

# Associated Newspapers Ltd.

Registered Office:  
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5TT  
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Registered Number 84121 England

Registration number: 00084121

## Associated Newspapers Limited

Annual Report and Financial Statements

for the Financial year from 30 September 2019 to 27 September 2020



# **Associated Newspapers Limited**

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## **Associated Newspapers Limited**

### **Company Information**

<b>Directors</b>	The Viscount Rothermere K J Beatty J J S Welsh
<b>Company secretary</b>	F L Sallas
<b>Registered office</b>	Northcliffe House 2 Derry Street London England W8 5TT
<b>Solicitors</b>	Freshfields Bruckhaus Deringer Whitefriars 65 Fleet Street London EC4Y 1HT
<b>Bankers</b>	The Royal Bank of Scotland plc Corporate Services PO Box 34 15 Bishopsgate London EC4Y 1HT
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

## **Associated Newspapers Limited**

### **Directors' Report for the Financial Year from 30 September 2019 to 27 September 2020**

The directors present their Annual Report on the affairs of the Company, together with the audited financial statements and Independent Auditors' report for the period from 30 September 2019 to 27 September 2020.

The principal risks and uncertainties of the Company and details of the results are described in the Operating and Business Review within the Strategic Report of these financial statements.

#### **Principal activities**

The principal activity of the Company is the publication of newspapers and the running of newspaper companion web sites. The Company operates as part of the dmg media division of Daily Mail and General Trust plc ("DMGT").

In addition to owning several newspapers and websites, Associated Newspapers Limited holds a number of investments. As consolidation is not required, the results of these investments are excluded from these financial statements.

On 27 September 2020 all of the employees of A&N Media Finance Services Limited and JPIMedia Publications Limited (fellow group companies) were transferred, with all of their trade together with their trading assets and liabilities to the Company, at net book value for nil gain nil loss.

#### **Outlook**

The duration and severity of the COVID-19 pandemic remains unclear, with a range of possible outcomes over different timeframes. What is certain is that the Company will remain alert, adjusting its behaviour and actions as circumstances change.

The Company will continue to harness the value of the Mail and 'i' brands for both readers and advertisers and invest in the quality of their popular journalism. The advertising market inherently lacks visibility and conditions are likely to remain both challenging and volatile until economic confidence returns. Circulation volumes of the Mail and 'i' are expected to decline from current levels. The cash operating income margin and operating margin will reflect a mix of the revenue dynamics and the benefit of continued cost efficiencies within the newspapers.

## **Associated Newspapers Limited**

### **Directors' Report for the Financial Year from 30 September 2019 to 27 September 2020 (continued)**

#### **Going concern**

The directors have considered the ability of the Company to continue in operational existence for the foreseeable future as well as the relevant business and financial risks. In doing this, they have considered the Company's business activities, together with the factors likely to affect its future development, performance and position.

The Company is in a net current assets position of £502.5m, as at 27 September 2020, however may be negatively impacted by COVID-19. The Company's parent, Daily Mail and General Trust plc ("DMGT") has confirmed that it will provide such financial support as might be necessary to ensure that the Company is a going concern for at least twelve months from the date of signing of these financial statements. The Group has considered the impact of COVID-19 and has obtained new five-year trading forecasts which have been re-modelled to incorporate a pessimistic scenario and a plausible but severe scenario for the period through to 30 September 2022, from its trading subsidiaries together with short term projections from certain associates and financial assets at fair value through other comprehensive income to assist in this assessment. In addition, the Group directors considered the availability of the Group's committed but undrawn bank facilities of £373.2 million which expire in March 2023. In this severe but plausible scenario the Group does not forecast a draw down on its bank facilities nor does it forecast a breach of its banking covenants. After due consideration the Group directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence and provide financial support to its subsidiaries for at least twelve months from the date of this report.

After making enquiries, the directors of the Company therefore have a reasonable expectation that the Company will have access to adequate resources to continue in operational existence for at least twelve months from the date of this report and have therefore continued to adopt the going concern basis in preparing the financial statements.

#### **Employees**

Details on employee involvement and the employment of disabled persons are disclosed in the Strategic Report.

Details of the number of company employees and related costs can be found in the note 9 of these financial statements.

#### **Directors' indemnity**

A qualifying third-party indemnity (QTPI), as permitted by the Company's Articles of Association and Sections 232 and 234 of the Companies Act 2006, has been granted by the Company to each of the Directors of the Company and is in force during the financial year and also at the date of approval of the financial statements. Under the provisions of the QTPI the Company undertakes to indemnify each Director against liability to third parties (excluding criminal and regulatory penalties) and to pay Directors' costs as incurred, provided that they are reimbursed to the Company if the Director is found guilty or, in an action brought by the Company, judgement is given against the Director.

#### **Results and dividends**

The results of the Company can be found in the Strategic Report part of these financial statements. During the year the Company received dividends of £nil (2019: £nil).

## **Associated Newspapers Limited**

### **Directors' Report for the Financial Year from 30 September 2019 to 27 September 2020 (continued)**

#### **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:

The Viscount Rothermere

K J Beatty

J J S Welsh

#### **Important non-adjusting events after the financial year**

On 18 October 2020, dmg media acquired JPI Media's print operations at Dinnington, Portsmouth and Carn in Northern Ireland for £9.5 million cash consideration (see note 27). The acquisition enables dmg media to better manage the printing of its national newspapers across the UK.

On 2 March 2021 dmg media purchased the entire issued share capital of New Scientist Group Limited (NSGL) for £59m. New Scientist, is one of the world's leading science publishing titles and has a weekly circulation of approximately 120,000, of which just over half are UK-based. The business also has a high-quality revenue base with about 75% derived from subscriptions. In 2021, the business is expected to generate cash operating income and operating profit of approximately £7m and revenues are expected to exceed £20m.

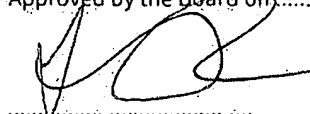
#### **Disclosure of information to the auditors**

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

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

- so far as the directors are aware, there is no relevant audit information they know of which the Company's auditors are unaware; and
- the directors have 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.

Approved by the Board on 23/6/21 and signed on its behalf by:



J J S Welsh  
Director

## **Associated Newspapers Limited**

### **Strategic Report for the Financial Year from 30 September 2019 to 27 September 2020**

The directors present their Strategic Report for the financial year from 30 September 2019 to 27 September 2020.

The Company is a wholly owned subsidiary of Daily Mail and General Trust plc ("DMGT") and operates as part of their dmg media division. The performance of the group's dmg media division of DMGT, which includes the Company, is discussed in the DMGT Annual Report (available at [www.dmgt.co.uk](http://www.dmgt.co.uk)) which does not form part of this Report.

In November 2019, dmg media acquired the 'i', the UK national newspaper and website, for £50m cash consideration. The 'i' has an established reputation for quality journalism and in 2018 generated £11m in cash operating income and operating profit from £34m of revenue. The acquisition is both strategically and financially compelling and there is scope for potential synergies in the future, notably from dmg media's existing infrastructure and in advertising sales. The 'i' will sit within DMGT's 'Predictable performers' category. The business will benefit from DMGT's long-term approach and commitment to investing in editorial content.

## **Associated Newspapers Limited**

### **Strategic Report for the Financial Year from 30 September 2019 to 27 September 2020 (continued)**

#### **Operating and Business Review**

The Company has four principal businesses, Mail Newspapers, MailOnline, Metro and The i. The annual financial statements are made up to the Sunday nearest to 30 September. The financial year ended 27 September 2020 consists of 52 weeks (2019: 52 week year ended 29 September 2019).

#### **Mail Businesses**

Revenues for the combined Mail newspaper, website and TV businesses (Daily Mail, The Mail on Sunday, MailOnline) decreased by an underlying 9% to £508m, of which £144m was generated by MailOnline. Total advertising revenues across the Mail businesses decreased by an underlying 9% to £231m, including a 26% decline in print advertising revenues, reflecting the impact of COVID-19 as well as the continued structural and competitive challenges facing the UK national newspaper advertising market. Digital advertising accounted for 65% of total advertising across the combined Mail businesses.

The Mail newspapers' competitive positions remain strong, with large and growing UK retail market shares held by the Daily Mail and The Mail on Sunday, estimated to be 26.4% and 23.7% for the year respectively.

Demand for the digital version of the Mail newspapers' content increased significantly during the year. The 'Mail+' briefings service, which offers readers additional insight, news and entertainment via video, podcast and articles, was launched in October 2019 and by September 2020 attracted over 120,000 unique visitors a week. Similarly, subscribers to 'The Digital Edition', a paid-for enhanced version of the Mail newspaper, have more than doubled to over 80,000.

MailOnline continued to focus on attracting traffic directly to its homepages, on desktop and mobile, or its apps. There was good audience growth in the year, with total average daily global unique browsers, excluding other platforms such as Snapchat and Facebook video, increasing by 38% to 17.3 million. The audience growth included the benefit of indirect traffic, primarily via social media and search platforms, driven by interest in the COVID-19 pandemic. The increase in traffic helped to mitigate the impact of reduced digital advertising spend. Total minutes spent on the site, excluding time viewing videos, increased 14% to a daily average of 145 million. The direct audience accounted for 79% of minutes spent, reflecting continued high levels of engagement with these valuable and loyal consumers.

#### **Metro**

Following the onset of COVID-19 and implementation of lockdown measures, Metro's circulation initially reduced to approximately a quarter of the usual pre-Covid level. Readership has increased as more commuters have returned to using public transport but as at September 2020, volumes were still less than half of the pre-Covid level. Revenues decreased by 40% to £47m for the year, reflecting a particularly challenging print advertising market as well as the reduced readership. Prior to COVID-19, Metro had the largest circulation of any weekday newspaper in the UK, read by an average of 2.3m people each day, and had the largest Monday to Friday advertising market share by volume.

#### **The 'i'**

Revenues from the 'i' decreased an underlying 10% to £27m in the ten months of ownership to September 2020, reflecting the impact of lockdown measures on circulation and the particularly challenging advertising market. Following a review of the acquisition by the UK Competition and Markets Authority, the business was integrated into dmg media's existing infrastructure during the second half of the year, realising all the planned cost savings.

