

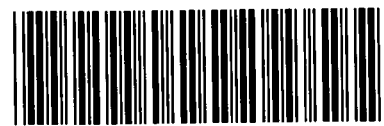
Scottish Daily Record and Sunday Mail Limited

Registration number: SC012921

Annual Report and Financial Statements

52 weeks ended 29 December 2019

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Scottish Daily Record and Sunday Mail Limited
(Registration number: SC012921)

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Scottish Daily Record and Sunday Mail Limited
(Registration number: SC012921)

Officers and Registered Office

Directors	Jim Mullen Simon Fuller
Company secretary	Reach Secretaries Limited
Registered office	1 Central Quay Canary Wharf Glasgow Eanarkshire G3 8DA
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Hardman Square Manchester M3 3EB

Strategic Report for the 52 weeks ended 29 December 2019

The directors present their Strategic Report for the 52 weeks ended 29 December 2019.

Fair review of the business

Business review

Revenue fell by 8% from £60,307,000 to £55,702,000 with print revenue falling by 9% and digital revenue increasing by 12%. The challenges in print advertising markets resulted in a decline in display advertising across a number of sectors. Circulation revenues declined by 5% with volume declines partially mitigated by cover price increases. Digital display and transactional revenue improved by 12% driven by growth in page views.

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

	2019 Volume actual ^a 000	2018 Volume actual ^a 000
Daily Record	109	123
Sunday Mail	109	126

^a Average ABC circulation excluding sampling for the 12 months to December 2019 and December 2018.

Page views for our key websites are set out below:

	2019 Page Views ^b	2018 Page Views ^b
Daily Record	40,777,078	32,224,094
Glasgow Live	5,872,279	4,624,123

^b Google Analytics average monthly January to December 2019 versus Omniture average monthly January and February and Google Analytics average monthly March to December 2018.

Faced with the ongoing revenue challenges, costs have been reduced through natural mitigation and cost reduction actions. Restructuring charges in respect of cost reduction measures were £598,000 (2018: £1,737,000).

Operating profit fell by 16% from £14,152,000 to £11,895,000 and operating margin decreased by 2 percentage points to 21% reflecting the decreased revenues of the business.

In the short term the directors expect continued challenges in print while continuing to drive digital and tightly managing costs to protect profits.

Financial position and future prospects

The financial position of the company is set out on page 11. The directors are satisfied as to the future prospects of the company. The company has continued to perform in line with management's expectations since the year end. The Board is confident that the company will make further good progress through the rest of the year delivering its customer-focused strategic objectives and digital growth ambitions.

The net assets of the company have increased by £3,621,000 (2018: £1,282,000) to £75,326,000 (2018: £71,705,000) due to the profit for the period less the dividends paid to the immediate parent undertaking.

The financial risk management objectives are set out in the Directors' Report (page 4).

Strategic Report for the 52 weeks ended 29 December 2019 (continued)

Section 172 statement

From the perspective of the board, as a result of the Group governance structure, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the Group board in relation both to the Group and to this company. The board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the company, an explanation of how the group board has considered the matters set out in s172 (for the Group and for the company) is set out on page 42 of the Reach plc annual report, which does not form part of this report.

Section 172 compliance outlined in the 2019 Reach plc Annual Report is applicable to the company. This gives an overview of how the company has engaged with key stakeholders during the year, including shareholders, pension schemes, colleagues, customers and readers, suppliers, communities and its impact on the environment.

Key performance indicators

The key performance indicators that the company uses are revenue, operating profit, operating margin and audience measures. In a challenging market, as has been experienced during the period, the company seeks to target performance in line with or ahead of competitors or comparators taking account of the company's strategy. The key performance indicators are outlined in the business review above.

Principal risks and uncertainties

The principal risks and uncertainties outlined in the 2019 Reach plc Annual Report are applicable to the company. Specifically the principal risk to the company is that the structural challenges facing print media results in a faster than anticipated loss of print revenue, and the growth of digital revenue is not sufficient, over time, to offset these declines. The directors look to mitigate this risk by the continuing focus on reducing costs.

