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Reach plc - Full Year Results - 52 weeks to 25 December 2022

7 March 2023

Growing customer engagement & audience expansion support stronger digital future

FY23 continued macro headwinds - addressing through cost action plan

Jim Mullen Chief Executive

"Reach is continuing to deliver our Customer Value Strategy and is becoming a fundamentally different business; more efficient, more digitally capable and more focused on building the foundation for growing sustainable and data led digital revenues. Our award winning journalism and continued strategic investment is supporting a growing base of engaged and active customers. The improved depth and breadth of our content and businesswide focus on data is driving an increasing proportion of higher yielding digital revenue and a decreasing reliance on open market programmatically driven advertising.

We expect uncertain macroeconomic conditions to persist during 2023 but, as shown during the pandemic, we are effective at managing them, with an action plan in place to help mitigate the current headwinds. We will continue to invest in areas which support digital expansion, such as the US, where we'll leverage our scale and apply the proven Customer Value Strategy playbook which is positioning us favourably to benefit when economic conditions improve."

Business Highlights - FY22 in line with revised expectations, CVS driving improved digital mix

Data-led revenue improves digital mix; resilient circulation & cost efficiency mitigates inflation & advertising slowdown

- Growth of 56% in data-led revenues which are now 32% of total digital (FY21: 21%)
- Engagement up strongly; registrations 12.7m with 5.6m active up 30%, page views +4%, page views per user +7%
- Additional print cover price increases and resilient volume performance support strong circulation revenue
- Inflation impact on operating costs of c.£40 million during year; mitigating actions protect strategic investment
- Industry wide decline in open-market advertising yields holds back overall digital growth
- New dedicated US operation in 2023; expect growth from expansion of audience and data-led engagement

Financial Summary

52 weeks to 25 Dec 2022		Adjusted results[1]			Statutory results		
		2022	2021	Change	**2022**	2021	Change
Revenue	£m	601.4	615.8	(2.3%)	601.4	615.8	(2.3%)
Operating profit	£m	106.1	146.1	(27.4%)	71.3	79.3	(10.1%)
Operating profit margin	%	17.6%	23.7%	(610bps)	11.9%	12.9%	(100bps)
Earnings per share	Pence	27.1	37.6	(27.9%)	16.8	0.9	N/A
Net cash	£m	25.4	65.7	(61.3%)	25.4	65.7	(61.3%)
Dividend per share[2]	Pence	7.34	7.21	1.8%	7.34	7.21	1.8%

Outlook and current trading

The current trading environment remains challenging and we expect this to continue in 2023, with sustained inflation and suppressed market demand for digital advertising. Although input costs remain elevated**,** we are confident that our cost action plan will enable us to deliver a 5-6% like for like reduction in our operating cost base for FY23.

Trading for January and February has been in line with our expectations. As anticipated, we have continued to see a decline in demand for digital advertising, with open market yields and traffic down across the whole sector, against stronger prior year comparators, particularly during the earlier part of the year (digital revenue H1'22 up 5.4%; H2'22 down 2.7%). Circulation revenue continues to benefit from increased cover price activity during the second half of FY22, with print trends overall, similar to Q4'22 and in line with expectations. For the year to date; digital revenue year over year was down 11.9%, print down 3.6% and circulation up 1.8%. Total Group revenue was down 5.8%.

While external factors are affecting near term performance, consistent strategic delivery is supporting the growth of higher quality digital revenues, which with our US expansion, puts us in a strong position to grow when macro headwinds subside. Profit expectations for the full year are in line with the current market consensus[3].

Results Overview

Group revenue down 2.3% - robust print driven by circulation performance; yield pressure impacts digital

- Print revenue £448.6m (FY21: £465.1m) down 3.5%, circulation and advertising down 1.7% and 15.9% respectively

- Digital revenue of £149.8m (FY21: £148.3m) was up 1.0%; growth of 56% in data-led revenues offset by macro related decline in market yield for ad space sold programmatically in the open market, which was down c.33% during the year and c.40% in H2
- Circulation strengthened by cover price increases with minimal impact on long term trend in print volumes
- Decline in print advertising broadly in line with movement in print volumes; accelerated decline during H2 due to impact on the advertising market from The Queen's death and lower ad demand during Black Friday and Christmas

Newsprint inflation impacts profit, mitigated through cost actions and increased cover prices

- Adjusted operating profit of £106.1m down £40.0m or 27.4% (FY21: £146.1m); reflecting decline in revenue and significant increase in input cost inflation, largely due to increase in the cost of newsprint, up c.40% on 2021
- Savings from changes to print production, including printed volumes and pagination (book size) help mitigate other inflationary pressures and support strategic investment
- Statutory operating profit of £71.3m (FY21: £79.3m) down 10.1%, with decline in adjusted profits, partly offset by a reduction in adjusted items to £34.8m (FY21: £66.8m); prior year charges relate to increases in the HLI provision and the move to flexible working model
- Statutory EPS of 16.8p (FY21: 0.9p) ahead due to the reflection of the future change to the UK corporation tax rate in last year's comparator

Cash & Capital Allocation

- Lower adjusted operating cash flow(4) of £64.8m (2021: £141.3m) reflects both lower in year profit and a negative movement in working capital, driven in part by an increase in newsprint inventories as part of increased hedging
- Net cash(5)decreased by £40.3m to £25.4m, including payment of £9.0m related to historical legal issues and the penultimate payment of £17.1m for the Express & Star; final payment of £7.0m subsequently made in Feb 2023
- The IAS19 pension accounting deficit (net of deferred tax) at year end was £113.9m (FY21: £117.2m), with the increase in the discount rate and contributions offset by asset return decreases
- We continue to work with pension trustees of the one remaining scheme where we've yet to achieve resolution of the 2019 triennial review of pension commitments
- Final dividend proposed of 4.46 pence per share, flat with 2021, with full year dividend of 7.34p up 1.8%

Formalising our approach to business responsibility

- Formalised responsible business framework, following stakeholder consultation - aligns our purpose and strategy
- Set 5-year climate strategy roadmap as part of journey to net-zero; working towards full measurement of Scope 3 emissions and production of complete carbon footprint
- Introduced TCFD aligned reporting for 2022 Annual Report and Accounts
- Ranked number 29 (42 in 2021) in Inclusive Companies Top 50 listing and top rated in Sustainalytics ESG rankings

Quarterly Year-on-Year Revenue Movements

2022	Q1 YOY %	Q2 YOY %	Q3 YOY %	Q4 YOY %	FY YOY %
Digital Revenue	10.4%	0.3%	1.1%	(5.9%)	1.0%
Print Revenue	(3.9%)	(3.9%)	(2.9%)	(3.6%)	(3.5%)
- *circulation revenue*	(6.2%)	(4.0%)	2.0%	1.8%	(1.7%)
- *advertising revenue*	(8.5%)	(11.4%)	(23.1%)	(20.2%)	(15.9%)
Group Revenue	**(0.5%)**	**(2.8%)**	**(1.9%)**	**(4.2%)**	**(2.3%)**

Notes

(1) Set out in note 20 is the reconciliation between the statutory and adjusted results. The current period is for the 52 weeks ended 25 December 2022 ('2022') and the comparative period is for the 52 weeks ended 26 December 2021 ('2021').
(2) Full year dividend of 7.34 pence per share comprised of interim dividend of 2.88 pence per share and proposed final dividend of 4.46 pence per share.
(3) Market expectations compiled by the company are an average of analyst published forecasts - consensus adjusted operating profit for FY23 is £95.4m.
(4) An adjusted cash flow is presented in note 21 which reconciles the adjusted operating profit to the net change in cash and cash equivalents. Note 22 provides a reconciliation between the statutory and adjusted cash flows.
(5) Net cash balance comprises cash and cash equivalents of £40.4m (note 16) less bank borrowings of £15.0m (note 16) but excludes lease obligations.

Enquiries

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Jim Mullen, Chief Executive Officer, Darren Fisher, Chief Financial Officer and Lloyd Embley, Group Editor-in-Chief, will be hosting a webcast at 9:00am (UK) on 7 March 2023. It will be followed by a live question and answer session. The presentation slides will be available on www.reachplc.com from 7.00am (UK). An archive of all materials, including a Q&A transcript will also be available after the event.

You can join the webcast to watch the presentation or listen to the Q&A via the following weblink, which you can copy and paste into your browser: https://edge.media-server.com/mmc/p/oqz5mt9r

To participate in the Q&A session and register to ask a question, please access the following weblink and register your details. https://register.vevent.com/register/BI12882b2754ba48fd9ea81aa5e0c77b31

Please try to allow at least 10 minutes prior to the start time to provide sufficient time to access the event.

Forward looking statements

This announcement has been prepared in relation to the financial results for the 52 weeks ended 25 December 2022. Certain information contained in this announcement may constitute 'forward-looking statements', which can be identified by the use of terms such as 'may', 'will', 'would', 'could', 'should', 'expect', 'seek, 'anticipate', 'project', 'estimate', 'intend', 'continue', 'target', 'plan', 'goal', 'aim', 'achieve' or 'believe' (or the negatives thereof) or words of similar meaning. Forward-looking statements can be made in writing but also may be made verbally by members of management of the Company (including, without limitation, during management presentations to financial analysts) in connection with this announcement. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, changes in global or regional trade conditions, changes in tax rates, liquidity, prospects, growth and strategies. By their nature, forward-looking statements involve risks, assumptions and uncertainties that could cause actual events or results or actual performance or other financial condition or performance measures of the Company to differ materially from those reflected or contemplated in such forward-looking statements. No representation or warranty is made as to the achievement or reasonableness of and no reliance should be placed on such forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of this announcement and the Company does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information or to reflect any change in circumstances or in the Company's expectations or otherwise.

Chief Executive's Review

Rising to the challenge

Reach is and continues to be a resilient and adaptable business. Although external factors - including the war in Ukraine, the aftermath of COVID and resulting global supply chain disruption - are affecting our financial performance in the near term, we're looking beyond this.

We've taken action to preserve our strong foundations and to ensure we continue to deliver our Customer Value Strategy, which is creating a stronger and more sustainable business for our stakeholders.

And with a long-term view - we are a fundamentally different business today; more efficient, more digitally capable and more focused on growth.

Addressing macro headwinds

As a result of these global factors, the unit cost of newsprint, our most significant print production cost outside of labour, has increased by around 60% - reaching a level not seen since the global financial crisis.

In 2022, this contributed to almost £40m of additional operating costs due to inflation. We've also seen advertising demand slowing across the sector, which in digital, has been reflected in lower yields for 'programmatically' served ads which are sold via open market platforms. Trading during the final quarter of the year was disappointing, with Black Friday and Christmas failing to provide the seasonal uplift seen in previous years.

We're assuming that external conditions will remain tough and have planned accordingly. We're a resilient and flexible organisation, with a long track record of driving operating efficiencies with the evolution of our operating model and through the process of continuous cost improvement. In 2023 we expect to generate significant savings supported by efficiencies in print procurement and distribution, the simplification of support functions and through managing the size of our teams - in some areas slowing down hiring while in others, regrettably, making some redundancies. We're confident that our cost action plan will enable us to reduce operating costs by between 5% and 6%.

Strategy delivering, despite market uncertainty

Our strategy is to get to know customers better - drawing on behavioural insights to create a virtuous circle of value from more relevant content, a more engaging experience, and greater loyalty, which drives sustainable, data-led revenue. And I'm pleased to say we're making good progress and tracking to plan.

Earlier in the year, we surpassed our 10m registrations target and now have over 12.7m customers registered, which is over 25% of our UK digital audience. Even more significantly, the number of those customers who are regularly 'active' is growing. We now have around 5.6m registered users who accessed our content within the last 28 days. That's important because these relationships are the lifeblood of our brands. Being a growing part of our customers' daily lives means customer interactions and the data they generate are more recent, more relevant and more valuable for advertisers.

Registrations continue to be an important source of first-party data from our customers. Postcodes in particular are key to multiple customer insights and enable personalisation of content at a local level. They also enable geographically specific advertising, attractive to brands who want to run a campaign across our national network and titles, while only serving ads to customers in a specific area. During the recent train strikes for example, we worked with several national rail companies, who displayed ads for bus services but only in areas affected by rail disruption. We also worked with a well-known national furniture company, who, with our help, were able to target customers based within a certain number of miles of a showroom.

Registrations aren't the only source of data. In fact, our fully owned ad tech software, Mantis, is enabling us to capture detailed contextual and behavioural data on around three-quarters of our UK audience, the majority of whom aren't registered. We know whether they enjoy reading about the Royal Family, UK beach holidays or women's fashion. And Mantis can identify the sentiment and emotion attached to the content they read. This is improving our ability to sell digital advertising directly, with data supporting an increasing number of campaign segments and more effective advertising for brands.

The proportion of our digital revenues supported by data is growing. That means we're improving our revenue mix, with a lower proportion of our digital business driven by the open market. This is the 'volume' element of our revenues where we don't control the price or yield. The scale of our business, with c.300-400m daily ad impressions means the open market will always be important. More directly sold advertising, which forms part of more strategic or 'data-led' revenues, offers a greater opportunity for value or 'yield-driven' growth. Total data-led revenues grew by over 50% during 2022 and are now over 30% of total digital.

Data also provides the insights that help shape our content, deliver a more personalised experience and drive customer engagement. Page views for the year grew by 4%, page views per user by 7% while page views from registered customers, another strong indicator of engagement, were up around 70% year on year.

Print scale and resilience supports investment

While digital data is key to growing customer engagement, it's print that makes our investment in data possible. Circulation trends have remained steady and broadly predictable, benefiting from relative price resilience and our ability to drive production efficiencies, which support significant cash generation over the medium term.

Inflationary headwinds during the year have been felt largely within print, where we've seen production cost increases in energy, ink, plates and particularly newsprint. The newsprint market has been severely impacted by changing demand and supply dynamics in the aftermath of COVID, in addition to then being hit by the increase in energy prices that resulted from the outbreak of the war in Ukraine.

To protect print margins, we increased cover prices more than average this year, which supported stronger circulation revenue, particularly during the second half of the year, and will also see us benefit in the early part of 2023. Circulation revenue for the year declined by 1.7% overall this year, down c.5% during H1 and up almost 2% in H2.

From a cost perspective, we made changes to print supply (the volume we print) and pagination (the number of pages). We made reductions to supply levels during the year with no material impact on availability and reduced the size of our newspapers by around four pages, still leaving the average page count higher than it was before the pandemic.

As part of our cost reduction plan for 2023, we expect to make savings in our print supply chain, driven by more efficient raw materials sourcing and distribution planning.

Enhancing the customer experience

As we improve our data capabilities we need also to improve the overall digital experience our customers get when they use our website and apps. A more user-friendly experience is another key part of keeping them engaged for longer.

