge ^(b) £m	Adjusted results £m
52 weeks ended 29 December 2019				
Revenue	702.5	–	–	702.5
Operating profit	131.7	21.7	–	153.4
Profit before tax	120.9	21.7	8.0	150.6
Profit after tax	94.3	20.9	6.5	121.7
Basic earnings per share (p)	31.8	7.1	2.2	41.1
52 weeks ended 30 December 2018				
Revenue	723.9	–	–	723.9
Operating (loss)/profit	(107.6)	253.2	–	145.6
(Loss)/profit before tax	(119.9)	253.2	8.6	141.9
(Loss)/profit after tax	(119.6)	226.8	7.0	114.2
Basic (loss)/earnings per share (p)	(41.0)	77.8	2.4	39.2

(a) Operating adjusted items relate to the items charged or credited to operating profit as set out in note 8.

(b) Pension finance charge relating to the defined benefit pension schemes as set out in note 20.

Set out in note 3 is the rationale for the alternative performance measures adopted by the Group. The reconciliations in this note highlight the impact on the respective components of the income statement. Items are adjusted for where they relate to material items in the year (impairment, restructuring, disposals) or relate to historic liabilities (historical legal issues, defined benefit pension schemes which are all closed to future accrual).

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

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

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

The Group's pension schemes are all closed to new members and to future accrual and are therefore not related to the current business. The pension administration expenses and the pension finance charge are included in adjusted items as the amounts are significant and they relate to the historical pension commitment. Additionally, the charge in respect of Guaranteed Minimum Pension equalisation was included in adjusted items last year as the amount was material and it related to the historical pension commitment.

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

37 Reconciliation of statutory revenue categories

	52 weeks ended 30 December 2018 £m	Reclassification £m	52 weeks ended 30 December 2018 £m	2019 Categories
2018 Categories				
Publishing Print	575.4	47.9	623.3	Print
Circulation	362.1	–	362.1	Circulation
Advertising	176.7	12.3	189.0	Advertising
Printing	–	35.6	35.6	Printing
Other	36.6	–	36.6	Other
Publishing Digital	103.6	(12.3)	91.3	Digital
Display and Transactional	91.3	–	91.3	
Classified	12.3	(12.3)	–	
Printing	35.6	(35.6)	–	
Specialist Digital	8.0	(8.0)	–	
Central	1.3	8.0	9.3	Other
Total revenue	723.9	–	723.9	Total revenue

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

38 Reconciliation of statutory to like-for-like revenue

	52 weeks ended 30 December 2018 £m	(a) £m	(b) £m	(c) £m	52 weeks ended 30 December 2018 £m
Print	623.3	26.7	(8.1)	–	641.9
Circulation	362.1	17.5	(0.9)	–	378.7
Advertising	189.0	7.3	(7.1)	–	189.2
Printing	35.6	0.5	–	–	36.1
Other	36.6	1.4	(0.1)	–	37.9
Digital	91.3	3.2	–	–	94.5
Other	9.3	–	–	(3.6)	5.7
Total revenue	723.9	29.9	(8.1)	(3.6)	742.1

(a) Inclusion of Express & Star (acquired on 28 February 2018) assuming owned by the Group from the beginning of 2018.

(b) Exclusion of West Midlands Metro following ending of franchise agreement in December 2018 and other portfolio changes in 2018.

(c) Exclusion of Communication Corp (sold on 26 September 2018).

There are no like-for-like adjustments relating to 2019 revenue.

39 Adjusted cash flow

	2019 £m	2018 £m
Adjusted operating profit	153.4	145.6
Depreciation	21.5	22.3
Adjusted EBITDA	174.9	167.9
Net interest paid	(3.2)	(3.7)
Income tax paid	(11.7)	(12.5)
Restructuring payments	(13.6)	(18.1)
Net capital expenditure	(3.4)	(4.6)
Working capital and other	(9.9)	3.3
Adjusted operating cash flow	133.1	132.9
Historical legal issues payments	(3.5)	(9.6)
Dividends paid	(18.6)	(17.5)
Pension funding payments	(48.9)	(48.9)
Adjusted net cash flow	62.1	56.9
Bank facility net (repayment)/borrowings	(60.0)	35.0
Acquisition related cash flow	(0.9)	(95.1)
Proceeds on disposal of a business	–	6.4
Net increase in cash and cash equivalents	1.2	3.2

40 Subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ending 29 December 2019:

Subsidiary name	Company registration number	Subsidiary name	Company registration number
Reach Magazines Distribution Limited	02794459	TM Media Holdings Limited	04104523
Reach Magazines Limited	03009449	Trinity Mirror Media Limited	04106172
Reach Magazines Publishing Limited	01633971	West Ferry Leasing Limited	04086472
Reach Magazines Worldwide Limited	06395556		

The directors of Reach plc have confirmed that the Company will provide a guarantee under Section 479C in relation to the subsidiaries listed above.