Since year end a number of the principal risks and uncertainties have been impacted by COVID-19. The Company took a number of mitigating actions to minimise the impact of the outbreak, including reducing salaries and furlough staff and in July a decision to transform the business and will continue to monitor this risk closely. The impact on the Company's revenues have gradually improved since April. There remains uncertainty around when circulation and advertising revenues will return to more normalised levels.

Approved by the Board on 17 December 2020 and signed on its behalf by:



.....
Simon Fuller
Director

Directors' Report for the 52 weeks ended 29 December 2019

The directors present their report and the financial statements for the 52 weeks ended 29 December 2019.

Directors of the company

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Jim Mullen (appointed 16 August 2019)

Simon Fuller (appointed 1 March 2019)

Simon Fox (resigned 16 August 2019)

Vijay Vaghela (resigned 30 June 2019)

Principal activity

The principal activity of the company is the publishing of newspapers and related digital activities. Key brands include the Daily Record, Sunday Mail, regional newspapers and websites.

Results and dividends

The results for the period are set out on page 9. The profit for the period of £9,621,000 (2018: £11,282,000) has been transferred to reserves. During the period, a dividend of £6,000,000 was paid to the immediate parent undertaking (2018: £10,000,000). No dividends have been proposed or paid since the period end.

Employee related matters

Communication and participation of employees is achieved through formal and informal management and staff briefings and where relevant, formal union procedures. Where appropriate, communication is by individual personal letter or circular. The company policy is to give fair and equal consideration to the recruitment, employment and career development of disabled persons where suitable opportunities arise and to provide such training and other assistance as may be necessary and practicable. Employees who become disabled and are unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment. 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. During the year, a new Internal Communications position was created to ensure our people are informed, engaged and included in what's important in our business.

Financial risk management policies and objectives

The company's operations expose it to financial risks that include credit, liquidity and foreign exchange risk. The company has mechanisms in place that seek to limit the impact of the adverse effects of these risks on the financial performance of the company.

Credit risk management

Credit risk refers to the risk that a counter-party with the company will default on its contractual obligations resulting in a financial loss. Credit risk for the company considers both external and inter-group debt. In respect of external debt, the company has adopted a policy of only dealing with creditworthy counterparties and ongoing credit evaluation is performed on the financial condition of trade receivables. In respect of inter-group receivables, the position of the counter-party, and the level of support provided by the wider Reach plc group are considered.

Liquidity risk management

The company, taking into consideration the support of the Reach plc group as required, actively manages its finances to ensure that it has sufficient funds available for its operations and to meet its obligations.

Foreign currency risk management

The entity, as part of the wider Reach plc 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.

Financial position and future prospects

The financial position and future prospects of the company is set out in the Strategic Report on page 2.

Directors' Report for the 52 weeks ended 29 December 2019 (continued)

Going concern basis

In determining whether the company's financial statements can be prepared on a going concern basis the directors have considered the factors likely to affect the future development, performance and financial position of the company. In particular, the directors have reviewed the assessment, particularly as a result of the COVID-19 outbreak. The company has faced reductions in revenue ahead of the declines expected but the company has taken a number of mitigating actions to protect profits and cash flow.

The company has net current assets of £57,088,000 at 29 December 2019, which includes net amounts owed from other subsidiary undertakings of Reach plc of £57,087,000. The directors note that Reach plc Group has a strong balance sheet and liquidity with a net cash positive position of £41.9m at 28 June 2020. This represents a cash balance of £66.9m less £25.0m which has been drawn from the Group's revolving credit facility of £65.0m.

At the date of signing of these financial statements the directors have considered all the factors impacting the company's business, including downside sensitivities and the strong balance sheet of Reach plc. The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the company's financial statements.

Directors' liabilities

During the period and as at the date of signing the annual report and financial statements, the ultimate parent company has in place a directors' and officers' liability insurance policy which includes the company.

Disclosure of information to the auditors

Each director has taken 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 company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Independent auditors

On 24 July 2019 PricewaterhouseCoopers LLP were appointed as the company's independent auditors. The auditors PricewaterhouseCoopers LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 17 December 2020 and signed on its behalf by:



.....
Simon Fuller
Director

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 year. Under that law the directors have prepared the 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, 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 company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent Auditor's Report to the Members of Scottish Daily Record and Sunday Mail Limited

Report on the audit of the financial statements

Opinion

In our opinion, Scottish Daily Record and Sunday Mail Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 December 2019 and of its profit for the 52 week period (the 'period') then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise the: Balance Sheet, as at 29 December 2019; Profit and Loss Account; Statement of Changes in Equity for the period then ended and Notes to the Financial Statements, including a summary of significant accounting policies.