This work includes improving site load times and ensuring the optimum balance between content and advertising, with our product team exploring multiple options including the trial of an ad-light, paid-for experience on mobile. We're also rolling out new site personalisation tools like polls and surveys, which increase interaction, support registrations and capture richer data.

Our Neptune Recommender, one of our 'next action' tools, uses Mantis data to promote content to customers that's most relevant to them. It also enables brands to sponsor content which relates only to specific topics or sentiments. For example, TSB used this tool to great effect by sponsoring existing advice-based cost-of-living content.

The continued development of Mantis shows our strength in developing our own IP. The team will look to take this further in 2023 via the development of global private or curated marketplaces which are key to scaling the benefits of data-led advertising. We are uniquely positioned to partner with the tech platforms to develop this opportunity by licensing access to Mantis contextual data which then enables brands to target customers across multiple publishers.

Developing new audiences

While we've been enhancing the experience for our existing audience, our strategy also supports us in reaching new audiences. Our digital launches over the past three years have provided us with valuable insight and a 'CVS playbook' which we can now apply to new ventures - expanding both geographically and demographically.

The US is already a significant market for us, with a growing audience served by our UK websites, but there's huge potential to develop this further. And our success in gathering customer data and in launching multiple newsbrands from scratch over the past few years puts us in a strong position as we begin the process of launching a dedicated US operation.

Our focus is on building our existing American audience for the Mirror, Express and the Irish Star, with IrishStar.com catering to the sizeable Irish American population, particularly in the New York and Boston areas. Leveraging our position as the UK's biggest commercial sports publisher, we'll be adding more 24/7 sports coverage for our millions of US-based 'soccer' fans.

Creating a brand for youth audiences

As a mainstream publisher, it's our job to appeal to and represent all parts of society. The evidence is clear that the way we consume news is changing, with the younger generation in particular now preferring social media as their main route to accessing news content. At our half-year results in July, I spoke about the work we've been doing to grow our relevance with younger audiences, looking at short-form video as part of positioning ourselves to attract the next generation of talented journalists and content creators.

Towards the end of the year we soft-launched Curiously, our new social-first, video-focused brand designed to appeal to a more diverse and culturally aware audience. Curiously will be empathetic and non-political, aiming to cover a broad range of subjects in a more distinctive and relevant way for 16- to 34-year-olds. It's an exciting development which we'll update on as the year progresses.

The stories that matter

In 2022 our editorial teams once again demonstrated their talent and persistence, the strength of their relationships with their readers and the mainstream appeal of our brands. The way our editorial teams pulled together and delivered for their readers following the death of Her Majesty The Queen was a privilege to watch - a once-in-a-generation moment that our journalists captured expertly.

There are many stories from this year that will stick with me. Including the Mirror's exclusives on Partygate, which, whatever your personal political beliefs, so clearly showed the vital part that a strong press plays in democracy.

The Express's successful campaign to add 'Zach's Law' to the Online Safety Bill and strengthen prison time for internet trolls who deliberately endanger people with epilepsy. And the Liverpool Echo's powerful coverage of the fatal shooting of Olivia Pratt-Korbel, whose life was taken when a gunman forced his way into her family's home in Kingsheath Avenue, Dovecot, on 22 August.

For these feats and others, our titles and journalists have won dozens of awards this year, from the Mirror being named Newspaper of the Year at the London Press Club Awards to the Daily Record's Annie Brown picking up Scoop of the Year at the Scottish Press Awards for her investigation into nursery discrimination, or the Express's Steph Spyro winning Best Environmental Reporting at this year's MHP Mischief 30 To Watch: Young Journalist Awards.

Stories like these also bring into sharp focus our public affairs work, through which we aim to ensure that key legislation - from the Online Safety Bill to the Digital Markets Unit - is crafted with a real understanding of and appreciation for the industry. I'm now in my second and final year as Chair of the News Media Association (NMA) and will continue to work closely with others in the industry to preserve the long-term ability of our titles to tell the stories that matter, independently and sustainably.

No recap of the year would be complete without mentioning the bravery of the reporters and photographers on the ground in Ukraine. This war has sent shockwaves through the macroeconomic environment which affects our business but most importantly, has had a sobering human impact. The part we, our brands and our journalists have played in reporting on it is something I'm very proud of.

Leading our people through unprecedented times

There's no getting away from the fact that the circumstances we faced in 2022 were extremely difficult for many on a personal level, and put pressure on the business's relationship with some of our people, with a number of editorial colleagues taking part in industrial action. While this was not an easy period for anyone, we worked closely and diligently with our union representatives and our editorial teams to find an agreeable solution.

We expect economic conditions will remain challenging in 2023 and so we will continue to consider our costs very carefully. A spirit of open debate and collaboration will again be essential as we work together to move forward as a stronger business.

Whatever challenges we face, I am committed to maintaining a respectful and constructive dialogue with all the teams here at Reach and would like to thank them for their continued hard work and the talent they bring to our shared goal of creating a sustainable journalism business.

It is important to me, both as the CEO and on a personal level, that Reach continues to be a stronghold for mainstream journalism, ensuring that our newsbrands serve their audiences for years to come. And while arriving at this position of strength demands change, and sometimes difficult change, I am proud of the significant investments we've made in our editorial teams over the past three years.

A culture fit for the future

While the challenges mentioned are significant and will require continued attention and care, I also want to recognise the real progress we've made as we continue to develop as a business and reshape our teams to be more agile and fit for purpose. These include the development of our Network Newsroom to training we've provided for our more print-focused commercial teams to be able to pivot to digital.

This constant drive to innovate has been recognised by the industry with big wins both in the editorial sphere (Best Newsroom Transformation at the 2022 INMA Global Media Awards) and in the advertising world (Commercial Team of the Year/Consumer and Best Use of Data at the British Media Awards).

In 2022 we continued building a culture where people can thrive - becoming more representative of society and our audiences, both as a team, including adding diversity targets at Board and Executive level, and through our journalism. Our Belonging Project is a good example, as it challenges our local brands to create content more relevant to communities that have so far been under-served.

We continue to see this progress recognised by the industry and by trusted external benchmarks - this year moving up to 29 in the Inclusive Companies' list of Inclusive Top 50 UK Employers (from 42 in 2021), and earning a spot in the Social Mobility Benchmarking ranking for the first time. While we still have far to go, I believe in holding ourselves accountable and measuring and sharing our progress.

I always say that I want Reach to be a place where people can get in and get on, and in this spirit I'm proud that we're becoming a more family friendly employer, announcing in 2022 our new and updated policies to offer greater support to parents, carers and those who have lost loved ones.

Formalising our approach to business responsibility

As a publisher of news, sport and entertainment people can trust, we've always understood our responsibility to society and communities. Our purpose - to enlighten, empower and entertain - gives us a privileged position to use our editorial voice to champion good causes, hold authority to account and campaign on issues that matter to our audiences.

Our new responsible business framework will help articulate our approach to environmental, social and governance (ESG) issues more formally, making it easier to communicate all the great work we're doing around the business while tracking our progress as a responsible business, now and in the future.

From a climate perspective, we've enhanced our reporting against the Task Force on Climate-related Financial Disclosures (TCFD), made significant progress on our climate strategy and have begun a review of Scope 3 emissions as part of the journey to net zero.

Welcoming our new CFO

I want to thank Simon Fuller, our former CFO, for his commitment and support. At the start of February 2023, Darren Fisher joined us as CFO from ITV. I'm delighted to welcome him to Reach and look forward to working closely with him as we continue to shape a more profitable future for the business.

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Looking ahead

As we move into the new year, we expect trading conditions will remain challenging with inflation continuing to impact input costs and consumer demand for advertising. We are controlling the controllables, with plans in place that support a meaningful reduction in operating costs and continued investment in our Customer Value Strategy. Consistent strategic delivery is supporting the growth of higher quality digital revenues and puts us in a strong position to grow when macro headwinds subside.

Jim Mullen
Chief Executive Officer
7 March 2023

Finance Review

Resilience for the long-term

It's been a challenging year for the business, with our financial performance affected by the worsening of macroeconomic conditions over the course of the year. Throughout this downcycle, we have continued to tightly manage our cost base, which will protect investment in our digital strategy and put us in a strong position when the economy starts to recover.

Controlling the controllables

Revenue, which was down 2.3%, reflects more subdued demand for advertising, particularly during the second half of the year when we saw an industry-wide advertising blackout around the death of HM The Queen, in addition to consistently lower yields for digital ad space sold programmatically on the open market. Print circulation remained robust, with additional cover price increases during the year boosting revenue. The reduction in adjusted operating profit also reflects an increase in operating costs, in particular the cost of newsprint, which has risen by over 40% or 60% on a like-for-like basis. Statutory profit, although lower, benefited from a reduction in operating adjusted items, with last year's profit including charges relating to the rationalisation of our estate as we moved to flexible working.

To mitigate the impact of inflation, we've focused strongly on managing costs within our control. During the year, in addition to the savings from the process of continuous cost optimisation within the print business, we also made changes to both print pagination and to supply, managing the availability of our titles to align more closely with demand and reduce the volume of unsold copies.

With macroeconomic headwinds likely to persist in the near term, we have put in place a further programme of cost reduction, which we're confident will support a 5-6% like for like in-year reduction in our operating costs for 2023. Savings will be generated throughout the business and include more efficient procurement throughout the print supply chain, the simplification of central support functions and the removal of editorial duplication. As part of these efficiency measures, we will unfortunately lose some colleagues from the business, a decision which has not been taken lightly, as we continue to focus on delivering our digital strategy, which will secure the long-term sustainability of the business.

The Group has a strong balance sheet and liquidity with a closing cash balance of £40.4m and a £15.0m drawdown on the facilities resulting in a net cash positive position of £25.4m. During the year, the expiry date of the Group's revolving credit facility of £120.0m was extended for a further year to November 2026.

Looking ahead

In 2020, we began our digital transformation in line with our Customer Value Strategy - by creating the right 'future structure' for our business. That strategy is delivering and supports a more sustainable and higher quality digital mix, with over 30% of digital revenue now data driven. The next 12 months will bring fresh challenges, but we've proven over the past few years that Reach is a resilient business. We believe in and remain committed to our strategy - and will continue to invest as it drives Reach to become a higher-yielding digital business.

Summary income statement

	Adjusted 2022 £m	Adjusted 2021 £m	**Statutory 2022 £m**	Statutory 2021 £m
Revenue	**601.4**	615.8	**601.4**	615.8
Costs	**(498.1)**	(472.9)	**(531.5)**	(538.1)
Associates	**2.8**	3.2	**1.4**	1.6
Operating profit	**106.1**	146.1	**71.3**	79.3

Operating profit	106.1	146.1	71.3	79.3
Finance costs	**(2.8)**	(2.6)	**(5.1)**	(6.0)
Profit before tax	**103.3**	143.5	**66.2**	73.3
Tax charge	**(18.8)**	(26.9)	**(13.9)**	(70.4)
Profit after tax	**84.5**	116.6	**52.3**	2.9
Earnings per share - basic	**27.1**	37.6	**16.8**	0.9

Group revenue fell by £14.4m or 2.3% with print down 3.5% partially offset by digital revenue growth of 1.0%.

Adjusted costs increased by £25.2m or 5.3%, reflecting the increase in the cost of newsprint. Statutory costs were lower by £6.6m or 1.2%, with the increase in newsprint more than offset by the reduction in operating adjusted items of £31.8m (£33.4m in 2022 versus £65.2m in 2021).

The lower revenue and higher adjusted operating costs drove a £40.0m or 27.4% decrease in adjusted operating profit. The adjusted operating margin of 17.6% in 2022 compares to 23.7% for 2021. Statutory operating profit decreased by £8.0m or 10.1% in comparison due to the reduction in operating adjusted items.

Adjusted earnings per share decreased by 10.5p or 27.9% to 27.1p. However, statutory earnings per share increased by 15.9p to 16.8p, principally due to the combined effects on earnings per share in the prior year of a £53.9m deferred tax charge and operating adjusted items of £66.8m. See note 20 for more details.

Revenue

	2022 Actual £m	2021 Actual £m
Print	**448.6**	465.1
Circulation	**307.7**	312.9
Advertising	**86.9**	103.3
Printing	**23.1**	20.4
Other	**30.9**	28.5
Digital	**149.8**	148.3
Other	**3.0**	2.4
Total revenue	**601.4**	615.8

Revenue fell by £14.4m or 2.3% on both an actual and like-for-like basis. In the prior year, like-for-like trends excluded the Independent Star acquisition and the impact of portfolio changes and impacted print revenue only. A reconciliation is set out in note 23.

Like-for-like	**Actual H1 2022 YOY %**	**Actual H2 2022 YOY %**	**Actual FY 2022 YOY %**	Like-for-like FY 2021 YOY %
Digital	**5.4**	**(2.7)**	**1.0**	25.4
Print	**(3.9)**	**(3.2)**	**(3.5)**	(4.7)
Circulation	(5.1)	1.9	(1.7)	(4.6)
Advertising	(9.9)	(21.5)	(15.9)	(4.9)
Printing	19.8	7.6	13.2	(19.0)
Print other	18.4	1.0	8.4	9.2
Total Revenue	**(1.6)**	**(3.0)**	**(2.3)**	1.3

Revenue bridge	**Actual £m**	**YOY %**
2021FY revenue	616	
Circulation	(5)	(1.7)
Advertising	(16)	(15.9)
Printing	3	13.2
Other	2	8.4
Print	(16)	(3.5)
Digital	2	1.0
Other	1	25.0
2022FY revenue	**601**	**(2.3)**

Print revenue decreased by £16.5m or 3.5% (2021: down 4.7% on a like-for-like basis).

Circulation revenue was down 1.7% for the period, with a stronger performance during H2 which benefited from cover price increases, above recent historical levels, as part of the Group's efforts to minimise the impact of inflation.

Print advertising revenue declined 15.9% (2021: down 4.9% on a like-for-like basis), due to print volume declines and 2021 having benefited from additional Government spend generated by public health messaging. The second half of the year was also affected by the impact on the advertising market from the Queen's death and lower demand during Black Friday and Christmas.

Print revenue also includes external or third-party printing revenues and other print-related revenues. Printing revenue increased by 13.2% (2021: decreased 19.0% on a like-for-like basis) reflecting the increase in newsprint input costs which are directly passed on to third parties. Other print revenue increased by 8.4% (2021: increased 9.2% on a like-for-like basis) reflecting an increase in event-driven and sports printing revenues versus a comparator period still affected by COVID.

Digital revenue increased by 1.0% to £149.8m (2021: 25.4% LFL), with a decline of 2.7% in H2, offsetting 5.4% growth in H1. There has been significant growth in strategically driven revenues of 56%, which are now over 30% of total digital revenue (2021: 21%). This was offset by macro-related decline in advertising demand, impacted by the war in Ukraine and growing cost of living crisis which is reflected in a lower yield for ads sold programmatically via the open market, down c.33% during the year and c.40% in H2.

