

Cumbrian Newspapers Limited
Financial Statements
31 December 2017



SAINT & CO
Chartered accountant & statutory auditor
Sterling House
Wavell Drive, Rosehill
Carlisle, Cumbria
CA1 2SA

Cumbrian Newspapers Limited

Financial Statements

Year ended 31 December 2017

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Cumbrian Newspapers Limited

Officers and Professional Advisers

The board of directors

Mr R L F Burgess (Resigned 12 March 2018)
Mr D A Helliwell (Resigned 21 April 2017)
Mr A M Fox (Resigned 12 March 2018)
Mr M Hogg (Resigned 12 March 2018)
Mr H K Faure Walker (Appointed 12 March 2018)
Mr P Hunter (Appointed 12 March 2018)

Registered office

Loudwater Mill
Station Road
High Wycombe
Buckinghamshire
HP10 9TY

Auditor

Saint & Co
Chartered accountant & statutory auditor
Sterling House
Wavell Drive, Rosehill
Carlisle, Cumbria
CA1 2SA

Bankers

HSBC Bank PLC
PO Box 5
29 English Street
Carlisle
Cumbria
CA3 8JT

Cumbrian Newspapers Limited

Strategic Report

Year ended 31 December 2017

Business Model

The main activities of the Company are focussed on serving local communities, delivering news, information and entertainment through newspaper, magazines, digital platforms and other associated activities. The trading operations comprise two divisions; publishing and printing. Following consultation in March 2018 the print division was closed. The prime strategic objective is to improve profit and cash flow thereby generating value for the shareholder. This will be achieved by successfully adapting to the continuing changing market place through building audiences across print and digital media. The revenue focus is on optimising advertising and circulation revenues, growing digital income and external printing work and developing new business streams. These revenues represent the key financial performance indicators for the Company. A review of the Company's performance and activities during the period is contained within the Annual Report of the parent company. The strategy includes a continuing focus on reviewing all activities and generating efficiencies together with improving the engagement and effectiveness of all employees.

Risk and Uncertainties

The Company is heavily reliant on advertising and circulation revenues and any change in levels of advertising spend could have a marked effect on the Company's profitability as could a trend of spending away from traditional media in excess of the Company's ability to extend its brands onto new media platforms. Business continuity plans are in place covering the main activities and locations aimed at minimising the impact of a major occurrence.

This report was approved by the board of directors on 29 August 2018 and signed on behalf of the board by:



Mr P Hunter
Director

Registered office:
Loudwater Mill
Station Road
High Wycombe
Buckinghamshire
HP10 9TY

Cumbrian Newspapers Limited

Directors' Report

Year ended 31 December 2017

The directors present their report and the financial statements of the company for the year ended 31 December 2017.

Directors

The directors who served the company during the year were as follows:

Mr R L F Burgess

Mr A M Fox

Mr M Hogg

Mr D A Helliwell

(Resigned 21 April 2017)

Dividends

The directors do not recommend the payment of a dividend.

Employment of disabled persons

Disabled persons are employed by the company when they appear to be suited to a particular vacancy. It is the company's policy to continue, where possible, to employ persons who become disabled during their employment.

Employee involvement

The company maintains a system of briefing and consultation to inform all employees of the company's performance.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 26 to the financial statements.

Disclosure of information in the strategic report

A full review of the year's activities can be found in the annual report of the parent company, CN Group Limited. The annual report is publicly available from Companies House.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
 - make judgments and accounting estimates that are reasonable and prudent;
 - prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
-

Cumbrian Newspapers Limited

Directors' Report *(continued)*

Year ended 31 December 2017

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

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

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

A resolution to appoint Ernst & Young as auditors will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on ^{29 August} 2018 and signed on behalf of the board by:



Mr P Hunter
Director

Registered office:
Loudwater Mill
Station Road
High Wycombe
Buckinghamshire
HP10 9TY

Cumbrian Newspapers Limited

Independent Auditor's Report to the Members of Cumbrian Newspapers Limited

Year ended 31 December 2017

Opinion

We have audited the financial statements of Cumbrian Newspapers Limited (the 'company') for the year ended 31 December 2017 which comprise the statement of income and retained earnings, statement of financial position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 29 in the financial statements, which indicates that the company is reliant on the support of the parent company due to continued losses, large intra group loans and a net deficit balance sheet position. As stated in note 29, these events or conditions, along with other matters as set forth in note 29, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Cumbrian Newspapers Limited

Independent Auditor's Report to the Members of Cumbrian Newspapers Limited *(continued)*

Year ended 31 December 2017

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

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

Cumbrian Newspapers Limited

Independent Auditor's Report to the Members of Cumbrian Newspapers Limited *(continued)*

Year ended 31 December 2017

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Farrer (Senior Statutory Auditor)