Basis for opinion

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

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent Auditor's Report to the Members of Scottish Daily Record and Sunday Mail Limited
(continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 29 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

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

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

Use of our report

This report, including the opinions, has been prepared for only the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

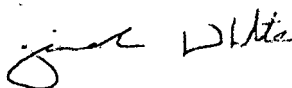
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



.....
Simon White (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
Manchester

17 December 2020

Scottish Daily Record and Sunday Mail Limited
(Registration number: SC012921)

Profit and Loss Account
for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

		52 weeks ended 29 December 2019 £ 000	52 weeks ended 30 December 2018 £ 000
	Note		
Turnover	3	55,702	60,307
Cost of sales		<u>(29,749)</u>	<u>(31,917)</u>
Gross profit		25,953	28,390
Distribution costs		(2,901)	(3,193)
Administrative expenses		<u>(11,157)</u>	<u>(11,045)</u>
Profit on ordinary activities before tax	4	11,895	14,152
Tax on profit on ordinary activities	6	<u>(2,274)</u>	<u>(2,870)</u>
Profit for the period		<u><u>9,621</u></u>	<u><u>11,282</u></u>

All turnover and results arose from continuing operations.

There are no recognised gains or losses other than the profit for the period. Accordingly, a separate statement of comprehensive income has not been presented.

Statement of Changes in Equity

for the 52 weeks ended 29 December 2019 (52 weeks ended 30 December 2018)

	Called up Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	1,022	18	69,383	70,423
Profit for the period	-	-	11,282	11,282
Total comprehensive income	-	-	11,282	11,282
Dividends	-	-	(10,000)	(10,000)
At 30 December 2018	<u>1,022</u>	<u>18</u>	<u>70,665</u>	<u>71,705</u>

	Called up share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 31 December 2018	1,022	18	70,665	71,705
Profit for the period	-	-	9,621	9,621
Total comprehensive income	-	-	9,621	9,621
Dividends	-	-	(6,000)	(6,000)
At 29 December 2019	<u>1,022</u>	<u>18</u>	<u>74,286</u>	<u>75,326</u>

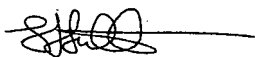
Scottish Daily Record and Sunday Mail Limited
(Registration number: SC012921)

Balance Sheet

at 29 December 2019 (at 30 December 2018)

	Note	29 December 2019 £ 000	30 December 2018 £ 000
Fixed assets			
Investments	8	18,581	18,541
Current assets			
Debtors	9	57,087	53,697
Cash at bank and in hand		93	-
Deferred tax asset	6	1	-
		<u>57,181</u>	<u>53,697</u>
Creditors: Amounts falling due within one year	10	<u>(93)</u>	<u>(227)</u>
Net current assets		<u>57,088</u>	<u>53,470</u>
Total assets less current liabilities		75,669	72,011
Provisions for liabilities	11	<u>(343)</u>	<u>(306)</u>
Net assets		<u>75,326</u>	<u>71,705</u>
Equity capital and reserves			
Called up share capital	12	1,022	1,022
Share premium reserve	12	18	18
Profit and loss account	12	<u>74,286</u>	<u>70,665</u>
Total shareholders' funds		<u>75,326</u>	<u>71,705</u>

The financial statements on pages 9 to 21 were approved by the Board of Directors on 17 December 2020 and signed on its behalf by:



.....
Simon Fuller,
Director

Notes to the Financial Statements for the 52 weeks ended 29 December 2019

1 General information

The company is a private company limited by share capital, incorporated and domiciled in Scotland.

The address of its registered office is:

1 Central Quay
Canary Wharf
Glasgow
Lanarkshire
G3 8DA
United Kingdom

2 Basis of preparation and significant accounting policies

Statement of compliance

The company financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

Basis of preparation

The financial statements of Scottish Daily Record and Sunday Mail Limited, a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales, 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.