## **Associated Newspapers Limited**

### **Strategic Report for the Financial Year from 30 September 2019 to 27 September 2020 (continued)**

#### **Principal risks and uncertainties**

The principal risks and uncertainties faced by the Company are identified in a Risk Register. The materiality of each risk is assessed against a framework to determine its significance and likelihood of occurrence. The Company's risks are categorised as either strategic or operational. Strategic risks are linked to the Company's strategic priorities whilst operational risks are those arising from the execution of the business functions. The most material risks identified in the Risk Register, together with the steps taken to mitigate them, are described below.

#### **Strategic Risks**

##### **The impact of technological and market changes on competitive advantage**

The dmg media group's ("the Group" and of which Associated Newspapers Limited is part of) businesses operate in highly competitive environments that can be subject to rapid change. Its products and services, and their means of delivery, are affected by technological innovations, competitor activity or changing customer behaviour.

All of the Group's businesses are alert to market changes of emerging technologies that could disrupt their products and brands. The autonomous culture of the Group encourages an entrepreneurial approach to the development of new opportunities in response to these threats and it continues to invest and adapt to remain competitive. The Group's strategy of diversification and willingness to take a long-term view helps it to react to these challenges and opportunities when they arise. In particular the Group has developed an internet strategy for each of its main segments of advertising revenue and as such the print and online businesses are working closely together to maximise the synergies that exist between these two formats.

MailOnline growth requires execution of the optimal strategy to increase monetisation of its user base, given the growth in mobile usage and programmatic advertising. This strategy includes geographic expansion into competitive, and in some cases mature, markets which brings uncertainty. Risks include competition from Facebook, hiring/retention of key senior executives and potential change in customer behaviour.

##### **Exposure to changes in the economy and customer spending patterns**

Our print titles continue to outperform the newspaper industry circulation decline, increasing their market share. However, there remains a risk that the newspaper industry declines as a whole and as a result Mail Newspapers copy sale decline accelerates due to changing consumer preferences and technological advancements.

A significant (although decreasing) proportion of the Group's revenue is derived from print advertising. This revenue has been affected by the downturn in the global economy in the past few years. The Group's experience in the past few years has demonstrated how the long-term digital strategy, investment in its branding and management of costs puts it in a robust position both now or, if growth slows or falls, in the future.

##### **Reliance on key management and staff retention**

The Group employs successful and talented management and staff across all of its businesses. Although it is impossible to predict with certainty that continued success will be enjoyed in the recruitment and retention of high quality management and creative talent, the Group's human resources director works with divisional and executive management across the Group on a formal approach to talent management and succession planning. This includes payment of competitive rewards, employee performance and turnover monitoring and a variety of approaches to staff communication.

## **Associated Newspapers Limited**

### **Strategic Report for the Financial Year from 30 September 2019 to 27 September 2020 (continued)**

#### **Commercial relationships including volatility of newsprint**

The Group is reliant on a number of commercial relationships with key suppliers and third parties. A significant change to the commercial terms under which the Group trades, or the loss of any of these key relationships, could have a material impact on results. In response to this, significant time and resources are committed to developing these relationships to ensure they continue to operate satisfactorily. An example of this is newsprint which represents a significant proportion of the Group's costs. Newsprint prices are subject to volatility arising from variations in supply and demand and also exchange rate fluctuation due to the uncertainty caused by Brexit. The Group's newsprint requirements are managed by a dedicated newsprint buying team and monitored by senior management. Where possible, long term arrangements are agreed with suppliers to limit the potential for volatility.

#### **Legal and regulatory**

The Group's businesses are subject to varying legislation and regulation in the jurisdictions in which they operate. These typically cover such areas as: libel; competition; data protection; privacy; health and safety; and employment law. The UK Bribery Act is notable as having multi-jurisdictional reach, i.e. all of the Group's businesses across the globe are required to comply. It also extends beyond the Group's direct subsidiaries, covering associates, joint ventures and sales agents. Additionally the Group is party to more specific regulations such as from the Office of Fair Trading and the Audit Bureau of Circulation.

In 2012, Lord Justice Leveson released his report from the inquiry into culture, practices and ethics of the press. A breach of legislation or regulations could have a significant impact on the Group, both in terms of additional costs, management time and reputational damage. Equally, the management time and cost of defending legal cases can be significant. Compliance with laws and regulations is taken seriously throughout the Group. The DMGT code of conduct (and supporting policies) sets appropriate standards of business behaviour and highlights the key legal and regulatory issues affecting the Group's businesses and is available to all staff. Training and further guidance is provided where necessary. Controls are also in place surrounding compliance with the Audit Bureau of Circulation's regulations and other regulatory bodies to which the Group adheres.

#### **Operational Risks**

##### **Reliance on IT infrastructure**

The Group's businesses are dependent on technology to some degree, either through internal systems or software products. Disruption to the information technology infrastructure or failure to implement new product systems effectively could result in lost revenue and damage the Group's reputation. Dedicated project management teams are used to manage the risk in any development or change project and business continuity plans are in place and are regularly tested in each division to protect existing systems.

##### **Pension scheme shortfalls**

Although closed to new employees in 2009, the Group continues to operate defined benefit pension schemes for its newspaper divisions and certain senior executives. Reported earnings may be adversely affected by changes in pension costs and funding requirements due to lower than expected investment returns, changes in bond yields and changes in demographics, particularly longer life expectancy. A funding approach by the DMGT group and a revised asset allocation strategy, designed to reduce and diversify the risk inherent in the investment portfolios have been agreed and implemented and a risk managed working group has been established to consider all aspects of financial risk and potential solutions. The schemes remain neutral in cash flow terms and so do not currently need to sell assets.

## **Associated Newspapers Limited**

### **Strategic Report for the Financial Year from 30 September 2019 to 27 September 2020 (continued)**

#### **Information security**

Information security continues to be an important issue for all businesses across the Group. Public examples of data losses in the past have highlighted the importance of information security. The Group's divisions manage information security risks locally with the support and oversight from the DMGT Risk Committee on areas such as policy training and technology. Any future breach in data security could have a harmful impact on the Group's business and reputation.

#### **Credit, cash and liquidity risk management**

The Company manages its cash flow through its financing within the DMGT Group. The Company participates in the DMGT cash pooling arrangements and as such cash flow risk is managed at a group level. Details of the DMGT Group's management of this risk can be found in its consolidated financial statements which are publicly available.

The Company's principal credit risk relates to its trade debtors which it manages by establishing credit limits, checking potential customers' credit records and insuring invoices where appropriate.

#### **Business continuity event (e.g. pandemic, epidemic, natural or manmade disaster)**

The Company faces business continuity risk associated with an event such as a pandemic, epidemic, natural or manmade disaster. Despite the seamless transition by the Company's businesses to remote working, following the onset of COVID-19, this specific additional principal risk has been included to reflect the potential operational and financial consequences of such a business continuity event

As well as an immediate impact on operations, an event may have an extended effect, as is expected to be the case with the COVID-19 pandemic. The safety of employees on their commute, as well as in the workplace, is a priority and containment measures to control the pandemic are likely to continue to affect working practices for an extended period of time.

The Company has implemented a number of operational actions designed to preserve liquidity and reduce costs in response to COVID-19 including a salary substitution plan although the Company has not taken any government financial support and no employees have been furloughed. Variable costs have decreased naturally, due to reduced revenues. There have also been measured reductions in discretionary spending and restructuring, further supporting the Company's cash generation.

#### **Economic and geopolitical uncertainty**

The significance of this risk has increased during the period because of the current COVID-19 pandemic and the containment measures put in place to control it. There is an increasing likelihood of an imminent and severe global recession.

#### **Results**

Operating profit for the year was £30,892,000 (2019: £50,343,000). This can be explained by lower turnover of £88,587,000 (13.5%) due to lower circulation and print advertising revenues offset partially by an increase in digital revenues. The profit for the financial year of the Company amounted to £17,139,000 (2019: £46,633,000). The directors recommend that no final dividend be paid (2019: £nil).

## Associated Newspapers Limited

### Strategic Report for the Financial Year from 30 September 2019 to 27 September 2020 (continued)

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Revenue	£'000	567,510	656,097
Operating profit	£'000	30,892	50,343
% Operating profit margin	%	5	8
Daily Mail (average issue print sale '000)	Copies	1,007	1,166
The Mail on Sunday (average issue print sale '000)	Copies	871	970
MailOnline (average global daily visitors '000)	Visits	16,004	12,555
Employees (average monthly)	FTE	1,728	1,657
Net assets	£'000	567,806	608,498

#### Priorities in the year ahead

dmg media will continue to harness the value of the Mail and 'i' brands for both readers and advertisers and invest in the quality of their popular journalism. The advertising market inherently lacks visibility and conditions are likely to remain both challenging and volatile until economic confidence returns. Circulation volumes of the Mail and 'i' are expected to decline from current levels. The cash operating income margin and operating margin will reflect a mix of the revenue dynamics and the benefit of continued cost efficiencies within the newspapers.

#### Employee involvement

The Company participates in the DMGT Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

In order that employees have a common awareness of the dmg media group's financial performance the Company publishes news on a regular basis through its intranet portal "Myhub".

The Company encourages involvement in the Company's performance by maintaining a share purchase scheme which is available to all staff.

#### Employment of disabled persons

The Company gives full and fair consideration to suitable applications from disabled persons for employment. If existing employees become disabled they will continue to be employed, wherever practicable, in the same job or, if this is not practicable, every effort will be made to find suitable alternative employment and to provide appropriate training. The Company believes in equality, diversity and inclusion. The Company's equal opportunities policy is designed to comply with the Equality Act 2010 and the EHRC (Equality and Human Rights Commission) Employment Statutory Code of Practice, and to promote best practice.


#### Environmental matters

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Company's activities. As a member of the DMGT Group, the Company operates in accordance with DMGT Group policies, which are described in the DMGT Group Annual Report, which does not form part of this report. Initiatives designed to minimise the Company's net impact on the environment include the safe disposal of manufacturing waste, recycling and reducing energy consumptions.

