Registered Number: 19300

ARCHANT COMMUNITY MEDIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2012

ARCHANT COMMUNITY MEDIA LIMITED

Registered Number: 19300

DIRECTORS

A D Jeakings
J A E Hustler
B G McCarthy
N T Schiller
D A Willmott
S Taborin
W H Hattam
M Hogg

SECRETARY

J O Ellison

AUDITORS

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

BANKERS

Nat West Bank plc
Norwich City Office
45 London Street
Norwich
NR2 1HX

REGISTERED OFFICE

Prospect House
Rouen Road
Norwich
NR1 1RE

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2012

RESULTS AND DIVIDENDS

The loss for the year after impairment charges and taxation amounted to £12,431,000 (2011 profit £68,568,000)

An interim ordinary dividend of £nil (2011 £43,641,447) was paid in the year The directors do not recommend the payment of a final dividend (2011 £nil)

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is a wholly-owned subsidiary of Archant Limited, and operates as the printing and publishing company for the Archant Group's newspapers and magazines

The Company's principal activity is to publish all newspaper and magazine titles owned by the Archant Group, and to print newspapers for both third party titles and titles published by the Company

There have not been any significant changes in the Company's principal activity in the year under review The directors are not aware, at the date of this report, of any likely major changes in the Company's activity in the next year

ARCHANT COMMUNITY MEDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

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

	2012 £'000	2011 £'000	Change %
Turnover			
Ongoing operations	130,386	95,493	36 54%
Operating costs excluding amortisation of intangible assets and restructuring costs			
Printing and production	25,628	23,972	6 91%
Employment costs	53,540	38,540	38 92%
Other operating costs less other operating income	44,220	26,901	64 38%
Total operating costs excl amortisation of intangibles, impairment and restructuring costs	123,388	89,413	38 00%
Operating profit before amortisation of intangibles, impairment and restructuring costs	6,998	6,080	15 10%
Restructuring costs	(942)	(1,644)	-42 72%
Interest payable	(4,582)	(2,386)	92 06%
Other finance expense	(783)	(14)	5554 86%
Profit before amortisation, impairment, dividends received and preference dividends paid	691	2,036	-66 05%
Amortisation of intangibles	(9,663)	(9,351)	3 34%
Impairment of intangible assets & fixed asset investments	(900)	(111,819)	
Impairment of amounts due from subsidiary undertakings	(807)	-	
Dividends received less preference dividends paid	2,535	189,119	-98 66%
(Loss)/profit before taxation	(8,144)	69,985	111 64%
(Loss)/profit after tax	(12,431)	68,568	118 13%
Shareholders' funds	114,109	127,158	-10 26%
Average number of employees	1,795	1,441	24 56%

Prior to 16 November 2011, the Company's principal activity was to publish all newspaper titles, and their associated magazines, owned by the Archant Group Following the reorganisation of the Archant Group on that date, the Company's principal activity is to publish all newspaper and magazine titles owned by the Archant Group, and to print newspapers for both third party titles and titles published by the Company

As the Company has published all of the Archant Group's newspapers (and associated magazines) throughout both 2011 and 2012, the comments below on newspaper activities refer to comparisons in actual trading performance of the Company Any comments referring to the trading performances of the magazine publishing and newspaper printing activities acquired by the Company on 16 November 2011 are on a like condition basis, comparing performance for 2012 against full year performance for 2011

Total revenue increased by 36 54% compared to 2011 Like condition revenue for 2011 was £133,998,000, so revenue fell by 2 7% on a like condition basis

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

Newspaper advertising revenues fell by 2 7% compared to 2011, and declined in all major categories, with the exception of local display which was up 3 0% Recruitment revenue continued its downward trend, and fell by 7 7% in print publications, although our digital recruitment revenue fell by 1 7%

Newspaper circulation revenues fell by 2 3% as paid circulation volumes declined by 1 4% for daily titles

Newspaper revenue from on-line activities was flat at £4 67m (2011 £4 68m), with unique visitors increasing by 28%

Magazine revenue at £45,811,000 was down 4 0% on 2011 on a like condition basis (2011 like condition £47,725,000)

External printing revenue at £2,718,000 was up 58 0% on 2011 on a like condition basis (2011 like condition £1,721,000)

Overall operating costs excluding amortisation of intangibles, impairment and restructuring costs (and net of other operating income) for ongoing operations increased by 38 00% compared to an increase of 36 54% in revenues

The Company's operating profit before restructuring costs, amortisation of intangibles and impairment for ongoing operations increased by £918,000 (15 11%) to £6,998,000

Following the restructuring of the Archant Group in November 2011, the charge for amortisation of intangible fixed assets increased by £312,000 (3 34%) The Company has also impaired the carrying values of certain titles by £900,000

Restructuring costs fell to £942,000 (2011 £1,644,000) as the Company continued to seek to reduce the Company's cost base to mitigate the impact of the decline in revenues