Costs

	2022 Adjusted £m	2021 Adjusted £m	**2022 Statutory £m**	2021 Statutory £m
Labour	**(234.7)**	(232.1)	**(234.7)**	(232.1)
Newsprint	**(75.4)**	(52.9)	**(75.4)**	(52.9)
Depreciation and amortisation	**(20.2)**	(19.3)	**(20.2)**	(19.3)
Other	**(167.8)**	(168.6)	**(201.2)**	(233.8)
Total costs	**(498.1)**	(472.9)	**(531.5)**	(538.1)

Adjusted costs of £498.1m (2021: £472.9m) increased by £25.2m or 5.3%. This was largely due to the higher cost of newsprint during the period, with the price per tonne materially increasing since the second half of 2021. This has been driven by several factors, the most significant being rising energy prices following the start of the war in Ukraine. On an equivalent volume basis, newsprint prices during the year were around 60% higher than 2021.

Statutory costs were lower by £6.6m or 1.2% primarily due to lower operating adjusted items which were £31.8m lower (£33.4m in 2022 compared to £65.2m in 2021).

Operating adjusted items included in statutory costs related to the following:

	Statutory 2022 £m	Statutory 2021 £m
Provision for historical legal issues	**(11.0)**	(29.0)
Restructuring charges in respect of cost reduction measures	**(15.5)**	(2.8)
Sublet of closed print plant	**16.6**	-
Home and Hub project	**-**	(23.7)
Pension administrative expenses and past service costs	**(14.8)**	(3.7)
Other items	**(8.7)**	(6.0)
Operating adjusted items in statutory costs	**(33.4)**	(65.2)

The Group has recorded a £11.0m (2021: £29.0m) increase in the provision for historical legal issues relating to the cost associated with dealing with and resolving civil claims in relation to historical phone hacking and unlawful information gathering.

Restructuring charges of £15.5m (2021: £2.8m) incurred in respect of cost reduction measures are principally severance costs that relate to cost management actions taken in the period.

The sublet of the vacant print site which was closed in 2020 has resulted in the reversal of an impairment in right-of-use assets of £11.0m and previously onerous costs of the vacant site of £5.6m.

Pension costs of £14.8m (2021: £3.7m) comprise pension administrative expenses of £4.2m and past service costs relating to a Barber Window equalisation adjustment of £10.6m.

Other adjusted items comprise the Group's legal fees in respect of historical legal issues (£5.2m), adviser costs in relation to the triennial funding valuations (£1.6m), impairment of vacant freehold property (£4.2m) and plant and equipment (0.8m) less a reduction in National Insurance costs relating to share awards (£2.7m) and the profit on sale of impaired assets (£0.4m). In 2021 other adjusted items related to adviser costs in relation to triennial funding valuations (£1.2m), an increase in National Insurance costs relating to share awards (£2.6m), the write-off of an old debit balance (£2.9m) and the profit on sale of an impaired asset (£0.7m).

Profit

Adjusted operating profit of £106.1m was down £40.0m or 27.4% reflecting the decline in revenue of 2.3% and 5.3% increase in operating costs.

This is also reflected in our adjusted operating margin which decreased by 6.1 percentage points from 23.7% in 2021 to 17.6% in 2022.

Adjusted operating profit bridge	**Adjusted £m**	**YOY %**
2021 adjusted operating profit	146	
Revenue mix	(14)	
inflation	(38)	
Investment	(18)	
Efficiencies	25	
2021 one-offs & other	5	

2021 one-offs & other	[illegible]	
2022 adjusted operating profit	**106**	**(27%)**

Reconciliation of statutory to adjusted results

	Statutory results £m	Operating adjusted items £m	Pension finance charge £m	Adjusted results £m
Revenue	**601.4**	**-**	**-**	**601.4**
Operating profit	**71.3**	**34.8**	**-**	**106.1**
Profit before tax	**66.2**	**34.8**	**2.3**	**103.3**
Profit after tax	**52.3**	**30.3**	**1.9**	**84.5**
Basic earnings per share (p)	**16.8**	**9.7**	**0.6**	**27.1**

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

Items are adjusted on the basis that they distort the underlying performance of the business where they relate to material items that can recur (including impairment, restructuring, tax rate changes) or relate to historic liabilities (including historical legal and contractual issues, defined benefit pension schemes which are all closed to future accrual).

Other items may be included in adjusted items if they are not expected to recur in future years, such as the property rationalisation in the prior year and items such as transaction and restructuring costs incurred on acquisitions or the profit or loss on the sale of subsidiaries, associates or freehold buildings.

Management excludes these from the results that it uses to manage the business and on which bonuses are based to reflect the underlying performance of the business and believes that the adjusted results, presented alongside the statutory results, provide users with additional useful information. Further details on the items excluded from the adjusted results are set out in note 20.

Balance sheet and cash flows

Historical legal issues provision

The historical legal issues provision relates to the cost associated with dealing with and resolving civil claims in relation to historical phone hacking and unlawful information gathering. Payments of £9.0m have been made during the year and the provision has been increased by £11.0m. At the year end a provision of £43.0m remains outstanding and this represents the current best estimate of the amount required to resolve this historical matter. Further details relating to the nature of the liability, the calculation basis and the expected timing of payments are set out in note 17.

Decrease in accounting pension deficit

The IAS 19 pension deficit (net of deferred tax) in respect of the Group's defined benefit pension schemes decreased by £3.3m from £117.2m to £113.9m at the year end. The increase in the discount rate and Group contributions has been offset by asset return decreases. The triennial valuations for funding of the defined benefit pension schemes as at 31 December 2019 have been agreed for five of the schemes, with one scheme outstanding. We continue to engage with the Pensions Regulator as to the funding of the remaining scheme, and, in the meantime, continue to make payments per the existing schedule of contributions.

Group contributions in respect of the defined benefit pension schemes in the year were £55.1m (2021: £64.7m), under the current schedule of contributions. Group contributions in 2021 included £9.6m to the Westferry Printers Pension Scheme which enabled the Trustees of the scheme to purchase a bulk annuity and the scheme now has all pension liabilities covered by annuity policies. During 2022, the Trustees of the Express Newspapers Senior Managers Pension Fund purchased a bulk annuity (at no cost to the Group) and the scheme now has all pension liabilities covered by annuity policies. Contributions in 2023 are expected to be £55.8m under the current schedule of contributions for the remaining four schemes not covered by annuity policies.

Deferred consideration

Deferred consideration is in respect of the acquisition of Express & Star. The third payment of £17.1m was made on 28 February 2022. The remaining amount of £7.0m is classified as current liabilities (paid on 28 February 2023).

Employee Benefit Trust

The Group funded the Trustees of the Employee Benefit Trust to enable the Trustees to purchase 521,310 (2021: 883,315) shares at a total cash consideration of £1.0m (average cost 192p per share) (2021: £3.3m (average cost 374p per share)). The shares are held by the Trustees and will be used to satisfy awards granted under the Company's employee share plans that are expected to vest in future years.

Adjusted cash flow

Adjusted cash flow bridge

	£m	£m
Adjusted EBITDA		**126**
Tax	(5)	
Restructuring	(14)	
Capex	(13)	
Lease payments	(6)	
Interest incl. on leases	(3)	
Working capital and other	(20)	
Adjusted operating cash flow		**65**
Historic legal issues	(9)	
Pension payments	(55)	
Dividends	(23)	
Purchase for share awards	(1)	
Adjusted net cash flow		**(23)**
Payment for Express & Star	(17)	
RCF financing	15	
Cash movement		**(25)**

Cash balances

Net cash decreased by £40.3m from £65.7m at the year end to £25.4m at the year end. The Group has £15.0m drawn down on the Group's revolving credit facility, with the overall total cash position of £40.4m at the year end. The Group has a revolving credit facility of £120.0m. During the period the facility was extended for an extra year and now expires in November 2026.

Cash generated from operations on a statutory basis was £80.1m (2021: £163.7m). The Group presents an adjusted cash flow which reconciles the adjusted operating profit to the net change in cash and cash equivalents, which is set out in note 21. A reconciliation between the statutory and the adjusted cash flow is set out in note 22. The adjusted operating cash flow was £64.8m (2021: £141.3m).

Dividends

The Board proposes a final dividend of 4.46 pence per share for 2022 (2021: 4.46 pence per share). The final dividend, which is subject to approval by shareholders at the Annual General Meeting on 3 May 2023, will be paid on 2 June 2023 to shareholders on the register at 12 May 2023.

An interim dividend for 2022 of 2.88 pence per share was paid on 23 September 2022 (2021: 2.75 pence per share).

In proposing a final dividend of 4.46 pence per share for 2022 (2021: 4.46 pence per share), the Board has considered all investment requirements and its funding commitments to the defined benefit pension schemes.

Current trading and outlook

The current trading environment remains challenging and we expect this to continue in 2023, with sustained inflation and suppressed market demand for digital advertising. Although input costs remain elevated**,** we are confident that our cost action plan will enable us to deliver a 5-6% like for like reduction in our operating cost base for 2023.

Trading for January and February has been in line with our expectations. As anticipated, we have continued to see a decline in demand for digital advertising, with open market yields and traffic down across the whole sector, against stronger prior year comparators, particularly during the earlier part of the year (H1 2022 up 5.4%; H2 2022 down 2.7%). Circulation revenue continues to benefit from increased cover price activity during the second half of 2022, with print trends overall similar to Q4 2022 and in line with expectations. For the year to date; digital revenue year over year was down 11.9%, print down 3.6% and circulation up 1.8%. Total Group revenue was down 5.8%.

While external factors are affecting near term performance, consistent strategic delivery is supporting the growth of higher quality digital revenues, which with our US expansion, puts us in a strong position to grow when macro headwinds subside.

Darren Fisher
Chief Financial Officer
7 March 2023

Statement of directors' responsibilities

The directors are responsible for preparing the Preliminary Audited Results Announcement in accordance with applicable laws and regulations. The responsibility statement below has been prepared in connection with the Company's full Annual Report for the 52 weeks ended 25 December 2022. Certain points thereof are not included within this Preliminary Audited Results Announcement.

The directors confirm to the best of their knowledge:

a) the consolidated financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and

b) the Preliminary Audited Results Announcement includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

By order of the Board of Directors

Darren Fisher
Chief Financial Officer
7 March 2023

Consolidated income statement

for the 52 weeks ended 25 December 2022 (52 weeks ended 26 December 2021)

	notes	**Adjusted 2022 £m**	**Adjusted items 2022 £m**	**Statutory 2022 £m**	Adjusted 2021 £m	Adjusted items 2021 £m	Statutory 2021 £m
Revenue	4	**601.4**	**-**	**601.4**	615.8	-	615.8
Cost of sales		**(375.7)**	**-**	**(375.7)**	(329.4)	-	(329.4)
Gross profit		**225.7**	**-**	**225.7**	286.4	-	286.4
Distribution costs		**(38.1)**	**-**	**(38.1)**	(41.1)	-	(41.1)
Administrative expenses	5	**(84.3)**	**(33.4)**	**(117.7)**	(102.4)	(65.2)	(167.6)
Share of results of associates		**2.8**	**(1.4)**	**1.4**	3.2	(1.6)	1.6
Operating profit		**106.1**	**(34.8)**	**71.3**	146.1	(66.8)	79.3
Interest income	6	**0.1**	**-**	**0.1**	0.1	-	0.1
Finance costs	7	**(2.9)**	**-**	**(2.9)**	(2.7)	-	(2.7)
Pension finance charge	15	**-**	**(2.3)**	**(2.3)**	-	(3.4)	(3.4)
Profit before tax		**103.3**	**(37.1)**	**66.2**	143.5	(70.2)	73.3
Tax charge	8	**(18.8)**	**4.9**	**(13.9)**	(26.9)	(43.5)	(70.4)
Profit for the period attributable to equity holders of the parent		**84.5**	**(32.2)**	**52.3**	116.6	(113.7)	2.9

Earnings per share	notes	**2022 Pence**		**2022 Pence**	2021 Pence		2021 Pence
Earnings per share - basic	10	**27.1**		**16.8**	37.6		0.9
Earnings per share - diluted	10	**26.7**		**16.5**	36.5		0.9

The above results were derived from continuing operations. Set out in note 20 is the reconciliation between the statutory and adjusted results.

Consolidated statement of comprehensive income

for the 52 weeks ended 25 December 2022 (52 weeks ended 26 December 2021)

	notes	**2022 £m**	2021 £m
Profit for the period		**52.3**	2.9
Items that will not be reclassified to profit and loss:			
Actuarial (loss)/gain on defined benefit pension schemes	15	**(35.0)**	102.9
Tax on actuarial (loss)/gain on defined benefit pension schemes	8	**7.4**	(26.0)
Deferred tax credit resulting from future change in rate	8	**-**	13.9
Share of items recognised by associates after tax		**(1.7)**	(0.6)
Other comprehensive (loss)/income for the period		**(29.3)**	90.2
Total comprehensive income for the period		**23.0**	93.1

Consolidated statement of changes in equity

for the 52 weeks ended 25 December 2022 (52 weeks ended 26 December 2021) for the 52 weeks ended 25 December 2022 (52 weeks ended 26 December 2021)

	Share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Accumulated loss and other reserves £m	Total £m
At 28 December 2020	32.2	605.4	17.4	4.4	(92.7)	566.7
Profit for the period	-	-	-	-	2.9	2.9
Other comprehensive income for the period	-	-	-	-	90.2	90.2
Total comprehensive income for the period	-	-	-	-	93.1	93.1
Purchase of own shares (note 18)	-	-	-	-	(3.3)	(3.3)
Credit to equity for equity-settled share-based payments	-	-	-	-	1.7	1.7
Deferred tax credit for equity-settled share-based payments	-	-	-	-	2.4	2.4
Dividends paid	-	-	-	-	(21.8)	(21.8)
At 26 December 2021	**32.2**	**605.4**	**17.4**	**4.4**	**(20.6)**	**638.8**
Profit for the period	**-**	**-**	**-**	**-**	**52.3**	**52.3**
Other comprehensive loss for the period	**-**	**-**	**-**	**-**	**(29.3)**	**(29.3)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**23.0**	**23.0**
Purchase of own shares (note 18)	**-**	**-**	**-**	**-**	**(1.0)**	**(1.0)**
Credit to equity for equity-settled share-based payments	**-**	**-**	**-**	**-**	**1.8**	**1.8**
Deferred tax charge for equity-settled share-based payments	**-**	**-**	**-**	**-**	**(2.2)**	**(2.2)**
Dividends paid (note 9)	**-**	**-**	**-**	**-**	**(22.9)**	**(22.9)**
At 25 December 2022	**32.2**	**605.4**	**17.4**	**4.4**	**(21.9)**	**637.5**