**Associated Newspapers Limited**

**Strategic Report for the Financial Year from 30 September 2019 to 27 September 2020 (continued)**

Approved by the Board on 23/6/21 and signed on its behalf by:



J J S Welsh  
Director

Date: 23/6/21

## **Associated Newspapers Limited**

### **Statement of Directors' Responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

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, 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 then 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 auditors' report to the members of Associated Newspapers Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Associated Newspapers Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 27 September 2020 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 statement of financial position as at 27 September 2020; the income statement, the statement of comprehensive income and the statement 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.

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### **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 company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which 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.

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### **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, ISAs (UK) require us also to report certain opinions and matters as described below.

## *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 27 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the 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.

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## **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 12, 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 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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the 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.

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## **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 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Philip Stokes (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
23 June 2021

## **Associated Newspapers Limited**

### **Income Statement for the Financial Year from 30 September 2019 to 27 September 2020**

		<b>Year ended 27 September 2020 £ 000</b>	<b>Year ended 29 September 2019 £ 000</b>
Revenue	<b>Note</b> 4	567,510	656,097
Other operating income		<u>4,848</u>	<u>8,040</u>
Operating profit		30,892	50,343
Exceptional items	6	(7,212)	2,437
Interest receivable and similar income	7	<u>3,159</u>	<u>6,099</u>
Profit before taxation		26,839	58,879
Tax on profit	8	<u>(9,700)</u>	<u>(12,246)</u>
Profit for the financial year		<u>17,139</u>	<u>46,633</u>

The above results were derived from continuing operations.

## Associated Newspapers Limited

### Statement of Comprehensive Income for the Financial Year from 30 September 2019 to 27 September 2020

	Year ended 27 September 2020 £ 000	Year ended 29 September 2019 £ 000
Profit for the financial year	<u>17,139</u>	<u>46,633</u>
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurements of post employment benefit obligations (net) 20	(71,757)	(25,933)
Tax relating to items that will not be reclassified to profit or loss 8	<u>9,315</u>	<u>4,409</u>
Total other comprehensive expense	<u>(62,442)</u>	<u>(21,524)</u>
Total comprehensive (expense)/income for the year	<u>(45,303)</u>	<u>25,109</u>

The notes on pages 20 to 67 form an integral part of these financial statements.

**Associated Newspapers Limited**

**Statement of Changes in Equity for the Financial Year from 30 September 2019 to 27 September 2020**

	Called up share capital £ 000	Share premium account £ 000	Other reserves £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 October 2018	103,526	241,704	5,338	230,108	580,676
Profit for the financial year	-	-	-	46,633	46,633
Other comprehensive expense	-	-	-	(21,524)	(21,524)
Total comprehensive income	-	-	-	25,109	25,109
Share based payment transactions (note 21)	-	-	-	2,713	2,713
At 29 September 2019	103,526	241,704	5,338	257,930	608,498
	Called up share capital £ 000	Share premium account £ 000	Other reserves £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 30 September 2019	103,526	241,704	5,338	257,930	608,498
Adjustment to transition to IFRS 16	-	-	-	1,341	1,341
Restated at 30 September 2019	103,526	241,704	5,338	259,271	609,839
Profit for the financial year	-	-	-	17,139	17,139
Other comprehensive expense	-	-	-	(62,442)	(62,442)
Total comprehensive expense	-	-	-	(45,303)	(45,303)
Share based payment transactions (note 21)	-	-	-	3,270	3,270
At 27 September 2020	103,526	241,704	5,338	217,238	567,806

The notes on pages 20 to 67 form an integral part of these financial statements.

## Associated Newspapers Limited

(Registration number: 00084121)

### Statement of Financial Position as at 27 September 2020

	Note	27 September 2020 £ 000	29 September 2019 £ 000
<b>Fixed assets</b>			
Intangible assets	11	67,059	34,311
Property, plant and equipment	12	41,308	48,662
Right of use assets	13	19,507	-
Investments	14	515	515
Sublease receivable	2	3,138	-
		<u>131,527</u>	<u>83,488</u>
<b>Current assets</b>			
Stocks	15	6,136	6,086
Debtors	16	791,878	511,885
Pension asset	20	187,268	252,450
Cash at bank and in hand		2,839	40
		<u>988,121</u>	<u>770,461</u>
Creditors: Amounts falling due within one year	17	(474,887)	(180,445)
Current portion of long term lease liabilities	18	(10,712)	-
Net current assets		<u>502,522</u>	<u>590,016</u>
Total assets less current liabilities		<u>634,049</u>	<u>673,504</u>
<b>Creditors: Amounts falling due after more than one year</b>			
Pension deficit liability	20	-	(7,600)
Long term lease liabilities	18	(12,677)	-
Creditors: Amounts falling due after more than one year		(12,677)	(7,600)
Provisions for liabilities	22, 8	(53,566)	(57,406)
Net assets		<u>567,806</u>	<u>608,498</u>
<b>Capital and reserves</b>			
Called up share capital	24	103,526	103,526
Share premium account		241,704	241,704
Other reserves		5,338	5,338
Retained earnings		217,238	257,930
Total Shareholders' funds		<u>567,806</u>	<u>608,498</u>

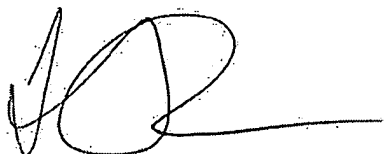
The notes on pages 20 to 67 form an integral part of these financial statements.

**Associated Newspapers Limited**

**(Registration number: 00084121)**

**Statement of Financial Position as at 27 September 2020 (continued)**

The financial statements on pages 16 to 67 were authorised for issue by the Board on 23/6/21 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'JJS Welsh', with a long horizontal line extending to the right.

J J S Welsh, Director

The notes on pages 20 to 67 form an integral part of these financial statements.

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020**

#### **1 General information**

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom.

The address of its registered office is:

Northcliffe House

2 Derry Street

London

England

W8 5TT

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

Annual improvements to International Financial Reporting Standards (IFRSs)

- IFRS 16, Leases (effective 1 October 2019)
- Amendment to IFRS 2, Share-based Payments - benefits (effective 1 October 2019)
- IFRIC 23, Uncertainty over Income Tax Treatments (effective 1 October 2019)
- IAS 19, Employee Benefits (effective 1 October 2019)
- IAS 28, Investments in Associates and Joint Ventures (effective 1 October 2019)

Other than IFRS 16, the adoption of standards, amendments and interpretations during the period did not have a material impact on the Company's Financial Statements.

IFRS 16, effective for the 2020 fiscal year, has eliminated the distinction between operating and finance leases for lessees and requires lessees to recognise right of use assets and corresponding liabilities for all leases. The new standard replaces operating lease charges with depreciation charges included within operating costs on the underlying right of use asset and interest charges included within finance costs on the lease liabilities.

On 1 October 2019, on the adoption of IFRS 16 the Group has recognised right of use assets of £26.2 million and lease liabilities of £33.1 million which had previously been classified as operating leases under the principles of IAS 17 Leases. In addition, the Group recognised £11million of sublease receivable.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate as at 1 October 2019. The weighted average incremental borrowing rate applied to these liabilities as at 1 October 2019 was 3.1%. The corresponding right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments as at 30 September 2019.

The Group has adopted IFRS 16 on a modified retrospective basis such that the Group has applied the simplified transition approach and has not restated comparative information.

##### **Changes in accounting policy**

As permitted by IFRS 16 the Company has applied a number of practical expedients:

- The Company has not brought onto the Statement of Financial Position short-term leases (those with 12 months or less to run as at 30 September 2019 including reasonably certain options to extend) or low-value assets. These items therefore continue to be expensed directly in the Income Statement.
- The Company has relied on its onerous lease assessments under IAS 37 to impair right of use assets in place of performing an impairment assessment on adoption of IFRS 16.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 2 Accounting policies (continued)

- The Company has measured right of use assets at an amount equal to the lease liability on adoption of IFRS 16 as adjusted by existing lease accruals, prepayments and dilapidations and onerous lease provisions.
- The Company has separated non-lease components from lease components as part of the transition adjustment.

The impact on the Company's Statement of Financial Position as at 30 September 2019 is summarised as follows:

		<b>£m</b>
Right of use assets	Increase	26.4
Sublease receivable	Increase	11
Prepayments	Decrease	(2.5)
Lease liabilities	Increase	(33.3)
Retained earnings	Increase	(1.3)

The measurement of lease liabilities is set out as follows:

	<b>£m</b>
Operating lease commitments disclosed as at 29 September 2019	38.7
Discounted using the Group's incremental borrowing rate	(1.5)
Add	
Assets not entered as lease commitments at 29 September 2019	0.1
Less	
Short term leases recognised on a straight-line basis as expense	(0.1)
Low value leases recognised on a straight-line basis as expense	(0.4)
Adjustments as a result of true ups to future cash payments	(1.1)
Prepayments on transition	(2.5)
Lease liability recognised as at 30 September 2019	33.1

The effects of adopting IFRS 16 for the first time are referred to in the notes to these financial statements.

The Company has adopted IFRS 16 on a modified retrospective basis such that the Group has applied the simplified transition approach and has not restated comparative information.

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3. The Company is a wholly-owned subsidiary of Daily Mail and General Trust plc and is included in the consolidated financial statements of Daily Mail and General Trust plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The annual financial statements are made up to the Sunday nearest to 30 September. The financial year ended 27 September 2020 consists of 52 weeks (2019: 52 weeks).

##### **Going concern**

The directors have considered the ability of the Company to continue in operational existence for the foreseeable future as well as the relevant business and financial risks. In doing this, they have considered the Company's business activities, together with the factors likely to affect its future development, performance and position.

The Company is in a net current assets position of £502.5m, as at 27 September 2020, however may be negatively impacted by COVID-19. The Company's parent, Daily Mail and General Trust plc ("DMGT") has confirmed that it will provide such financial support as might be necessary to ensure that the Company is a going concern for at least twelve months from the date of signing of these financial statements. The Group has considered the impact of COVID-19 and has obtained new five-year trading forecasts which have been re-modelled to incorporate a pessimistic scenario and a plausible but severe scenario for the period through to 30 September 2022, from its trading subsidiaries together with short term projections from certain associates and financial assets at fair value through other comprehensive income to assist in this assessment. In addition, the Group directors considered the availability of the Group's committed but undrawn bank facilities of £373.2 million which expire in March 2023. In this severe but plausible scenario the Group does not forecast a draw down on its bank facilities nor does it forecast a breach of its banking covenants. After due consideration the Group directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence and provide financial support to its subsidiaries for at least twelve months from the date of this report.