The Company has made provision for tax and interest related to a tax matter dating back as far as 2003, which follows the result of a test case taken by another company to a Tax Tribunal whose decision was published late in the year Despite the Company's facts being substantially different, this decision places uncertainty on the strength of the Company's case and the Board has therefore concluded that it is now appropriate to make full accounting provision for these amounts This does not, however, mean that our position has been conceded and until there has been further litigation the matter will remain unclear In the event of a negative outcome, the cashflow effects will be substantial, with net outflows of some £9 0m plus interest of £4 1m These can be managed from within the Archant Group's existing banking facilities, but will inevitably increase the Archant Group's debt and reduce headroom The total additional provision booked in the year is £3 7m of tax and £4 1m of interest The Company is working with its advisors on the way forward in this matter

As a result of the provision above, the Company's tax charge of £4,287,000 is £2,870,000 higher than last year

There is much talk of an improvement in economic conditions but little evidence of change and if there is any improvement it is unlikely to be material We expect to reap the benefit of our investments over the last two years and, without any further deterioration in the economy, improve our financial performance during 2013 Trading for the first five months of the year is in line with expectation

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

Principal risks and uncertainties

The bank facilities of the Archant Group are managed centrally The main risks that the Archant Group faces from its treasury activities are liquidity risk and interest rate risk The Archant Group's treasury objective is to minimise borrowing costs and maximise returns on funds subject to short-term liquidity requirements

Liquidity risk results from having insufficient financial resources to meet day-to-day fluctuations in working capital and cash flow Ultimate responsibility for the Company's liquidity risk management rests with the Board of the parent company The Archant Group manages liquidity risk by maintaining adequate reserves, by regularly monitoring forecast and actual cash flows and by maintaining a mixture of long-term and short-term committed facilities that are designed to ensure the Archant Group has sufficient available funds for operations and planned expansions The Archant Group has a term facility available in the amount of £30m, reducing to £28m on 30 June 2013 The term facility expires on 31 March 2016 The Archant Group also has an overdraft facility of £3m which is repayable on demand £14m of these facilities remained undrawn at the year end, and the Archant Group considers that it should be able to operate within the level of its current facilities The term facility was due to expire in April 2013, but in June 2012 the Archant Group negotiated a replacement facility for a maximum of £30m until 31 March 2016

The Company is funded in part by a loan from its ultimate parent company The amount that the Company can borrow from the ultimate parent company is limited by the aggregate banking facilities available to the Archant Group The Company considers that it should have sufficient financial resources to meet day-to-day fluctuations in working capital and cash flow, given the management of the liquidity risk for the Archant Group carried out by the parent company, and the facilities available to the Archant Group

The loan from the Company's ultimate parent company carries interest at margins above LIBOR As a result, the Company is exposed to interest rate risk on the interest payable on the Company's funding

The Company has no significant concentrations of credit risk The Company has implemented policies that require, where appropriate, credit checks on potential customers before sales commence

The Company negotiates prices for newsprint at least 12 months in advance to minimise the impact of price risk on the Company's principal cost after employment costs

The risks of the Archant Group are discussed in the Annual Report of Archant Limited, the ultimate holding company, which does not form part of this Report

Environment

The Company recognises the importance of its environmental responsibilities The Company monitors, and aims to reduce, its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Company's activities In particular the Company aims to improve its energy and fuel use efficiency, reduce the usage of paper, minimise the consumption of water and the production of waste, and to recycle newsprint, print cartridges and other waste where possible

The Company's performance in 2012 compared to 2011 was as follows

Newsprint waste	increased from 6 2% to 7 2%
Water usage	increased by 7%
Energy usage	reduced by 5%
Paper usage	reduced by 10%
Business mileage	reduced by 4%

Employees

The average number of employees of the Company increased from 1,441 to 1,795 due to the full year effect of the restructuring of the Archant Group carried out in November 2011, offset by various process and efficiency improvements and other cost savings

POST BALANCE SHEET EVENTS

On 3 May 2013, the Company acquired the 33 4% of the ordinary share capital of PlanningFinder Limited not already owned by the Company, for a total consideration of £25,930

DIRECTORS

The names of the Directors who served during the year are set out below

	Appointed
A D Jeakings	
B G McCarthy	
J A E Hustler	
N T Schiller	
D A Willmott	
S Taborin	
W H Hattam	27 January 2012
M Hogg	27 January 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the 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 the 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 of the profit or loss of the Company for that period In preparing those financial statements the directors are required to

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

The directors are responsible for keeping proper 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

ARCHANT COMMUNITY MEDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made charitable contributions totalling £7,320 (2011 £12,776)

EMPLOYEE INVOLVEMENT

The Company continued to provide employees with information about the Archant Group throughout 2012 and to encourage staff involvement In addition to local initiatives, methods of communication have included an on-line news service, which is updated at least weekly via Archant's intranet and email, and the continuing use of a corporate social network to facilitate open communication between employees for both corporate and social information

Adrian Jeakings undertook a series of presentations during 2012, to which all employees were invited Those attending were briefed on the Archant Group's performance, new developments, the Archant Group's plans and other matters of relevance to employees

In compliance with the relevant legislation, the Company recognises the National Union of Journalists in respect of relevant staff of Archant Norfolk, Suffolk and at Archant London's Hackney Gazette, East London Advertiser and Hampstead & Highgate Express series Such recognition provides for an annual joint review by management and the union of pay, hours and holidays of staff in the relevant bargaining unit