Consolidated cash flow statement

for the 52 weeks ended 25 December 2022 (52 weeks ended 26 December 2021)

	notes	**2022 £m**	2021 £m
Cash flows from operating activities			
Cash generated from operations	11	**80.1**	163.7
Pension deficit funding payments	15	**(55.1)**	(64.7)
Income tax paid		**(5.0)**	(14.6)
Net cash inflow from operating activities		**20.0**	84.4
Investing activities			
Interest received	6	**0.1**	0.1
Dividends received from associated undertakings		**2.5**	2.5
Proceeds on disposal of property, plant and equipment		**0.4**	0.7
Purchases of property, plant and equipment	13	**(3.0)**	(6.5)
Expenditure on capitalised internally generated development	12	**(10.7)**	(6.0)
Deferred consideration payment	16	**(17.1)**	(16.0)
Acquisition of associated undertaking		**-**	(0.8)
Net cash used in investing activities		**(27.8)**	(26.0)
Financing activities			
Interest and charges paid on borrowings		**(1.9)**	(1.4)
Dividends paid	9	**(22.9)**	(21.8)
Interest paid on leases	16	**(1.1)**	(1.3)
Repayment of obligation under leases	16	**(5.6)**	(6.9)
Purchase of own shares	18	**(1.0)**	(3.3)
Drawdown of borrowings		**15.0**	-
Net cash used in financing activities		**(17.5)**	(34.7)
Net (decrease)/increase in cash and cash equivalents		**(25.3)**	23.7
Cash and cash equivalents at the beginning of the period	16	**65.7**	42.0
Cash and cash equivalents at the end of the period	16	**40.4**	65.7

Consolidated balance sheet

at 25 December 2022 (at 26 December 2021)

	notes	**2022 £m**	2021 £m
Non-current assets			
Goodwill	12	**35.9**	35.9
Other intangible assets	12	**832.9**	824.3
Property, plant and equipment	13	**140.1**	157.3
Right-of-use assets	14	**10.9**	12.7
Finance lease receivable		**10.4**	-
Investment in associates		**14.6**	17.4
Retirement benefit assets	15	**51.2**	107.9
		1,096.0	1,155.5
Current assets			
Inventories		**12.9**	5.5
Trade and other receivables		**95.2**	102.3

Current tax receivable		**13.9**	13.5
Finance lease receivable		**0.6**	-
Cash and cash equivalents	16	**40.4**	65.7
		163.0	187.0
Total assets		**1,259.0**	1,342.5
Non-current liabilities			
Trade and other payables		**(4.5)**	(6.4)
Deferred consideration	16	**-**	(7.0)
Lease liabilities	16	**(26.8)**	(30.7)
Retirement benefit obligations	15	**(202.1)**	(261.8)
Provisions	17	**(36.6)**	(43.6)
Deferred tax liabilities		**(191.6)**	(188.1)
		(461.6)	(537.6)
Current liabilities			
Trade and other payables		**(106.7)**	(114.7)
Deferred consideration	16	**(7.0)**	(17.1)
Borrowings	16	**(15.0)**	-
Lease liabilities	16	**(4.9)**	(5.5)
Provisions	17	**(26.3)**	(28.8)
		(159.9)	(166.1)
Total liabilities		**(621.5)**	(703.7)
Net assets		**637.5**	638.8
Equity			
Share capital	18	**32.2**	32.2
Share premium account	18	**605.4**	605.4
Merger reserve	18	**17.4**	17.4
Capital redemption reserve	18	**4.4**	4.4
Accumulated loss and other reserves	18	**(21.9)**	(20.6)
Total equity attributable to equity holders of the parent		**637.5**	638.8

Notes to the consolidated financial statements

for the 52 weeks ended 25 December 2022 (52 weeks ended 26 December 2021)

1. General information

The financial information, which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement, the Consolidated statement of changes in equity and the Consolidated balance sheet and related notes ('Consolidated Financial Information') in the Preliminary Audited Results announcement is derived from but does not represent the full statutory accounts of Reach plc. The statutory accounts for the 52 weeks ended 26 December 2021 have been filed with the Registrar of Companies and those for the 52 weeks ended 25 December 2022 will be filed following the Annual General Meeting on 3 May 2023. The auditors' reports on the statutory accounts for the 52 weeks ended 26 December 2021 and for the 52 weeks ended 25 December 2022 were unqualified, do not include reference to any matters to which the auditors drew attention by way of emphasis of matter without qualifying the reports and do not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Whilst the Consolidated Financial Information included in this Preliminary Audited Results Announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. This Preliminary Audited Results Announcement constitutes a dissemination announcement in accordance with Section 6.3 of the Disclosure and Transparency Rules (DTR). The Annual Report for the 52 weeks ended 25 December 2022 will be available on the Company's website at www.reachplc.com and at the Company's registered office at One Canada Square, Canary Wharf, London E14 5AP before the end of March 2023 and will be sent to shareholders who have elected to receive a hard copy with the documents for the Annual General Meeting to be held on 3 May 2023.

The Consolidated Financial Information has been prepared for the 52 weeks ended 25 December 2022 and the comparative period has been prepared for the 52 weeks ended 26 December 2021. Throughout this report, the Consolidated Financial Information for the 52 weeks ended 25 December 2022 is referred to and headed 2022 and for the 52 weeks ended 26 December 2021 is referred to and headed 2021. The presentational currency of the Group is Sterling. The Company presents the results on a statutory and adjusted basis and revenue trends on a statutory and like-for-like basis as described in note 2.

2. Accounting policies

Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 27 December 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The Consolidated Financial Information has been prepared in accordance with UK-adopted international accounting standards ('IFRS') and the applicable legal requirements of the Companies Act 2006. These standards are subject to ongoing amendment by the International Accounting Standards Board and are therefore subject to change. As a result, the Consolidated Financial Information contained herein will need to be updated for any subsequent amendment to IFRS or any new standards that are issued. The Consolidated Financial Information has been prepared under the historical cost convention.

The accounting policies used in the preparation of the Consolidated Financial Information for the 52 weeks ended 25 December 2022 and for the 52 weeks ended 26 December 2021 have been consistently applied to all the periods presented. These Consolidated Financial Statements have been prepared on a going concern basis.

Going concern basis

The directors have made appropriate enquires and consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, which comprises the period of at least 12 months from the date of approval of the financial statements.

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

The key factors considered by the directors were as follows:

- The performance of the business in 2022 and the progress being made in the implementation of the Group's Customer Value Strategy and the implications of the current macroeconomic environment including inflationary pressures. The Group undertakes regular forecasts and projections of trading, identifying areas of focus for management to improve the delivery of the Customer Value Strategy and mitigate the impact of any deterioration in the economic outlook;
- The impact of the competitive environment within which the Group's businesses operate;
- The impact on our business of key suppliers (in particular newsprint) being unable to meet their obligations to the Group;
- The impact on our business of key customers being unable to meet their obligations for services provided by the Group;
- The deficit funding contributions to the defined benefit pension schemes and payments in respect of historical legal issues; and
- The available cash reserves and committed finance facilities available to the Group. During the year, the Group extended the expiry date of its £120.0m facility for a further year to 19 November 2026. The Group has drawn down £15.0m on the facility at the reporting date.

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

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

Changes in accounting policy

The same accounting policies, presentation and methods of computation are followed in the Consolidated Financial Information as applied in the Group's latest annual consolidated financial statements for the 52 weeks ended 26 December 2021.

Alternative performance measures

The Company presents the results on a statutory and adjusted basis and revenue trends on a statutory and like-for-like basis. The Company believes that the adjusted basis and like-for-like trends will provide investors with useful supplemental information about the financial performance of the Group, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key performance indicators used by management in operating the Group and making decisions. Although management believes the adjusted basis is important in evaluating the Group, it is not intended to be considered in isolation or as a substitute for, or as superior to, financial information on a statutory basis. The alternative performance measures are not recognised measures under IFRS and do not have standardised meanings prescribed by IFRS and may be different to those used by other companies, limiting the usefulness for comparison purposes. Note 20 sets out the reconciliation between the statutory and adjusted results. An adjusted cash flow is presented in note 21 which reconciles the adjusted operating profit to the net change in cash and cash equivalents. Set out in note 22 is the reconciliation between the statutory and adjusted cash flow. Note 23 shows the reconciliation between the statutory and like-for-like revenues.

Adjusting items

Adjusting items relate to costs or income that derive from events or transactions that fall within the normal activities of the Group, but are excluded from the Group's adjusted profit measures, individually or, if of a similar type in aggregate, due to their size and/or nature in order to better reflect management's view of the performance of the Group. The adjusted profit measures are not recognised profit measures under IFRS and may not be directly comparable with adjusted profit measures used by other companies. All operating adjusting items are recognised within administrative expenses. Details of adjusting items are set out in note 20 with additional information in notes 5, 8 and 15.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Historical Legal Issues (notes 17 and 19)

The historical legal issues provision relates to the cost associated with dealing with and resolving civil claims in relation to historical phone hacking and unlawful information gathering. There are three parts to the provision: known claims, potential future claims and common court costs. The key uncertainties in relation to this matter relate to how many claims will be received, how each claim progresses, the amount of any settlement and the associated legal costs. Our assumptions have been based on historical trends, our experience and the expected evolution of claims and costs.

During 2022, a charge of £11.0m (2021: £29.0m) has been made, which relates to an increase in the estimate for claim settlement values and the associated legal costs, and an increase in common court costs as cases progress. The charge has decreased from the prior year with the number of new claims arising in the year, being in line with expectation. At the period end, a provision of £43.0m remains outstanding and this represents the current best estimate of the amount required to resolve this historical matter. The majority of the provision is expected to be utilised within the next three years.

Our view on the range of outcomes at the reporting date for the provision, applying more and less favourable outcomes to all aspects of the provision is £32m to £56m (2021: £32m to £53m). However, it is unknown how long it will take to fully resolve this matter and despite making a best estimate of the provision, the timing of utilisation and possible range, the total universe of claims is unknown and there are both ongoing legal matters (including a trial currently listed in May 2023 where a number of claims are expected to be heard) and the potential for new legal matters which could mean that the final outcome is outside of the range of outcomes. Due to these unquantifiable uncertainties, a contingent liability has been highlighted in note 19.

Taxation (note 8)

There is uncertainty as to the tax deductibility of expenditure relating to historical legal issues in the current year and additional tax liabilities that may fall due in relation to earlier years. At the reporting date, the maximum amount of the additional unprovided tax exposure relating to this uncertain tax item is £8.1m (2021: £7.4m). There is uncertainty as to the final outcome and timing of this item, with a possible range of outcomes for the potential tax exposure being nil to £27.2m (2021: nil to £25.1m).

Retirement benefits (note 15)

Actuarial assumptions adopted and external factors can significantly impact the surplus or deficit of defined benefit pension schemes. Valuations for funding and accounting purposes are based on assumptions about future economic and demographic variables. These result in risk of a volatile valuation deficit and the risk that the ultimate cost of paying benefits is higher than the current assessed liability value. Advice is sourced from independent and qualified actuaries in selecting suitable assumptions at each reporting date.

Impairment review (note 12)

There is uncertainty in the value-in-use calculation. The most significant area of uncertainty relates to expected future cash flows for each cash-generating unit. Determining whether the carrying values of assets in a cash-generating unit are impaired requires an estimation of the value-in-use of the cash-generating unit to which these have been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Projections are based on both internal and external market information and reflect past experience. The discount rate reflects the weighted average cost of capital of the Group.

Restructuring and property provisions (note 17)

Provisions are measured at the best estimate of the expenditure required to settle the obligation based on the assessment of the related facts and circumstances at each reporting date. There is uncertainty in relation to the size and length of property related provisions.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, described above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Indefinite life assumption in respect of publishing rights and titles (note 12)

There is judgement required in continuing to adopt an indefinite life assumption in respect of publishing rights and titles. The directors consider publishing rights and titles (with a carrying amount of £818.7m) have indefinite economic lives due to the longevity of the brands and the ability to evolve them in an ever-changing media landscape. The brands are central to the delivery of the Customer Value Strategy which is delivering digital revenue growth. At each reporting date management review the suitability of this assumption.

Identification of cash-generating units (note 12)

There is judgement required in determining the cash-generating unit relating to our Publishing brands. At each reporting date management review the interdependency of revenues across our portfolio of Publishing brands to determine the appropriate cash-generating unit. The Group operates its Publishing brands such that a majority of the revenues are interdependent and revenue would be materially lower if brands operated in isolation. As such, management do not consider that an impairment review at an individual brand level is appropriate or practical. As the Group continues to centralise revenue generating functions and has moved to a matrix operating structure over the past few years, all of the individual brands in Publishing have increased revenue interdependency and are assessed for impairment as a single Publishing cash-generating unit.

3. Segments

The performance of the Group is presented as a single reporting segment as this is the basis of internal reports regularly reviewed by the Board and chief operating decision maker (executive directors) to allocate resources and to assess performance. The Group's operations are primarily located in the UK and the Group is not subject to significant seasonality during the year.

4. Revenue

	2022 £m	2021 £m
Print	**448.6**	465.1
Circulation	**307.7**	312.9
Advertising	**86.9**	103.3
Printing	**23.1**	20.4
Other	**30.9**	28.5
Digital	**149.8**	148.3
Other	**3.0**	2.4
Total revenue	**601.4**	615.8

The Group's operations are located primarily in the UK.

5. Operating adjusted items

	2022 £m	2021 £m
Provision for historical legal issues (note 17)	**(11.0)**	(29.0)
Restructuring charges in respect of cost reduction measures (note 17)	**(15.5)**	(2.8)
Sublet of closed print site (note 14 and 17)	**16.6**	-
Home and Hub project	**-**	(23.7)
Pension administrative expenses and past service costs (note 15)	**(14.8)**	(3.7)
Other items (note 20)	**(8.7)**	(6.0)
Operating adjusted items included in administrative expenses	**(33.4)**	(65.2)
Operating adjusted items included in share of results of associates	**(1.4)**	(1.6)
Total operating adjusted items	**(34.8)**	(66.8)

Operating adjusted items relate to costs or income that derive from events or transactions that fall within the normal activities of the Group, but are excluded from the Group's adjusted profit measures, individually or, if of a similar type in aggregate, due to their size and/or nature in order to better reflect management's view of the performance of the Group. The adjusted profit measures are not recognised profit measures under IFRS and may not be directly comparable with adjusted profit measures used by other companies. Set out in note 20 is the reconciliation between the statutory and adjusted results which includes descriptions of the items included in adjusted items.

The Group has recorded a £11.0m (2021: £29.0m) increase in the provision for historical legal issues relating to the cost associated with dealing with and resolving civil claims in relation to historical phone hacking and unlawful information gathering (note 17).

Restructuring charges of £15.5m (2021: £2.8m) incurred in respect of cost reduction measures are principally severance costs that relate to cost management actions taken in the period.