After making enquiries, the directors of the Company therefore has a reasonable expectation that the Company will have access to adequate resources to continue in operational existence for at least twelve months from the date of this report and have therefore continued to adopt the going concern basis in preparing the financial statements.

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Summary of disclosure exemptions**

Set out below are the applicable FRS 101 exemptions applied by the Company in preparing these financial statements.

##### **Cash flow Statement**

The Company is a wholly owned subsidiary of Daily Mail and General Trust plc (DMGT) and the cash flows of the Company are included in the consolidated cash flows of that company. Consequently the Company is exempt under the terms of IAS 1 Presentation of financial statements.

##### **Related Party Transactions**

The Company has taken advantage of the exemptions under IAS 24 "Related party disclosures" not to disclose compensation for key management personnel and transactions or balances with entities that are part of the DMGT Group.

##### **Share Based Payments**

The Company has taken advantage of the exemption to reduce the disclosure on share based payments to those required under paragraphs 44 and 45(a), (c) and (d) of IFRS 2.

##### **Revenue recognition**

Revenue represents amounts receivable for goods and services provided in the normal course of business net of value added tax, trade discounts and commission where applicable and is recognised using several methods. Circulation revenue is recognised on issue of the publication net of a returns provision. Advertising revenue is recognised on issue of the publication or over the period of the on-line campaign. Other operating income represents rent received net of value added tax recognised on the accruals basis.

The Company enters into agreements with advertising agencies and certain clients, which are subject to a minimum spend and typically include a commitment to deliver rebates to the agency or client based on the level of agency spend over the contract period.

The principal revenue performance obligations are:

- subscriptions revenue, including revenue from information services, is recognised over the period of the subscription or contract;
- publishing and circulation revenue is recognised on issue of the publication or report;
- advertising revenue is recognised on issue of the publication or over the period of the online campaign;
- contract print revenue is recognised on completion of the print contract.

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Tax**

Tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity, in which case the tax is also recognised directly in equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

##### **Property, plant and equipment**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

##### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Short leasehold land and buildings	Period of lease
Plant and machinery	3-20 years

##### **Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

##### **Intangible assets**

Purchased intangible assets relating to trademarks are capitalised and amortised through the profit and loss account over the lower of their useful economic lives, if any, and a period of 20 years. Any intangible assets with an indefinite life that are capable of continued measurement are reviewed annually for any impairment in value.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 2 Accounting policies (continued)

##### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Intercompany trademarks	19 years straight-line
Trademarks	Reviewed annually
Software development costs	3-5 years

##### Investments

Investments in subsidiaries, joint ventures and other investments held for the long term, are stated at cost, less any provision for impairment, where appropriate.

##### The Company as a lessor

Leases for which the Company is a lessor are classified as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee and classified as an operating lease if it does not.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right of use asset arising from the head lease. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment in the lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

##### Inventories

Inventories are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

##### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the 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.

##### Leases

Rental income from operating leases is recognised on a straight line basis over the term of the lease.

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Leases**

###### *Definition*

The Company assesses whether a contract is, or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

###### *Initial recognition and measurement*

Where the Company acts as a lessee it recognises a right of use asset and corresponding liability at the date at which a leased asset is made available for use by the Company, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is measured at the present value of the future lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the Company's incremental borrowing rate specific to the term, country, currency and start date of the lease.

The Company's lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; and payments in an optional renewal period if the Group is reasonably certain to exercise an extension option or not exercise a break option less any lease incentives receivable, and an estimate of restoration, removal and dismantling costs.

###### *Subsequent measurement*

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right of use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Company's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

The right of use asset is initially measured at cost based on the value of the associated lease liability, adjusted for any payments made before inception, initial indirect costs and any dilapidation or restoration costs.

The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment.

###### *Short term and low value leases*

Leases of low value assets and short-term leases of 12 months or less are expensed to the Income Statement, as are non-lease service components.

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

##### **Defined benefit pension**

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation or surplus is measured using the projected unit credit method. The present value of the defined benefit obligation or surplus is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. In accordance with the advice of independent qualified actuaries, in assessing whether to recognise a surplus, the Company has regard to the principals set out in IFRIC 14.

Actuarial gains and losses are charged or credited to other comprehensive income in the year in which they arise. Past-service costs are recognised immediately in profit or loss.

##### **Share based payments**

The Company has applied the requirements of IFRS 2 'Share-based Payment' to all grants of equity instruments after 7 November 2002.

Certain employees receive remuneration in the form of share-based payment, including shares or rights over 'A' Ordinary Non-Voting shares in Daily Mail and General Trust plc. The cost of equity-settled transactions with employees is measured initially by reference to the fair value of the instruments concerned at the date at which they are granted.

The fair value determined at the grant date of the equity-settled transactions is expensed over the vesting period, based upon the Directors' estimate of the shares that will eventually vest and adjusted for non-market based vesting conditions.

As the options are over shares in Daily Mail and General Trust plc ('DMGT'), a capital contribution is also recorded.

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

##### **Contract discount and rebate provisions**

The Company enters into agreements with advertising agencies and certain clients, which are subject to a minimum spend and typically include a commitment to deliver rebates to the agency or client based on the level of agency spend over the contract period. These rebates can take the form of free advertising space, cash payments or both. The rebate provision is calculated using the forecast spend over the contract period and rebate entitlement set out in the trading agreement. Calculating the required provision therefore requires an estimate of future period spend in determining what tier of spend the agencies may reach over the agreement.

##### **Accruals and deferred income**

The Company adopts the accruals concept with regard to costs and revenue by accounting for items in the year to which they relate.

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. In addition to the judgement taken by management in selecting and applying the accounting policies set out above, management have made the following judgements concerning the amounts recognised in the financial statements.

##### **Retirement benefit obligations**

The cost of defined benefit pension plans is determined using actuarial valuations prepared by the DMGT Group's actuaries. This involves making certain assumptions concerning discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumptions and the resulting estimates are reviewed annually and, when appropriate, changes are made which affect the actuarial valuations and, hence, the amount of retirement benefit expense recognised in the Income Statement and the amounts of actuarial gains and losses recognised in the Statement of Changes in Equity.

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **3 Critical accounting judgements and key sources of estimation uncertainty (continued)**

##### **Forecasting**

The Group prepares medium-term forecasts based on Board-approved budgets and up to five-year outlooks. These are used to support judgements made in the preparation of the Group's financial statements including the recognition of deferred tax assets, going concern assessment and for the purposes of impairment reviews. Longer-term forecasts use long-term growth rates applicable to the relevant businesses.

##### **Impairment of goodwill and intangible assets**

Determining whether goodwill and intangible or other assets are impaired or whether a reversal of an impairment should be recorded requires a comparison of the balance sheet carrying value with the recoverable amount of the asset or CGU. The recoverable amount is the higher of the value in use and fair value less costs to sell. The value in use calculation requires management to estimate the future cash flows expected to arise from the asset or CGU and calculate the net present value of these cash flows using a suitable discount rate. A key area of judgement is deciding the long-term growth rate and the operating cash flows of the applicable businesses and the discount rate applied to those cash flows.

##### **Taxation**

Being a multinational Group with tax affairs in many geographic locations inherently leads to a highly complex tax structure which makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and actual tax liabilities or refunds may differ from those anticipated due to changes in tax legislation, differing interpretations of tax legislation and uncertainties surrounding the application of tax legislation. Such issues can take several years to resolve. The Group accounts for unresolved issues based on its best estimate of the final outcome, however, the inherent uncertainty regarding these items means that the eventual resolution could differ significantly from the accounting estimates and, therefore, impact the Group's results and future cash flows. In situations where uncertainties exist, provision is made for contingent tax liabilities and assets when it is more likely than not that there will be a cash impact. These provisions are made for each uncertainty individually on the basis of management judgement following consideration of the available relevant information. The measurement basis adopted represents the best predictor of the resolution of the uncertainty which is usually based on the most likely cash outflow. The company reviews the adequacy of these provisions at the end of each reporting period and adjusts them based on changing facts and circumstances. In addition, the Group makes estimates regarding the recoverability of deferred tax assets relating to losses based on forecasts of future taxable profits which are, by their nature, uncertain.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	Year ended 27 September 2020 £ 000	Year ended 29 September 2019 £ 000
Sale of goods and services	560,270	648,988
Other sales income	7,240	7,109
	<u>567,510</u>	<u>656,097</u>

Revenue from sale of goods and services can be split geographically as follows:

	Year ended 27 September 2020 £ 000	Year ended 29 September 2019 £ 000
Sales - UK	470,293	542,464
Sales - North America	45,930	64,499
Sales - Europe (excluding the UK)	43,361	41,546
Sales - Rest of world	686	479
	<u>560,270</u>	<u>648,988</u>

There were impairment losses of £374,000 on contract receivables recognised during the year.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 5 Operating profit

Arrived at after charging/ (crediting):

	Period ended 27 September 2020 £ 000	Period ended 29 September 2019 £ 000
Depreciation expense	21,654	13,214
Amortisation expense	12,376	13,836
Foreign exchange losses/(gains)	214	(195)
Operating lease expense - land and buildings	29	10,096
Operating lease expense - plant and machinery	378	1,033
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	186	240
Loss on disposal of fixed assets	43	(798)

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services to the Company are not required to be disclosed because the Daily Mail and General Trust plc consolidated financial statements disclose such fees on a consolidated basis.

Amortisation of intangible fixed assets includes £1,628,000 (2019: £3,088,000) that relates to amortisation of software development expenditure and £10,748,000 (2019: £10,748,000) that relates to the amortisation of trademarks.

There were research and development costs for the year of £nil (2019: £450,000).