For and on behalf of
Saint & Co
Chartered accountant & statutory auditor
Sterling House
Wavell Drive, Rosehill
Carlisle, Cumbria
CA1 2SA

13 September 2018

Cumbrian Newspapers Limited
Statement of Income and Retained Earnings
Year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	14,388,987	15,551,076
Raw material and consumables		(2,803,763)	(3,113,513)
Other external charges		(186,790)	(183,701)
Staff costs	7	(8,152,643)	(7,671,019)
Depreciation and other amounts written off tangible and intangible fixed assets		(664,413)	(746,207)
Other operating expenses		<u>(4,907,827)</u>	<u>(4,612,311)</u>
Loss before exceptional operating costs		(2,326,449)	(775,675)
Exceptional costs	9	<u>(373,165)</u>	<u>(634,665)</u>
Operating loss	5	(2,699,614)	(1,410,340)
Income from other fixed asset investments	10	–	1,981
Other interest receivable and similar income	11	310	7,026
Interest payable and similar expenses	12	<u>(2,213)</u>	–
Loss before taxation		(2,701,517)	(1,401,333)
Tax on loss	13	<u>211,491</u>	<u>276,171</u>
Loss for the financial year and total comprehensive income		<u>(2,490,026)</u>	<u>(1,125,162)</u>
Retained earnings at the start of the year		1,617,442	2,742,604
Retained (losses)/earnings at the end of the year		<u>(872,584)</u>	<u>1,617,442</u>

All the activities of the company are from continuing operations.

The notes on pages 10 to 20 form part of these financial statements.

Cumbrian Newspapers Limited

Statement of Financial Position

31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	14	461,118	994,780
Investments	15	5,429	5,429
		<u>466,547</u>	<u>1,000,209</u>
Current assets			
Stocks	16	308,674	265,867
Debtors	17	2,945,476	3,050,165
Cash at bank and in hand		73,999	516,195
		<u>3,328,149</u>	<u>3,832,227</u>
Creditors: amounts falling due within one year	18	<u>(4,791,094)</u>	<u>(3,252,102)</u>
Net current (liabilities)/assets		<u>(1,462,945)</u>	<u>580,125</u>
Total assets less current liabilities		<u>(996,398)</u>	<u>1,580,334</u>
Provisions			
Taxation including deferred tax	19	335,893	249,187
Net (liabilities)/assets		<u>(660,505)</u>	<u>1,829,521</u>
Capital and reserves			
Called up share capital	22	212,079	212,079
Profit and loss account	23	(872,584)	1,617,442
Shareholders (deficit)/funds		<u>(660,505)</u>	<u>1,829,521</u>

These financial statements were approved by the board of directors and authorised for issue on 29 August 2018, and are signed on behalf of the board by:



Mr P Hunter
Director

Company registration number: 00002729

The notes on pages 10 to 20 form part of these financial statements.

Cumbrian Newspapers Limited

Notes to the Financial Statements

Year ended 31 December 2017

1. General information

Cumbrian Newspapers Limited is a company limited by shares, incorporated in England and Wales, company registration number 00002729. Its registered office is at Loudwater Mill, Station Road, High Wycombe, Buckinghamshire, HP10 9TY. The address of its principal place of business is Newspaper House, Dalston Road, Carlisle, CA2 5UA.

The principal activity of the company is that of newspaper publishers and printers.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of CN Group Limited which can be obtained from Companies House. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) Disclosures in respect of share-based payments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The directors consider there were no significant judgements made in preparing the financial statements.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The directors consider there are no key sources of estimation uncertainty.

Cumbrian Newspapers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Exceptional items

Exceptional items are disclosed separately in the financial statements in order to provide further understanding of the financial performance of the entity. They are material items of income or expense that have been shown separately because of their nature or amount.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Cumbrian Newspapers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery - 5% - 33.33% per annum

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Stocks

Stocks are measured at cost. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Pension schemes

The company's staff are members of the defined contribution pension scheme and/or the defined benefit pension scheme. Details of the schemes are given in note 21 to the financial statements.

Cumbrian Newspapers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

4. Turnover

Turnover arises from:

	2017	2016
	£	£
Circulation revenue	3,619,648	3,709,531
Advertising revenue	5,823,693	6,705,164
Printing revenue	3,062,210	3,305,659
Other Income	1,883,436	1,830,722
	<u>14,388,987</u>	<u>15,551,076</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating loss

Operating loss is stated after charging:

	2017	2016
	£	£
Loss on disposal of tangible assets	–	7,642
Operating lease rentals	229,542	254,636
Depreciation of owned fixed assets	<u>664,413</u>	<u>738,565</u>

6. Auditor's remuneration

	2017	2016
	£	£
Fees payable for the audit of the financial statements	<u>10,000</u>	<u>10,000</u>

