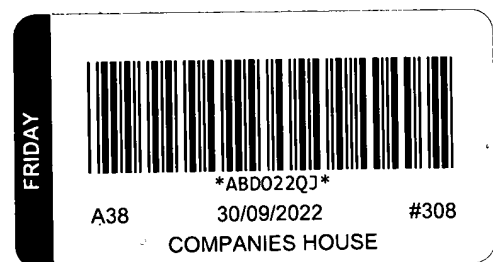


Registration number: 00084121

Associated Newspapers Limited

Annual Report and Financial Statements

for the 52 week period from 28 September 2020 to 26 September 2021



Associated Newspapers Limited

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Associated Newspapers Limited

Company Information

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

Associated Newspapers Limited

Directors' Report for the 52 week period from 28 September 2020 to 26 September 2021

The directors present their Annual Report on the affairs of Associated Newspapers Limited ("the Company"), together with the audited financial statements and Independent Auditors' report for the 52 week period from 28 September 2020 to 26 September 2021 (the "period").

The annual financial statements are made up to the Sunday nearest to 30 September. The financial period ended 26 September 2021 consists of 52 weeks (2020: 52 weeks).

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

Principal activities

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

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

Outlook

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

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

Associated Newspapers Limited

Directors' Report for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

Going concern

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

The Company is in a net current assets position of £545.6m (2020: £502.5), as at 26 September 2021. The directors have considered the amounts due from group undertakings as recoverable and after due consideration the directors have concluded that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this report.

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

Employees

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

Details of the number of company employees and related costs can be found in the note 7 of these financial statements.

Directors' indemnity

A qualifying third-party indemnity (QTPI), as permitted by the Company's Articles of Association and Sections 232 and S234 of the Companies Act 2006, has been granted by the Company to each of the Directors of the Company and is in force during the financial year and also at the date of approval of the financial statements. Under the provisions of the QTPI the Company undertakes to indemnify each Director against liability to third parties (excluding criminal and regulatory penalties) and to pay Directors' costs as incurred, provided that they are reimbursed to the Company if the Director is found guilty or, in an action brought by the Company, judgement is given against the Director.

Results and dividends

The results of the Company can be found in the Strategic Report part of these financial statements. During the year the Company received dividends of £nil (2020: £nil) and paid dividends of £nil (2020: £nil).

Directors of the Company

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

The Viscount Rothermere

K J Beatty (resigned 17 November 2021)

J J S Welsh (resigned 29 September 2021)

The following directors were appointed after the period end:

T W Than (re-appointed 29 September 2021 and resigned 1 July 2022)

R Caccappolo (appointed 17 November 2021)

Associated Newspapers Limited

Directors' Report for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

J J S Welsh (appointed 11 November 2021)

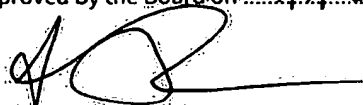
Disclosure of information to the auditors

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

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

- so far as the directors are aware, there is no relevant audit information they know of which the Company's auditors are unaware; and
- the directors have taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on: 25/9/22 and signed on its behalf by:



J J S Welsh
Director

Associated Newspapers Limited

Strategic Report for the 52 week period from 28 September 2020 to 26 September 2021

The directors present their Strategic Report for the 52 week period from 28 September 2020 to 26 September 2021.

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

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

Associated Newspapers Limited

Strategic Report for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

Operating and Business Review

The Company has four principal businesses, Mail Newspapers, MailOnline, Metro and The i. The annual financial statements are made up to the Sunday nearest to 30 September. The financial year ended 26 September 2021 consists of 52 weeks (2020: 52 weeks year ended 27 September 2020).

Mail businesses

Revenues for the combined Mail newspaper, website and TV businesses (Daily Mail, The Mail on Sunday, MailOnline and DailyMailTV) grew by an underlying 3% to £518 million, of which £164 million was generated by MailOnline.

Total advertising across the Mail businesses grew by an underlying 9% to £249 million, including 16% growth from MailOnline and 1% growth in print advertising revenues. Digital advertising accounted for 67% of total advertising across the combined Mail businesses. The full-year growth in print advertising included 33% in the second half of the year, despite continued structural and competitive challenges facing the UK national newspaper advertising market, reflecting the particularly pronounced impact Covid-19 had on the prior year.

The Mail newspapers' competitive position remains strong, with large and growing UK retail market shares held by the Daily Mail and The Mail on Sunday, estimated to be 27.3% and 24.5% for the year respectively. Demand for the digital version of the Mail newspapers' content increased, with subscribers to 'The Digital Edition' averaging over 90 thousand during the year, a 51% increase on the prior year. The 'Mail+' briefings service, which offers readers additional insight, news and entertainment via video, podcast and articles, attracted an average of over 370 thousand unique visitors a month during the year. Mail circulation revenues, including subscriptions, decreased 4% to £255 million, despite the benefit of cover price increases.

MailOnline continues to focus on attracting traffic directly to its homepages, on desktop and mobile, or its apps. Following particularly high traffic levels in 2020, driven in part by the Covid-19 pandemic, total minutes spent on the site, excluding time viewing videos, decreased by 7% to a daily average of 135 million in the year. The direct audience accounted for 81% of minutes spent, an increase from 79% in the prior year, demonstrating high levels of engagement with these valuable and loyal customers. The total average daily global unique browsers, excluding other platforms such as Snapchat and Facebook video, decreased by 15% to 14.7 million, due to lower levels of indirect traffic.

In April 2021, the Company filed an anti-trust lawsuit in New York, alleging anti-competitive behaviour by Google in respect of the manipulation of digital advertising auctions and bias in search results. The litigation process is expected to progress slowly. MailOnline's revenue growth resulted in margin progression and the business's profit contribution remains accretive to the dmg media margin.

Associated Newspapers Limited

Strategic Report for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

Metro

Metro revenues decreased by £21 million or 46% year-on-year to £26 million, a substantial reduction compared to the £79 million achieved in FY 2019. The performance reflects the combination of fewer copies being distributed, as the business has been severely affected by lower commuter volumes, and the weak print advertising market. This resulted in Metro making a substantial loss in the year, as the majority of the revenue reduction flowed through to cash OI and operating losses. Readership has increased as more commuters have returned to using public transport and the daily weekday average circulation volumes were 1.1 million copies in September 2021. This compares to a daily weekday average of 0.8 million over FY 2021 as a whole and 0.3 million in May 2020, but volumes remain below the pre-Covid-19 level of over 1.4 million. Prior to Covid-19, Metro was read by an average of 2.3 million people each day and had the largest Monday to Friday share by volume of the UK newspaper advertising market, excluding supplements. Revenues would benefit from increased usage of public transport and a recovery in the print advertising market.