For administrative convenience, the financial statements are made up to a suitable date near the end of the calendar year. These 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 financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

The nature of the company's operations and its principal activity are set out in the Directors' Report on page 4.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, by virtue of section 400 of the Companies Act 2006, because it is included in the group accounts of Reach plc. Details of the parent in whose consolidated financial statements the company is included are shown in note 15 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, disclosure of remuneration paid to auditors for non-audit services, related party transactions key assumptions in cash flow projections and qualitative and quantitative information related to changes in contract assets and contract liabilities. Where required, equivalent disclosures are given in the group accounts of Reach plc. The group accounts of Reach plc are available to the public and can be obtained as set out in note 15.

The company has applied the exemption available under FRS 101 in relation to the 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 but is not yet effective).

Going concern

The financial statements have been prepared on a going concern basis as set out in the Directors' Report.

Adoption of new and revised standards

There were no new amendments to IFRSs or new Interpretations effective for the current period for the company to adopt.

Notes to the Financial Statements for the 52 weeks ended 29 December 2019 (continued)

2 Basis of preparation and significant accounting policies (continued)

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Revenue

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 company 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 company 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 company 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.

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.

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 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.

Defined contribution pension obligation

The company contributes to certain group defined contribution pension schemes. The amount charged to the profit and loss account is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Current and deferred 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 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.

Notes to the Financial Statements for the 52 weeks ended 29 December 2019 (continued)

2 Basis of preparation and significant accounting policies (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account except when it relates to items charged or credited in the statement of comprehensive income or items charged or credited directly to equity, in which case the deferred tax is also dealt with in the statement of comprehensive income and equity respectively.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Investments

Fixed asset investments are stated at cost less provision for any impairment.

Financial instruments

Financial assets and financial liabilities are recognised in the 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.

Financial liabilities

Financial liabilities, including borrowings, are initially recognised at fair value and subsequently measured at amortised cost, net of transaction costs.

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.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that the company 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.

Called up share capital

Ordinary shares are classified as equity.

Dividends

Dividend distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved.

Key sources of estimation uncertainty

There were no key sources of estimated uncertainty in determining the carry amounts of assets and liabilities at the balance sheet date. In applying the company's accounting policies, described above, no critical judgements were identified.

Notes to the Financial Statements for the 52 weeks ended 29 December 2019 (continued)

3 Turnover

To better reflect how we view and operate the business, the Group and therefore the Company amended the presentation of turnover in 2019, aligning our turnover streams with the Group's strategy. Print turnover comprises circulation, advertising (including digital classified which is predominantly upsold from print), and other (contract publishing, syndication, reader offers and events); this corresponds to the part of our Group's strategy focused on maximising cash flow from print. Digital turnover comprises the combined display and transactional turnover streams; this corresponds to the part of our Group's strategy focused on accelerating digital audience and turnover. Note 16 sets out the reconciliation between the classifications in the prior period to the classifications in the current period.

The analysis of the company's turnover for the period from continuing operations is as follows:

	52 weeks ended 29 December 2019 £ 000	52 weeks ended 30 December 2018 £ 000
Circulation	35,803	37,680
Advertising	12,473	15,233
Other	1,682	2,253
Print	49,958	55,166
Digital	5,744	5,141
Total turnover	55,702	60,307

The analysis of the company's turnover for the period by market is as follows:

	52 weeks ended 29 December 2019 £ 000	52 weeks ended 30 December 2018 £ 000
UK and Republic of Ireland	55,702	60,307

4 Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging:

	52 weeks ended 29 December 2019 £ 000	52 weeks ended 30 December 2018 £ 000
Depreciation expense	-	74
Operating lease expense - property	119	84
Operating lease expense - other	145	178
Loss on disposal of property, plant and equipment	-	800
Restructuring charges in respect of cost reduction measures	598	1,737

The auditors' remuneration of £20,000 (2018: £21,000) for the audit of the statutory financial statements of this company has been borne and not recharged by another group company.