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2017	2016
	No.	No.
Production staff	244	274
Administrative staff	5	6
	<u>249</u>	<u>280</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017	2016
	£	£
Wages and salaries	5,505,071	5,886,414
Social security costs	512,915	528,219
Other pension costs	2,134,657	1,256,386
	<u>8,152,643</u>	<u>7,671,019</u>

Cumbrian Newspapers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2017	2016
	£	£
Remuneration	78,680	177,868
Company contributions to defined contribution pension plans	1,229	9,139
	<u>79,909</u>	<u>187,007</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2017	2016
	No.	No.
Defined contribution plans	<u>-</u>	<u>1</u>

Included in the above Director's remuneration figures is the salary, benefits and pension contributions for director D Helliwell who is remunerated through the parent company, CN Group Limited for his services as director of Cumbrian Newspapers Limited.

9. Exceptional items

	2017	2016
	£	£
Redundancy and re-organisation costs	321,520	632,865
Legal & Professional	16,645	1,800
Muckle Toon contribution	35,000	-
	<u>373,165</u>	<u>634,665</u>

10. Income from other fixed asset investments

	2017	2016
	£	£
Income from unlisted investments	<u>-</u>	<u>(1,981)</u>

11. Other interest receivable and similar income

	2017	2016
	£	£
Interest on cash and cash equivalents	<u>310</u>	<u>7,026</u>

12. Interest payable and similar expenses

	2017	2016
	£	£
Interest on banks loans and overdrafts	<u>2,213</u>	<u>-</u>

Cumbrian Newspapers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

13. Tax on loss

Major components of tax income

	2017 £	2016 £
Current tax:		
Group relief	(124,785)	(26,984)
Deferred tax:		
Origination and reversal of timing differences	(86,706)	(249,187)
Tax on loss	(211,491)	(276,171)

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19% (2016: 20%).

	2017 £	2016 £
Loss on ordinary activities before taxation	(2,701,517)	(1,401,333)
Loss on ordinary activities by rate of tax	(513,288)	(280,267)
Effect of expenses not deductible for tax purposes	846	–
Effect of capital allowances and depreciation	101,055	134,315
Effect of revenue exempt from tax	–	(396)
Unused tax losses	288,491	121,646
Movement in short term timing differences	(1,889)	(2,282)
Movement in deferred tax provision	(86,706)	(249,187)
Tax on loss	(211,491)	(276,171)

Cumbrian Newspapers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

14. Tangible assets

	Plant and machinery £
Cost	
At 1 January 2017	15,937,060
Additions	130,751
Disposals	(112,169)
At 31 December 2017	15,955,642
Depreciation	
At 1 January 2017	14,942,280
Charge for the year	664,413
Disposals	(112,169)
At 31 December 2017	15,494,524
Carrying amount	
At 31 December 2017	461,118
At 31 December 2016	994,780

15. Investments

	Other investments other than loans £
Cost	
At 1 January 2017 and 31 December 2017	5,429
Impairment	
At 1 January 2017 and 31 December 2017	—
Carrying amount	
At 31 December 2017	5,429
At 31 December 2016	5,429

The company holds 7,924 £1 shares in Cumberland and Westmorland Herald Limited, which amounts to a 10.8% holding of the total share capital. Since there is no active market upon which these shares are traded, the holding is valued at cost less provisions as the fair value cannot be reliably measured.

16. Stocks

	2017 £	2016 £
Raw materials and consumables	308,674	265,867

Cumbrian Newspapers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

17. Debtors

	2017	2016
	£	£
Trade debtors	1,729,043	1,821,010
Amounts owed by group undertakings	563,562	572,640
Prepayments and accrued income	399,778	415,478
Other debtors	253,093	241,037
	<u>2,945,476</u>	<u>3,050,165</u>

18. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	460,938	294,222
Amounts owed to group undertakings	3,277,087	1,772,832
Accruals and deferred income	786,836	884,520
Social security and other taxes	200,373	251,669
Other creditors	65,860	48,859
	<u>4,791,094</u>	<u>3,252,102</u>

19. Provisions

	Deferred tax (note 20) £
At 1 January 2017	(249,187)
Charge against provision	(86,706)
At 31 December 2017	<u>(335,893)</u>

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2017	2016
	£	£
Included in provisions (note 19)	<u>(335,893)</u>	<u>(249,187)</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2017	2016
	£	£
Accelerated capital allowances	(330,054)	(241,053)
Deferred tax - short term timing differences	(5,839)	(8,134)
	<u>(335,893)</u>	<u>(249,187)</u>

There is not expected to be a net reversal of the deferred tax asset within one year, as it is not expected that capital allowances will be claimed. However there is the possibility that this could occur if the new group owners are able to benefit from group relief they could provide.