The Archant Group's Information and Consultation Framework Constitution aims to provide a means of informing and consulting with employees, through their elected representatives, on a regular basis so that their views can be taken into account in making decisions which may affect their interests A training programme is offered to the staff-elected representatives

Consultation also takes place on matters such as health and safety and pensions Certain directors of the trustee company for the Archant Group's pension scheme are employees of the Archant Group nominated and elected by members of the scheme

A forum comprising the human resources director, managers and other staff with related responsibilities meets regularly and has the promotion of best human resources practice around the Archant Group as one of its goals

It is the Company's policy that, within the constraints imposed by relevant legislation, discrimination on such grounds as the gender, race, ethnic origin, sexual orientation, disability, nationality, age, marital status, or religious belief of employees and applicants for employment is not acceptable As a result, the Company seeks to ensure that decisions on employment, including recruitment, training, development, promotion and pay, are based on the individual's ability to do the job and on his or her experience and skills Accordingly, disabled people are dealt with in such respects on the same basis as able-bodied applicants and employees If a person becomes disabled while an employee every practical effort is made to make such reasonable adjustments as may be necessary to enable the individual concerned to continue in employment with the Company

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposure to price, credit, liquidity and cash flow risk are described in the Principal Activities and Business Review on pages 3 to 6

The Archant Group has considerable financial resources and facilities available, together with secure long term contracts with principal suppliers The Archant Group's budgeting and forecasting processes include the preparation of forecast cash flows, based on expected trading results, the Archant Group's overall working capital requirements and other non trading cash items, including capital expenditure, interest, debt and taxation These forecasts indicate that the Archant Group has an adequate level of facilities to meet its forecast cash requirements, and as a consequence the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly the directors have continued to adopt the going concern basis in preparing the accompanying financial statements

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving this report are listed on page 2 Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirm that

- to the best of their knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditors are unaware and

- they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

Ernst & Young LLP are deemed re-appointed as the Company's auditor in accordance with section 487(2) Companies Act 2006

By order of the Board,

JO Ellison
Secretary
12 June 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCHANT COMMUNITY MEDIA LIMITED

We have audited the financial statements of Archant Community Media Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of the loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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 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

Ernst & Young LLP

Tony McCartney (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
20 June 2013

ARCHANT COMMUNITY MEDIA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £'000	2011 £'000
TURNOVER	2, 3	130,386	95,493
Other operating income	3	479	2,668
Operating costs	3	(123,867)	(92,081)
OPERATING PROFIT before amortisation, impairment and restructuring costs		6,998	6,080
Amortisation and impairment of intangible assets	3, 10	(10,563)	(9,351)
Restructuring costs	3	(942)	(1,644)
Impairment of amounts due from subsidiary undertakings		(807)	-
Operating loss	3, 4	(5,314)	(4,915)
Non-operating exceptional items			
Impairment of fixed asset investments		-	(111,819)
Loss on ordinary activities before other income, interest and taxation		(5,314)	(116,734)
Other income	7	2,535	192,138
Interest payable and similar charges	8	(4,582)	(5,405)
Other finance expense	23	(783)	(14)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(8,144)	69,985
Tax on (loss)/profit on ordinary activities	9	(4,287)	(1,417)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	21	(12,431)	68,568

The loss for the financial year and the profit for the corresponding period include all recognised gains and losses

There is no difference between the losses calculated on an historical cost basis and those presented above

The notes on pages 14 to 34 form part of these financial statements

ARCHANT COMMUNITY MEDIA LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
(Loss)/profit on ordinary activities after taxation		(12,431)	68,568
FRS 17 deficit on defined benefit pension scheme at 16 November 2011	23	-	(29,247)
Deferred tax asset onFRS 17 deficit on defined benefit pension scheme at 16 November 2011		-	7,310
Ex gratia pensions previously on Company balance sheet, now in pension scheme deficit, net of deferred taxation		-	546
Actuarial gains and losses recognised on defined benefit pension scheme			
Actuarial gains and losses	23	(34)	(2,199)
Experience gains and losses	23	-	953
Movement on deferred tax asset associated with actuarial gains and losses recognised on defined benefit pension scheme		10	312
Movement on deferred tax asset associated with defined benefit pension scheme funding paid by another group company		-	(55)
Change in deferred tax asset on pension scheme deficit arising from a change in the rate of corporation tax		(594)	-
Total recognised gains and losses relating to the year		(13,049)	46,188

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012	2011
Total recognised gains and losses	(13,049)	46,188
Dividends paid	-	(43,641)
Conversion of preference share to ordinary shares	-	58,724
Total movements in the year	(13,049)	61,271
Opening shareholders' funds	127,158	65,887
Closing shareholders' funds	114,109	127,158