The 'i'

The 'i', the UK national newspaper and website, has an established reputation for quality journalism, with a loyal and engaged readership, and DMGT is committed to preserving its distinctive and politically independent editorial style. Revenues were £32 million, an underlying decrease of 1%, reflecting lower circulation revenues largely offset by advertising growth following the successful integration of the sales team.

Principal risks and uncertainties

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

Associated Newspapers Limited

Strategic Report for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

Strategic Risks

The impact of technological and market changes on competitive advantage

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

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

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

Exposure to changes in the economy and customer spending patterns

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

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

Reliance on key management and staff retention

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

Associated Newspapers Limited

Strategic Report for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

Commercial relationships including volatility of newsprint

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

Legal and regulatory

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

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

Operational Risks

Reliance on IT infrastructure

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

Pension scheme shortfalls

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

Associated Newspapers Limited

Strategic Report for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

Information security

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

Credit, cash and liquidity risk management

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

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

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

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

In the prior period, the Company has implemented a number of operational actions designed to preserve liquidity and reduce costs in response to COVID-19. Variable costs decreased naturally, due to reduced revenues. There were measured reductions in discretionary spending and restructuring, further supporting the Company's cash generation.

Results

Operating profit for the year was £39,036,000 (2020: £30,892,000). This can be explained by higher due to lower circulation and print advertising revenues offset by an increase in digital revenues and the increase from the i. The profit for the financial year of the Company amounted to £33,919,000 (2020: £17,139,000). The directors recommend that no final dividend be paid (2020: £nil).

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

	Unit	2021	2020
Revenue	£'000	592,049	567,510
Operating profit	£'000	39,036	30,892
% Operating profit margin	%	7	5
Daily Mail (average issue print sale '000)	Copies	932	1,007
The Mail on Sunday (average issue print sale '000)	Copies	787	871
The i	Copies	140	146
MailOnline (average global daily visitors '000)	Visits	13,386	16,004
Net assets	£'000	581,521	567,806
Employees (average monthly)	FTE	1,856	1,728

Associated Newspapers Limited

Strategic Report for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

Priorities in the year ahead

dmg media will continue to harness the value of the Mail, 'i', Metro and New Scientist brands for both readers and advertisers and invest in the quality of their popular journalism to drive and engage audiences. The cost base of the newspaper businesses will continue to be managed carefully, with a measured approach that ensures the quality of the content is not compromised, consistent with DMGT's strategy of supporting the longevity of the newspapers' strong cash generation.

The strength of the advertising market, which inherently lacks visibility and is volatile, will reflect the status of the post-Covid-19 economy. Circulation volumes of the Mail and 'i' are expected to decline from current levels whilst Metro's will depend on commuter traffic.

There have been substantial recent increases in distribution and energy costs, as well as increases in the cost of newsprint at levels not seen since 1996, and these have started to impact the profitability of the newspaper businesses. Newsprint is the second largest cost item for the business and the Company is currently exploring a number of options to mitigate the impact of these cost increases.

Employee involvement

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

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

Employment of disabled persons

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

Environmental matters

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Company's activities. As a member of the DMGT plc Group, the Company operates in accordance with DMGT plc Group policies, which are described in the DMGT plc Annual Report 2021, which does not form part of this report. Initiatives designed to minimise the Company's net impact on the environment include the safe disposal of manufacturing waste, recycling and reducing energy consumptions.

Associated Newspapers Limited

Strategic Report for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

Approved by the Board on 29/9/22 and signed on its behalf by:



J J S Welsh
Director

Date: 29/9/22

Associated Newspapers Limited

Statement of Directors' Responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

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

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

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

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors' report to the members of Associated Newspapers Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 26 September 2021 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 26 September 2021; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 26 September 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and potential inappropriate journal posting. Audit procedures performed by the engagement team included:

- Discussions with management and the Company's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Identifying and testing unusual journal entries, in particular those with unusual account combinations
- Reviewing the financial statement disclosures and agreeing to underlying supporting documentation
- Designing audit procedures to incorporate unpredictability into our testing; and
- Challenging assumptions made by management in determining their judgements and accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jennifer Dickie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2022

Associated Newspapers Limited

Income Statement for the 52 week period from 28 September 2020 to 26 September 2021

		Period ended 26 September 2021 £ 000	Period ended 27 September 2020 £ 000
Revenue	4	592,049	567,510
Other operating income	5	<u>4,677</u>	<u>4,848</u>
Operating profit		39,036	30,892
Exceptional items	8	-	(7,212)
Finance expense	9	(1,062)	(1,659)
Finance income	9	<u>3,098</u>	<u>4,818</u>
Profit before taxation		41,072	26,839
Tax on profit	10	<u>(7,153)</u>	<u>(9,700)</u>
Profit for the financial year		<u><u>33,919</u></u>	<u><u>17,139</u></u>

The above results were derived from continuing operations.

Associated Newspapers Limited

Statement of Comprehensive Income for the 52 week period from 28 September 2020 to 26 September 2021

		Period ended 26 September 2021 £ 000	Period ended 27 September 2020 £ 000
Profit for the financial period		<u>33,919</u>	<u>17,139</u>
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations (net)	21	2,436	(71,757)
Tax relating to items that will not be reclassified to profit or loss	10	<u>(10,766)</u>	<u>9,315</u>
Total other comprehensive expense		<u>(8,330)</u>	<u>(62,442)</u>
Total comprehensive income/(expense) for the year		<u>25,589</u>	<u>(45,303)</u>

The notes on pages 21 to 66 form an integral part of these financial statements.

Associated Newspapers Limited

Statement of Changes in Equity for the Financial Year from 28 September 2020 to 26 September 2021

	Called up share capital £ 000	Share premium account £ 000	Other reserves £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 30 September 2019	103,526	241,704	5,338	259,271	609,839
Profit for the financial year	-	-	-	17,139	17,139
Other comprehensive expense	-	-	-	(62,442)	(62,442)
Total comprehensive expense	-	-	-	(45,303)	(45,303)
Share based payment transactions (note 21)	-	-	-	3,270	3,270
At 27 September 2020	103,526	241,704	5,338	217,238	567,806
	Called up share capital £ 000	Share premium account £ 000	Other reserves £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 28 September 2020	103,526	241,704	5,338	217,238	567,806
Profit for the financial year	-	-	-	33,919	33,919
Other comprehensive income	-	-	-	(8,330)	(8,330)
Total comprehensive income	-	-	-	25,589	25,589
Share based payment transactions (note 21)	-	-	-	(6,874)	(6,874)
At 26 September 2021	103,526	241,704	5,338	235,953	586,521