Cumbrian Newspapers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

21. Employee benefits

The company participates in a defined benefit group pension scheme. The assets and liabilities of which are held independently from the group. As it is a group pension scheme under FRS102 it has been treated in the company's accounts as if it were a defined contribution scheme. The annual amounts payable, which comprise amounts due in accordance with an agreed deficit funding plan, are charged to the profit and loss account. The defined benefit scheme is accounted for under FRS102 in the consolidated accounts of CN Group Limited and any available information about the surplus or deficit in the scheme is shown in these accounts.

During 2007 the defined benefit arrangements were closed to future service accrual. A revised deficit recovery plan has been agreed with the Trustees following the 31 March 2013 actuarial valuation. During 2015 the responsibility for the pension liability of Furness Newspapers Limited was assumed by Cumbrian Newspapers Limited, therefore all pension contributions, including Pension deficit contributions and scheme expenses paid after 31st March 2015 are now dealt with in the accounts of Cumbrian Newspapers Limited.

The pension charge for the year was £1,710,760 (2016: £760,800) comprising agreed deficit recovery plan contributions of £798,840 (2016: £760,800) together with an additional amount of £911,920 (2016: £nil).

Particulars of the actuarial valuation of the scheme are contained in the financial statements of the holding company, CN Group Limited. Following the acquisition by Newsquest Media Group Limited the assets and liabilities of the CN Group Pension Fund and the CN Group Supplementary Pension Fund were transferred to separate sections in the Newsquest Pension Scheme.

In addition to the defined benefit schemes the company contributed £423,897 (2016: £490,598) in the year to the defined contribution arrangement. At the balance sheet date there were outstanding contributions of £30,729 (2016: £40,670) owing to the scheme.

22. Called up share capital

Authorised share capital

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>253,000</u>	<u>253,000</u>	<u>253,000</u>	<u>253,000</u>

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>212,079</u>	<u>212,079</u>	<u>212,079</u>	<u>212,079</u>

The Company has one class of ordinary shares which carry no right to fixed income.

23. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

Cumbrian Newspapers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

24. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	£	£
Not later than 1 year	206,970	231,935
Later than 1 year and not later than 5 years	272,860	378,194
	<u>479,830</u>	<u>610,129</u>

25. Contingencies

The company is party to an unlimited cross guarantee entered into to secure any bank borrowings within the group.

26. Events after the end of the reporting period

After the year end the group was acquired by Newsquest Media Group Limited, a company incorporated in England and Wales. On 19 March 2018 the proposed closure of the print plant was announced.

27. Related party transactions

Included within other debtors is £132,248 (2016: £132,571), being the amounts owed by CN Group Pension Fund reimbursing pension payments that are processed through Cumbrian newspapers payroll but are the liabilities of the Pension Fund.

The total remuneration for key management personnel is disclosed within the group accounts of CN Group Limited.

During the year the company had contract print income of £147,373 (2016: £156,094) from Cumberland and Westmorland Herald Limited, a company which Mr R.L.F. Burgess is a Director of. At the year end £12,793 (2016: £13,713) was owed to the company by Cumberland and Westmorland Herald Limited.

The company sold advertising amounting to £34,550 (2016: £42,809) during the year to Mitchells Auction Company Limited, a company which Mr R. Watson is a Director of. At the year end £3,439 (2016: £3,065) was owed to the company by Mitchells Auction Company Limited. During the year Mitchells Auction Company Limited charged the company £3,500 (2016: £3,500) for rental of property.

During the year the company outsourced its advertising production to Midland News Association at a cost of £75,737 (2016: nil), a company which Mr C.D. Brims is a Director of. At the year end £19,113 (2016: nil) was owed by the company to Midland News Association.

During the year the company purchased services from Press Computer Systems at a cost of £40,708 (2016: nil). Press Computer Systems is a subsidiary of Claverley Group Limited, a company which Mr C.D. Brims is a Director of. At the year end £3,019 (2016: nil) was owed by the company to Press Computer Systems.

Cumbrian Newspapers Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

28. Controlling party

The Company was a wholly owned subsidiary of CN Group Limited, Newspaper House, Dalston Road, Carlisle, CA2 5UA, throughout the year (registered address now Loudwater Mill, Station Road, High Wycombe, HP10 9TY), which is incorporated in England and Wales and had no ultimate controlling party. After the year end the group was acquired by Newsquest Media Group Limited, therefore the ultimate parent company became Gannett Co. Inc., a company incorporated in the United States of America. The controlling company in the United Kingdom is Gannett U.K. Limited, a company incorporated in England and Wales.

The company has taken advantage of the exemption in section 33 of FRS 102 from disclosing related party transactions as the details of the Company are included in the consolidated financial statements of CN Group Limited.

29. Going concern

The parent company, CN Group Limited has indicated that it will continue to support the company for the foreseeable future.