No dormant subsidiaries have taken the exemption from preparing individual accounts by virtue of Section 394A of Companies Act 2006.

No dormant subsidiaries have taken the exemption from filing with the registrar individual accounts by virtue of Section 448A of Companies Act 2006.

Notes to the consolidated financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

41 Reconciliation of statutory to adjusted cash flow

52 weeks ended 29 December 2019	2019 Statutory £m	(a) £m	(b) £m	2019 Adjusted £m	
Cash flows from operating activities					
Cash generated from operations	147.4	(17.8)	3.5	133.1	Adjusted operating cash flow
Pension deficit funding payments	(48.9)	–	–	(48.9)	
	–	–	(3.5)	(3.5)	Historical legal issues payments
Income tax paid	(11.7)	11.7	–	–	
Net cash inflow from operating activities	86.8				
Investing activities					
Interest received	0.1	(0.1)	–	–	
Dividends received	0.5	(0.5)	–	–	
Proceeds on disposal of property, plant and equipment	0.5	(0.5)	–	–	
Purchases of property, plant and equipment	(3.9)	3.9	–	–	
Acquisition of associate undertaking	(0.9)			(0.9)	
Net cash used in investing activities	(3.7)				
Financing activities					
Dividends paid	(18.6)	–	–	(18.6)	
Interest paid on borrowings	(3.3)	3.3	–	–	
Repayment of bank borrowings	(60.0)	–	–	(60.0)	
Net cash used in financing activities	(81.9)				
Net increase in cash and cash equivalents	1.2	–	–	1.2	

52 weeks ended 30 December 2018	2018 Statutory £m	(a) £m	(b) £m	(c) £m	2018 Adjusted £m	
Cash flows from operating activities						
Cash generated from operations	137.8	(20.8)	15.9	–	132.9	Adjusted operating cash flow
Pension deficit funding payments	(90.1)	–	–	41.2	(48.9)	
	–	–	(9.6)		(9.6)	Historical legal issues payments
Income tax paid	(12.5)	12.5	–		–	
Net cash inflow from operating activities	35.2					
Investing activities						
Interest received	0.1	(0.1)	–	–	–	
Proceeds on disposal of property, plant and equipment	6.6	(6.6)	–	–	–	
Purchases of property, plant and equipment	(11.2)	11.2	–	–	–	
Acquisition of subsidiary undertakings	(43.1)	–	(6.3)	(45.7)	(95.1)	Express & Star acquisition
Proceeds on disposal of subsidiary undertaking	6.4	–	–	–	6.4	
Acquisition of associate undertaking	(4.5)	–	–	4.5	–	
Net cash used in investing activities	(45.7)					
Financing activities						
Dividends paid	(17.5)	–	–	–	(17.5)	
Interest paid on borrowings	(3.8)	3.8	–	–	–	
Draw down on bank borrowings	80.0	–	–	(80.0)	–	
Repayment of bank borrowings	(45.0)	–	–	80.0	35.0	Net bank borrowings change
Net cash received from financing activities	13.7					
Net increase in cash and cash equivalents	3.2	–	–	–	3.2	

(a) Items included in the statutory cash flow on separate lines which for the adjusted cash flow are included in adjusted operating cash flow.

(b) Payments in respect of historical legal issues (2018 and 2019) and transaction costs (2018) are shown separately in the adjusted cash flow.

(c) Items related to the Express & Star acquisition shown as a single item in the adjusted cash flow.

Parent company balance sheet

at 29 December 2019 (at 30 December 2018) Company registration number 82548

	notes	2019 £m	2018 £m
Fixed assets			
Investments in subsidiary undertakings	4	773.3	781.8
		773.3	781.8
Current assets			
Debtors			
– due within one year	5	120.8	128.3
Cash at bank and in hand		2.1	2.1
		122.9	130.4
Creditors: amounts falling due within one year			
Borrowings	6	–	(3.8)
Other creditors	7	(20.2)	(0.8)
		(20.2)	(4.6)
Net current assets		102.7	125.8
Total assets less current liabilities		876.0	907.6
Creditors: amounts falling due after more than one year			
Borrowings	6	–	(23.2)
Other creditors	7	(40.1)	(59.0)
		(40.1)	(82.2)
Net assets		835.9	825.4
Equity capital and reserves			
Called-up share capital	8	(30.9)	(30.9)
Share premium account	9	(606.7)	(606.7)
Merger reserve	10	(25.3)	(25.3)
Capital redemption reserve	10	(4.4)	(4.4)
Profit and loss account	10	(168.6)	(158.1)
Equity shareholders' funds		(835.9)	(825.4)

The Company reported a retained profit for the period after dividends of £9.4m (2018: £15.2m). As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the period. These parent company financial statements on pages 131 to 135 were approved by the Board of directors and authorised for issue on 24 February 2020.