#### 6 Exceptional items

	Period ended 27 September 2020 £ 000	Period ended 29 September 2019 £ 000
Exceptional items	7,212	(2,437)

Exceptional costs of £7,212,000 relate to reorganisation expenses. The exceptional credit of £2,437,000 in 2019 relates to the closure of the Company's print site at Didcot in 2017.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 7 Interest receivable and similar income

	Year ended 27 September 2020 £ 000	Year ended 29 September 2019 £ 000
Interest on bank overdrafts and borrowings	-	315
Finance charge on lease liability re Right to use assets	730	-
Interest payable to group companies	929	984
Finance credit on pension deficit	(4,590)	(7,398)
Finance income on sublease receivable	(228)	-
	<u>(3,159)</u>	<u>(6,099)</u>

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 8 Tax on profit

Tax charged in the income statement:

	Year ended 27 September 2020 £ 000	Year ended 29 September 2019 £ 000
<b>Current taxation</b>		
UK corporation tax	4,619	7,430
UK corporation tax adjustment to prior years	<u>(142)</u>	<u>605</u>
	<u>4,477</u>	<u>8,035</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	5,057	6,036
UK corporation tax adjustment to prior years	<u>166</u>	<u>(1,825)</u>
Total deferred taxation	<u>5,223</u>	<u>4,211</u>
Tax expense in the income statement	<u>9,700</u>	<u>12,246</u>

The above adjustments to prior years relate to changes in tax rules. The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%). The differences are reconciled below:

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 8 Tax on profit (continued)

	2020 £ 000	2019 £ 000
Profit before tax	<u>26,839</u>	<u>58,879</u>
Corporation tax at standard rate	5,099	11,187
UK corporation tax adjustment to prior years	(142)	605
Increase from effect of expenses not deductible in determining taxable profit	4,290	2,989
Decrease arising from group relief tax reconciliation	(299)	-
Deferred tax expense/(credit) from unrecognised temporary difference from a prior year	166	(1,825)
Deferred tax credit relating to changes in tax rates or laws	(1,861)	-
Deferred tax derecognised	<u>2,447</u>	<u>(710)</u>
Total tax charge	<u>9,700</u>	<u>12,246</u>

The main rate of UK corporation tax was 19% throughout the year, accordingly, current tax has been provided for at an effective rate of 19% in these financial statements.

Under FRS101, deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date. Hence, the tax rate of 19% has been applied in the calculation of deferred tax.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 8 Tax on profit (continued)

##### Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
<b>2020</b>			
Accelerated tax depreciation	18,760	-	18,760
Accruals	447	-	447
Loans and borrowings	-	-	-
Pension benefit obligations	-	(35,585)	(35,585)
Tax losses carry-forwards	557	-	557
Other items	257	-	257
	<u>20,021</u>	<u>(35,585)</u>	<u>(15,564)</u>

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
<b>2019</b>			
Accelerated tax depreciation	17,709	-	17,709
Accruals	787	-	787
Loans and borrowings	2,189	-	2,189
Pension benefit obligations	-	(41,347)	(41,347)
Tax losses carry-forwards	-	-	-
Other items	-	-	-
	<u>20,685</u>	<u>(41,347)</u>	<u>(20,662)</u>

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 8 Tax on profit (continued)

Deferred tax movement during the year

	At 30 September 2019 £ 000	Recognised in income £ 000	Recognised in other incomprehensive expense £ 000	Hived across £ 000	At 27 September 2020 £ 000
Accelerated tax depreciation	17,709	600	-	451	18,760
Accruals	787	(340)	-	-	447
Loans and borrowings	2,189	(2,189)	-	-	-
Pension benefit obligations	(41,347)	(3,553)	9,315	-	(35,585)
Tax losses carry-forwards	-	-	-	557	557
Other items	-	257	-	-	257
Net tax assets/(liabilities)	<u>(20,662)</u>	<u>(5,225)</u>	<u>9,315</u>	<u>1,008</u>	<u>(15,564)</u>

Deferred tax movement during the prior year

	At 1 October 2018 £ 000	Recognised in income £ 000	Recognised in other incomprehensive income £ 000	At 29 September 2019 £ 000
Accelerated tax depreciation	18,546	(837)	-	17,709
Accruals	795	(8)	-	787
Loans and borrowings	2,189	-	-	2,189
Pension benefit obligations	(42,390)	(3,366)	4,409	(41,347)
Tax losses carry-forwards	-	-	-	-
Other items	-	-	-	-
Net tax assets/(liabilities)	<u>(20,860)</u>	<u>(4,211)</u>	<u>4,409</u>	<u>(20,662)</u>

The directors are of the opinion that it is more likely than not that the level of profits in future financial years in the Company and the wider UK group will be sufficient to recover the recognised deferred tax asset.

There are £12,875,000 of deductible temporary differences (2019: £12,875,000) for which no deferred tax asset is recognised in the statement of financial position, which relates to other temporary differences where there is insufficient certainty that the difference will be utilised in the foreseeable future.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>Year ended 27 September 2020 £ 000</b>	<b>Year ended 29 September 2019 £ 000</b>
Wages and salaries	120,313	125,383
Social security costs	15,443	15,130
Other pension costs	5,605	5,299
	<u>141,361</u>	<u>145,812</u>

Wages and salaries include share based payments to the value of £7,764,000 (2019: £4,854,000).

The monthly average number of persons employed by the Company (including directors) during the year analysed by category was as follows:

	<b>Year ended 27 September 2020 Number</b>	<b>Year ended 29 September 2019 Number</b>
Editorial	1,062	1,021
Advertising, sales and marketing	240	233
IT support	197	173
Pre-press and printing	119	116
Management and administration	96	100
Circulation and distribution	14	14
	<u>1,728</u>	<u>1,657</u>

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 10 Directors' remuneration

The directors' remuneration for the year was as follows:

	Year ended 27 September 2020 £ 000	Year ended 29 September 2019 £ 000
Aggregate emoluments	1,912	3,506
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	<u>1,389</u>	<u>2,288</u>
	<u>3,301</u>	<u>5,794</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	Year ended 27 September 2020 Number	Year ended 29 September 2019 Number
Exercised share options	1	1
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	Year ended 27 September 2020 £ 000	Year ended 29 September 2019 £ 000
Aggregate emoluments	1,305	2,638
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	<u>1,309</u>	<u>2,288</u>

The emoluments of The Viscount Rothermere are paid by the parent company, Daily Mail and General Trust plc. His services to the Company and to a number of fellow group companies are of a non-executive nature and emoluments are deemed to be wholly attributable to the services to the parent company. Accordingly, the above details include no emoluments in respect of The Viscount Rothermere. These are fully disclosed in the financial statements of Daily Mail and General Trust plc.

The directors did not receive any remuneration in respect of qualifying services in either the current or prior year. The remuneration of the directors is paid by the parent company which makes no recharge to the company. The directors' remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the parent company. Other than the directors there were no other employees in either the current or the prior year.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 11 Intangible assets

	Goodwill £ 000	Trademarks and brands £ 000	Software development costs £ 000	Total £ 000
<b>Cost or valuation</b>				
At 30 September 2019	89,586	43,000	16,855	149,441
Additions	<u>9,732</u>	<u>34,925</u>	<u>467</u>	<u>45,124</u>
At 27 September 2020	<u>99,318</u>	<u>77,925</u>	<u>17,322</u>	<u>194,565</u>
<b>Accumulated amortisation</b>				
At 30 September 2019	(89,586)	(10,748)	(14,796)	(115,130)
Amortisation charge	<u>-</u>	<u>(10,748)</u>	<u>(1,628)</u>	<u>(12,376)</u>
At 27 September 2020	<u>(89,586)</u>	<u>(21,496)</u>	<u>(16,424)</u>	<u>(127,506)</u>
<b>Carrying amount</b>				
At 27 September 2020	<u>9,732</u>	<u>56,429</u>	<u>898</u>	<u>67,059</u>
At 29 September 2019	<u>-</u>	<u>32,252</u>	<u>2,059</u>	<u>34,311</u>

As part of the hive up of JPIMedia Publications Limited's trading assets and liabilities the Company acquired an intangible of £34,925,000 and goodwill of £9,732,000 relating to The i brand.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 12 Property, plant and equipment

	Short leasehold land and buildings £ 000	Plant and machinery £ 000	Total £ 000
<b>Cost or valuation</b>			
At 30 September 2019	21,933	90,503	112,436
Additions	-	6,384	6,384
At 27 September 2020	21,933	96,887	118,820
<b>Accumulated depreciation</b>			
At 30 September 2019	(10,892)	(52,882)	(63,774)
Charge for the period	(1,294)	(12,444)	(13,738)
At 27 September 2020	(12,186)	(65,326)	(77,512)
<b>Carrying amount</b>			
At 27 September 2020	9,747	31,561	41,308
At 29 September 2019	11,041	37,621	48,662

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 13 Right of use assets

	Plant and equipment £ 000	Leasehold properties £ 000	Total £ 000
<b>Cost or valuation</b>			
Adjustment for transition to IFRS 16	1,573	24,593	26,166
Additions	657	616	1,273
Disposals	(18)	-	(18)
At 27 September 2020	<u>2,212</u>	<u>25,209</u>	<u>27,421</u>
<b>Accumulated Depreciation</b>			
Charge for the period	(649)	(7,267)	(7,916)
Eliminated on disposal	2	-	2
At 27 September 2020	<u>(647)</u>	<u>(7,267)</u>	<u>(7,914)</u>
<b>Carrying amount</b>			
At 27 September 2020	<u>1,565</u>	<u>17,942</u>	<u>19,507</u>

#### 14 Investments

	Subsidiaries £ 000	Total £ 000
<b>Cost or valuation</b>		
At 30 September 2019	4,413	4,413
Liquidation	(3,898)	(3,898)
At 27 September 2020	<u>515</u>	<u>515</u>
<b>Provision</b>		
At 30 September 2019	(3,898)	(3,898)
Eliminated on liquidation	3,898	3,898
At 27 September 2020	<u>-</u>	<u>-</u>
<b>Carrying amount</b>		
At 27 September 2020	<u>515</u>	<u>515</u>
At 29 September 2019	<u>515</u>	<u>515</u>

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 14 Investments (continued)

In the opinion of the directors, the value of the investments in subsidiaries and associates and other investments is not less than their book values.

The disposal above relates to Associated Metro Holdings Limited which was disposed for nil gain nil loss.