ARCHANT COMMUNITY MEDIA LIMITED

BALANCE SHEET - 31 DECEMBER 2012

	Note	2012	2011
		£'000	£'000
FIXED ASSETS			
Intangible fixed assets	10	125,874	136,418
Tangible assets	11	16,735	19,754
Investments	12	303	102
		142,912	156,274
CURRENT ASSETS			
Stocks	13	1,267	1,360
Debtors			
Amounts falling due in less than one year	14	26,932	22,363
Cash at bank and in hand		4,842	6,674
		33,041	30,397
CREDITORS·			
Amounts falling due within one year	15	32,044	23,454
NET CURRENT ASSETS		998	6,943
TOTAL ASSETS LESS CURRENT LIABILITIES		143,909	163,217
CREDITORS .			
Amounts falling due in more than one year	16	6,525	12,297
Provisions for liabilities	17	418	1,053
NET ASSETS EXCLUDING PENSION SCHEME LIABILITY		136,966	149,867
Defined benefit pension liability	23	22,857	22,709
NET ASSETS INCLUDING PENSION SCHEME LIABILITY		114,109	127,158
CAPITAL AND RESERVES			
Called up share capital	19	112,044	112,044
Share premium account	21	5,369	5,369
Special reserve	21	2,350	2,350
Profit and loss account	21	(5,654)	7,395
SHAREHOLDERS' FUNDS	21	114,109	127,158

Approved by the Board on 12 June 2013

B G McCarthy

The notes on pages 14 to 34 form part of these financial statements

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention and are drawn up in accordance with United Kingdom Generally Accepted Accounting Practice

At 31 December 2012, the Archant Group met its day to day working capital requirements through an overdraft facility repayable on demand, and a term revolving advances facility, due to expire in March 2016

The Archant Group has considerable financial resources and facilities available, together with secure long-term contracts with principal suppliers The Archant Group's budgeting and forecasting processes include the preparation of forecast cash flows, based on expected trading results, the Archant Group's overall working capital requirements and other non trading cash items, including capital expenditure, interest, debt and taxation These forecasts indicate that the Archant Group has an adequate level of facilities to meet its forecast cash requirements

The Company is funded in part by a loan from its ultimate parent company The amount that the Company can borrow from the ultimate parent company is limited by the aggregate banking facilities available to the Archant Group The Company considers that it should have sufficient financial resources to meet day-to-day fluctuations in working capital and cash flow, given the management of the liquidity risk for the Archant Group carried out by the parent company, and the facilities available to the Archant Group As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, the directors have continued to adopt the going concern basis in preparing the financial statements

Group accounts

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements as it is itself a wholly owned subsidiary of a company registered in England

These financial statements present information about the Company as an individual undertaking and not about its group

Intangible fixed assets

(a) Newspaper and magazine titles

On the acquisition of a business, the cost of investment is allocated between net tangible assets, goodwill and newspaper titles on a fair value basis The fair value of newspaper titles is assessed by the directors at the date of acquisition, supported by a comparative view of similar transactions within the newspaper industry The fair value of magazine titles is limited to an amount that does not create or increase any negative goodwill arising on the acquisition

Newspaper and magazine titles are amortised on a straight line basis over their estimated useful lives, subject to a maximum of 20 years

The carrying values of newspaper and magazine titles are reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying values may not be recoverable

Newspaper and magazine titles created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred

Newspaper and magazine titles acquired prior to 31 December 1997 were classified as goodwill and written off directly to reserves Goodwill previously eliminated against reserves has not been re-instated on implementation of FRS 10

1 ACCOUNTING POLICIES

Intangible fixed assets (continued)

(b) Goodwill

Goodwill arising on acquisitions prior to 31 December 1997 was set off directly against reserves and has not been reinstated on implementation of FRS 10

Goodwill arising on acquisitions since 1 January 1998 is capitalised, classified as an asset on the balance sheet, and amortised on a straight line basis over its useful economic life, subject to a maximum of 20 years

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves is taken into account in determining the profit or loss on sale or closure

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows

Plant and machinery	-	3 to 15 years
Motor vehicles, equipment, furniture and fittings	-	3 to 6 years
Leasehold improvements	-	term of lease

Website development costs

Costs incurred in the development and maintenance of websites are expensed as incurred, and only capitalised if the criteria specified in UITF 29 "Website development costs" are met

Fixed aset investments

The carrying value of investments in subsidiary undertakings is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items Cost includes all costs incurred in bringing each product to its present location and condition

Raw materials, consumables and goods for resale are stated at purchase cost on a first-in, first-out basis

1 ACCOUNTING POLICIES

Pensions

The defined-benefit pension scheme operated by the Group requires contributions to be made to separately administered funds The scheme was closed to new members in February 1998 from which time membership of a defined contribution plan is available

The Company adopted FRS 17 following the reorganisation of the Archant Group on 16 November 2011, and has included the deficit of the pension scheme in the Company's balance sheet in full

The cost of providing benefits under the defined benefit scheme is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested When a settlement or curtailment occurs the change in the present value of the scheme liabilities and the fair value of the scheme assets reflects the gain or loss which is recognised in the profit and loss account Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction

The interest element of the defined benefit cost represents the change in present value of the scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year The expected return on scheme assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of scheme assets of contributions received and benefits paid during the year The difference between the expected return on scheme assets and the interest cost is recognised in the profit and loss account as other finance income or expense