They were signed on its behalf by:

Jim Mullen

Chief Executive Officer

Simon Fuller

Chief Financial Officer and Company Secretary

Parent company statement of changes in equity

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

	Called-up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 31 December 2017	(28.3)	(606.7)	(37.9)	(4.4)	(111.9)	(789.2)
Profit for the period	–	–	–	–	(32.7)	(32.7)
Credit to equity for equity-settled share-based payments	–	–	–	–	(1.0)	(1.0)
Merger reserve transfer	–	–	30.0	–	(30.0)	–
Issue of new shares	(2.6)	–	(17.4)	–	–	(20.0)
Dividends paid	–	–	–	–	17.5	17.5
At 30 December 2018	(30.9)	(606.7)	(25.3)	(4.4)	(158.1)	(825.4)
Profit for the period	–	–	–	–	(28.0)	(28.0)
Credit to equity for equity-settled share-based payments	–	–	–	–	(1.1)	(1.1)
Dividends paid	–	–	–	–	18.6	18.6
At 29 December 2019	(30.9)	(606.7)	(25.3)	(4.4)	(168.6)	(835.9)

Notes to the parent company financial statements

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

1 Basis of preparation

The financial statements of Reach plc have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The preparation of financial statements in conformity with FRS 101 requires the use of certain key accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

These parent company financial statements have been prepared on a going concern basis as set out on page 55 of the Corporate governance report.

The presentational and functional currency of the Company is Sterling.

Profit for the financial year

The Company reported a retained profit for the period after dividends of £9.4m (2018: £15.2m). The audit fees relating to the Company are disclosed in note 6 in the notes to the consolidated financial statements and are borne by another Group company.

Impact of amendments to accounting standards

The accounting policies used in the preparation of the parent company financial statements have been consistently applied to all the periods presented.

The Company has applied the exemption available under FRS 101 in relation to paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued and is not yet effective).

2 Significant accounting policies

The principal accounting policy adopted in preparation of these financial statements are set out below.

Fixed asset investments

Fixed asset investments are stated at cost less provision for any impairment. An impairment review is undertaken at each reporting date or more frequently when there is an indication that the recoverable amount is less than the carrying amount. Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use the estimated future cash flows of the cash-generating units relating to the investment are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimates of future cash flows have not been adjusted. Use of a post-tax discount rate to discount the future post-tax cash flows is materially equivalent to using a pre-tax discount rate to discount the future pre-tax cash flows. The impairment conclusion remains the same on a pre or post tax basis. If the recoverable amount of the cash-generating units relating to the investment is estimated to be less than its carrying amount, the carrying value of the investment is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account in the period in which it occurs and may be reversed in subsequent periods.

Foreign currency

Transactions denominated in foreign currencies are translated at the rates of exchange prevailing on the date of the transactions. At each reporting date, items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising on settlement and on retranslation are included in the profit and loss account for the period.

Tax

Corporation tax payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the parent company's financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account except when it relates to items charged or items charged or credited directly to equity in which case the deferred tax is also dealt with in equity. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Financial instruments

Financial assets and financial liabilities are recognised in the parent company balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are measured at amortised cost. The principal financial asset is intercompany receivables which are unsecured and repayable on demand. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term bank deposits.

Notes to the parent company financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

2 Significant accounting policies continued

Share-based payments

The Company issues equity-settled benefits to certain employees. These equity-settled share-based payments are measured at fair value at the date of grant taking advice from third party experts. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured by use of a stochastic (Monte-Carlo binomial) model. The expected life used in the model has been adjusted, based on the directors' best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Where the Company's own shares are purchased, the consideration paid including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are cancelled, the nominal value of shares cancelled is shown in the capital redemption reserve. Where such shares are subsequently reissued or disposed of, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Benefits received as incentives to enter into the agreement are spread on a straight-line basis over the lease term.

Financial instruments – disclosures

The Company has taken advantage of the FRS101 exemption for IFRS 7 'Financial Instruments: Disclosures' and included disclosures relating to financial instruments in the notes to the consolidated financial statements.

Cash flow statement

The Company has utilised the FRS101 exemption for IAS 7 'Statement of Cash Flows' and has not presented a cash flow statement. A consolidated cash flow statement has been presented in the consolidated financial statements.