The notes on pages 21 to 66 form an integral part of these financial statements.
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Associated Newspapers Limited

(Registration number: 00084121)

Statement of Financial Position as at 26 September 2021

		26 September 2021 £ 000	27 September 2020 £ 000
	Note		
Fixed assets			
Intangible assets	12	52,123	67,059
Property, plant and equipment	13	32,447	41,308
Right of use assets	14	12,018	19,507
Investments	15	515	515
Sublease receivable	2		3,138
		<u>97,103</u>	<u>131,527</u>
Current assets			
Stocks	16	6,637	6,136
Debtors	17	684,193	791,878
Pension asset	21	201,076	187,268
Cash at bank and in hand		710	2,839
		<u>892,616</u>	<u>988,121</u>
Creditors: Amounts falling due within one year	18	(336,080)	(474,887)
Current portion of long term lease liabilities	19	<u>(10,897)</u>	<u>(10,712)</u>
Net current assets		<u>545,639</u>	<u>502,522</u>
Total assets less current liabilities		642,742	634,049
Creditors: Amounts falling due after more than one year			
Long term lease liabilities	19	(2,189)	(12,677)
Provisions for liabilities	23, 10	<u>(54,032)</u>	<u>(53,566)</u>
Net assets		<u>586,521</u>	<u>567,806</u>
Capital and reserves			
Called up share capital	25	103,526	103,526
Share premium account		241,704	241,704
Other reserves		5,338	5,338
Retained earnings		<u>235,953</u>	<u>217,238</u>
Total Shareholders' funds		<u>586,521</u>	<u>567,806</u>

The notes on pages 21 to 66 form an integral part of these financial statements.

Associated Newspapers Limited

(Registration number: 00084121)

Statement of Financial Position as at 26 September 2021 (continued)

The financial statements on pages 16 to 67 were authorised for issue by the Board on 29/9/22 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'J J S Welsh', written in a cursive style.

J J S Welsh, Director

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021

1 General information

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

The address of its registered office is:

Northcliffe House
2 Derry Street
London
England
W8 5TT

2 Accounting policies

Basis of preparation

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

The annual financial statements are made up to the Sunday nearest to 30 September. The financial period ended 26 September 2021 consists of 52 weeks (2020: 52 weeks).

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

2 Accounting policies (continued)

Going concern

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

The Company is in a net current assets position of £545.6m (2020: £502.5), as at 26 September 2021. The directors have considered the amounts due from group undertakings as recoverable and after due consideration the directors have concluded that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this report.

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

Summary of disclosure exemptions

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

Cash flow Statement

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

Related Party Transactions

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

Share Based Payments

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

2 Accounting policies (continued)

Revenue recognition

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

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

The principal revenue performance obligations are:

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

Foreign currency transactions and balances

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

Tax

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

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

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

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

2 Accounting policies (continued)

Property, plant and equipment

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

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

Depreciation

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

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

Goodwill

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

Amortisation

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

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

Investments

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

Inventories

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

2 Accounting policies (continued)

Provisions

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

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

The Company as a lessor

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

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

Leases

Definition

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

2 Accounting policies (continued)

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

Defined contribution pension obligation

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

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

2 Accounting policies (continued)

Defined benefit pension

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

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

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

The Company recognises its share of certain defined benefit schemes whose members are or were employees of both this company and certain other DMGT plc group companies.

Exceptional items

Exceptional items over the value of £5m are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are items of income or expense that have been shown separately due to the significance of their nature or amount.

Contract discount and rebate provisions

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

Accruals and deferred income

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Retirement benefit obligations

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

4 Revenue

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

	Year ended 26 September 2021 £ 000	Year ended 27 September 2020 £ 000
Sale of goods and services	583,559	560,270
Other sales income	8,490	7,240
	<u>592,049</u>	<u>567,510</u>

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

	Year ended 26 September 2021 £ 000	Year ended 27 September 2020 £ 000
Sales - UK	460,995	470,293
Sales - North America	70,696	45,930
Sales - Europe (excluding the UK)	50,853	43,361
Sales - Rest of world	1,015	686
	<u>583,559</u>	<u>560,270</u>

5 Other operating income

The analysis of the Company's other operating income for the period is as follows:

	Period ended 26 September 2021 £ 000	Period ended 27 September 2020 £ 000
Rental income	4,677	4,848

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

6 Operating profit

Arrived at after charging/ (crediting):

	Period ended 26 September 2021 £ 000	Period ended 27 September 2020 £ 000
Depreciation expense	21,561	21,654
Amortisation expense	14,987	12,376
Foreign exchange (gains)/losses	(316)	214
Operating lease expense - land and buildings	58	29
Operating lease expense - plant and machinery	285	378
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	300	186
Loss on disposal of fixed assets	<u>35</u>	<u>43</u>

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

Amortisation of intangible fixed assets includes £429,000 (2020: £1,628,000) that relates to amortisation of software development expenditure, £10,748,000 (2020: £10,748,000) that relates to the amortisation of trademarks and £3,810,000 (2020: £nil) that relates to the amortisation of publishing rights.

7 Staff costs

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

	Year ended 26 September 2021 £ 000	Year ended 27 September 2020 £ 000
Wages and salaries	130,782	120,313
Social security costs	16,076	15,443
Other pension costs	<u>6,236</u>	<u>5,605</u>
	<u>153,094</u>	<u>141,361</u>

Wages and salaries include share based payments to the value of £8,575,000 (2020: £7,764,000).

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

7 Staff costs (continued)

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

	Year ended 26 September 2021 Number	Year ended 27 September 2020 Number
Editorial	1,186	1,062
Advertising, sales and marketing	205	240
IT support	184	197
Pre-press and printing	117	119
Management and administration	151	96
Circulation and distribution	13	14
	<u>1,856</u>	<u>1,728</u>

8 Exceptional items

	Period ended 26 September 2021 £ 000	Period ended 27 September 2020 £ 000
Exceptional items		<u>7,212</u>

In year ended 27 September 2020 exceptional items of £7,212,000 relate to reorganisation expenses.