Notes to the Financial Statements for the 52 weeks ended 29 December 2019 (continued)

5 Information regarding directors and employees

All employees have an employment contract with a Group entity and provide services throughout the group. Staff costs disclosure relate to services provided by employees for this company:

	52 weeks ended 29 December 2019 £ 000	52 weeks ended 30 December 2018 £ 000
Wages and salaries	11,856	12,657
Social security costs	1,245	1,319
Pension costs	685	643
	<u>13,786</u>	<u>14,619</u>

The average monthly number of employees charged to the company during the period is set out below:

	52 weeks ended 29 December 2019 No.	52 weeks ended 30 December 2018 No.
Production and editorial	219	233
Sales and distribution	88	117
Administration	5	6
	<u>312</u>	<u>356</u>

Directors' emoluments

The directors holding office during the period consider their services to the company are incorporated within their duties as directors of Reach Plc Group, it is not practical to allocate remuneration to each entity. No remuneration has been apportioned to the company.

Defined contribution pension scheme

The company contributes to the Reach Pension Plan, a defined contribution scheme. Contributions to the Reach Pension Plan for the period were £685,000 (2018: £643,000). At 29 December 2019 there were no outstanding or prepaid contributions (2018: £nil).

6 Tax on profit on ordinary activities

Tax charged/(credited) in the profit and loss account

	52 weeks ended 29 December 2019 £ 000	52 weeks ended 30 December 2018 £ 000
Current taxation		
UK corporation tax	2,275	2,824
Deferred taxation		
Arising from origination and reversal of temporary differences	(1)	46
Tax expense in the profit and loss account	<u>2,274</u>	<u>2,870</u>

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Notes to the Financial Statements for the 52 weeks ended 29 December 2019 (continued)

6 Tax on profit on ordinary activities (continued)

The tax on profit on ordinary activities before tax for the period is higher than the standard rate of corporation tax in the UK (2018: higher than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The differences are reconciled below:

	52 weeks ended 29 December 2019 £ 000	52 weeks ended 30 December 2018 £ 000
Profit before tax	11,895	14,152
Corporation tax at standard rate	2,260	2,689
Increase from effect of expenses not deductible in determining taxable profit	14	181
Total tax charge	2,274	2,870

The Finance Act 2015 included legislation to reduce the rate of corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. This change had been substantively enacted at the balance sheet date. The government has announced that the rate of corporation tax will not be reduced from 1 April 2020 and that it will remain at 19%, but this has not yet been enacted.

The current tax liabilities amounted to £93,000 (2018: £227,000) at the reporting date.

Deferred tax

Deferred tax movement during the period:

	At 31 December 2018 £ 000	Recognised in profit and loss £ 000	At 29 December 2019 £ 000
Accelerated tax depreciation	-	1	1

Deferred tax movement during the prior period:

	At 1 January 2018 £ 000	Recognised in profit and loss £ 000	Transfer out through intercompany £ 000	At 30 December 2018 £ 000
Accelerated tax depreciation	233	(46)	(187)	-

7 Dividends paid

	52 weeks ended 29 December 2019 £ 000	52 weeks ended 30 December 2018 £ 000
Final dividend of £5.87 (2018: £9.78) per each ordinary share	6,000	10,000

Notes to the Financial Statements for the 52 weeks ended 29 December 2019 (continued)

Investments

Investment in subsidiaries undertakings	£ 000
Cost	
At 30 December 2018	25,418
At 29 December 2019	25,418
Provision	
At 30 December 2018	(6,897)
At 29 December 2019	<u>(6,897)</u>
Carrying amount	
At 29 December 2019	<u>18,521</u>
At 30 December 2018	<u>18,521</u>

A full list of subsidiaries at the reporting date is appended on page 22 and forms part of these financial statements.

Investments in associated undertakings

	£ 000
Cost and net book value	
At 1 January 2018	<u>20</u>
At 30 December 2018	<u>20</u>
At 31 December 2018	<u>20</u>
Additions	<u>40</u>
At 29 December 2019	<u>60</u>

Details of the associates are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
PA Media Group Limited	News agency	The point, 37 North Wharf Road, Paddington, London, W2 1AF United Kingdom	1.09%	1%

9 Debtors

	29 December 2019	30 December 2018
	£ 000	£ 000
Amounts owed from fellow subsidiaries	<u>57,087</u>	<u>53,697</u>

Notes to the Financial Statements for the 52 weeks ended 29 December 2019 (continued)

9 Debtors (continued)

A fellow subsidiary undertaking operates a centralised debtors function for the Group which results in trade debtors balances of the company being recorded in the balance sheet of the fellow subsidiary undertaking with consideration being recorded through intercompany. Credit risk relating to these trade debtors is borne by the company.