Related party transactions

The Company have taken advantage of the FRS101 exemption for IAS 24 'Related Party Disclosures' and included disclosures relating to related parties in the notes to the consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of investments (note 4)

There is uncertainty in the value-in-use calculation. The most significant area of uncertainty relates to expected future cash flows for each cash-generating unit. Determining whether the carrying values of assets in a cash-generating unit are impaired requires an estimation of the value-in-use of the cash-generating unit to which these have been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Projections are based on both internal and external market information and reflect past experience. The discount rate reflects a long-term equity rate based on the period end enterprise value. In addition, the value-in-use calculation includes a best estimate of future pension payments.

Notes to the parent company financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

3 Staff costs

The average monthly number of persons, including directors, employed by and charged to the Company in the period was:

	2019 Number	2018 Number
Administration	9	8

The costs of a number of employees (not directors) who have contracts of employment with the Company are charged to other Group companies and their staff costs are disclosed in those companies' statutory accounts.

All employees are employed in the UK.

	2019 £m	2018 £m
Staff costs, including directors' emoluments, incurred during the period were:		
Wages and salaries	2.1	1.8
Social security costs	0.9	0.3
Share-based payments charge	1.1	1.0
Pension costs relating to defined contribution pension schemes	0.2	0.2
Compensation for loss of office	0.5	–
	4.8	3.3

Disclosure of individual directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those elements specified for audit by the Financial Conduct Authority are shown in the tables in the Remuneration report on pages 62 to 82 and form part of these parent company financial statements. Further details of share-based payments are contained in note 31 in the notes to the consolidated financial statements.

4 Investments in subsidiary undertakings

	Shares in subsidiary undertakings £m
Cost at beginning of period	1,511.8
Additions	14.7
Cost at end of period	1,526.5
Provision for impairment at beginning of period	(730.0)
Impairment in the period	(23.2)
Provision for impairment at end of period	(753.2)
Net book value at beginning of period	781.8
Net book value at end of period	773.3

During the year the Company increased its investment in Reach Shared Services Limited by £14.7m through a capital contribution.

At the period end reporting date an impairment review was undertaken which indicated that an impairment in the investments held by the Company of £23.2m was required (2018: £30.0m). The impairment review was performed using the same projections used in the impairment review performed in relation to the Group's goodwill and other intangible assets which are disclosed in notes 15 and 16 respectively in the notes to the consolidated financial statements. In respect of investments the current post-tax and equivalent pre-tax discount rate used is 12.0% and 13.9% respectively and the long-term growth rate beyond the 10-year period is 0%.

Following the impairment, any change in key assumptions such as print revenue declining at a faster rate than projected, digital revenue growth being significantly lower than projected or the scale of cost saving initiatives being delivered in the short term being lower than forecast, would lead to a further impairment in the investments. A 5% reduction in the projections or an increase in the discount rate by 0.9 percentage points or if the long term growth rate was negative 3% would lead to, in each case, an impairment of around £75m. In addition, the impairment review is sensitive to the changes in the pension deficit. A change of 5% would result in an impairment of around £12m.

Details of the Company's subsidiary undertakings at 29 December 2019 are set out on pages 136 to 138.

5 Debtors

	2019 £m	2018 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	110.5	121.4
Other debtors	10.3	6.9
	120.8	128.3

The amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

Notes to the parent company financial statements continued

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

6 Borrowings

The borrowings of the Company were repaid during the year. The details of the Group's borrowings are disclosed in note 24 in the notes to the consolidated financial statements.

7 Other creditors

	2019 £m	2018 £m
Amounts falling due within one year:		
Share-based payments	(0.7)	(0.1)
Accruals and deferred income	(0.6)	(0.7)
Deferred consideration	(18.9)	–
	(20.2)	(0.8)
Amounts falling due after more than one year:		
Deferred consideration	(40.1)	(59.0)
	(40.1)	(59.0)

The share-based payments provision relates to National Insurance obligations attached to the future crystallisation of awards.

Details of the deferred consideration are set out in note 25 in the notes to the consolidated financial statements.

8 Called-up share capital

The details of the Company's called-up share capital and dividends are disclosed in notes 28 and 12 respectively in the notes to the consolidated financial statements.

9 Share premium account

The details of the Company's share premium account are disclosed in note 30 in the notes to the consolidated financial statements.

10 Other reserves

	Merger reserve £m	Capital redemption reserve £m	Profit and loss account £m
Opening balance	(25.3)	(4.4)	(158.1)
Transfer of retained profit for the period before dividends	–	–	(28.0)
Share-based payments credit	–	–	(1.1)
Dividends paid	–	–	18.6
Closing balance	(25.3)	(4.4)	(168.6)

The merger reserve comprises the premium on the shares allotted in relation to acquisitions. The capital redemption reserve represents the nominal value of the shares purchased and subsequently cancelled as part of share buyback programmes. The profit and loss account reserves are all distributable.