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur Any difference between the expected return on scheme assets and that actually achieved and any differences that arise from experience or assumption changes are also charged through the statement of total recognised gains and losses

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less any past service cost not yet recognised and less the fair value of scheme assets out of which the obligations are to be settled directly, net of deferred tax Fair value is based on market price information and in the case of quoted securities is the published bid price The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme

The Group operates a defined-contribution pension scheme, which is open to eligible employees The Company's contributions are charged to the profit and loss account in the year in which they are payable

Additionally, the Company contributes to two small personal pension plans for certain employees who are not participants in one of the Group's pension schemes

The Company also makes provision for the capital value of unfunded pensions to certain current and former employees in accordance with independent actuarial advice

1 ACCOUNTING POLICIES

Leasing and hire purchase commitments

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over the shorter of their respective lease terms and the estimated useful lives of the assets The capital elements of future obligations under the leases and hire purchases contracts are included as liabilities in the balance sheet

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease

Deferred taxation

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

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of tangible fixed assets, and gains on disposal of tangible fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold,

- 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

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities Revenue is shown net of value added tax, trade discounts and anticipated returns

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as follows

Advertising and circulation revenues are recognised on publication or display

Subscription revenues are recognised over the periods to which the subscriptions relate

Printing and contract publishing revenues are recognised on delivery of the publication

Other revenues are recognised when the goods or services have been supplied or provided to the customer, and there is a contractual obligation for the customer to pay for those goods or services

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material

1 ACCOUNTING POLICIES

Foreign currency transactions

Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date All exchange differences are taken to the profit and loss account

Group share-based payment transactions

The Archant Group operates the Archant Long Term Incentive Plan and the Archant Share Incentive Plan Under both schemes, eligible employees of the Company may receive part of their remuneration in the form of shares in the parent company ('equity-settled transactions')

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award Fair value is determined by reference to the price at which shares in the parent company have most recently traded through the matched bargain facility

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity

2 TURNOVER

Turnover represents amounts invoiced to third parties, and is attributable to the continuing activities of the publishing of newspapers and magazines, and the printing of newspapers

The Company's activities are predominantly UK based and comprise a single trade of publishing newspapers and magazines in print, online and through mobile technologies, and printing newspapers As the directors believe that the geographical markets do not differ substantially from one another, no segmental reporting by business segment or geographical area has been separately disclosed

3 OPERATING LOSS

	2012 £'000	2011 £'000
Turnover		
Publishing of newspapers and magazines, and printing of newspapers	130,386	95,493
Other operating income	479	2,668
Operating costs		
Other external charges	25,628	23,972
Staff costs (Note 5)	53,540	38,540
Depreciation of owned assets	4,379	2,349
Other operating charges	40,320	27,220
	123,867	92,081
Operating profit before restructuring costs and amortisationand impairment of intangible assets	6,998	6,080
Amortisation and impairment of intangible assets	10,563	9,351
Restructuring costs	942	1,644
	11,505	10,995
Operating loss	(4,507)	(4,915)

Other operating income comprises recharges of accounting, information systems and facilities costs borne by the Company to other group companies

The restructuring costs arise from redundancies and related property exit and relocation costs resulting from a number of initiatives to improve the productivity of the operating divisions

4 OPERATING LOSS

	2012 £'000	2011 £'000
Operating loss is stated after charging		
Auditors' remuneration in respect of audit services	68	61
non-audit services	53	35
Operating lease rentals		
plant and machinery	2,186	1,397
land and buildings	2,501	1,955

5 EMPLOYEES

	2012 £'000	2011 £'000
Staff costs during the year		
Wages and salaries	44,566	32,834
Social security costs	4,308	3,110
Other pension costs	4,666	2,742
Credit for share-based payments	-	(146)
	53,540	38,540

	Number	Number
The average number of employees during the year was		
Production and distribution	283	221
Sales and editorial	1,241	981
Management and administration	271	239
	1,795	1,441

6 DIRECTORS' REMUNERATION

	2012 £'000	2011 £'000
Directors' remuneration paid by the Company.		
Salaries	636	418
Performance related bonuses	168	55
Other benefits	50	47
Compensation for loss of office	-	520
Pension contributions		
defined contribution scheme	47	12
self invested personal pension	9	-
	910	1,052

Number of directors in		
defined benefit pension scheme	2	5
defined contribution pension scheme	5	3
	7	8

6 DIRECTORS' REMUNERATION (continued)

The emoluments of the highest paid director were

aggregate emoluments, including compensation for loss of office	192	412

Remuneration of directors paid by other group companies

Each of Mr A D Jeakings, Mr B G McCarthy and Ms D A Willmott are also directors or senior executives of the holding company and/or fellow subsidiaries In 2011, part of the total remuneration for each of Mr J A E Hustler and Mr N T Schiller was also paid by the holding company and/or fellow subsidiaries