#### Subsidiaries

Details of the subsidiaries as at 27 September 2020 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and registered office	Proportion of ownership interest and voting lefts held
			27 September 2020
MailLife Financial Services Limited	Dormant	United Kingdom	100%
Daily Mail Limited	Dormant	United Kingdom	100%
The Mail on Sunday Limited	Dormant	United Kingdom	100%
Associated Newspapers (Ireland) Limited	Publishing of newspapers	Ireland	100%

#### Associates

Details of the associates as at 27 September 2020 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			27 September 2020	29 September 2019
ES London Limited	Newspaper publishing	United Kingdom	30%	30%
Northprint Manchester Limited	Dormant	United Kingdom	50%	50%

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **14 Investments (continued)**

##### **Registered offices**

Northcliffe House  
2 Derry Street  
London  
W8 5TT

The above address is the registered office for MailLife Financial Services Limited, Daily Mail Limited, The Mail on Sunday Limited and ES London Limited.

Associated Newspapers (Ireland) Limited  
Third Floor  
Embassy House  
Herbert Park Lane  
Ballsbridge  
Dublin 4 662817

Northprint Manchester Limited  
PO BOX 68164 Kings Place  
90 York Way  
London  
N1P 2AP

#### **15 Stock**

	<b>27 September 2020 £ 000</b>	<b>29 September 2019 £ 000</b>
Raw materials and consumables	<u>6,136</u>	<u>6,086</u>

There is no material difference between the balance sheet value of stocks and their replacement value.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 16 Debtors

	27 September 2020 £ 000	29 September 2019 £ 000
Trade receivables	83,288	105,668
Amounts due from group undertakings	678,024	382,851
Other debtors	6,308	416
Prepayments and accrued income	24,258	22,950
Total current trade and other receivables	<u>791,878</u>	<u>511,885</u>

Included in other debtors is an amount of £3,682,000 for sublease receivables (2019: £nil).

Amounts owed to group undertakings are repayable on demand and interest free.

#### 17 Creditors: amounts falling due within one year

	27 September 2020 £ 000	29 September 2019 £ 000
<b>Current liabilities</b>		
Trade payables	23,556	4,136
Accruals and deferred income	55,080	58,389
Amounts owed to group undertakings	381,666	103,016
Social security and other taxes	4,205	3,227
Outstanding defined contribution pension costs	974	-
Other creditors	4,784	4,495
Amounts payable for group relief to DMGT entities	4,622	7,182
	<u>474,887</u>	<u>180,445</u>

Included within amounts owed to group undertakings is a loan from Daily Mail and General Holdings Limited of £112,482,000 (2019: £82,332,000). Interest is charged at 0.5% above base rate and the loan is repayable on demand. All other amounts owed to group undertakings are repayable on demand and interest free.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 18 Leases

##### Leases included in creditors

	27 September 2020 £ 000	29 September 2019 £ 000
Current portion of long term lease liabilities	10,712	-
Long term lease liabilities	<u>12,677</u>	<u>-</u>

##### Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	27 September 2020 £ 000	29 September 2019 £ 000
Lease payments	-	-
Right of use assets	<u>10,970</u>	<u>-</u>

The Company leases various office space, equipment and vehicles which are negotiated on an individual basis with differing terms and conditions. The key lease arrangement relates to office space. The Company negotiates lease contracts according to the Company's needs with a view to balancing stability, security of tenure and lease terms against the risk of entering excessively long or onerous arrangements.

Of the Company's leased properties, the most significant leases relate to the Associated Newspapers Limited head office premises Northcliffe House, 2 Derry Street, London, W8 5TT which expires in December 2022.

The lease payments for Northcliffe House made during the year amount to £10.0 million and these are adjusted each year in line with the Consumer Price Index of the preceding year.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 19 Obligations under leases and hire purchase contracts

##### Operating leases

The Company had annual commitments under non-cancellable operating leases for plant and machinery and land and buildings.

The total future value of minimum lease payments is as follows:

	<b>27 September</b>	<b>29 September</b>
	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£000</b>
Within one year	183	11,451
Between one to five years	11	26,474
After more than five years	-	803
	<u>194</u>	<u>38,728</u>

The above relate to low-value (under £5,000) and short-term (less than 12 months) leases.

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **20 Pension and other schemes**

The Company operates a number of pension schemes. These include defined contribution pension arrangements and defined benefit pension arrangements. The defined benefit schemes, together with some defined contribution plans, are administered by Trustees or Trustee Companies. The total net pension costs of the Company for the period ended 27 September 2020 was £1 million (2019: net costs of £0.2 million).

##### **Defined benefit pension schemes**

###### **Background**

The Company operates two main defined benefit schemes, the Harmsworth Pension Scheme (HPS) and the Senior Executive Pension Scheme (SEPF), both of which are now closed to new entrants and to further accrual.

Full actuarial valuations of the Schemes are carried out triennially by the scheme actuary. Following the results of the latest triennial valuations as at 31 March 2019, the Company, together with Daily Mail and General Holdings Limited (DMGH), a fellow DMGT Group company, has agreed a recovery plan for HPS involving a funding payment of £14.4 million on 5 October 2020 and a series of annual funding payments of £11.0 million on 5 October 2021 to 5 October 2024.

Following the disposal of Euromoney in 2019 the Group intends to make available £113.6 million from the Group's cash resources to the Schemes. This will be held in a cash Escrow arrangement for the benefit of the Schemes, to be released to the Schemes or the Group depending on the future level of the Schemes' funding. None of the Escrow will be released before 2024, up to £50.0 million may be released to the Schemes in 2024 depending on funding level, and in 2026 any remaining funds on Escrow will either be released to DMGT or the Schemes depending on funding level.

As part of the funding agreement from the 31 March 2019 triennial valuation, the Company and DMGH has agreed to make five annual payments of £7.0 million into the Escrow arrangement, from October 2020 to October 2024.

In addition, the Company and DMGH has agreed with the Trustees of the Schemes (Trustees) that, should it make any permanent reductions in the Company's capital, including share buy-backs, it will make additional contributions to the Schemes amounting to 20.0% of the capital reduction. Contributions of £nil (2019: £nil) relating to this agreement were made in the year to 27 September 2020.

The Company and DMGH considers that these contributions are sufficient to eliminate any deficit over the agreed period. This recovery plan will be reviewed at the next triennial funding valuation of the Schemes which is due to be completed with an effective date of 31 March 2022.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 20 Pension and other schemes (continued)

##### Limited Partnership investment vehicle

HPS owns a beneficial interest in a Limited Partnership investment vehicle (LP). The LP has been designed to facilitate payments of £10.8 million as part of the deficit funding payments described above over the period to 2026. In addition, the LP is required to make a final payment to the scheme of £149.9 million, or the funding deficit within the scheme on an ongoing actuarial valuation basis, at the end of the period to 2026 if this is less. The Recovery Plan above assumes £60.0 million of the £149.9 million final payment is required. As part of the 31 March 2019 actuarial discussions it has been agreed that the LP will be dissolved and replaced with a long-term insolvency guarantee, capped at £150.0 million with a termination date of 2035 (or the date on which the scheme reaches full funding on a self-sufficiency basis). HPS's interest in the LP is treated as an asset of the scheme and reduces the actuarial deficit within the scheme.

A reconciliation of the net pension obligation reported in the Consolidated Statement of Financial Position is shown in the following table:

	<b>At 27 September 2020</b>	<b>At 27 September 2020</b>	<b>At 27 September 2020</b>	<b>At 29 September 2019</b>	<b>At 29 September 2019</b>	<b>At 29 September 2019</b>
	Schemes in surplus	Schemes in deficit	Total	Schemes in surplus	Schemes in deficit	Total
	£m	£m	£m	£m	£m	£m
Present value of defined benefit obligation	(1,872)	(39.6)	(1,911.6)	(1,855.2)	(40.7)	(1,895.9)
Assets at fair value	2,068.9	30	2,098.9	2,107.6	33.1	2,140.7
Surplus/ (deficit) reported in the Consolidated Statement of Financial Position	196.9	(9.6)	187.3	252.4	(7.6)	244.8

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **20 Pension and other schemes (continued)**

The IAS 19 accounting surplus/(deficit) data above differs to the triennial actuarial surplus/(deficit) calculation used in the assessment of future funding obligations. There are a number of reasons for this - the actuarial valuation is as at the Schemes' year end date of 31 March and is calculated triennially based on more prudent assumptions including those covering discount rates and mortality. IAS 19 requires the Company to use best estimate assumptions.

The International Financial Reporting Interpretations Committee, in its document IFRIC 14, has interpreted the extent to which a company can recognise a pension surplus on its Statement of Financial Position.

In relation to HPS and the SEPF, having taken account of the rules of the Schemes, the Company has an unconditional right to a refund of any surplus under IFRIC 14 and considers that the recognition of surpluses in these Schemes on its Statement of Financial Position is in accordance with the interpretations of IFRIC 14.

In relation to an Additional Voluntary Contribution scheme (AVC), having taken account of the rules of the Scheme, the Company does not have an unconditional right to a refund under IFRIC14. However, at 30 September 2020 the AVC Plan showed a deficit and no contributions are payable into the AVC Plan. Therefore no asset ceiling needs to be applied to restrict surplus on the balance sheet and no additional minimum funding liability is needed under IFRIC 14.

IFRIC 14 is in the process of being revised which may lead to a reassessment of the Company's recognition of any pension surplus on its Statement of Financial Position.

The deficit for the year, set out above, excludes a related deferred tax liability of £35.6 million (2019: £41.3 million).