11 Operating lease commitments

The Company has total commitments under non-cancellable operating leases in respect of land and buildings as follows:

	2019 £m	2018 £m
Within one year	(2.6)	(2.6)
Greater than one and less than five years	(10.3)	(10.3)
Greater than five years	(8.9)	(11.5)
	(21.8)	(24.4)

12 Related party transactions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to related party transactions. Transactions with the retirement benefit schemes and employee benefit trusts are disclosed in notes 20 and 29 respectively in the notes to the consolidated financial statements. Details of other related party transactions are disclosed below.

Trading transactions

The Company did not trade with the Group's associated undertakings.

Compensation of key management personnel

Key management are the executive directors.

The remuneration of the executive directors are determined by the Remuneration Committee having regard to competitive market position and performance of individuals. Further information regarding the remuneration of the executive directors is provided in the Remuneration report on pages 62 to 82.

Subsidiary and associated undertakings

as at 29 December 2019

The following subsidiary undertakings are 100% owned (all share classes) and incorporated in England and Wales, with a registered office at One Canada Square, Canary Wharf, London E14 5AP.

Subsidiary name		
0800 Recruit Limited	Express Newspapers Properties Limited	Local World Holdings Limited
08000 Recruit Limited	Express Printers Manchester Limited	Local World Limited
Ad-Mag (North East) Limited	Express Property Management Limited	London and Westminster Newspapers Limited
Advertiser North London Group (Holdings) Limited	Financial Jobs Online Limited	London Newspaper Group Limited
Advertiser North London Limited	Fish4 Limited	Mainjoy Limited
AMRA Limited	Fish4 Trading Limited	Manchester Morning News Limited
Arrow Interactive Limited	Fish4Cars Limited	Markstead Limited
Beaverbrook Newspapers Limited	Fish4Homes Limited	Mayfair Celebs Limited
Birmingham Live Limited	Fish4Jobs Limited	Media Wales Limited
Birmingham Post & Mail (Exhibitions) Limited	Gazette Media Company Limited	Medpress Limited
Birmingham Post & Mail Trustees Limited	Gimmejobs Limited	Mellin Limited
Blackfriars Leasing Ltd.	Gisajob Limited	MEN Investment Limited
Blackmore Vale Publishing Company Limited	High Street Direct Limited	MEN Media Limited
BPM Media (Midlands) Limited	Hot Exchange Limited	Mercury Distribution Services Limited
Broughton Printers Limited	Hot Flats Limited	Merseymart Limited
Burginhall 677 Limited	Hot Flights Limited	MG Estates Limited
Buy Sell Limited	Hotrecruit Limited	MG Guarantee Co Limited
Camberry Limited	Huddersfield Examiner Limited	MG6 Limited
CDE Services Limited	Huddersfield Newspapers Limited	MGL2 Limited
Century Communications Ltd.	I.T. Trade Publishing Limited	MGN (86) Limited
Channel One Liverpool Limited	Informer Publications Limited	MGN (AW) Limited
Chargestake Limited	International Distribution 2018 Limited (In Strike-Off)	MGN (Canada Square) Limited
Charles Elphick Limited	Internet Recruitment Solutions Limited	MGN (Services) Ltd
City Television Network Limited	Isle of Wight Newspapers Limited	MGN Limited
Community Magazines Limited	Job Search Limited	MGN Pension Trustees Limited
Conrad & Partners Limited	Jobsfinancial Limited	MGN Property Developments Limited
Coventry Newspapers Limited	Jobsin Limited	Micromart (UK) Limited
Daily Express Limited	JobsinHRSolutions Limited	Middlesex County Press Limited
Daily Post Investments Limited	Jobsinlaw Limited	Midland Independent Magazines Limited
Daily Post Overseas Limited	JobsinUK Limited	Midland Independent Newspaper & Media Sales Limited
Daily Star Limited	Joseph Woodhead & Sons Limited	Midland Independent Weekly Newspapers Limited
Denitz Investments Limited	Just London Jobs Limited	Midland Leaflet Services Limited
Echo Press (1983) Limited	Kennyhill Limited	Midland Newspapers Limited
Enterprise Magazines Limited	Kent Regional Newspapers Limited	Midland Newspapers Pension Trustees Limited
Examiner News & Information Services Limited	Lancashire & Cheshire County Newspapers Limited	Midland Newspapers Printers Limited
Export Magazine Distributors Limited	Legionstyle Limited	Midland United Newspapers Limited
Express Newspapers	Live TV Limited	Midland Weekly Media (Birmingham) Limited
Express Newspapers Pension Trustees Limited	Liverpool Web Offset Limited	Midland Weekly Media (Wolverhampton) Limited
	Liverpool Weekly Newspaper Group Limited	Midland Weekly Media Limited
	Llandudno Advertiser Limited	