The total remuneration for the year paid by the holding company or fellow subsidiaries for Mr A D Jeakings, Mr B G McCarthy and Ms D A Willmott, including defined contribution pension contributions but excluding accrued defined benefit pension entitlements was £813,000 (2011 Mr A D Jeakings, Mr B G McCarthy, Mr J A E Hustler, Mr N T Schiller and Ms D A Willmott £974,000) The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors or executives of the holding and fellow subsidiary companies Mr A D Jeakings is a member of the Archant defined benefit pension scheme, and Mr B G McCarthy and Ms D A Willmott are members of the Archant defined contribution pension scheme The accrued pension entitlements of Mr A D Jeakings and Mr J A E Hustler are disclosed in the directors' remuneration report in the 2012 annual report of Archant Limited

None of the remuneration for directors of the Company paid by the holding company or fellow subsidiaries is included in the tables above

7 OTHER INCOME

	2012 £'000	2011 £'000
Intra group dividends	2,500	192,138
Intra group interest	35	-
	2,535	192,138

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £'000	2011 £'000
Interest paid to group undertakings	525	2,386
Interest payable on late payment of corporation tax	4,057	-
Preference dividends paid	-	3,019
	4,582	5,405

9 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
UK corporation tax		
Current	-	(1,992)
Prior year	3,171	(44)
	3,171	(2,036)
Deferred taxation		
Origination and reversal of timing differences	890	3,584
Adjustment for change in rate of corporation tax	226	(131)
	1,116	3,453
Tax on (loss)/profit on ordinary activities	4,287	1,417

Factors affecting current tax charge

The differences between the total current tax shown above and the amount calculated by applying the effective standard rate of UK corporation tax of 24 5% (2011 26 5%) to the (loss)/profit before tax are as follows

	2012	2011
(Loss)/profit on ordinary activities before tax	(8,144)	69,985
(Loss)/profit on ordinary activities multiplied by effective standard rate of corporation tax in the UK	(1,995)	18,541
Expenses not deductible for tax purposes	196	113
Losses on disposal not allowable for tax purposes	-	10
Dividends on preference shares not deductible for tax purposes	-	800
Non qualifying amortisation and impairment of intangible assets	2,587	2 448
Impairment of fixed asset investments	-	29,624
Impairment of amounts due from subsidiary undertakings	198	-
Non taxable income	(613)	(50,903)
Accelerated capital allowances	759	(21)
Other short term timing differences	(162)	(137)
Losses utilised	(2,084)	(2,467)
Loan relationship deficits not recognised	1 114	-
Tax under/(over) provided in prior years	3,171	(44)
Total current tax above	3,171	(2 036)

Factors that may affect future tax charges

The Finance Act 2012 enacted on 17 July 2012 reduced the main rate of UK Corporation Tax to 24% from 1 April 2012 and to 23% from 1 April 2013 Deferred tax has been restated accordingly at 23% in these financial statements

The UK government has proposed reducing the UK corporation tax rate by a further 1% per annum to 20% from 1 April 2015 This reduction had not been substantively enacted at the balance sheet date and consequently its effect is not included in these financial statements The effect of this announced reduction would be to reduce the deferred tax asset by approximately £1,215,000

The above changes to the rates of corporation tax will impact the amount of future cash tax payments to be made by the company

The Company has trading losses arising in the UK of approximately £7,700,000 (2011 £21,000,000) that are available indefinitely for offset against future taxable profits of the Company A deferred tax asset has been recognised in respect of these losses as on the basis of all available evidence it is regarded as more likely than not that there will be suitable taxable profits against which these losses can be utilised

In addition, the Company has further tax losses arising in the UK of approximately £8,800,000 (2011 £8,900,000) that are available indefinitely for offset against future taxable profits of those newspaper and magazine portfolios in which the losses arose In accordance with the accounting policy disclosed in Note 1, deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Company, and they have arisen in newspaper and magazine portfolios that continue to incur losses

The Company also has non-trade loan relationship deficits and management expenses carried forward of approximately £4,600,000 (2011 £nil) A deferred tax asset has been recognised on £2,000,000 of these deficits as on the basis of all available evidence it is regarded as more likely than not that there will be suitable taxable non-trade income against which these deficits can be utilised

The provision for deferred taxation, the amounts unprovided, and the movements in the provision are detailed in Note 18

10 INTANGIBLE FIXED ASSETS

	Film copyright £'000	Goodwill £'000	Newspaper titles £'000	Magazine titles £'000	Total £'000
Cost					
At 1 January 2012	4,100	1,628	99,441	35,495	140,664
Inter company transfers	-	19	-	-	19
At 31 December 2012	4,100	1,647	99,441	35,495	140,683
Amortisation					
At 1 January 2012	2,487	20	1,170	569	4,246
Amortisation in the year	-	116	7,013	2,534	9,663
Impairment	-	19	-	881	900
At 31 December 2012	2,487	155	8,183	3,984	14,809
Net book value					
At 31 December 2012	1,613	1,492	91,258	31,511	125,874
At 31 December 2011	1,613	1,608	98,271	34,926	136 418

Film copyright

The Company owns the copyright and physical material of two films Films are carried at estimated net realisable value, calculated as the minimum value of future royalties receivable The carrying value is matched by interest-free loans, secured on the films and repayable out of film receipts up to 14 December 2013