The sublet of the vacant print site which was closed in 2020 has resulted in the reversal of an impairment in right-of-use assets of £11.0m (note 14) and previously onerous costs of the vacant print site of £5.6m (note 17). The impairment and onerous closure costs of the vacant print site were recognised in operating adjusted items in 2020.

Pension costs of £14.8m (2021: £3.7m) comprise pension administrative expenses of £4.2m and past service costs relating to a Barber Window equalisation adjustment of £10.6m.

Other adjusted items comprise the Group's legal fees in respect of historical legal issues (£5.2m), adviser costs in relation to the triennial funding valuations (£1.6m), impairment of vacant freehold property (£4.2m) and plant and equipment (0.8m) less a reduction in National Insurance costs relating to share awards (£2.7m) and the profit on sale of impaired assets (£0.4m). In 2021 other adjusted items related to adviser costs in relation to triennial funding valuations (£1.2m), an increase in National Insurance costs relating to share awards (£2.6m), the write-off of an old debit balance (£2.9m) and the profit on sale of an impaired asset (£0.7m).

In the first half of 2021, the Group implemented a Home and Hub project which set out the vision for how the Group's offices would look and where job roles would be based. As a consequence of the project a number of offices or floors were closed. The project resulted in charges of £23.7m (impairments of £2.3m relating to property, plant and equipment and £10.5m relating to right-of-use assets and a £10.9m property rationalisation charge relating to onerous costs of vacant properties).

6. Interest income

	2022 £m	2021 £m
Interest income on bank deposits	**0.1**	0.1

7. Finance costs

	2022 £m	2021 £m
Interest and charges on borrowings	**(1.8)**	(1.4)
Interest on lease liabilities	**(1.1)**	(1.3)
Finance costs	**(2.9)**	(2.7)

8. Tax charge

	2022 £m	2021 £m
Corporation tax charge for the period	**(4.5)**	(4.8)
Prior period adjustment	**(0.7)**	0.9
Current tax charge	**(5.2)**	(3.9)
Deferred tax charge for the period	**(9.0)**	(12.8)
Prior period adjustment	**0.3**	0.2
Deferred tax rate change	**-**	(53.9)
Deferred tax charge	**(8.7)**	(66.5)
Tax charge	**(13.9)**	(70.4)

Reconciliation of tax charge	2022 £m	2021 £m
Profit before tax	**66.2**	73.3
Standard rate of corporation tax of 19% (2021: 19%)	**(12.6)**	(13.9)
Tax effect of permanent items that are not included in determining taxable profit	**(1.2)**	(4.0)
Change in rate of deferred tax	**-**	(53.9)
Prior period adjustment	**(0.4)**	1.1
Tax effect of share of results of associates	**0.3**	0.3
Tax charge	**(13.9)**	(70.4)

The standard rate of corporation tax for the period is 19% (2021: 19%). The tax effect of items that are not deductible in determining taxable profit includes certain costs where there is uncertainty as to their deductibility. The current tax receivable of £13.9m (2021: £13.5m) is net of the uncertain tax provision of £19.1m (2021: £17.7m). At the reporting date, the maximum amount of the additional unprovided tax exposure relating to an uncertain tax item is £8.1m (2021: £7.4m). There is uncertainty as to the final outcome and timing of this item, with a possible range of outcomes for the potential tax exposure being nil to £27.2m (2021: nil to £25.1m).

The Budget on 5 March 2021 increased the rate of corporation tax from 19% to 25% with effect from 1 April 2023. At 26 December 2021, this rate change had been substantively enacted by parliament meaning that the opening deferred tax position was recalculated in the period resulting in a £53.9m debit in the consolidated income statement and a £13.9m credit in the consolidated statement of comprehensive income.

The tax on actuarial losses (2021: gains) on defined benefit pension schemes taken to the consolidated statement of comprehensive income is a deferred tax credit of £7.4m (2021: charge of £26.0m).

The amount taken to the consolidated income statement as a result of pension contributions was £7.1m (2021: £10.1m).

9. Dividends

	2022 Pence per share	2021 Pence per share
Amounts recognised as distributions to equity holders in the period		
Dividends paid per share - prior year final dividend	**4.46**	4.26
Dividends paid per share - interim dividend	**2.88**	2.75
Total dividends paid per share	**7.34**	7.01
Dividend proposed per share but not paid nor included in the accounting records	**4.46**	4.46

The Board proposes a final dividend for 2022 of 4.46 pence per share. An interim dividend for 2022 of 2.88 pence per share was paid on 23 September 2022 bringing the total dividend in respect of 2022 to 7.34 pence per share. The 2022 final dividend payment is expected to amount to £14.0m.

On 5 May 2022, the final dividend proposed for 2021 of 4.46 pence per share was approved by shareholders at the Annual General Meeting and was paid on 10 June 2022.
Total dividends paid in 2022 were £22.9m (2021 final dividend payment of £13.9m and 2022 interim dividend payment of £9.0m).

10. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares during the period, and diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares.

	2022 Thousand	2021 Thousand
Weighted average number of ordinary shares for basic earnings per share	**312,153**	310,282
Effect of potential dilutive ordinary shares in respect of share awards	**4,828**	8,971
Weighted average number of ordinary shares for diluted earnings per share	**316,981**	319,253

The weighted average number of potentially dilutive ordinary shares not currently dilutive was 5,406,814 (2021: 1,704,886).

Statutory earnings per share	**2022 Pence**	2021 Pence
Earnings per share - basic	**16.8**	0.9
Earnings per share - diluted	**16.5**	0.9

Adjusted earnings per share	**2022 Pence**	2021 Pence
Earnings per share - basic	**27.1**	37.6
Earnings per share - diluted	**26.7**	36.5

Set out in note 20 is the reconciliation between the statutory and adjusted results.

11. Cash flows from operating activities

	2022 £m	2021 £m
Operating profit	**71.3**	79.3
Depreciation of property, plant and equipment	**15.2**	15.3
Depreciation of right-of-use assets	**2.9**	3.6
Amortisation of other intangible assets	**2.1**	0.4
Impairment of property, plant and equipment	**5.0**	2.3
Reversal of impairment of right-of-use assets	**(11.0)**	-
Impairment of right-of-use assets	**-**	10.5
Profit on disposal of property, plant and equipment	**(0.4)**	(0.7)
Share of results of associates	**(1.4)**	(1.6)
Share-based payments charge	**1.5**	1.7
Pension administrative expenses and past service costs	**14.8**	3.7
Operating cash flows before movements in working capital	**100.0**	114.5
Increase in inventories	**(7.4)**	(0.9)
Decrease in receivables	**7.2**	5.6
(Decrease)/increase in payables	**(19.7)**	44.5
Cash flows from operating activities	**80.1**	163.7

12. Goodwill and other intangible assets

The carrying value of goodwill and other intangible assets is:

	Goodwill £m	**Publishing rights and titles £m**	**Internally generated assets £m**	**Intangible assets £m**
Opening carrying value	35.9	818.7	5.6	860.2
Additions	-	-	10.7	10.7
Amortisation	-	-	(2.1)	(2.1)
Closing carrying value	**35.9**	**818.7**	**14.2**	**868.8**

During the year, the Group capitalised internally generated assets relating to software and website development costs of £10.7m. These assets are amortised using the straight-line method over their estimated useful lives (3-5 years).

Publishing rights and titles are not amortised. There is judgement required in continuing to adopt an indefinite life assumption in respect of publishing rights and titles. The directors consider publishing rights and titles (with a carrying amount of £818.7m) have indefinite economic lives due to the longevity of the brands and the ability to evolve them in an ever-changing media landscape. The brands are central to the delivery of the Customer Value Strategy which is delivering digital revenue growth. This, combined with our inbuilt and relentless focus on maximising efficiency, gives confidence that the delivery of sustainable growth in revenue, profit and cash flow is achievable in the future.

There is judgement required in determining the cash-generating units. At each reporting date management review the interdependency of revenues across our Publishing brands to determine the appropriate cash-generating unit. The Group operates its Publishing brands such that a majority of the revenues are interdependent and revenue would be materially lower if brands operated in isolation. As such, management do not consider that an impairment review at an individual brand level is appropriate or practical. As the Group continues to centralise revenue generating functions and has moved to a matrix operating structure over the past few years all of the individual brands in Publishing have increased revenue interdependency and are assessed for impairment as a single Publishing cash-generating unit.

The Group tests the carrying value of assets at the cash-generating unit level for impairment annually or more frequently if there are indicators that assets might be impaired. The review is undertaken by assessing whether the carrying value of assets is supported by their value-in-use which is calculated as the net present value of future cash flows derived from those assets, using cash flow projections. If an impairment charge is required this is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit but subject to not reducing any asset below its recoverable amount.

The impairment review in respect of the Publishing cash-generating unit concluded that no impairment charge was required.

For the impairment review, cash flows have been prepared using the approved Budget for 2023 and projections for a further nine years as this is the period over which the transformation to digital can be assessed. The projections for 2024 to 2032 are internal projections based on continued decline in print revenues and growth in digital revenues and the associated change in the cost base as a result of the changing revenue mix. The Group's medium-term internal projections are that growth in digital revenue will be sufficient to offset the decline in print revenue and that overall revenue will stabilise. The long-term growth rates beyond the 10-year period have been assessed at 1.0% (2021: 0%) based on the Board's view of the market position and maturity of the relevant market. We continue to believe that there are significant longer-term benefits of our scale national and local digital audiences and there are opportunities to grow revenue and profit in the longer term.

The discount rate reflects the weighted average cost of capital of the Group. The current post-tax and equivalent pre-tax discount rate used is 10.8% (2021: 10.8%) and 13.9% (2021: 14.2%) respectively.

The impairment review is highly sensitive to reasonably possible changes in key assumptions used in the value-in-use calculations and there is uncertainty relating to the current challenging macroeconomic environment. The headroom in the impairment review is £183m (2021: £411m). EBITDA in the 10 year projections is forecast to grow at a CAGR of 1.6% (2021: 1.3%). A combination of reasonably possible changes in key assumptions such as print revenue declining at a faster rate than projected, digital revenue growth being significantly lower than projected or the associated change in the cost base being different than projected, could lead to an impairment if these resulted in the EBITDA in the 10-year projections declining at a CAGR of 0.9% (2021: -5.0%). Alternatively an increase in the discount rate by 2.4 percentage points (2021: 5.6 percentage points) would lead to the removal of the headroom.

13. Property, plant and equipment

	Freehold land and buildings £m	Plant and equipment £m	Asset under construction £m	Total £m
Cost				
At 26 December 2021	204.6	360.5	2.2	567.3
Additions	-	1.7	1.3	3.0
Disposals	-	(24.0)	-	(24.0)
Reclassification	-	3.0	(3.0)	-
At 25 December 2022	**204.6**	**341.2**	**0.5**	**546.3**
Accumulated depreciation and impairment				
At 26 December 2021	(99.3)	(310.7)	-	(410.0)
Charge for the period	(2.6)	(12.6)	-	(15.2)
Eliminated on disposal	-	24.0	-	24.0
Impairment	(4.2)	(0.8)	-	(5.0)
At 25 December 2022	**(106.1)**	**(300.1)**	**-**	**(406.2)**
Carrying amount				
At 26 December 2021	105.3	49.8	2.2	157.3
At 25 December 2022	**98.5**	**41.1**	**0.5**	**140.1**

Impairment of vacant freehold property of £4.2m (note 5) is as a result of the carrying value of certain Group properties being in excess of their market value at the reporting date. Plant and equipment has been impaired by £0.8m (note 5) in the period due to the closure of a print site.

£24.0m of disposals in cost and accumulated depreciation relate to the scrapping of plant and equipment as a result of the sublet of the vacant print site, which was fully impaired in 2020.

14. Right-of-use assets

	Properties £m	Vehicles £m	Total £m
Cost			
At 26 December 2021	43.1	3.4	46.5
Additions	1.1	-	1.1
Derecognition at start of sublease classified as finance lease	(14.6)	-	(14.6)
Derecognition at end of lease term	(2.2)	(0.2)	(2.4)
At 25 December 2022	**27.4**	**3.2**	**30.6**
Accumulated depreciation and impairment			
At 26 December 2021	(31.8)	(2.0)	(33.8)
Charge for the period	(2.2)	(0.7)	(2.9)
Reversal of impairment	11.0	-	11.0
Derecognition at start of sublease classified as finance lease	3.6	-	3.6
Derecognition at end of lease term	2.2	0.2	2.4
At 25 December 2022	**(17.2)**	**(2.5)**	**(19.7)**
Carrying amount			
At 26 December 2021	11.3	1.4	12.7

At 25 December 2022	**10.2**	**0.7**	**10.9**

The sublet of the vacant print site which was closed in 2020, has resulted in the reversal of an impairment in right-of-use assets of £11.0m in 2022 (note 5). The sublet has been classified as a finance lease and the net investment in the lease of £11.0m is recognised as a finance lease receivable in the consolidated balance sheet.

15. Retirement benefit schemes

Defined contribution pension schemes

The Group operates defined contribution pension schemes for qualifying employees, where the assets of the schemes are held separately from those of the Group in funds under the control of Trustees.

The current service cost charged to the consolidated income statement for the year of £18.1m (2021: £17.1m) represents contributions paid by the Group at rates specified in the scheme rules. All amounts that were due have been paid over to the schemes at all reporting dates.

Defined benefit pension schemes

Background

The defined benefit pension schemes operated by the Group are all closed to future accrual. The Group has six defined benefit pension schemes:

- the MGN Pension Scheme (the 'MGN Scheme'), the Trinity Retirement Benefit Scheme (the 'Trinity Scheme'), the Midland Independent Newspapers Pension Scheme (the 'MIN Scheme'), the Express Newspapers 1988 Pension Fund (the 'EN88 Scheme'), the Express Newspapers Senior Management Pension Fund (the 'ENSM Scheme') and the West Ferry Printers Pension Scheme (the 'WF Scheme').

Characteristics

The defined benefit pension schemes provide pensions to members, which are based on the final salary pension payable, normally from age 65 (although some schemes have some pensions normally payable from an earlier age) plus surviving spouses or dependants' benefits following a member's death. Benefits increase both before and after retirement either in line with statutory minimum requirements or in accordance with the scheme rules if greater. Such increases are either at fixed rates or in line with retail or consumer prices but subject to upper and lower limits. All of the schemes are independent of the Group with assets held independently of the Group. They are governed by Trustees who administer benefits in accordance with the scheme rules and appropriate UK legislation. The schemes each have a professional or experienced independent Trustee as their Chairman with generally half of the remaining Trustees nominated by the members and half by the Group.

Maturity profile and cash flow

Across all of the schemes, the uninsured liabilities related 60% to current pensioners and their spouses or dependants and 40% to deferred pensioners. The average term from the period end to payment of the remaining uninsured benefits is expected to be around 12 years. Uninsured pension payments in 2022, excluding lump sums and transfer value payments, were £73m and these are projected to rise to an annual peak in 2034 of £104m and reducing thereafter.