Subsidiary and associated undertakings continued

as at 29 December 2019

Midland Weekly Newspapers Limited	Reach Nationals Limited	The Graduate Group Ltd
Mirror Colour Print (London No. 1 Plant) Limited	Reach Network Media Limited	The Green Magazine Company Limited
Mirror Colour Print (London) Limited	Reach Pension Trustees Limited	The Hinckley Times Limited
Mirror Colour Print (North) Limited	Reach Printing Services (Midlands) Limited	The Hotgroup Limited
Mirror Colour Print Services (London) Limited	Reach Printing Services (Oldham) Limited	The Liverpool Daily Post and Echo Limited
Mirror Colour Print Services Limited	Reach Printing Services (Teesside) Limited	The People Limited
Mirror Financial Services Limited	Reach Printing Services (Watford) Limited	This Is Britain Limited
Mirror Group Music Limited	Reach Printing Services (West Ferry) Limited	TIH (Belfast) (Nominees) Limited
Mirror Group Newspapers Limited	Reach Printing Services Limited	TIH (Cardiff) Limited
Mirror Group Newspapers North (1986) Limited	Reach Publishing Group Limited	TIH (Chester) Limited
Mirror Projects Limited	Reach Publishing Services Limited	TIH (Newcastle) Limited
MirrorAd Limited	Reach Regionals Limited	TIH (Properties) Limited
Mirrorair Limited	Reach Regionals Media Limited	TIH (Teesside) Limited
Mirrorgroup Limited	Reach Secretaries Limited	TIH (Trustee) Limited
MirrorNews Limited	Reach Shared Services Limited	TM Leasing Limited
MirrorTel Limited	Reach Southern Media Limited	TM Media Holdings Limited
NCJ Media Limited	Reach Work Limited	TM Mobile Solutions Limited
Net Recruit UK Limited	Reliant Distributors Limited	TM North America Limited
Newcastle Chronicle and Journal Limited	RH1 Limited	TM Regional New Media Limited
North Eastern Evening Gazette Limited	Scene Magazines Limited	TM Titles Limited
North Wales Independent Press Limited	Scene Newspapers Limited	TM Tower Management Services Limited
North Wales Weekly News	Scene Printing (Midlands) Limited	Totallyfinancial.com Ltd
Nunews Limited	Scene Printing Web Offset Limited	Totallylegal.com Limited
O K Magazines Trading Co Limited	Sightline Publications Limited	Tower Magazines Limited
O.K. Magazines Limited	Smart Media Services Limited	Trinity 100 Limited
Odhams Newspapers Limited	Southnews Trustees Limited	Trinity 102 Limited
Official Starting Prices Ltd.	Sunday Brands Limited	Trinity Limited
OK! Magazine Holdings Limited	Sunday Express Limited	Trinity Mirror (L I) Limited
Parkside Accountancy Limited	Sunday People Limited	Trinity Mirror Acquisitions (2) Limited
Parkside Consulting Limited	Surrey & Berkshire Media Limited	Trinity Mirror Acquisitions Limited
Planet Recruitment Limited	Syndication International (1986) Limited	Trinity Mirror Cheshire Limited
Planetrecruit Limited	Syndication International Limited	Trinity Mirror Digital 1 Limited
Quids-In (North West) Limited	T M S Pension Trustee Limited	Trinity Mirror Digital Limited
R.E. Jones & Bros. Limited	The Adscene Group Limited	Trinity Mirror Digital Media Limited
R.E. Jones Graphic Services Limited	The Advertiser Limited	Trinity Mirror Distributors Limited
R.E. Jones Newspaper Group Limited	The Associated Catholic Newspapers (1912) Limited	Trinity Mirror Finance Limited
Reach Directors Limited	The Birmingham Boat Shows Limited	Trinity Mirror Huddersfield Limited
Reach Magazines Distribution Limited	The Birmingham Post & Mail Limited	Trinity Mirror Marketing Direct Limited
Reach Magazines Limited	The Career Engineer Limited	Trinity Mirror Media Limited
Reach Magazines Publishing Limited	The Chester Chronicle and Associated Newspapers Limited	Trinity Mirror Merseyside Limited
Reach Magazines Worldwide Limited	The Daily Mirror Newspapers Limited	Trinity Mirror North Wales Limited
Reach Media Group Limited	The Echo Press Limited	Trinity Mirror Printing (Cardiff) Limited
Reach Midlands Media Limited		Trinity Mirror Printing (Liverpool) Limited
		Trinity Mirror Printing (Newcastle) Limited