Impairment of newspaper and magazine titles and goodwill

Newspaper titles, magazine titles and goodwill are allocated, at acquisition, to the Income Generating Units (IGU's) that are expected to benefit from that business combination The recoverable amounts of the IGU's are determined from value in use calculations The key assumptions for the value in use calculations are those regarding the growth rates, expected changes to revenues and direct costs during the period, and the discount rates applied These assumptions have been reviewed during the year in light of the current economic environment. The value in use calculation uses post-tax cash flow projections based on the financial budgets approved by the Board for 2013 The growth rates for cash flows beyond 2013 assume an annual RPI increase only and no underlying growth Changes in revenues and direct costs are based on past practices and expectations of market development. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the IGU's The post tax cost of capital and therefore the discount rate applied to future cash flows was unchanged at 11 7%

The Company prepares discounted cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows for 20 years from the date of testing based on an estimated annual growth rate of 2 5% A discounted residual value of one times the final year's cash flow is included in the forecast. The present value of the cash flows is then compared to the carrying value of the asset

Given the current difficult trading climate, and the anticipated timing and extent of the recovery, certain of the Company's magazine titles have been impaired The magazines concerned had aggregate carrying values of £1,001,000, and values in use calculated at £120,000, resulting in an impairment charge of £881,000 Some of the Company's goodwill has also been impaired Goodwill with a carrying value of £19,000 has a calculated value in use of £nil, resulting in an impairment charge of £19,000 (2011 no impairment charge)

The Company has conducted a sensitivity analysis on the impairment test of each IGU's carrying value and has determined that no material impairment would result from a decrease in the long-term growth rate of 0 5% or an increase in the discount rate of 0 25%

11 TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Motor vehicles £'000	Plant, machinery and equipment £'000	Total £'000
Cost				
At 1 January 2012	3,456	39	28,733	32,228
Additions	14	-	1,349	1,363
Disposals	(141)	-	(41)	(182)
At 31 December 2012	3,329	39	30,041	33,409
Depreciation				
At 1 January 2012	1,788	39	10,647	12,474
Charge for year	384	-	3,995	4,379
Disposals	(139)	-	(40)	(179)
At 31 December 2012	2,033	39	14,602	16,674
Net book amount				
At 31 December 2012	1,296	-	15,439	16,735
At 31 December 2011	1,668	-	18,086	19,754

12 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost			
At 31 December 2011	146,215	-	146,215
Acquisitions	153	48	201
At 31 December 2012	146,368	48	146,416
Amounts provided:			
At 31 December 2011 and 2012	146,113	-	146,113
Net book value			
At 31 December 2012	255	48	303
At 31 December 2011	102	-	102

On 5 November 2012, the company acquired 90% of the issued share capital of Mustard TV Limited

The Company's principal subsidiary undertakings are

Company	*Country of incorporation*	*Holding ordinary shares*	*Activity*
Archant Properties Limited	England	100%	Property
Mustard TV Limited	England	90%	Local television broadcaster
PlanningFinder Limited	England	66 6%	Online planning searches
The British Connection, Inc	United States of America	100%	Magazine distribution

On 3 May 2013, the Company acquired the 33 4% of the ordinary share capital of PlanningFinder Limited not already owned by the Company, for a total consideration of £25,930

Under the terms of the Mustard TV Limited shareholder agreement, the Company invested an additional £150,000 in in January 2013 The other subscribers also subscribed for additional shares, and the company's holding remains at 90%

Impairment of investments in subsidiary undertakings

In the opinion of the directors the value of the investments is not less than their book value

13 STOCKS

	2012 £'000	2011 £'000
Newsprint and paper stock	558	644
Raw materials and consumables	709	716
	1,267	1,360

14 DEBTORS

	2012 £'000	2011 £'000
Trade debtors	13,131	14,881
Other debtors	1,517	1,135
Prepayments and accrued income	2,886	2,577
Amounts due from group companies	6,911	324
Deferred taxation asset (Note 18)	2,487	3,445
	26,932	22,363

15 CREDITORS Amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	5,377	5,479
Corporation tax	7,464	4,907
Other taxation and social security payable	2,509	2,961
Other creditors	2,841	2,266
Accruals and deferred income	9,575	5,102
Amounts due to group companies	503	366
Subscriptions in advance	2,162	2,373
Loans for film finance	1,613	-
	32,044	23,454

Loans for film finance

The loans for film finance are interest free and repayable out of film receipts prior to 14 December 2013, and so have been reclassified to amounts falling due within one year They are secured by charges on the copyright and physical material relating to two films owned by the Company and shown under that heading in intangible fixed assets

16 CREDITORS Amounts falling due in more than one year

	2012 £'000	2011 £'000
Unsecured loan due to the parent company carrying interest at LIBOR plus 2 94%	6,525	6,525
Unsecured loan due to the parent company carrying interest at base rate plus 1 5%	-	4,159
Loans for film finance	-	1,613
	6,525	12,297

Loans due to parent company

The unsecured loan in the sum of £6,524,940 (2011 £6,524,940), which is due to the parent company and carries interest at LIBOR plus a margin of 2 94%, is repayable at one month's notice The parent undertaking has given assurance to the Company that they will not request repayment of this loan within 12 months The unsecured loan at 31 December 2011 carrying interest at 1 5% over base rate in the amount of £4,158,695 has been repaid during the year