Funding arrangements

The funding of the Group's schemes is subject to UK pension legislation as well as the guidance and codes of practice issued by the Pensions Regulator. Funding targets are agreed between the Trustees and the Group and are reviewed and revised usually every three years. The funding targets must include a margin for prudence above the expected cost of paying the benefits and so are different to the liability value for IAS 19 purposes. The funding deficits revealed by these triennial valuations are removed over time in accordance with an agreed recovery plan and schedule of contributions for each scheme. The latest valuation date for all six of the Group's schemes was 31 December 2019, although the process to determine the 31 December 2022 valuations is now due to commence.

Discussions in relation to the funding valuations of the MGN Scheme at 31 December 2019 are ongoing. The funding valuation of the MGN scheme: at 31 December 2016 showed a deficit of £476.0m. The Group paid contributions of £40.9m to the MGN Scheme in 2022 and the current schedule of contributions includes payments of £40.9m pa from 2023 to 2027.

The funding valuation of the Trinity Scheme at 31 December 2019 was agreed on 21 December 2022. This showed a deficit of £57.2m. The Group paid contributions of £5.2m to this scheme in 2022 and agreed an unchanged schedule of contributions of payments of £5.2m pa from 2023 to 2027.

The funding valuation of the MIN Scheme at 31 December 2019 was agreed after the year end on 3 February 2023. This showed a deficit of £73.8m. The Group paid contributions of £5.9m to this scheme in 2022 and the agreed schedule of contributions features payments of £6.9m pa from 2023 to 2025, £7.8m pa in 2026 and 2027 and £8.6m pa in 2028 and 2029.

The funding valuations of the EN88 Scheme, and ENSM Scheme at 31 December 2019 were agreed on 10 December 2021. For the EN88 Scheme this showed a deficit of £25.1m. The Group paid contributions of £2.8m to this scheme in 2022 and the agreed schedule of contributions includes payments of £2.8m pa from 2023 to 2026 and £0.8m in 2027. During the year, the Trustees of the

ENSM Scheme purchased a bulk annuity at no cost to the Group and the scheme now has all pension liabilities covered by annuity policies and no further funding is expected. The Group paid £9.6m to the WF Scheme in 2021 which together with the payment of £5.0m made in 2020 enabled the Trustees to purchase a bulk annuity and the scheme now has all pension liabilities covered by annuity policies and no further funding is expected.

Group contributions in respect of the defined benefit pension schemes in the year were £55.1m (2021: £64.7m).

At the reporting date, the funding deficits in all schemes are expected to be removed before or around 2029 by a combination of the contributions and asset returns. Contributions (which include funding for pension administrative expenses) are payable monthly. Contributions per the current schedule of contributions are £55.8m pa in 2023 to 2025, £56.7m pa in 2026, £54.7m pa in 2027 and £8.6m pa in 2028 and 2029.

The future deficit funding commitments are linked to the three-yearly actuarial valuations. Although the funding commitments do not generally impact the IAS 19 position, IFRIC 14 guides companies to consider for IAS 19 disclosures whether any surplus can be recognised as a balance sheet asset and whether any future funding commitments in excess of the IAS 19 liability should be provisioned for. Based on the interpretation of the rules for each of the defined benefit pension schemes, the Group considers that it has an unconditional right to any potential surplus on the ultimate wind-up after all benefits to members have been paid in respect of all of the schemes except the WF Scheme. Under IFRIC 14 it is therefore appropriate to recognise any IAS 19 surpluses which may emerge in future and not to recognise any potential additional liabilities in respect of future funding commitments of all of the schemes except for the WF Scheme. For the WF Scheme at the reporting date, the assets are surplus to the IAS 19 benefit liabilities and the impact of IFRIC 14 removes this surplus. As no further contributions are expected to the WF Scheme, the Group no longer recognises a deficit of its future deficit contribution commitment to the scheme.

The calculation of Guaranteed Minimum Pension ('GMP') is set out in legislation and members of pension schemes that were contracted out of the State Earnings-Related Pension Scheme ('SERPS') between 6 April 1978 and 5 April 1997 will have built up an entitlement to a GMP. GMPs were intended to broadly replicate the SERPS pension benefits but due to their design they give rise to inequalities between men and women, in particular, the GMP for a male comes into payment at age 65 whereas for a female it comes into payment at the age of 60 and GMPs typically receive different levels of increase to non GMP benefits. On 26 October 2018, the High Court handed down its judgement in the Lloyds Trustees vs Lloyds Bank plc and Others case relating to the equalisation of member benefits for the gender effects of GMP equalisation. This judgement creates a precedent for other UK defined benefit schemes with GMPs. The judgement confirmed that GMP equalisation was required for the period 17 May 1990 to 5 April 1997 and provided some clarification on legally acceptable methods for achieving equalisation. An allowance for GMP equalisation was first included within liabilities at 30 December 2018 and was recognised as a charge for past service costs in the income statement. In 2020 further clarification was issued relating to GMP equalisation in respect of transfers out of schemes and a further allowance for GMP equalisation was included within liabilities at 27 December 2020 and was recognised as a charge for past service costs in the income statement. The estimate is subject to change as we undertake more detailed member calculations, as guidance is issued and/or as a result of future legal judgements.

Risks

Valuations for funding and accounting purposes are based on assumptions about future economic and demographic variables. This results in the risk of a volatile valuation deficit and the risk that the ultimate cost of paying benefits is higher than the current assessed liability value.

The main sources of risk are:

- investment risk: a reduction in asset returns (or assumed future asset returns);
- inflation risk: an increase in benefit increases (or assumed future increases); and
- longevity risk: an increase in average life spans (or assumed life expectancy).

These risks are managed by:

- investing in insured annuity policies: the income from these policies exactly matches the benefit payments for the members covered, removing all of the above risks. At the reporting date the insured annuity policies covered 16% of total liabilities;
- investing a proportion of assets in other classes such as government and corporate bonds and in liability driven investments: changes in the values of the assets aim to broadly match changes in the values of the uninsured liabilities, reducing the investment risk, however some risk remains as the durations of the bonds are typically shorter than those of the liabilities and so the values may still move differently. At the reporting date non-equity assets amounted to 93% of assets excluding the insured annuity policies;
- investing a proportion of assets in equities: with the aim of achieving outperformance and so reducing the deficits over the long term. At the reporting date this amounted to 7% of assets excluding the insured annuity policies; and
- the gradual sale of equities over time to purchase additional annuity policies or liability matching investments: to further reduce risk as the schemes, which are closed to future accrual, mature.

Pension scheme accounting deficits are snapshots at moments in time and are not used by either the Group or Trustees to frame funding policy. The Group and Trustees seek to be aligned in focusing on the long-term sustainability of the funding policy which aims to balance the interests of the Group's shareholders and members of the schemes. The Group and Trustees also seek to be aligned in reducing pensions risk over the long term and at a pace which is affordable to the Group.

The EN88 Scheme, the ENSM Scheme, the Trinity Scheme and the WF Scheme have an accounting surplus at the reporting date, before allowing for the IFRIC 14 asset ceiling. Across the MGN Scheme and the MIN Scheme, the invested assets are expected to be sufficient to pay the uninsured benefits due up to 2041, based on the reporting date assumptions. The remaining uninsured benefit payments, payable from 2042, are due to be funded by a combination of asset outperformance and the deficit contributions currently scheduled to be paid up to 2027 for the MGN Scheme and 2029 for the MIN Scheme. For the MGN Scheme and MIN Scheme, actuarial projections at the year-end reporting date show removal of the accounting deficit by the end of 2026 for the MGN Scheme and 2028 for the MIN Scheme due to scheduled contributions and asset returns at the current target rate. From this point, the assets are projected to be sufficient to fully fund the liabilities on the accounting basis. The Group is not exposed to any unusual, entity specific or scheme specific risks. Other than the impact of GMP equalisation and the Barber Window equalisation adjustment, there were no plan amendments, settlements or curtailments in 2022 or 2021 which resulted in a pension cost.

Results

For the purposes of the Group's consolidated financial statements, valuations have been performed in accordance with the requirements of IAS 19 with scheme liabilities calculated using a consistent projected unit valuation method and compared to the estimated value of the scheme assets at 25 December 2022.

Based on actuarial advice, the assumptions used in calculating the scheme liabilities are:

	2022	2021
Financial assumptions (nominal % pa)		
Discount rate	**4.90**	1.83
Retail price inflation rate	**3.29**	3.46
Consumer price inflation rate	**1.0% pa lower than RPI to 2030 and equal to RPI thereafter**	1.0% pa lower than RPI to 2030 and equal to RPI thereafter
Rate of pension increases in deferment	**2.90**	3.24
Rate of pension increases in payment	**3.38**	3.40
Mortality assumptions - future life expectancies from age 65 (years)		
Male currently aged 65	**21.6**	21.8
Female currently aged 65	**24.0**	24.1
Male currently aged 55	**21.3**	21.5
Female currently aged 55	**24.5**	24.6

The defined benefit pension liabilities are valued using actuarial assumptions about future benefit increases and scheme member demographics, and the resulting projected benefits are discounted to the reporting date at appropriate corporate bond yields. For 2021 and 2022, the financial assumptions have been derived for each scheme based on their individual circumstances, rather than considering the schemes in aggregate as has been done in the past. Note that the assumptions provided in the table above for 2021 and 2022 are the average assumptions across all of the schemes.

The discount rate should be chosen to be equal to the yield available on 'high quality' corporate bonds of appropriate term and currency. For 2021 and 2022, the discount rate has been set to reflect the full corporate bond yield curve with a different assumption for each scheme, based on the scheme-specific cash flows and set separately for uninsured and insured liabilities within each scheme, reflecting their respective durations.

The inflation assumptions are based on market expectations over the period of the liabilities. For 2021 and 2022, the inflation assumptions have been set using the full inflation curve. The RPI assumption is set based on a margin deducted from the break-even RPI inflation curve. This margin, called an inflation risk premium, reflects the fact that the RPI market implied inflation curve can be affected by market distortions and as a result it is thought to overstate the underlying market expectations for future RPI inflation. Allowing for the extent of RPI linkage on the schemes' benefits pre and post 2030, the average inflation risk premium has been set at 0.3% (to broadly reflect 0.2% to 2030 and 0.4% thereafter). The CPI assumption is set based on a margin deducted from the RPI assumption, due to lack of market data on CPI expectations. Based on an analysis of the CPI-linkage of the cash flow profile of the schemes the assumed gap between RPI and CPI inflation is 1.0% per annum up to 2030 and 0.0% per annum beyond 2030, consistent with 2021.

The estimated impacts on the IAS 19 liabilities and on the IAS 19 deficit at the reporting date, due to a reasonably possible change in key assumptions over the next year, are set out in the table below:

	Effect on liabilities £m	**Effect on deficit £m**
Discount rate +/- 1.0% pa	-190/+230	-160/+200
Retail price inflation rate +/- 0.5% pa	+23/-23	+15/-15
Consumer price inflation rate +/- 0.5% pa	+25/-23	+24/-21
Life expectancy at age 65 +/- 1 year	+75/-80	+60/-65

The RPI sensitivity impacts the rate of increases in deferment for some of the pensions in the EN88 Scheme and the ENSM Scheme and some of the pensions in payment for all schemes except the MGN Scheme. The CPI sensitivity impacts the rate of increases in deferment for some of the pensions in most schemes and the rate of increases in payment for some of the pensions in payment for all schemes.

The effect on the deficit is usually lower than the effect on the liabilities due to the matching impact on the value of the insurance contracts held in respect of some of the liabilities. Each assumption variation represents a reasonably possible change in the assumption over the next year but might not represent the actual effect because assumption changes are unlikely to happen in isolation.

The estimated impact of the assumption variations makes no allowance for changes in the values of invested assets that would arise if market conditions were to change in order to give rise to the assumption variation. If allowance were made, the estimated impact would likely be lower as the values of invested assets would normally change in the same directions as the liability values.

The amounts included in the consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes are as follows:

Past service costs of £10.6m relates to a Barber Window equalisation adjustment identified by the Trustees of the MGN Scheme during the year. The impact relates to the equalisation of retirement ages to 65, which was previously implemented from 17 May 1990, rather than the date of the Deed of Amendment of the Rules which was 4 April 1991.

Consolidated income statement	**2022** **£m**	2021 £m
Pension administrative expenses	**(4.2)**	(3.7)
Past service costs	**(10.6)**	-
Pension finance charge	**(2.3)**	(3.4)
Defined benefit cost recognised in income statement	**(17.1)**	(7.1)

Consolidated statement of comprehensive income	**2022** **£m**	2021 £m
Actuarial loss due to liability experience	**(60.1)**	(22.0)
Actuarial gain due to liability assumption changes	**940.4**	30.5
Total liability actuarial gain	**880.3**	8.5
Returns on scheme assets (less)/greater than discount rate	**(915.9)**	48.6
Impact of IFRIC 14	**0.6**	45.8
Total (loss)/gain recognised in statement of comprehensive income	**(35.0)**	102.9

Consolidated balance sheet	**2022** **£m**	2021 £m
Present value of uninsured scheme liabilities	**(1,571.5)**	(2,395.0)
Present value of insured scheme liabilities	**(288.5)**	(393.4)
Total present value of scheme liabilities	**(1,860.0)**	(2,788.4)
Invested and cash assets at fair value	**1,421.8**	2,242.9
Value of liability matching insurance contracts	**288.5**	393.4
Total fair value of scheme assets	**1,710.3**	2,636.3
Funded deficit	**(149.7)**	(152.1)
Impact of IFRIC 14	**(1.2)**	(1.8)
Net scheme deficit	**(150.9)**	(153.9)
Non-current assets - retirement benefit assets	**51.2**	107.9
Non-current liabilities - retirement benefit obligations	**(202.1)**	(261.8)
Net scheme deficit	**(150.9)**	(153.9)
Net scheme deficit included in consolidated balance sheet	**(150.9)**	(153.9)
Deferred tax included in consolidated balance sheet	**37.0**	36.7
Net scheme deficit after deferred tax	**(113.9)**	(117.2)

Movement in net scheme deficit	**2022** **£m**	2021 £m
Opening net scheme deficit	**(153.9)**	(314.4)
Contributions	**55.1**	64.7
Consolidated income statement	**(17.1)**	(7.1)
Consolidated statement of comprehensive income	**(35.0)**	102.9
Closing net scheme deficit	**(150.9)**	(153.9)

Changes in the present value of scheme liabilities	**2022** **£m**	2021 £m
Opening present value of scheme liabilities	**(2,788.4)**	(2,864.1)
Past service costs	**(10.6)**	-
Interest cost	**(49.9)**	(41.8)
Actuarial loss - experience	**(60.1)**	(22.0)
Actuarial gain - change to demographic assumptions	**6.7**	1.6
Actuarial gain - change to financial assumptions	**933.7**	28.9
Benefits paid	**108.6**	109.0
Closing present value of scheme liabilities	**(1,860.0)**	(2,788.4)

Impact of IFRIC 14	**2022** **£m**	2021 £m
Opening impact of IFRIC 14	**(1.8)**	(47.6)
Decrease in impact of IFRIC 14	**0.6**	45.8
Closing impact of IFRIC 14	**(1.2)**	(1.8)

Changes in the fair value of scheme assets	**2022**	2021

	£m	£m
Opening fair value of scheme assets	**2,636.3**	2,597.3
Interest income	**47.6**	38.4
Actual return on assets (less)/greater than discount rate	**(915.9)**	48.6
Contributions by employer	**55.1**	64.7
Benefits paid	**(108.6)**	(109.0)
Administrative expenses	**(4.2)**	(3.7)
Closing fair value of scheme assets	**1,710.3**	2,636.3

Fair value of scheme assets	**2022**	2021
	£m	£m
UK equities	**27.5**	58.7
US equities	**48.5**	157.1
Other overseas equities	**28.4**	181.1
Property	**33.2**	40.5
Corporate bonds	**315.9**	260.9
Fixed interest gilts	**6.7**	34.9
Index linked gilts	**-**	18.3
Liability driven investment	**816.5**	903.4
Cash and other	**145.1**	588.0
Invested and cash assets at fair value	**1,421.8**	2,242.9
Value of insurance contracts	**288.5**	393.4
Fair value of scheme assets	**1,710.3**	2,636.3

The assets of the schemes are primarily held in pooled investment vehicles which are unquoted. The pooled investment vehicles hold both quoted and unquoted investments. Scheme assets include neither direct investments in the Company's ordinary shares nor any property assets occupied nor other assets used by the Group.