9 Net finance income

	Year ended 26 September 2021 £ 000	Year ended 27 September 2020 £ 000
Finance charge on lease liability re Right to use assets	481	730
Interest payable to group companies	581	929
Finance credit on pension deficit	(2,973)	(4,590)
Finance income on sublease receivable	(125)	(228)
	<u>(2,036)</u>	<u>(3,159)</u>

10 Tax on profit

Tax charged in the income statement:

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

10 Tax on profit (continued)

	Year ended 26 September 2021 £ 000	Year ended 27 September 2020 £ 000
Current taxation		
UK corporation tax	11,369	4,619
UK corporation tax adjustment to prior years	<u>(503)</u>	<u>(142)</u>
	<u>10,866</u>	<u>4,477</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(4,484)	5,057
UK corporation tax adjustment to prior years	<u>771</u>	<u>166</u>
Total deferred taxation	<u>(3,713)</u>	<u>5,223</u>
Tax expense in the income statement	<u>7,153</u>	<u>9,700</u>

The above adjustments to prior years relate to changes in tax rules. The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%). The differences are reconciled below:

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

10 Tax on profit (continued)

	2021 £ 000	2020 £ 000
Profit before tax	41,072	26,839
Corporation tax at standard rate	7,804	5,099
UK corporation tax adjustment to prior years	(503)	(142)
Increase from effect of expenses not deductible in determining taxable profit	3,957	4,290
Decrease arising from group relief tax reconciliation	-	(299)
Deferred tax expense from unrecognised temporary difference from a prior year	771	166
Deferred tax credit relating to changes in tax rates or laws	(4,876)	(1,861)
Deferred tax derecognised	-	2,447
Total tax charge	7,153	9,700

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

Under FRS101, deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date. Legislation was enacted in June 2021 to increase the UK corporation tax rate from 19.0% to 25.0% with effect from 1 April 2023. On 23 September 2022 the UK government announced that the planned rate rise to 25.0% would not take place. However, this change was not substantively enacted at the balance sheet date. Accordingly, the deferred tax balances are measured at 25.0% unless the temporary difference is expected to reverse before 1 April 2023, in which case the rate used is the one applicable at the expected time of reversal.

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

10 Tax on profit (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2021			
Accelerated tax depreciation	26,759	-	26,759
Loans and borrowings	-	-	-
Pension benefit obligations	-	(50,275)	(50,275)
Tax losses carry-forwards	746	-	746
Other items	152	-	152
Provisions	-	-	-
	<u>27,657</u>	<u>(50,275)</u>	<u>(22,618)</u>

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

10 Tax on profit (continued)

Deferred tax movement during the year

	At 28 September 2020 £ 000	Recognised in income £ 000	Recognised in other comprehensive expense £ 000	At 26 September 2021 £ 000
Accelerated tax depreciation	18,760	7,999	-	26,759
Loans and borrowings	-	-	-	-
Pension benefit obligations	(35,585)	(3,924)	(10,766)	(50,275)
Tax losses carry-forwards	557	189	-	746
Other items	257	(105)	-	152
Provisions	447	(447)	-	-
Net tax assets/(liabilities)	<u>(15,564)</u>	<u>3,712</u>	<u>(10,766)</u>	<u>(22,618)</u>

Deferred tax movement during the prior year

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

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

There are £12,875,000 of deductible temporary differences (2020: £12,875,000) for which no deferred tax asset is recognised in the statement of financial position, which relates to other temporary differences where there is insufficient certainty that the difference will be utilised in the foreseeable future.

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

11 Directors' remuneration

The directors' remuneration for the year was as follows:

	Year ended 26 September 2021 £ 000	Year ended 27 September 2020 £ 000
Aggregate emoluments	2,384	1,912
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	<u>4,475</u>	<u>1,389</u>
	<u>6,859</u>	<u>3,301</u>

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

	Year ended 26 September 2021 Number	Year ended 27 September 2020 Number
Exercised share options	-	1
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	Year ended 26 September 2021 £ 000	Year ended 27 September 2020 £ 000
Aggregate emoluments	1,505	1,305
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	<u>4,377</u>	<u>1,309</u>

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

12 Intangible assets

	Goodwill £ 000	Trademarks and brands £ 000	Software development costs £ 000	Total £ 000
Cost or valuation				
At 28 September 2020	99,318	77,925	17,322	194,565
Additions	-	-	518	518
Disposals	-	-	(467)	(467)
At 26 September 2021	<u>99,318</u>	<u>77,925</u>	<u>17,373</u>	<u>194,616</u>
Accumulated amortisation				
At 28 September 2020	(89,586)	(21,496)	(16,424)	(127,506)
Amortisation charge	-	(14,558)	(429)	(14,987)
At 26 September 2021	<u>(89,586)</u>	<u>(36,054)</u>	<u>(16,853)</u>	<u>(142,493)</u>
Carrying amount				
At 26 September 2021	<u>9,732</u>	<u>41,871</u>	<u>520</u>	<u>52,123</u>
At 27 September 2020	<u>9,732</u>	<u>56,429</u>	<u>898</u>	<u>67,059</u>

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

13 Property, plant and equipment

	Short leasehold land and buildings £ 000	Plant and machinery £ 000	Total £ 000
Cost or valuation			
At 28 September 2020	21,933	96,887	118,820
Additions	-	4,924	4,924
Disposals	-	(269)	(269)
At 26 September 2021	<u>21,933</u>	<u>101,542</u>	<u>123,475</u>
Accumulated depreciation			
At 28 September 2020	(12,186)	(65,326)	(77,512)
Charge for the period	(1,291)	(12,445)	(13,736)
Eliminated on disposal	-	220	220
At 26 September 2021	<u>(13,477)</u>	<u>(77,551)</u>	<u>(91,028)</u>
Carrying amount			
At 26 September 2021	<u>8,456</u>	<u>23,991</u>	<u>32,447</u>
At 27 September 2020	<u>9,747</u>	<u>31,561</u>	<u>41,308</u>

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

14 Right of use assets

	Plant and equipment £ 000	Leasehold properties £ 000	Total £ 000
Cost or valuation			
As at 27 September 2020	2,212	25,209	27,421
Additions	691	90	781
Disposals	(351)	(388)	(739)
At 26 September 2021	<u>2,552</u>	<u>24,911</u>	<u>27,463</u>
Accumulated Depreciation			
At 28 September 2020	(647)	(7,267)	(7,914)
Charge for the period	(705)	(7,120)	(7,825)
Eliminated on disposal	263	31	294
At 26 September 2021	<u>(1,089)</u>	<u>(14,356)</u>	<u>(15,445)</u>
Carrying amount			
At 26 September 2021	<u>1,463</u>	<u>10,555</u>	<u>12,018</u>
At 27 September 2020	<u>1,565</u>	<u>17,942</u>	<u>19,507</u>

15 Investments

	Subsidiaries £ 000	Total £ 000
Cost or valuation		
At 28 September 2020 and as at 26 September 2021	<u>515</u>	<u>515</u>
Carrying amount		
At 28 September 2020 and as at 26 September 2021	<u>515</u>	<u>515</u>

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

Subsidiaries

Details of the subsidiaries as at 26 September 2021 are as follows:

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

15 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and registered office	Proportion of ownership interest and voting lefts held	
			26 September 2021	
MailLife Financial Services Limited	Dormant	United Kingdom	100%	
Daily Mail Limited	Dormant	United Kingdom	100%	
The Mail on Sunday Limited	Dormant	United Kingdom	100%	
Associated Newspapers (Ireland) Limited	Publishing of newspapers	Ireland	100%	

Associates

Details of the associates as at 26 September 2021 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			26 September 2021	27 September 2020
ES London Limited	Newspaper publishing	United Kingdom	30%	30%
Northprint Manchester Limited	Dormant	United Kingdom	50%	50%

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

15 Investments (continued)

Registered offices

Northcliffe House
2 Derry Street
London
W8 5TT

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

Associated Newspapers (Ireland) Limited
Top Floor
Two Haddington Buildings
20-38 Haddington Road
Ireland
D04 HE94

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

16 Stock

	26 September 2021 £ 000	27 September 2020 £ 000
Raw materials and consumables	<u>6,637</u>	<u>6,136</u>

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

17 Debtors

	26 September 2021 £ 000	27 September 2020 £ 000
Trade receivables	97,513	83,288
Amounts due from group undertakings	553,421	678,024
Other debtors	5,418	6,308
Prepayments and accrued income	27,841	24,258
Total current trade and other receivables	<u>684,193</u>	<u>791,878</u>

Included in other debtors is an amount of £3,150,000 for sublease receivables (2020: £3,682,000).

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

18 Creditors: amounts falling due within one year

	26 September 2021 £ 000	27 September 2020 £ 000
Current liabilities		
Trade payables	26,872	23,556
Accruals and deferred income	50,938	55,080
Amounts owed to group undertakings	232,677	381,666
Social security and other taxes	3,173	4,205
Outstanding defined contribution pension costs	1,073	974
Other creditors	9,978	4,784
Amounts payable for group relief to DMGT entities	11,369	4,622
	<u>336,080</u>	<u>474,887</u>

Included within amounts owed to group undertakings is a loan from Daily Mail and General Holdings Limited of £65,013,000 (2020: £112,482,000). Interest is charged at 0.5% above base rate and the loan is repayable on demand. All other amounts owed to group undertakings are repayable on demand and interest free.

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

19 Leases

Leases included in creditors

	26 September 2021 £ 000	27 September 2020 £ 000
Current portion of long term lease liabilities	10,897	10,712
Long term lease liabilities	<u>2,189</u>	<u>12,677</u>

Total cash outflows related to leases

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

	26 September 2021 £ 000	27 September 2020 £ 000
Lease payments	11,131	10,970
Right of use assets	<u>11,131</u>	<u>10,970</u>

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

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

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

20 Obligations under leases and hire purchase contracts

Operating leases

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

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

	26 September 2021 £ 000	27 September 2020 £000
Within one year	156	183
Between one to five years	-	11
	<u>156</u>	<u>194</u>

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

21 Pension and other schemes

DMGT operates a number of pension schemes. These include defined contribution pension arrangements and defined benefit pension arrangements. The defined benefit schemes, together with some defined contribution plans, are administered by Trustees or Trustee Companies. The total net pension costs of the Company for the period ended 26 September 2021 was £3.4 million (2020: net costs of £1 million).

Defined benefit pension schemes

Background

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

Full actuarial valuations of the Schemes are carried out triennially by the scheme actuary and determine the level of contributions payable by the DMGT to the Schemes. The Technical Provisions position for the most recent funding valuations of the Schemes are summarised in the table below:

Latest funding position	HPS	SEPF	AVC
Date of latest triennial valuation	31 March 2019 £m	31 March 2019 £m	31 March 2017 £m
Total Liabilities	(2,821)	(331)	(53)
Total Assets	2,583	346	49
(Deficit)/ Surplus	(238)	16	(4)

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

21 Pension and other schemes (continued)

Following the results of the latest triennial valuations as at 31 March 2019, DMGT, together with Daily Mail and General Holdings Limited (DMGH), a fellow DMGT Group company, and the Trustees of the Schemes (Trustees) agreed to eliminate the above HPS deficit through a combination of additional contributions and investment returns by 5 October 2024. The agreed Recovery Plan contributions were as follows:

HPS

- £16.2 million paid on 5 October 2019 under the Recovery Plan agreed at the 31 March 2016 valuation;
- £11.0 million each year for 5 years from 5 October 2020 paid annually in advance; and
- £50.0 million at October 2024 or such lower amount required to meet the deficit at 31 March 2024 based on the Scheme Actuary's estimate of the technical provisions at this date.

DMGT also agreed to pay the Pension Protection Fund levy and all other expenses excluding investment management expenses for HPS.

In addition, the Recovery Plan contributions were supplemented by arrangements offering contingent security to HPS, including:

- An Escrow arrangement, to which DMGT agreed to contribute an initial sum of £113.6 million and five annual payments of £7.0 million each, with a termination date of 30 September 2026;
- A long-term insolvency guarantee (to replace the Limited Partnership Investment vehicle), capped at £150.0 million with a termination date of 2035 (or the date on which the Scheme reaches full funding on a self-sufficiency basis); and
- Further Funding Agreement in relation to contributions provided in certain circumstances.

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

21 Pension and other schemes (continued)

Following the disposal of DMGT plc's Insurance Risk segment and its retirement as a guarantor of HPS a further £58.0 million of funding has also been agreed.

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

SEPF

For the actuarial valuation as at 31 March 2019, there was no shortfall and therefore no deficit contributions were required.

DMGT will pay the Pension Protection Fund levy and all other expenses excluding investment management expenses for SEPF.

AVC Plan

The Recovery Plan agreed as part of the 31 March 2017 valuation of the AVC Plan estimated that the deficit would be eliminated by 30 September 2026. No deficit contributions were payable as it was assumed that this would be met through returns on the AVC Plan's assets.

The 31 March 2020 valuation of the AVC Plan is currently in progress

In addition, DMGT and DMGH has agreed with the Trustees of the Schemes that, should it make any permanent reductions in DMGT's capital, including share buy-backs, it will make additional contributions to the Schemes amounting to 20.0% of the capital reduction capped at the aggregate HPS and SEPF funding deficits shown in the most recent actuarial report. Contributions of £nil (2020: £nil) relating to this agreement were made in the year to 26 September 2021.

Following acceptance of Rothermere Continuation Limited's (RCL) offer for all of the issued DMGT A Ordinary Non-Voting shares not already owned by RCL on 16 December 2021, DMGT made a cash funding payment into the Pension Schemes amounting to £402.0 million in addition to a £10.9 million Recovery Plan cash funding payment made on 5 October 2021.