Subsidiary and associated undertakings continued

as at 29 December 2019

Subsidiary name		
Trinity Mirror Regional Newspapers Limited	United Magazines Publishing Services Limited	West Ferry Leasing Limited
Trinity Mirror Videos Limited	Vectis Innovations Limited	West Ferry Printers Pension Scheme Trustees Limited
Trinity Newspaper Group Limited	Vibrant Limited	Western Mail & Echo Limited
Trinity Newspapers Southern Limited	Vivid Group Limited	Whitbread Walker Limited
Trinity Publications Limited	Vivid Limited	Wire TV Limited
Trinity Retirement Benefit Scheme Limited	Wandsworth Independent Limited	Wirral Newspapers Limited
Trinity Shared Services Limited	Websalvo.com Limited	Wood Lane One Limited
Trinity Weekly Newspapers Limited	Welsh Universal Holdings Limited	Wood Lane Two Limited
	Welshpool Web-Offset Co. Limited	Workthing Limited

The following subsidiary undertakings are 100% owned (all share classes) and incorporated in Scotland, with a registered office at One Central Quay, Glasgow G3 8DA.

Subsidiary name		
Aberdonian Publications Limited	Insider Publications Limited	Scottish and Universal Newspapers Limited
Anderston Quay Printers Limited	Media Scotland Limited	Scottish Daily Record and Sunday Mail Limited
Dundonian Publications Limited	Metropolitan Free Newspapers Limited	Scottish Express Newspapers Limited
First Press Publishing Limited	Newsday Limited	The Edinburgh and Lothians Post Limited
Glaswegian Publications Limited	Northern Print Services Limited	Trinity Mirror Printing (Blantyre) Limited
icScotland Limited	Reach Printing Services (Saltire) Limited	
Insider Group Limited	Saltire Press Limited	
	Scotfree Limited	

The following subsidiary undertaking is 100% owned (all share classes) and incorporated in England and Wales, with a registered office at 26–28 Bedford Row, London, WC1R 4HE. This entity is currently in liquidation.

Subsidiary name
Iberian Ediciones Limited

The following subsidiary undertaking is 100% owned (all share classes) and incorporated in Ireland, with a registered office at 40 Upper Mount Street, Dublin 2.

Subsidiary name
Reach Publishing (Ireland) Limited

The following subsidiary undertaking is 100% owned (all share classes) and incorporated in the United States of America, with a registered office at 101 Avenue of the Americas, Suite 934, New York NY 10013.

Subsidiary name
Trinity Mirror Marketing LLC

The following subsidiary undertaking is 100% owned (all share classes) and incorporated in Northern Ireland, with a registered office at 415 Holywood Road, Belfast BT4 2GU.

Subsidiary name
Trinity Mirror Limited

Associated Undertakings

Name	Incorporated	Ownership	Registered office address
Brand Events TM Limited	United Kingdom	50%	4 Vencourt Place, London, W6 9NU
Independent Star Limited	Ireland	50%	Independent House, 27–32 Talbot Street, Dublin, D01 X2E1
Echo Building (Liverpool) Limited	United Kingdom	50%	One Canada Square, Canary Wharf, London, E14 5AP
Pools Gaming Limited	United Kingdom	49%	Walton House, 55 Charnock Road, Liverpool, L67 1AA
Ozone Project Limited	United Kingdom	25%	3 Marshalsea Road, London, SE1 1EP
PA Media Group Limited	United Kingdom	23.54%	The Point, 37 North Wharf Road, Paddington, London, W2 1AF

Shareholder information

Registered office

One Canada Square
Canary Wharf, London E14 5AP, United Kingdom
Telephone: +44 (0) 207 293 3000
Company website: www.reachplc.com
Registered in England and Wales No. 82548

Advisers

Corporate Brokers

Barclays Plc
5 North Colonnade, Canary Wharf, London E14 4BB
Telephone: +44 (0) 203 134 5888
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square, London EC4M 7LT
Telephone: +44 (0) 207 260 1324

Auditor

PricewaterhouseCoopers LLP
1 Embankment Place, London, WC2N 6RH

Registrar (the 'Registrar')

Equiniti Limited
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone: 0371 384 2235*
For overseas shareholders: +44(0) 121 415 7047

* Lines are open from 8.30 am to 5.30 pm, Monday to Friday, excluding Bank Holidays in England and Wales.

If you have any queries regarding your shareholding, please contact the Registrar.