16. Net cash

The net cash for the Group is as follows:

	27 December 2021 £m	Cash flow £m	Loan drawdown £m	IFRS 16 lease liabilities movement: Interest £m	IFRS 16 lease liabilities movement: New leases £m	25 December 2022 £m
Liabilities from financing activities						
Borrowings	**-**	-	(15.0)	-	-	**(15.0)**
Lease liabilities	**(36.2)**	6.7	-	(1.1)	(1.1)	**(31.7)**
	(36.2)	6.7	(15.0)	(1.1)	(1.1)	**(46.7)**
Current assets						
Cash and cash equivalents	**65.7**	(40.3)	15.0	-	-	**40.4**
Net cash less lease liabilities	**29.5**					**(6.3)**
Net cash	**65.7**	(40.3)	-	-	-	**25.4**

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of one week or less. The carrying amount of these assets approximates their fair value.

The Group has a revolving credit facility of £120.0m which was extended for a further year in 2022 and now expires on 19 November 2026. The Group had drawings of £15.0m at the reporting date. The facility is subject to two covenants: Interest Cover and Net Debt to EBITDA, both of which were met at the reporting date.

Acquisition deferred consideration

Deferred consideration (which is shown separately on the face of the consolidated balance sheet) is in respect of the acquisition of Express & Star. Payment of the first instalment of £18.9m was made on 28 February 2020. The second instalment of £16.0m was made on 28 February 2021 and the third instalment of £17.1m was made on 28 February 2022. The remaining amount of £7.0m is classified as current liabilities (payable on 28 February 2023). There are no conditions attached to the payment of the deferred consideration and the transaction was structured such that no interest accrues on these payments. However, under the sale and purchase agreement the Group has the right to offset agreed claims arising from a breach of warranties and indemnities and can also offset any shortfalls on the contracted advertising from the Health Lottery. The deferred consideration has not been discounted as we do not believe that the impact of such discounting is material.

17. Provisions

	Share-based payments £m	Property £m	Restructuring £m	Historical legal issues £m	Other £m	Total £m
At 27 December 2021	(4.0)	(12.3)	(10.3)	(41.0)	(4.8)	(72.4)
Charged to income statement	(0.3)	-	(15.7)	(11.0)	(1.0)	(28.0)
Released to income statement	2.7	0.4	5.6	-	1.1	9.8
Utilisation of provision	0.7	2.5	13.8	9.0	1.7	27.7
At 25 December 2022	**(0.9)**	**(9.4)**	**(6.6)**	**(43.0)**	**(3.0)**	**(62.9)**

The provisions have been analysed between current and non-current as follows:

	2022	2021
	£m	£m
Current	**(26.3)**	(28.8)

Non-current	**(36.6)**	(43.6)
	(62.9)	(72.4)

The share-based payments provision relates to National Insurance obligations attached to the future crystallisation of awards. This provision will be utilised over the next three years.

The property provision relates to property-related onerous contracts and onerous committed costs related to vacant properties. The provision will be utilised over the remaining term of the leases or expected period of vacancy.

The restructuring provision relates to restructuring charges incurred in the delivery of cost reduction measures. The charge includes £15.5m of principally severance costs relating to cost management actions taken in the period (note 5). The sublet of a vacant print plant has resulted in the release of £5.6m of previously onerous costs (note 5). The balance at the period end comprises severance costs of £4.1m and closure costs relating to a print plant of £2.5m. The severance costs provision is expected to be utilised within the next year. The closure costs provision includes £0.5m expected to be utilised within the next year and £2.0m expected to be utilised at the end of a long-term print plant lease related to the print restructure in 2020.

The historical legal issues provision relates to the cost associated with dealing with and resolving civil claims in relation to historical phone hacking and unlawful information gathering. There are three parts to the provision: known claims, potential future claims and common court costs. The key uncertainties in relation to this matter relate to how many claims will be received, how each claim progresses, the amount of any settlement and the associated legal costs. Our assumptions have been based on historical trends, our experience and the expected evolution of claims and costs. The known and common costs part of the provision is calculated using the most likely outcome method, with the expected value method used for the potential claims provision.

During 2022, a charge of £11.0m (2021: £29.0m) has been made, which relates to an increase in the estimate for claim settlement values and the associated legal costs, and an increase in common court costs as cases progress. The charge has decreased from the prior year with the number of new claims arising in the year, being in line with expectation. At the period end, a provision of £43.0m remains outstanding and this represents the current best estimate of the amount required to resolve this historical matter. The majority of the provision is expected to be utilised within the next three years.

Our view on the range of outcomes at the reporting date for the provision, applying more and less favourable outcomes to all aspects of the provision is £32m to £56m (2021: £32m to £53m). However, it is unknown how long it will take to fully resolve this matter and despite making a best estimate of the provision, the timing of utilisation and possible range, the total universe of claims is unknown and there are both ongoing legal matters (including a trial currently listed in May 2023 where a number of claims are expected to be heard) and the potential for new legal matters which could mean that the final outcome is outside of the range of outcomes. Due to these unquantifiable uncertainties, a contingent liability note has been highlighted in note 19.

The other provision balance of £3.0m at the period end relates to libel and other matters and is expected to be utilised over the next two years.

18. Share capital and reserves

The share capital comprises 322,085,269 (2021: 322,085,269) allotted, called up and fully paid ordinary shares of 10p each.

The share premium account reflects the premium on issued ordinary shares. The merger reserve comprises the premium on the shares allotted in relation to the acquisition of Express & Star. The capital redemption reserve represents the nominal value of the shares purchased and subsequently cancelled under share buy-back programmes.

The Company holds 5,014,410 shares as Treasury shares (2021: 8,128,176 shares). On 4 March 2022, 1,106,273 shares, 27 July 2022, 992,627 shares and 2 December 2022, 1,013,951 shares were individually withdrawn from Treasury and transferred to the Reach Employee Benefit Trust to satisfy the vesting of awards granted in 2019 under the Reach Long Term Incentive Plan. In the first half of 2022, 915 shares were withdrawn from Treasury to satisfy the vesting of the share award to colleagues granted in December 2020 under the Reach All-Employee Share Plan.

Cumulative goodwill written off to accumulated loss and other reserves in respect of continuing businesses acquired prior to 1998 is £25.9m (2021: £25.9m). On transition to IFRS, the revalued amounts of freehold properties were deemed to be the cost of the asset and the revaluation reserve has been transferred to accumulated loss and other reserves.

Shares purchased by the Reach Employee Benefit Trust are included in accumulated loss and other reserves at £3.9m (2021: £5.2m). During the year the Trust purchased 521,310 (2021: 883,315) for a cash consideration of £1.0m (2021: £3.3m). The Trust received a payment of £1.0m (2021: £3.3m) from the Company to purchase these shares. During the year, 2,621,142 were released relating to grants made in prior years (2021: 1,241,171).

During the year, awards relating to 667,448 shares were granted to executive directors on a discretionary basis under the Long Term Incentive Plan (2021: 608,136). The exercise price of each award is £1 for each block of awards granted. The awards vest after three years, subject to the continued employment of the participant and satisfaction of certain performance conditions and are required to be held for a further two years.

During the year, awards relating to 1,256,413 shares were granted to senior managers on a discretionary basis under the Long Term Incentive Plan (2021: 1,010,227). The exercise price of each award is £1 for each block of awards granted. The awards vest after three years, subject to the continued employment of the participant and satisfaction of certain performance conditions.

During the year, awards relating to 121,575 shares were granted to executive directors under the Restricted Share Plan (2021: nil). The award was based on the average share price over the three months prior to the date of the award of £2.207. The award vests after three years.

19. Contingent liabilities

Historical Legal Issues

It is unknown how long it will take to fully resolve historical legal issues set out in note 17 and despite making a best estimate of the provision, the timing of utilisation and possible range, the total universe of claims is unknown and there are both ongoing legal matters (including a trial currently listed in May 2023 where a number of claims are expected to be heard) and the potential for new legal matters which could mean that the final outcome is outside our view on the range of outcomes of £32m to £56m (2021: £32m to £53m).

20. Reconciliation of statutory to adjusted results

52 weeks ended 25 December 2022

	Statutory results £m	Operating adjusted items (a) £m	Pension finance charge (b) £m	Tax (c) £m	Adjusted results £m
Revenue	**601.4**	**-**	**-**	**-**	**601.4**
Operating profit	**71.3**	**34.8**	**-**	**-**	**106.1**
Profit before tax	**66.2**	**34.8**	**2.3**	**-**	**103.3**
Profit after tax	**52.3**	**30.3**	**1.9**	**-**	**84.5**
Basic earnings per share (p)	**16.8**	**9.7**	**0.6**	**-**	**27.1**

52 weeks ended 26 December 2021

	Statutory results £m	Operating adjusted items (a) £m	Pension finance charge (b) £m	Tax (c) £m	Adjusted results £m
Revenue	615.8	-	-	-	615.8
Operating profit	79.3	66.8	-	-	146.1
Profit before tax	73.3	66.8	3.4	-	143.5
Profit after tax	2.9	57.0	2.8	53.9	116.6
Basic earnings per share (p)	0.9	18.4	0.9	17.4	37.6

(a) Operating adjusted items relate to the items charged or credited to operating profit as set out in note 5.

(b) Pension finance charge relates to the defined benefit pension schemes as set out in note 15.

(c) Tax items relate to the impact of tax legislation changes due to the change in the future corporation tax rate on the opening deferred tax position as set out in note 8.

Set out in note 2 is the rationale for the alternative performance measures adopted by the Group. The reconciliations in this note highlight the impact on the respective components of the income statement.

Items are adjusted on the basis that they distort the underlying performance of the business where they relate to material items that can recur (including impairment, restructuring, tax rate changes) or relate to historical liabilities (including historical legal and contractual issues, defined benefit pension schemes which are all closed to future accrual). Other items may be included in adjusted items if they are not expected to recur in future years, such as the property rationalisation in the prior year and items such as transaction and restructuring costs incurred on acquisitions or the profit or loss on the sale of subsidiaries, associates or freehold buildings.

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

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

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

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

Included in adjusted items in 2022 are the reversal of an impairment in right-of-use assets of £11.0m and previously onerous costs of £5.6m due to the sublet of a vacant print site which was closed in 2020. Other adjusted items comprise the Group's legal fees in respect of historical legal issues (£5.2m), adviser costs in relation to the triennial funding valuations (£1.6m), impairment of vacant freehold property (£4.2m) and plant and equipment (£0.8m) less a reduction in National Insurance costs relating to share awards (£2.7m) and the profit on sale of impaired assets (£0.4m). These are included in adjusted items as they relate to historic liabilities or are one-off items not expected to recur.

Included in adjusted items in 2021 are costs relating to a Home and Hub project which set out the vision for how the Group's offices would look and where job roles would be based. As a consequence of the project a number of offices or floors have been closed. The project has resulted in charges of £23.7m (impairments of £2.3m relating to property, plant and equipment and £10.5m relating to right-of-use assets and a £10.9m property rationalisation charge relating to onerous costs of vacant properties). Restructuring charges include £1.4m of costs relating to the integration of the Irish Daily Star which was acquired in 2020 and a further £1.4m of restructuring relating to the closure of two print sites at the end of 2020. Other items relate to adviser costs in relation to the triennial funding valuations costs (£1.2m), National Insurance costs relating to share awards (£2.6m) and the write-off of an old debit balance (£2.9m) partially offset by profit on sales of print assets (£0.7m). These are included in adjusted items as they relate to historic liabilities or are one-off items not expected to recur.