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 20 Pension and other schemes (continued)

##### *Scheme liabilities*

A reconciliation of the present value of the defined benefit obligation is shown in the following table:

	<b>27 September 2020 £ 000</b>	<b>29 September 2019 £ 000</b>
Present value at start of period	1,895,900	1,659,300
Past service cost	-	1,900
Actuarial loss as a result of changes in demographic assumptions	9,400	2,000
Actuarial loss as a result of changes in financial assumptions	40,900	259,600
Actuarial loss as a result of membership experience	6,100	2,100
Interest cost	33,400	45,400
Net benefit payments	<u>(74,100)</u>	<u>(74,400)</u>
Present value at end of period	<u>1,911,600</u>	<u>1,895,900</u>

##### *Scheme assets*

A reconciliation of the fair value of assets is shown in the following table:

	<b>27 September 2020 £ 000</b>	<b>29 September 2019 £ 000</b>
Fair value at start of period	2,140,700	1,916,100
Interest income	38,000	52,800
Return on plan assets, excluding amounts included in interest income on scheme assets	(12,100)	237,700
Member contribution	6,400	8,500
Net benefit payments	<u>(74,100)</u>	<u>(74,400)</u>
Fair value at end of period	<u>2,098,900</u>	<u>2,140,700</u>

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 20 Pension and other schemes (continued)

##### Analysis of assets

The fair value of the assets is categorised as follows:

	Note	At 27 September 2020 %	At 27 September 2020 %	At 29 September 2019 %	At 29 September 2019 £m
Equity	(i)				
- Investment funds		212,800	10	215,000	10
- Private equity		110,800	5	124,300	6
Liability driven investments	(iii)	475,600	23	541,100	25
Bonds and loans	(ii)	810,300	39	764,800	36
Property	(iv)	268,800	13	307,400	14
Infrastructure		138,200	7	140,600	7
Cash / other		78,500	3	47,500	2
Total assets		<u>2,095,000</u>	<u>100</u>	<u>2,140,700</u>	<u>100</u>

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **20 Pension and other schemes (continued)**

(i) Equities include hedge funds and infrastructure funds. Quoted securities in active markets are valued at the latest available bid price at the reporting date.

Private equity and infrastructure funds are valued by investment managers using appropriate valuation techniques. These are derived from market based multiples and discount rates of comparable quoted businesses or market transactions which have been determined by the Trustees' investment advisors to represent fair value.

(ii) Bonds and credit assets include corporate bonds, distressed credit and loans. Corporate bonds are held in unitised pooled investment vehicles and are valued at the latest available bid price provided by the pooled investment manager. Distressed credit and loans are valued by the investment managers using relevant valuation techniques.

(iii) Liability Driven Investment funds (LDI) are a collateralised portfolio of gilt repo and swap contracts designed to hedge circa 50 % (by value of assets) of the scheme's inflation and discount rate risks. These are independently valued using quoted prices and for OTC instruments by the investment manager using recognised discounting techniques.

(iv) The Schemes' property portfolio represent a mixture of industrial, retail, office and leisure. These assets are independently valued at open market value at 31 March each year with subsequent changes in value based on changes in the Investment Property Databank Index (IPD) which tracks retail, office and industrial property transactions.

The value of employer-related assets held on behalf of the schemes at 27 September 2020 was £nil (0.0 % of assets), (2019: £nil, 0.0 % of assets).

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 20 Pension and other schemes (continued)

##### *Principal actuarial assumptions*

The main financial assumptions are shown in the following table:

	<b>27 September 2020</b>	<b>29 September 2019</b>
	%	%
Discount rate	1.55	1.80
Pension increases	2.85	3.00
Price inflation	<u>2.95</u>	<u>3.10</u>

The discount rate for both scheme liabilities and the fair value of scheme assets reflects yields at the year-end date on high-quality corporate bonds and are based on a cash flow-based yield curve, calculating a single equivalent discount rate reflecting the average duration of the schemes' liabilities, rounded to the nearest 0.05 % p.a. This methodology incorporates bonds given an AA rating from at least two of the main four rating agencies (Standard and Poors, Moody's, Fitch and DBRS).

RPI inflation is derived in a similar way to the discount rate but with reference to the Bank of England spot curve at the duration of the schemes' weighted averaged duration with an appropriate allowance for inflation risk premium (0.20 % p.a.), rounded to the nearest 0.05 % p.a.

Mortality assumptions take account of scheme experience, and also allow for further improvements in life expectancy based on the Continuous Mortality Investigation (CMI) projections but with a long-term rate of improvement in future mortality rates of 1.25 % p.a. Allowance is made for the extent to which employees have chosen to commute part of their pension for cash at retirement.

The average duration of the defined benefit obligation at the end of the year is approximately 17 years (2019: 18 years).

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 20 Pension and other schemes (continued)

##### *Post retirement mortality assumptions*

The table below illustrates examples of the assumed average life expectancies from age 60 for the principal schemes:

	27 September 2020	29 September 2019
For a current 60-year-old male member of the scheme	26.90	26.70
For a current 60-year-old female member of the scheme	28.50	28.30
For a current 50-year-old male member of the scheme	27.20	27.10
For a current 50-year-old female member of the scheme	<u>29.20</u>	<u>29.00</u>

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

##### *Amounts recognised in the income statement*

The amounts charged to the Consolidated Income Statement relating to the Group's defined benefit schemes, based on the above assumptions are shown in the following table:

	27 September 2020 £ 000	29 September 2019 £ 000
<b>Amounts recognised in operating profit</b>		
Current service cost		(1,900)
<b>Amounts recognised in finance income or costs</b>		
Recognised in other finance cost	<u>(4,600)</u>	<u>(7,400)</u>
Total recognised in the income statement	<u>(4,600)</u>	<u>(5,500)</u>

##### **Sensitivity analysis**

Pension costs and the size of any pension surplus or deficit are sensitive to the assumptions adopted. The table below indicates the effect from changes in the principal assumptions used above:

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 20 Pension and other schemes (continued)

	27 September 2020 £ 000	29 September 2019 £ 000
<b>Adjustment to discount rate</b>		
Change in pension obligation at 27 September 2020 from a 0.1 % p.a. decrease	32,800	30,300
Change in pension cost from a 0.1 % p.a. decrease	<u>500</u>	<u>800</u>
	27 September 2020 £ 000	29 September 2019 £ 000
<b>Adjustment to rate of inflation</b>		
Change in pension obligation at 27 September 2020 from a 0.1 % p.a. increase	30,900	14,100
Change in pension cost from a 0.1 % p.a. increase	<u>400</u>	<u>200</u>
	27 September 2020 £ 000	29 September 2019 £ 000
<b>Adjustment to mortality age rating assumption</b>		
Change in pension obligation at 27 September 2020 from a one year increase in life expectancy	71,500	67,600
Change in pension cost from a one-year increase	<u>1,100</u>	<u>1,200</u>

#### Risks

##### **Investment risk**

This is a measure of the uncertainty that the return on the schemes' assets meet the return necessary to fund pension obligations. The schemes hold a significant proportion of equities, but during the period have been reallocating some of these investments into credit and property investments which exhibit lower volatility of return and the LDI investments.

##### **Inflation risk**

A significant proportion of the defined benefit obligation is linked to inflation, therefore increased inflation will result in a higher pension obligations. The Trustees have sought to acquire certain assets with exposure to inflationary uplifts in order to negate a proportion of this risk. Monetary assets such as bonds and loans hedge approximately 65.0% of the schemes' risk (by value of assets).

##### **Life expectancy risk**

The present value of the defined benefit obligation is calculated with reference to the best estimate of the mortality of scheme members. An increase in assumed life expectancy will result in an increase in the defined benefit obligation. Regular reviews of mortality experience are performed to ensure life expectancy assumptions remain appropriate.

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 20 Pension and other schemes (continued)

##### *Discount rate risk*

The present value of the defined benefit obligation is calculated using a discount rate set with reference to high-quality corporate bond yields. A decrease in corporate bond yields will increase the present value of the defined benefit obligation, although this will be partially offset by bonds and the LDI investment funds which reduce the gilt rate risk by hedging approximately 65% of the schemes' risk (by value of assets).

##### *Amounts taken to the Statement of Comprehensive Income*

A history of experience gains and losses is shown in the following table:

	At 27 September 2020 £m	At 29 September 2019 £m
Present value of defined benefit obligation	(1,911.6)	(1,895.9)
Fair value of scheme assets	2,098.9	2,140.7
Combined surplus in schemes	187.3	244.8
Experience adjustments on defined benefit obligation	(56.4)	(263.7)
Experience adjustments on fair value of scheme assets	(15.4)	237.8

##### **UK defined contribution plans**

The Group has introduced a number of PensionSaver group personal pension plans that have replaced the trust-based defined contribution pension plans previously offered to employees. These plans create a consistent pensions savings vehicle across all Group segments. The benefits for all members of the trust-based plans have been transferred to individual policies held in the member's own name and the scheme is now wound up. Insured death benefits previously held under this trust have already been transferred to a new trust-based arrangement specifically for life assurance purposes.

The aggregate value of personal pension plans was £164.7m (2019: £159.2 million) at the year end. The pension cost attributable to these plans during the year amounted to £16.3 million (2019: £14.9 million).

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **21 Share-based payments**

The Company recognised a total expense of £7,763,796 (2019: £4,854,393) in respect of share options and share awards granted by DMGT to employees of the Company.

##### **Share options**

The Company's parent, DMGT, operates a share option scheme under which grants have been made to senior executives of the Group, including certain employees of the Company. All options are granted at market value at the date of grant and do not require any payment. The options are not normally exercisable before the third anniversary of the date of grant and in all circumstances will lapse if not exercised within ten years. There are no performance conditions, except for directors of the DMGT board and members of the DMGT Investment and Finance Committee.

DMGT also operates a Long Term Incentive Plan for its executive directors and certain other senior managers.

The fair value of share options for each of these schemes was determined using a Black-Scholes model. Full details of inputs to the models, particular to each scheme, are set out below. With respect to all schemes, the share price volatility has been estimated, based upon relevant historic data in respect of the DMGT 'A' Ordinary share prices.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability.

The Group did not re-price any of its outstanding options during the year.

Full details of these schemes are set out in DMGT's Remuneration Report, included within its 2020 Annual Report and Accounts.

Details of share options outstanding at the balance sheet date with respect to employees, granted since 7 November 2002, are as follows:

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 21 Share-based payments (continued)

	2020		2019	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
DMGT 2006 Executive Share Option Scheme				
Outstanding at start of the period	621,731	5.90	375,000	6.40
Granted during the period	31,086	5.69	270,000	5.91
Lapsed during the year	(51,811)	5.89	(30,000)	7.06
Exercised during the period	(77,718)	7.59	(15,543)	6.81
Modified during the period (i)	-	-	22,274	5.83
Outstanding at period end	523,288	5.64	621,731	5.90
Exercisable at period end	160,615	5.27	114,764	7.37

The options outstanding at 27 September 2020 had a weighted average remaining contractual life of 6.49 years (2019: 6.84 years).