A further £10.0 million of funding is payable if the SEPF and AVC plans merge as currently planned.

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

21 Pension and other schemes (continued)

Limited Partnership investment vehicle

HPS owned a beneficial interest in a Limited Partnership investment vehicle (LP). The LP was designed to facilitate annual payments of £10.8 million as deficit funding payments over the period to 2026. In addition, the LP was required to make a final payment to the scheme of £149.9 million, or the funding deficit within the scheme on an ongoing actuarial valuation basis, at the end of the period to 2026 if this was less. This recovery plan, agreed following the 2016 actuarial valuation, assumed £60.0 million of the £149.9 million final payment would be required.

As part of the 31 March 2019 actuarial discussions it was agreed to dissolve the LP and replace it with a long-term insolvency guarantee, capped at £150.0 million with a termination date of 2035 (or the date on which the scheme reaches full funding on a self-sufficiency basis).

For funding purposes, the interest of HPS in the LP was treated as an asset of the scheme and reduced the actuarial deficit within the scheme. However, under IAS 19, Employee Benefits, the LP was not included as an asset of the scheme and therefore is not included in the disclosures below.

Strategic Plan

The Trustees have developed a comprehensive approach to managing the Schemes' investment strategy to ensure it is always aligned with the Strategic Plan. The Schemes' financial performance has been sufficiently better than envisaged so the Trustees have reduced risk largely by decreasing the equity allocation and increasing its interest rate and inflation rate hedging which is reflected in the analysis of the Schemes' assets. In addition, the Strategic Plan has been amended to target an asset allocation that may enable the Schemes to be self-sufficient by 2026.

The figures in this note are based on calculations using membership data as at 30 September 2021 along with asset valuations and cash flow information from the schemes for the year to 30 September 2021.

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

	At 26 September 2021	At 26 September 2021	At 26 September 2021	At 27 September 2020	At 27 September 2020	At 27 September 2020
	Schemes in surplus	Schemes in deficit	Total	Schemes in surplus	Schemes in deficit	Total
	£m	£m	£m	£m	£m	£m
Present value of defined benefit obligation	(1,834.3)	(35.7)	(1,870)	(1,872)	(39.6)	(1,911.6)
Assets at fair value	2,041	30	2,071	2,068.9	30	2,098.9
Surplus/ (deficit) reported in the Consolidated Statement of Financial Position	206.7	(5.7)	201	196.9	(9.6)	187.3

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

21 Pension and other schemes (continued)

The IAS 19 accounting surplus/(deficit) data above differs to the triennial actuarial surplus/(deficit) calculation used in the assessment of future funding obligations.

There are a number of reasons for this. The Technical Provisions basis is agreed by the Trustees and DMGT as part of the triennial actuarial funding valuation which is used to determine the level of any contributions payable by DMGT into the Schemes. The guidance issued to Trustees from the Pensions Regulator is that the Technical Provisions basis should reflect the covenant strength and investment strategy at the time of the valuation. In addition, the Technical Provisions discount rate represents the expected risk adjusted return on the Schemes' assets and is normally set with reference to the yield on government bonds.

For accounting purposes, IAS19 states that the actuarial assumptions used must represent the best estimate of the variables determining the ultimate post-employment benefit cost. The discount rate used is determined by reference to market yields at the end of the reporting period on high quality (AA rated) corporate bonds, and therefore doesn't directly relate to the expected return on the Schemes' assets.

The key differences between the make-up of the bases are the reference yields used for the discount rate, which is higher on the IAS19 basis, and that the Technical Provisions incorporate different risk adjustment factors, compared to the accounting basis which is set to represent best estimate assumptions.

Due to the different methodologies used it is not uncommon for a scheme to be in IAS19 accounting surplus but still be in a deficit on a Technical Provisions basis.

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

In relation to HPS and the SEPF, having taken account of the rules of the Schemes, DMGT has an unconditional right to a refund of any surplus under IFRIC 14 and considers that the recognition of surpluses in these Schemes on its Statement of Financial Position is in accordance with the interpretations of IFRIC 14. In relation to the Additional Voluntary Contribution scheme (AVC), having taken account of the rules of the Scheme, DMGT does not have an unconditional right to a refund under IFRIC14. However, at 30 September 2021 the AVC Plan showed a deficit and no contributions are payable into the AVC Plan. Therefore no asset ceiling needs to be applied to restrict surplus on the balance sheet and no additional minimum funding liability is needed under IFRIC 14.

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

The surplus/ (deficit) for the year, set out above, excludes a related deferred tax liability of £50.3 million (2020: £35.6 million).

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

21 Pension and other schemes (continued)

Scheme liabilities

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

	26 September 2021	27 September 2020
	£ 000	£ 000
Present value at start of period	1,911,600	1,895,900
Actuarial loss as a result of changes in demographic assumptions	1,900	9,400
Actuarial loss as a result of changes in financial assumptions	18,600	40,900
Actuarial loss as a result of membership experience	(16,700)	6,100
Interest cost	29,100	33,400
Net benefit payments	(74,500)	(74,100)
Present value at end of period	<u>1,870,000</u>	<u>1,911,600</u>

Scheme assets

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

	26 September 2021	27 September 2020
	£ 000	£ 000
Fair value at start of period	2,098,900	2,140,700
Interest income	32,000	38,000
Return on plan assets, excluding amounts included in interest income on scheme assets	6,200	(12,100)
Member contribution	8,400	6,400
Net benefit payments	(74,500)	(74,100)
Fair value at end of period	<u>2,071,000</u>	<u>2,098,900</u>

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

21 Pension and other schemes (continued)

Analysis of assets

The fair value of the assets is categorised as follows:

	Note	At 26 September 2021 £'000	At 26 September 2021 %	At 27 September 2020 £'000	At 27 September 2020 %
Equity	(i)				
- Investment funds		347,200	17	212,800	10
- Private equity		121,700	6	110,800	5
Liability driven investments	(iii)	436,900	21	475,600	23
Bonds and loans	(ii)	723,000	35	810,300	39
Property	(iv)	272,500	13	268,800	13
Infrastructure		128,800	6	138,200	7
Cash / other		40,900	2	78,500	3
Total assets		<u>2,071,000</u>	<u>100</u>	<u>2,095,000</u>	<u>100</u>

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

21 Pension and other schemes (continued)

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

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

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

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

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

The value of employer-related assets held on behalf of the schemes at 26 September 2021 was £nil (0.0 % of assets), (2020: £nil, 0.0 % of assets).