Financial Public Relations

Tulchan Communications LLP
2nd Floor
85 Fleet Street, London EC4Y 1AE
Telephone: +44 (0) 207 353 4200

Financial Calendar 2020:

7 May 2020	Trading Update
10 May 2020	Ex-Dividend Date
11 May 2020	Record Date
5 June 2020	FY 2019 Final Dividend Payment
27 July 2020	H1 2020 Results
27 November 2020	Trading Update

Annual General Meeting

The next AGM will take place on 7 May 2020 in London. We invite all shareholders to attend and those who cannot attend in person are encouraged to vote by proxy on all resolutions put forward.

The Notice of Meeting and Proxy Card for the AGM to be held on 7 May 2020 will be provided to shareholders at least 21 clear days prior to the meeting date, as required by the Company's Articles of Association.

Share price information

The Company's ordinary shares are listed on the Main Market of the London Stock Exchange. Share price information can be found on the website, www.reachplc.com.

ISIN number: GB0009039941

SEDOL number: 0903994

Legal Entity Identifier: 213800GNI5XF3XOATR61

As well as using the Reach website to view details of the current and historical share price, shareholders can find share prices listed in most national newspapers. For a real-time buying or selling price, you should contact a stockbroker.

Shareholder information continued

E-communications

Reach encourages its shareholders to consider receiving shareholder information electronically. Electing to receive shareholder communications in this way allows shareholders to access information quickly and securely. It also reduces company costs by decreasing the amount of paper it needs to use and minimises its environmental impact.

To register for this service please visit www.shareview.co.uk.

Share dealing and Shareview

The Company's shares can be traded through most banks, building societies and stockbrokers. Additionally, shareholders can buy and sell shares through a telephone and internet service provided by the Company's Registrar, Equiniti.

Shareview, a website operated by Equiniti, allows shareholders to view the details of their shareholding, register for e-communications and send voting instructions electronically if they have received a voting form with an electronic reference or signed up for Shareview. For more information about both services log on to www.shareview.co.uk or call 03456 037037** for Shareview Dealing.**

** Lines are open Monday to Friday from 8.00 am to 4.30 pm for Shareview Dealing and until 6.00 pm for any other Shareview Dealing enquiries.

ADRs

As previously notified the Level 1 American Depositary Receipt (ADR) programme, for which BNY Mellon acts as Depositary, was terminated as of 5:00 pm (U.S. Eastern Time) on Monday 18 March 2019.

Under the terms of the Deposit Agreement, owners and beneficial owners have at least until Friday 20 March 2020 to make a decision in order to attempt to surrender their Reach plc ADRs for delivery of the underlying shares.

Each ADR is equivalent to two Reach ordinary shares. Dividends are paid in US dollars via the Depositary. Details of the ADR programme are as follows:

Exchange: OTC (Over-The-Counter)

Symbol: TNMRY, CUSIP: 75526B102, Ratio (ADR: Ord) 1:2

To surrender your ADRs, the address of the Depositary is:

The Bank of New York Mellon

240 Greenwich Street

Depositary Receipts Division – 22nd Floor

Attention: Cancellation Desk, New York NY 10286

Warning to shareholders – boiler room scams

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

How to avoid share fraud

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
7. Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advice before you hand over any money.
10. Remember: if it sounds too good to be true, it probably is!

Report a scam

If you are approached about an investment scam you should tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Investor relations

We communicate with the financial community on a regular and ongoing basis to support our stakeholders in their investment decision process. While the investor relations programme is driven by statutory reporting requirements, it also contains a strong element of additional communication in the form of meetings and presentations.

Group five-year summary

Adjusted	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Income statement					
Revenue	703	724	623	713	593
Operating profit	153	146	125	138	110
Finance costs net of interest income	(3)	(4)	(2)	(5)	(2)
Profit before tax	150	142	123	133	108
Tax charge	(28)	(28)	(24)	(27)	(22)
Profit for the period	122	114	99	106	86
Basic earnings per share	41.1p	39.2p	36.1p	38.1p	33.9p
Statutory	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Income statement					
Revenue	703	724	623	713	593
Operating profit/(loss)	132	(108)	98	94	82
Pension finance charge	(8)	(8)	(12)	(10)	(11)
Finance costs net of interest income	(3)	(4)	(4)	(7)	(4)
Profit/(loss) before tax	121	(120)	82	77	67
Tax (charge)/credit	(27)	–	(19)	(7)	10
Profit/(loss) for the period	94	(120)	63	70	77
Basic earnings/(loss) per share	31.8p	(41.0)p	23.0p	24.9p	30.2p
	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Balance sheet					
Intangible assets	852	852	901	902	904
Property, plant and equipment	225	246	248	262	300
Other assets and liabilities	(462)	(499)	(473)	(554)	(427)
	615	599	676	610	777
Net cash/(debt)	20	(41)	(9)	(31)	(93)
Net assets	635	558	667	579	684
Total equity	(635)	(558)	(667)	(579)	(684)