The aggregate of the estimated fair values of the options granted during the year is £nil (2019: £226,000).

(i) As part of the Euromoney disposal, the DMGT Remuneration Committee's approved principle was that participants in DMGT share awards should neither be advantaged nor disadvantaged as compared to participating shareholders. In order to meet this principle all unvested share awards prior to the Euromoney distribution on 2 April 2019, were uplifted by 4.8%. In the tables above this has been described as a modification.

The inputs into the Black-Scholes model are as follows:

Scheme type	Options under the DMGT 2006 Executive Share option scheme						
	27 June 2012	9 December 2013	10 December 2014	14 December 2015	6 December 2016	8 February 2018	25 January 2019
Date of grant							
Market value of shares at date of grant (p)	374.0	881.0	798.0	681.0	759.0	618.0	569.3
Option price (p)	374.0	881.0	798.0	681.0	759.0	618.0	569.3
Number of share option outstanding	103624	25906	15543	15542	-	82897	279776
Term of options (years)	10	10	10	10	5	10	10

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 21 Share-based payments (continued)

Scheme type	Options under the DMGT 2006 Executive Share option scheme						
	7	5	5	7	2	7	7
Assumed period of exercise after vesting (years)	7	5	5	7	2	7	7
Exercise price (p)	374.0	881.0	798.0	681.0	759.0	618.0	569.3
Risk-free rate	1.00%	1.50%	1.08%	1.19%	1.25%	0.82%	0.81%
Expected dividend yield (%)	4.43%	2.00%	2.77%	3.26%	3.02%	3.24%	3.59%
Volatility	30.00%	25.00%	25.70%	25.10%	26.00%	27.88%	27.95%
Fair value per option (p)	70.0	169.1	130.6	93.0	83.0	94.0	83.8

#### Nil-cost options under the DMGT Executive Bonus Scheme

Since December 2009 a portion of the bonus earned by Executive Directors under the Executive Bonus Scheme has been deferred into shares in the form of nil-cost options. These options are to the value of the equity portion of the bonus and are fully expensed in the year in which they are earned.

	2020		2019	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Nil-cost options				
Outstanding at start of the period	28,429	-	27,208	-
Granted during the period	22,745	-	12,729	-
Exercised during the period	(15,092)	-	(13,416)	-
Modified during the period (i)	-	-	1,908	-
Outstanding at period end	36,082	-	28,429	-
Exercisable at period end	-	-	-	-

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 21 Share-based payments (continued)

The awards outstanding at 27 September 2020 had a weighted average remaining contractual life of 5.82 years (2019 5.72 years).

The aggregate of the estimated fair values of the awards made during the year is £nil (2019 £nil).

(i) As part of the Euromoney disposal, the DMGT Remuneration Committee's approved principle was that participants in DMGT share awards should neither be advantaged nor disadvantaged as compared to participating shareholders. In order to meet this principle all unvested share awards prior to the Euromoney distribution on 2 April 2019, were uplifted by 4.8%. In the tables above this has been described as a modification.

	2020		2019	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
DMGT Long Term Incentive Plan				
Outstanding at start of the period	1,281,422	-	1,015,704	-
Granted during the period	536,526	-	518,856	-
Exercised during the period	(293,408)	-	(311,617)	-
Lapsed during the year	(12,953)	-	-	-
Modified during the period	-	-	58,479	-
Outstanding at period end	<u>1,511,587</u>	<u>-</u>	<u>1,281,422</u>	<u>-</u>
Exercisable at period end	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The awards outstanding at 27 September 2020 had a weighted average remaining contractual life of 1.33 years (2019 1.2 years).

The aggregate of the estimated fair values of the awards made during the year is £3.3m (2019 £13.6m).

(i) As part of the Euromoney disposal, the DMGT Remuneration Committee's approved principle was that participants in DMGT share awards should neither be advantaged nor disadvantaged as compared to participating shareholders. In order to meet this principle all unvested share awards prior to the Euromoney distribution on 2 April 2019, were uplifted by 4.8%. In the tables above this has been described as a modification.

The inputs into the Black-Scholes model are as follows:

**Associated Newspapers Limited**

**Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

**21 Share-based payments (continued)**

Scheme type	Options under the DMGT Long Term Incentive Plan											
	22 Dec 2014	14 Dec 2015	28 Feb 2017	14 Dec 2017	18 Jan 2018	14 Jun 2018	13 Aug 2018	14 Dec 2018	14 Dec 2018	1 October 2019	13 December 2019	17 February 2020
Date of grant												
Market value of shares at date of grant (p)	800.0	681.0	694.0	543.0	543.0	543.0	724.0	607.0	607.0	840	840	840
Award price (p)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Number of awards outstanding		110421	-	60359	211909	23263	38394	333171	210497	148143	363525	11905
Term of awards (years)	5.0	5.0	3.0	3.0	3.0	3.0	3.0	2.0	3.0	3	2-4	3
Assumed period of exercise after vesting (years)	-	-	-	-	-	-	-	-	-	-	-	-
Exercise price (p)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Risk-free rate	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Fair value per award	800.0	681.0	694.0	543.0	543.0	543.0	724.0	607.0	607.0	840.0	840.0	840.0

## Associated Newspapers Limited

### Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)

#### 22 Provisions for liabilities

	Other provisions £ 000
At 30 September 2019	(36,744)
Charge	(14,562)
Provisions utilised	<u>13,304</u>
At 27 September 2020	<u>(38,002)</u>

Other provisions of £38,002,000 (2019: £36,744,000) relate to legal and libel of £3,414,000 (2019: £3,192,000), contract discounts and rebates of £29,997,000 (2019: £28,987,000), coupons of £120,000 (2019: £142,000), dilapidations of £1,767,000 (2019: £1,705,000), MyMail points provision of £305,000 (2019: £318,000) and others of £2,399,000 (2019: £2,400,000). It is expected that the majority of this expenditure will be incurred within three years of the period end date.

#### 23 Commitments

The Company has entered into agreements with certain printers for periods up to 2024 at competitive prices to secure supply. At the period end the commitment to purchase printing capacity over the period was £19.5 million (2019: £40.0 million).

The Group entered into arrangements with its ink suppliers to obtain ink for the period to September 2026 at competitive prices to secure supply. At the period end, the commitment to purchase ink over this period was £7.6 million (2019: £21.7 million).

**Associated Newspapers Limited**

**Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

**24 Called up share capital**

**Allotted, called up and fully paid shares**

	<b>At 27 September 2020</b>		<b>At 29 September 2019</b>	
	<b>Number</b>	<b>£000</b>	<b>Number</b>	<b>£000</b>
	<b>000</b>		<b>000</b>	
Ordinary of £0.25 each	<u>414,102,906</u>	<u>103,525,727</u>	<u>414,102,906</u>	<u>103,525,727</u>

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **25 Related party transactions**

During the year, the Company carried out a number of transactions with related parties in the normal course of business.

The Company has a 50.0% (2019: 50.0%) shareholding in Northprint Manchester Limited, a non-trading joint venture. The net amount due to the Company of £5,800,000 (2019: £5,800,000) has been fully provided against.

The Company has taken advantage of the exemption under IAS 24 "Related party disclosure" for wholly-owned subsidiaries not to disclose transactions and balances with fellow subsidiaries and group related parties. The Company has also taken advantage of the exemption not to disclose key management compensations.

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **26 Ultimate parent company and controlling party**

The Company's immediate parent company is Rothermere Continuation Limited (RCL), a company incorporated in Jersey, in the Channel Islands, and previously named Rothermere Investments Limited. On 5 December 2019, pursuant to a consolidation of the Group's holding structure, RCL acquired a Bermudan company known as Rothermere Continuation (Old Co) Limited (previously named Rothermere Continuation Limited), (RCOCL), and certain assets held by RCOCL, including 100% of the issued Ordinary Shares of the Company. RCL now holds 100% of the issued Ordinary Shares of the Company.

#### **Ultimate controlling party**

Rothermere Continuation Limited (RCL) is a holding company incorporated in Jersey, in the Channel Islands. The main asset of RCL is its controlling shareholding in DMGT, being its 100% holding of DMGT's issued Ordinary Shares and the largest single holding of DMGT A Ordinary Shares. RCL is controlled by a discretionary trust (the Trust) which is held for the benefit of Viscount Rothermere and his immediate family. The Trust represents the ultimate controlling party of the Company. Both RCL and the Trust are administered in Jersey. RCL and its directors, and the Trust are related parties of the Company.

On 5 December 2019, pursuant to a consolidation of the Group's holding structure, RCL acquired a Bermudan company known as Rothermere Continuation (Old Co) Limited (previously named Rothermere Continuation Limited), (RCOCL), and certain assets held by RCOCL, including 100% of the issued Ordinary Shares of the Company. RCL now holds 100% of the issued Ordinary Shares of the Company, however the underlying control of DMGT remains unchanged and continues to lie with the Trust.

#### **Relationship between entity and parents**

The largest and smallest group of which the Company is a member and from which group financial statements are drawn up is that of Daily Mail and General Trust Plc, incorporated in the United Kingdom.

Copies of the report and financial statements are available from the Company Secretary at:

Northcliffe House  
2 Derry Street  
London  
UK  
W8 5TT

## **Associated Newspapers Limited**

### **Notes to the Financial Statements for the Financial year from 30 September 2019 to 27 September 2020 (continued)**

#### **27 Post Balance Sheet Events**

On 18 October 2020, dmg media Limited (a fellow DMGT group company) acquired 100% of the voting share capital of JPI Media's print operations at Dinnington, Portsmouth and Carn in Northern Ireland for £9.5 million cash consideration. The acquisition enables dmg media to better manage the printing of its national newspapers across the UK.

On 2 March 2021 dmg media Limited purchased the entire issued share capital of New Scientist Group Limited (NSGL) for £59m. New Scientist, is one of the world's leading science publishing titles and has a weekly circulation of approximately 120,000, of which just over half are UK-based. The business also has a high-quality revenue base with about 75% derived from subscriptions. In 2021, the business is expected to generate cash operating income and operating profit of approximately £7m and revenues are expected to exceed £20m.