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

21 Pension and other schemes (continued)

Principal actuarial assumptions

The main financial assumptions are shown in the following table:

	26 September 2021 %	27 September 2020 %
Discount rate	1.95	1.55
Pension increases	3.35	2.85
Price inflation	<u>3.50</u>	<u>2.95</u>

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

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

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

The average duration of the defined benefit obligation at the end of the year is approximately 17 years (2020: 17 years).

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

21 Pension and other schemes (continued)

Post retirement mortality assumptions

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

	26 September 2021	27 September 2020
For a current 60-year-old male member of the scheme	26.90	26.90
For a current 60-year-old female member of the scheme	28.60	28.50
For a current 50-year-old male member of the scheme	27.20	27.20
For a current 50-year-old female member of the scheme	<u>29.30</u>	<u>29.20</u>

Amounts recognised in the income statement

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

	26 September 2021 £ 000	27 September 2020 £ 000
Amounts recognised in operating profit		
Recognised in arriving at operating profit	<u>-</u>	<u>-</u>
Amounts recognised in finance income or costs		
Recognised in other finance cost	<u>(2,900)</u>	<u>(4,600)</u>
Total recognised in the income statement	<u>(2,900)</u>	<u>(4,600)</u>

The fair value of some of the pension assets are made up of quoted and unquoted investments. The latter require more judgement as their values are not directly observable. The assumptions used in valuing unquoted investments are affected by current market conditions and trends which could result in changes in fair value after the measurement date.

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

21 Pension and other schemes (continued)

Sensitivity analysis

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

	26 September 2021 £ 000	27 September 2020 £ 000
Adjustment to discount rate		
Change in pension obligation at 26 September 2021 from a 0.1 % p.a. decrease	30,500	32,800
Change in pension cost from a 0.1 % p.a. decrease	<u>800</u>	<u>500</u>
	26 September 2021 £ 000	27 September 2020 £ 000
Adjustment to rate of inflation		
Change in pension obligation at 26 September 2021 from a 0.1 % p.a. increase	27,000	30,900
Change in pension cost from a 0.1 % p.a. increase	<u>500</u>	<u>400</u>
	26 September 2021 £ 000	27 September 2020 £ 000
Adjustment to mortality age rating assumption		
Change in pension obligation at 26 September 2021 from a one year increase in life expectancy	69,900	71,500
Change in pension cost from a one-year increase	<u>1,400</u>	<u>1,100</u>

Risks

Investment risk

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

Inflation risk

A significant proportion of the defined benefit obligation is linked to inflation, therefore increased inflation will result in a higher pension obligations. The Trustees have sought to acquire certain assets with exposure to inflationary uplifts in order to negate a proportion of this risk. Monetary assets such as bonds and loans hedge approximately 70.0% of the schemes' risk (by value of assets).

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

21 Pension and other schemes (continued)

Life expectancy risk

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

Discount rate risk

The present value of the defined benefit obligation is calculated using a discount rate set with reference to high-quality corporate bond yields. A decrease in corporate bond yields will increase the present value of the defined benefit obligation, although this will be partially offset by bonds and the LDI investment funds which reduce the gilt rate risk by hedging approximately 65.0% of the schemes' risk (by value of assets).

Amounts taken to the Statement of Comprehensive Income

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

	At 26 September 2021	At 27 September 2020
	£000	£000
Present value of defined benefit obligation	(1,870)	(1,911.6)
Fair value of scheme assets	2,071	2,098.9
Combined surplus in schemes	201	187.3
Experience adjustments on defined benefit obligation	(3.8)	(56.4)
Experience adjustments on fair value of scheme assets	6.2	(15.4)

UK defined contribution plans

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

The aggregate value of personal pension plans was £214.0m (2020: £164.7 million) at the year end. The pension cost attributable to these plans during the year amounted to £17.8 million (2020: £16.3 million).

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

22 Share-based payments

The Company recognised a total expense of £8,575,733 (2020: £7,763,796) in respect of share options and share awards granted by DMGT to employees of the Company.

Share options

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

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

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

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

DMGT plc did not re-price any of its outstanding options during the year.

Full details of these schemes are set out in DMGT's Remuneration Report, included within its 2021 Annual Report and Accounts.

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

22 Share-based payments (continued)

	2021		2020	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
DMGT 2006 Executive Share Option Scheme				
Outstanding at start of the period	523,288	5.64	621,731	5.90
Granted during the period	100,000	7.09	31,086	5.69
Lapsed during the year	(10,362)	5.69	(51,811)	5.89
Exercised during the period	(243,512)	5.58	(77,718)	7.59
Outstanding at period end	<u>369,414</u>	<u>6.07</u>	<u>523,288</u>	<u>5.64</u>
Exercisable at period end			<u>160,615</u>	<u>5.27</u>

The options outstanding at 26 September 2021 had a weighted average remaining contractual life of 5.97 years (2020: 6.49 years).

The aggregate of the estimated fair values of the options granted during the year is £99,260 (2020: £nil).

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

22 Share-based payments (continued)

Options under the DMGT 2006 Executive Share option scheme

	24 November 2020	25 January 2019
Date of grant		
Market value of shares at date of grant (p)	709	569.3
Option price (p)	709	569.3
Number of share option outstanding	100000	269414
Term of options (years)	3	10
Assumed period of exercise after vesting (years)	0	7
Exercise price (p)	709	569.1
Risk-free rate	1.28%	0.81%
Expected dividend yield (%)	2.61%	3.59%
Volatility	24.0%	27.95%
Fair value per option (p)	99.3	83.8

Nil-cost options under the DMGT Executive Bonus Scheme

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

	2021		2020	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Nil-cost options				
Outstanding at start of the period	36,082	-	28,429	-
Granted during the period		-	22,745	-
Exercised during the period		-	(15,092)	-
Outstanding at period end	36,082	-	36,082	-
Exercisable at period end	13,337	-	-	-

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

22 Share-based payments (continued)

The awards outstanding at 26 September 2021 had a weighted average remaining contractual life of 4.82 years (2020 5.82 years).

The aggregate of the estimated fair values of the awards made during the year is £nil (2020 £nil).

	2021		2020	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
DMGT Long-Term Incentive Plan				
Outstanding at start of the period	1,511,587	-	1,281,422	-
Granted during the period	1,238,302	-	536,526	-
Exercised during the period	(777,517)	-	(293,408)	-
Lapsed during the period	-	-	(12,953)	-
Outstanding at period end	<u>1,972,372</u>	<u>-</u>	<u>1,511,587</u>	<u>-</u>
Exercisable at period end	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The number of awards granted in the prior year were based on estimates with the actual number being finalised in the current year.

The awards outstanding at 26 September 2021 had a weighted average remaining contractual life of 5.89 years (2020: 1.33 years).