21. Adjusted cash flow

	2022 £m	2021 £m
Adjusted operating profit	**106.1**	146.1
Depreciation and amortisation	**20.2**	19.3
Adjusted EBITDA	**126.3**	165.4
Net interest and charges paid on borrowings	**(1.8)**	(1.3)
Income tax paid	**(5.0)**	(14.6)
Restructuring payments	**(13.8)**	(15.1)
Net capital expenditure	**(13.3)**	(11.8)
Interest paid on leases	**(1.1)**	(1.3)
Repayment of obligation under leases	**(5.6)**	(6.9)
Working capital and other	**(20.9)**	26.9
Adjusted operating cash flow	**64.8**	141.3
Historical legal issues payments	**(9.0)**	(11.0)
Dividends paid	**(22.9)**	(21.8)
Purchase of own shares	**(1.0)**	(3.3)
Pension funding payments	**(55.1)**	(64.7)
Adjusted net cash flow	**(23.2)**	40.5
Bank facility drawdown	**15.0**	-
Acquisition-related cash flows	**(17.1)**	(16.8)
Net (decrease)/increase in cash and cash equivalents	**(25.3)**	23.7

22. Reconciliation of statutory to adjusted cash flow

52 weeks ended 25 December 2022	**Statutory 2022 £m**	**(a) £m**	**(b) £m**	**Adjusted 2022 £m**	
Cash flows from operating activities					
Cash generated from operations	**80.1**	**(24.3)**	**9.0**	**64.8**	Adjusted operating cash flow
Pension deficit funding payments	**(55.1)**	**-**	**-**	**(55.1)**	Pension funding payments
	-	**-**	**(9.0)**	**(9.0)**	Historical legal issues payments
Income tax paid	**(5.0)**	**5.0**	**-**	**-**	
Net cash inflow from operating activities	**20.0**				
Investing activities					
Interest received	**0.1**	**(0.1)**	**-**	**-**	
Dividends received from associated undertakings	**2.5**	**(2.5)**	**-**	**-**	
Proceeds on disposal of property, plant and equipment	**0.4**	**(0.4)**	**-**	**-**	Net capital expenditure
Purchases of property, plant and equipment	**(3.0)**	**3.0**	**-**	**-**	Net capital expenditure
Expenditure on capitalised internally generated development	**(10.7)**	**10.7**	**-**	**-**	Net capital expenditure
Deferred consideration payment	**(17.1)**	**-**	**-**	**(17.1)**	Acquisition-related cash flow
Net cash used in investing activities	**(27.8)**				
Financing activities					
Interest and charges paid on borrowings	**(1.9)**	**1.9**	**-**	**-**	
Dividends paid	**(22.9)**	**-**	**-**	**(22.9)**	Dividends paid
Interest paid on leases	**(1.1)**	**1.1**	**-**	**-**	
Repayment of obligations under leases	**(5.6)**	**5.6**	**-**	**-**	
Purchase of own shares	**(1.0)**	**-**	**-**	**(1.0)**	Purchase of own shares
Drawdown of borrowings	**15.0**	**-**	**-**	**15.0**	Bank facility drawdown
Net cash used in financing activities	**(17.5)**				
Net decrease in cash and cash equivalents	**(25.3)**	**-**	**-**	**(25.3)**	

(a) Items included in the statutory cash flow on separate lines which for the adjusted cash flow are included in adjusted operating cash flow.

(b) Payments in respect of historical legal issues are shown separately in the adjusted cash flow.

52 weeks ended 26 December 2021	Statutory 2021 £m	(a) £m	(b) £m	Adjusted 2021 £m

Cash flows from operating activities					
Cash generated from operations	163.7	(33.4)	11.0	141.3	Adjusted operating cash flow
Pension deficit funding payments	(64.7)	-	-	(64.7)	Pension funding payments
	-	-	(11.0)	(11.0)	Historical legal issues payments
Income tax paid	(14.6)	14.6	-	-	
Net cash inflow from operating activities	84.4				
Investing activities					
Interest received	0.1	(0.1)	-	-	
Dividends received from associated undertakings	2.5	(2.5)	-	-	
Proceeds on disposal of property, plant and equipment	0.7	(0.7)	-	-	Net capital expenditure
Purchases of property, plant and equipment	(6.5)	6.5	-	-	Net capital expenditure
Expenditure on capitalised internally generated development	(6.0)	6.0	-	-	Net capital expenditure
Deferred consideration payment	(16.0)	-	-	(16.0)	Acquisition-related cash flow
Acquisition of associate undertaking	(0.8)	-	-	(0.8)	Acquisition-related cash flow
Net cash used in investing activities	(26.0)				
Financing activities					
Dividends paid	(21.8)	-	-	(21.8)	Dividends paid
Interest and charges paid on borrowings	(1.4)	1.4	-	-	
Purchase of own shares	(3.3)	-	-	(3.3)	Purchase of own shares
Interest paid on leases	(1.3)	1.3	-	-	
Repayment of obligations under leases	(6.9)	6.9	-	-	
Net cash used in financing activities	(34.7)				
Net increase in cash and cash equivalents	23.7	-	-	23.7	

(a) Items included in the statutory cash flow on separate lines which for the adjusted cash flow are included in adjusted operating cash flow.

(b) Payments in respect of historical legal issues are shown separately in the adjusted cash flow.

23. Reconciliation of statutory to like-for-like revenue

Revenue trends on an actual and like-for-like basis are the same in 2022.

For 2021 versus 2020 revenue, the like-for-like trends excluded the Independent Star acquisition and the impact of portfolio changes and impacted print revenue only.

2021 v 2020	Statutory 2021 £m	(a) £m	Like-for-like 2021 £m	Statutory 2020 £m	(a) £m	(b) £m	Like-for-like 2020 £m
Print	465.1	(10.6)	454.5	479.3	(1.0)	(1.5)	476.8
Circulation	312.9	(8.7)	304.2	319.7	(0.8)	-	318.9
Advertising	103.3	(1.8)	101.5	108.4	(0.2)	(1.5)	106.7
Printing	20.4	-	20.4	25.2	-	-	25.2
Other	28.5	(0.1)	28.4	26.0	-	-	26.0
Digital	148.3	-	148.3	118.3	-	-	118.3
Other	2.4	-	2.4	2.6	-	-	2.6
Total revenue	615.8	(10.6)	605.2	600.2	(1.0)	(1.5)	597.7

(a) Exclusion of Irish Daily Star (purchased on 24 November 2020).

(b) Exclusion of Manchester Metro following ending of franchise agreement in June 2020 and other portfolio changes in 2020.

Principal Risks and Uncertainties

We have considered all risks in the context of delivering our strategy, and the continuing economic uncertainty following the COVID pandemic, inflationary challenges, supply chain challenges, and the changing regulatory and compliance landscape. The continuing economic uncertainty has caused the following risks to increase - deterioration in the macroenvironment; deceleration of digital growth; and supply chain disruption. The risk of a cyber security breach has also become more likely given the external environment. Throughout the year we have worked further to enhance the mitigating actions we have in place. The Board has undertaken a robust risk assessment and review of our principal risks in this context, which are set out in the table below.

Principal risks and uncertainties

Risk	Description	Mitigation	What we've done this year
Deterioration in macroeconomic conditions ***Risk owner: Executive Committee*** Increase	Continued deterioration in macroeconomic conditions could result in an uncertain trading environment with reduced customer and advertiser spending, higher interest rates, higher inflation and increased costs, leading to lower cash flow and profits.	The economic uncertainty continues. We closely monitor the risk and imapact and continue to take action when needed. We have a proven track record of responding quickly and delivering additional cost savings as necessary when faced with unexpected revenue declines.	We have closely monitored and assessed the macroeconomic factors and during the year we have seen increased inflation pressure in relation to energy and newsprint costs. We have continued to take action to closely monitor costs and be as efficient as possible, taking timely actions to mitigate inflation cost pressures in the year.
Deceleration of digital growth alongside acceleration in decline of print	Changes in the traditional publishing industry have led to an ongoing decline in	Our strategic development is led by an experienced Board and Executive Committee. We have an Investment Committee in place to approve business plans when reviewed against	Our strategy, led by an experienced Executive Committee, is built around moving to a digital-led model and remains the key strategic

revenues ***Risk owner: Executive Committee*** Increase	print advertising and circulation revenues, which is being exacerbated by macro-economic factors. A lack of appropriate strategic focus could result in us losing further revenue from existing products, while also failing to grow digital revenues quickly enough to offset the decline in print.	strategic goals. We focus on developing digital revenue streams through the Customer Value Strategy. We continue to take tactical measures to minimise print revenue declines and maintain profits, such as taking appropriate cash mitigation or pricing measures. We have governance structures which enable the ongoing review of performance against targets and strategic goals, including a weekly structured trading meeting. We keep under consideration acquisition, joint venture and other corporate development opportunities, which are aligned to our Customer Value Strategy.	focus for the Executive Committee. During the year we have focused on building our direct relationships with customers; social video content; our strategy for affiliates; and launched Curiously which aims to grow revenue from new audiences.
Risk	**Description**	**Mitigation**	**What we've done this year**
Cyber security breach ***Risk owner: Chief Financial Officer/Chief Information Officer*** Increase	An internal or external cyber threat or attack, or a breach within one of our suppliers, could lead to breaches of confidential data, interruption to our systems and services, reputational damage with our stakeholders and financial loss.	All business-critical systems are well established and are supported by appropriate disaster recovery plans. We regularly assess our vulnerability to cyber attack and our ability to re-establish operations in the event of a failure. The technical infrastructure supporting our websites is within the cloud and our sites have been designed to provide adequate resilience and continued performance in the event of a significant failure. We continue to invest in enhancing our cyber security infrastructure as new threats emerge.	Given our increasing focus on customer data as part of our strategy, the potential impact of a cyber security breach is increasing all the time. During the year we continued to deliver our cyber security improvement programme and have focused on raising awareness of cyber security, provided cyber security training, enhanced segregation of our network, completed further work on the mitigations to reduce the impact of a ransomware incident, performed a series of penetration tests, undertaken cyber incident training, and run exercises to re-establish operations in the event of a failure.
Supply chain disruption ***Risk owner: Chief Operating Officer/Chief Financial Officer*** Increase	Disruption or failure in our supply chain could lead to business disruption, increased costs, reduced service and product quality, and ultimately mean we are unable to deliver our strategy. **Print:** Our print products, which rely on a small number of key suppliers (for example, newsprint suppliers, wholesalers and distributors), could be adversely affected, operationally and financially, by changes to supplier dynamics. **Information systems and technology:** A major failure, breach or prolonged performance issues at a third-party provider could have an adverse impact on our business.	We carefully monitor and manage all our third-party print and information systems and technology providers - these include: • Ad producers and planners • wholesalers and distributors • newsprint suppliers • manufacturing maintenance and parts providers • IT providers; and • global digital partners We have business continuity/disaster recovery plans in place with all our key partners. For our IT partners, we have clear governance arrangements covering risk management, change control, security and service delivery.	A number of our print suppliers are seeing the longer-term trend of declining demand being exacerbated in recent times by the COVID pandemic and followed more recently by increases in the costs of materials and energy. This in turn increases the risk of supply chain disruption and price increases. During the year we have increased the monitoring of our key suppliers, reviewed our contingency arrangements and ensured there are contingency measures in place with our suppliers, and reviewed and enhanced our stock management processes.
Risk	**Description**	**Mitigation**	**What we've done this year**
Health and safety issue ***Risk owner: Chief Operations***	Failure to adhere to our health and safety systems could result in our employees or other workers on our sites having	Every site has a professionally qualified and experienced health and safety manager and an occupational health provider. The health and safety manager oversees the implementation of our health and safety management system, which includes an adverse event reporting	During the year we reviewed our Health and Safety policy and framework to further enhance our current arrangements. We have continued to

Operations Officer No change	accidents, including, potentially, fatal ones.	system. This allows investigations to be carried out in a timely manner by the Health and Safety team. The system includes a process for assessing risks in different areas of the business, and covers risks such as external work in hostile and high risk environments. It also includes internal and external auditing to ensure continuing compliance across our print and publishing sites. We offer health and wellbeing support, including mental health, to all our employees.	We have continued to enhance our risk assessment processes for events, and for work in both hostile and high risk environments. We have continued to offer appropriate health and wellbeing support to all of our employees. Online threats and abuse towards our journalists is an area of increasing concern, considering the impact it can have on their wellbeing, so this year we invested in online safety. Addressing this issue and protecting our journalists will continue to be a priority for us.
Lack of funding capability ***Risk owner: Chief Financial Officer*** No change	Our main financial risk is the lack of funding capability to meet business needs. This may be caused by a lack of working capital, unexpected increases in interest rates or increased liabilities, in particular: • pension deficits may grow at such a rate that annual funding costs consume a disproportionate level of profit; and • volume and level of claims for historical legal issues (HLI) may continue to have significant cost implications.	**Financing** • We have committed loan facilities sufficient to deliver our strategy • Through regular dialogue, we maintain constructive relationships with our syndicate banks • We forecast and monitor cash flow regularly through our Treasury reporting processes • Our exposure to foreign exchange fluctuation is limited **Commitments** • Regular reporting to the Board • We hold regular discussions with pension scheme trustees • We continually review ways of de-risking our pension liabilities • We continually monitor and manage ongoing HLI claim levels, and work with external lawyers on HLI civil claims and related investigations	**Financing** • During the year we extended our full loan facility by another year, reducing the immediate risk of any unexpected increases in interest rates or liabilities **Commitments** • We made significant payments to our pension schemes in the year and we remain committed to addressing our historical pension deficits • During the year we continued to deal with HLI claims in a professional and efficient manner, and will continue to do so
Inability to recruit and retain talent ***Risk owner: Group Human Resources Director*** No change	The inability to recruit, develop and retain talent with appropriate skills, knowledge and experience would compromise our ability to deliver our strategy.	We continually monitor and review: • digital capabilities of our workforce; • turnover levels; • pay and benefits; • opportunities to expand our talent pool (for example, outside London); • the recruitment channels we use; and • diversity and inclusion.	During the year we reviewed the effectiveness of how we recruit people, and restructured our approach to align it with our approach to diversity and inclusion, to ensure we are recruiting and developing staff from the widest possible pool of talent.
Risk	**Description**	**Mitigation**	**What we've done this year**
Damage to brand reputation ***Risk owner: Executive Committee*** No change	Breaches of regulations or editorial best practice guidelines; editorial errors; and issues with employees' behaviour or the tone of our editorial could damage our reputation, cause us to lose readership, and put us at risk of legal proceedings.	We have highly experienced and capable people in our key senior management roles. Our governance structures provide clear accountability for compliance with all laws and regulations, and we have policies and procedures in place to meet all relevant requirements, including a crisis management procedure that is communicated to all relevant staff. We train editorial employees on how to create content that complies with relevant legislation. We continually monitor upcoming legislative changes and emerging trends.	As we continue to embed our strategy, we continue to be aware of the risk created in a digital-led environment due to the 24/7 nature of our operations and the need to move with pace. During the year we enhanced our Editorial Risk Policy, including reviewing all relevant policies, raised awareness in this area, and enhanced our training arrangements.
Data protection failure ***Risk owner: Group General Counsel/Data Protection Officer*** No change	A contravention of the General Data Protection Regulation (GDPR) could lead to monetary penalties, reputational damage and a loss of customer trust.	We have clear governance structures to direct and oversee our data protection strategy. We have a Senior Data Protection team and a Data Governance team to monitor and improve how we use customer data across the Company. Our Data Protection Officer and Data Protection Team promote and advise on compliance with data protection regulation, address rights requests, provide oversight and help mitigate the risk of compliance breaches. We have established data protection policies and processes to govern how colleagues carry	During the year we continued to focus on embedding data protection controls and processes and ensuring that data protection forms part of 'business as usual' in everything we do. This included reviewing and enhancing our Data Protection risk and reporting framework, implementing new workflow systems to improve effectiveness and efficiency, and ensuring all colleagues

		out day-to-day activities involving the handling of personal data, and all our staff must undergo awareness training. When developing new products and services, we use a 'data protection by design and default' approach to collecting and using personal data, to ensure we remain compliant with data protection regulation.	completed their mandatory data protection awareness training.

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Classification: 3.1 Additional regulated information required to be disclosed under the laws of a Member State

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