Intercompany balances are unsecured, non-interest bearing balances repayable on demand.

10 Creditors: amounts falling due within one year

	29 December 2019	30 December 2018
	£ 000	£ 000
Corporation tax liability	<u>93</u>	<u>227</u>

A fellow subsidiary undertaking operates a centralised accounts payable function for the Group which results in trade creditor balances of the company being recorded in the balance sheet of the fellow subsidiary undertaking with consideration being recorded through intercompany.

11 Provisions for liabilities

	Restructuring £ 000
At 31 December 2018	306
Additional provisions	598
Provisions used	<u>(561)</u>
At 29 December 2019	<u>343</u>
Current liabilities	<u>343</u>

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.

12 Equity capital and reserves

Allotted, called up and fully paid shares

	29 December 2019		30 December 2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,022,084</u>	<u>1,022,084</u>	<u>1,022,084</u>	<u>1,022,084</u>

The authorised share capital is 1,022,100 ordinary shares of £1 each (2018: 1,022,100). The company has one class of ordinary shares which carry no right to fixed income.

The share premium reserve contains the premium arising on the issue of equity shares net of issue expenses. The profit and loss account reserve represents cumulative profit and losses net of dividends paid and other adjustments.

Notes to the Financial Statements for the 52 weeks ended 29 December 2019 (continued)

13 Operating lease commitments

Operating lease commitments relates to property and vehicles.

The company has total commitments under non-cancellable operating leases as follows:

	29 December 2019 £ 000	30 December 2018 £ 000
Within one year	193	194
In two to five years	323	324
In over five years	138	160
	<u>654</u>	<u>678</u>

14 Contingent liabilities

The company, together with certain of its fellow subsidiaries in the United Kingdom, has guaranteed the loans and bank overdraft of the group with certain of the group's bankers. At 29 December 2019, this amounted to nil (2018: £60.0 million).

15 Ultimate parent company and immediate parent undertaking

The company's immediate parent is MLG2 Limited.

The ultimate parent is Reach plc. The group financial statements are available upon request from its registered office at One Canada Square, Canary Wharf, London E14 5AP.

Relationship between entity and parents

The parent of the largest and smallest group in which these financial statements are consolidated is Reach plc, incorporated in England and Wales.

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Notes to the Financial Statements for the 52 weeks ended 29 December 2019 (continued)

16 Reconciliation of turnover categories

	52 weeks ended		52 weeks ended	
2018	30 December 2018	Reclassification	30 December 2018	2019
Categories	£000	£000	£000	Categories
Circulation	37,680	-	37,680	Circulation
Advertising	14,791	442	15,233	Advertising
Other	2,253	-	2,253	Other
Publishing Print	54,724	442	55,166	Print
Display and Transactional	5,141	-	5,141	
Classified	442	(442)	-	
Publishing Digital	5,583	(442)	5,141	Digital
Total turnover	60,307	-	60,307	Total turnover

17 Non adjusting events after the financial period

As a result of the mitigation action disclosed in the Strategic Report in relation to COVID-19 the company has reduced the 2020 headcount of the Company which will result in an estimated redundancy charge of £0.9 million in 2020.

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Appendix

In compliance with Section 409 of the Companies Act 2006, the following comprises a list of all related subsidiary undertakings of the company, as at 29 December 2019.

The following subsidiaries undertakings are 100% owned (all share classes) and are incorporated in Scotland with a registered office at One Central Quay, Glasgow, G3 8DA.

Company

Direct

First Press Publishing Limited
Insider Publications Limited
Metropolitan Free Newspapers Limited
Newsday Limited
Saltire Press Limited
Scotfree Limited

Indirect

Insider Group Limited
Aberdonian Publications Limited
Dundonian Publications Limited
Glaswegian Publications Limited
The Edinburgh And Lothians Post Limited