The aggregate of the estimated fair values of the awards made during the year is £6.6 million (2020: £3.3 million).

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

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

22 Share-based payments (continued)

Scheme type	Options under the DMGT Long Term Incentive Plan						
	14 Dec 2018	9 Dec 2019	25 Nov 2020	17 Feb 2020	13 Dec 2019	8 Dec 2020	14 Dec 2020
Date of grant							
Market value of shares at date of grant (p)	607.0	503.0	550.0	840.0	840	702	702
Award price (p)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Number of awards outstanding	210497	608033	561452	11905	363525	163820	53140
Term of awards (years)	3.0	3.0	10	3	2-4	3-4	3-4
Assumed period of exercise after vesting (years)							
Exercise price (p)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Risk-free rate	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Fair value per award (p)	607.0	503.0	550.0	840.0	840.0	702.0	702.0

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

23 Provisions for liabilities

	Other provisions £ 000
At 28 September 2020	(38,002)
Charge	(8,881)
Provisions utilised	<u>15,468</u>
At 26 September 2021	<u>(31,415)</u>

Other provisions of £31,415,000 (2020: £38,002,000) relate to legal and libel of £3,662,000 (2020: £3,414,000), contract discounts and rebates of £24,686,000 (2020: £29,997,000), coupons of £824,000 (2020: £120,000), dilapidations of £639,000 (2020: £1,767,000), MyMail points provision of £299,000 (2020: £305,000) and others of £1,305,000 (2020: £2,399,000). It is expected that the majority of this expenditure will be incurred within three years of the period end date.

24 Commitments

The Company has entered into agreements with certain printers for periods up to 2024 at competitive prices to secure supply. At the period end the commitment to purchase printing capacity over the period was £7.8 million (2020: £19.5 million).

The Group entered into arrangements with its ink suppliers to obtain ink for the period to September 2022 at competitive prices to secure supply. At the period end, the commitment to purchase ink over this period was £3.8 million (2020: £7.6 million).

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

25 Called up share capital

Allotted, called up and fully paid shares

	At 26 September 2021		At 27 September 2020	
	Number	£000	Number	£000
Ordinary of £0.25 each	414,102,906	103,525,727	414,102,906	103,525,727

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

26 Related party transactions

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

The Company has a 50.0% (2020: 50.0%) shareholding in Northprint Manchester Limited, a non-trading associate. The net amount due to the Company of £5,800,000 (2020: £5,800,000) has been fully provided against.

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

27 Ultimate parent company and controlling party

The Company's immediate parent company is Rothermere Continuation Limited (RCL), a company incorporated in Jersey, in the Channel Islands, and previously named Rothermere Investments Limited.

Ultimate controlling party

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

Relationship between entity and parents

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

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

Northcliffe House
2 Derry Street
London
UK
W8 5TT

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

28 Post Balance Sheet Events

On 12 July 2021, DMGT announced that its controlling shareholder, Rothermere Continuation Limited ("RCL"), had notified it of a possible offer for the entire issued and to be issued share capital of DMGT not already owned by RCL.

On 3 November 2021, it was announced that the Non-conflicted DMGT Directors and RCL had reached agreement on the terms of a recommended cash offer for DMGT by RCL, and a conditional special distribution to all shareholders of substantially all of the cash in the Group and its stake in Cazoo Group (the "Special Dividend").

The Original Offer

The 3 November 2021 announcement stated that the Non-conflicted DMGT Directors and RCL had reached agreement on the terms of a recommended cash offer (the "Original Offer") to be made by RCL to acquire all the issued and to be issued DMGT A Shares not already owned by RCL.

The Special Dividend

The 3 November 2021 announcement also stated that in conjunction with the Original Offer, DMGT intended to declare a special distribution, comprised of a Cash Element and a Share Element (of approximately 0.5749 shares in Cazoo Group Ltd per DMGT share), to all shareholders on the register of members of DMGT at 6.00pm (London time) on the Record Date. On 14 December 2021, the Special Dividend was declared, with a Record Date of 6.00pm (London time) on 16 December 2021 and an ex-dividend date of 17 December 2021 for both the Cash Element and the Share Element.

Settlement of the Cash Element occurred on 30 December 2021. Settlement of the Share Element occurred on 23 June 2022. For more information about the Share Element of the Special Dividend, including details and timing of the documents for former DMGT Shareholders, as well as certain UK taxation considerations and US taxation consequences, please see the Information Document below, dated 14 June 2022. For more information about the valuation of the Share Element of the Special Dividend for UK tax purposes, please see the Valuation document below, dated 24 June 2022.

The Final Offer

On 2 December 2021, it was further announced that the Non-conflicted DMGT Directors and RCL had reached agreement on the terms of a recommended increased and final cash offer for DMGT by RCL (the "Final Offer").

Associated Newspapers Limited

Notes to the Financial Statements for the 52 week period from 28 September 2020 to 26 September 2021 (continued)

28 Post Balance Sheet Events (continued)

Lowering of Acceptance Condition Threshold

The 2 December 2021 announcement also stated that the acceptance condition of the Final Offer would be lowered. The Final Offer became conditional upon, taken together with DMGT Shares which it already held, RCL acquiring or agreeing to acquire more than 50% of all DMGT Shares (or such lower percentage as RCL may have decided, with the consent of the Non-conflicted DMGT Directors).

Offer Acceptance

On 16 December 2021, it was announced that sufficient acceptances had been received for the Final Offer to become unconditional in all respects. On 6 January 2022, RCL announced that the Final Offer will remain open for acceptance until further notice, with 14 days' notice being given in advance of final closure of the Final Offer. On 7 January 2022, RCL announced that it had received valid acceptances of the Final Offer representing c.96.6% of the issued DMGT A Shares not already owned by RCL ("Offer Shares").

Compulsory Acquisition

On 7 January 2022, RCL announced that in light of the level of acceptances exceeding 90% of the Offer Shares, RCL intends to exercise its statutory squeeze-out rights to acquire compulsorily the remaining Offer Shares on the same terms as the Final Offer. On 12 January 2022, RCL made a further announcement that on 24 February 2022 it would acquire compulsorily all remaining shares that it had not already acquired by that date.

Delisting of DMGT

On 21 December 2021, it was announced that the DMGT Board had resolved to make applications to cancel trading in all DMGT shares on the London Stock Exchange's main market for listed securities. The delisting took effect on 10 January 2022.

Final Dividend FY 2021

On 2 February 2022 at DMGT's Annual General Meeting, it was resolved to pay a final dividend to DMGT Ordinary and A Shareholders of 17.3 pence per share for the year ended 30 September 2021. The final dividend was paid on 4 February 2022 to shareholders on the register at the close of business on 26 November 2021.