17 PROVISIONS FOR LIABILITIES

	Dilapidations and onerous leases £'000	Total £'000
Balance at 1 January 2012	1,053	1,053
Provided during the year	26	26
Released during the year	(76)	(76)
Utilised during the year	(585)	(585)
Balance at 31 December 2012	418	418

The timing of the settlement of the obligations for dilapidations and onerous leases is dependent on the termination of the various leases If the leases run to expiry, without earlier break clauses being exercised, or without the leases being renewed for a further term, these obligations will mostly be settled within five years, with the remaining liabilities due in various years up to 2036

18 DEFERRED TAXATION ASSET

Deferred tax recognised in the financial statements is as follows	2012 £'000	2011 £'000
Included in debtors (Note 14)	2,487	3,445
Included in defined benefit pension liability (Note 23)	6,828	7,569
	9,315	11,015

The movements in the deferred taxation asset are as follows	2012 £'000	2011 £'000
At 1 January	11,015	579
Arising during the year	(669)	(3,584)
Adjustments in respect of prior years	(221)	-
Transfer from fellow subsidiaries	-	6,502
Deferred taxation on ex gratia pensions transferred to pension deficit on adoption of FRS 17	-	(182)
Adjustment for change in rate of corporation tax	(226)	131
Deferred taxation netted off pension scheme deficit on adoption FRS 17 on 16 November 2011	-	7,312
Amount charged to the statement of total recognised gains and losses	(584)	257
At 31 December	9,315	11,015

Deferred tax recognised in the financial statements and the amounts not recognised are as follows

	Recognised		*Not recognised*	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Decelerated/(accelerated) capital allowances	146	(1,936)	-	-
Short term timing differences	118	138	-	-
Losses carried forward	1,765	5,244	1,629	1,794
Loan relationship deficits carried forward	458	-	598	-
Pension costs	6,828	7,569	-	-
	9,315	11,015	2,227	1,794

19 CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted, called up and fully paid		
560,222,930 (2011 560,222,930) ordinary shares of 20p each	112,044	112,044
Movements in ordinary shares		
Shares in issue at 1 January	560,222,930	266,600,630
Ordinary shares issued on 15 November 2011 on conversion of variable rate, non-redeemable cumulative preference shares	-	293,622,300
Shares in issue at 31 December	560,222,930	560,222 930

20 DIVIDENDS AND OTHER APPROPRIATIONS

	2012 £'000	2011 £'000
Declared and paid during the year - interim equity dividend on ordinary shares	-	43,641

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Special reserve £'000	Profit & loss account £'000	Shareholders' funds £'000
At 1 January 2011	53,320	5,369	2,350	4,848	65,887
Conversion of preference shares into ordinary shares	58,724	-	-	-	58,724
Interim dividend paid	-	-	-	(43,641)	(43,641)
Other net recognised gains and losses in the year					
FRS 17 pension deficit at 16 November 2011	-	-	-	(21,391)	(21,391)
Net movement in pension scheme deficit	-	-	-	(989)	(989)
Loss for the year	-	-	-	68,568	68,568
At 1 January 2012	112,044	5,369	2,350	7,395	127,158
Loss for the year	-	-	-	(12,431)	(12 431)
Other net recognised gains and losses in the year					
Net movement in pension scheme deficit	-	-	-	(618)	(618)
At 31 December 2012	112,044	5,369	2,350	(5,654)	114,109

The special reserve was created on the cancellation of preference shares in 2001, to protect the creditors of the Company at the date of cancellation The reserve can be released to distributable reserves when all of the creditors of the Company at the date of cancellation have been satisfied

22 OPERATING LEASE RENTALS

The Company has annual commitments under operating leases as at 31 December 2012 These are analysed by the date of the termination of the lease as follows

	Land and buildings		Other	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Within one year	146	386	-	90
Between two and five years	876	854	799	1,629
After five years - external	157	206	1,129	-
After five years - intra group	1,234	1,234	-	-
	2,413	2,680	1,928	1,719

23 PENSION COMMITMENTS

The principal pension scheme operated by the Archant Group during 2011 and 2012 was the Archant Pension & Life Assurance Scheme ("the PLAS"), a hybrid scheme in the United Kingdom with a defined benefit section ("the DBS") which includes a senior management section ("the SMS") and a defined contribution section ("the DCS") The DBS was closed to new entrants in February 1998 from which time membership of the DCS has been available

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees The directors of the trustee company of the fund are required to act in the best interest of the fund's beneficiaries The Archant Group has a policy that at least one-third of all trustee directors should be nominated by members of the fund, including at least one member by current pensioners

The Company also pays ex gratia pensions on an unfunded basis to certain former employees and their dependents and, accordingly, provides for this liability, calculated in accordance with actuarial advice, in the financial statements

Defined contribution section

The Company provides retirement benefits to approximately 45% of current employees through the DCS

	2012 £'000	2011 £'000
Contributions paid in the year	2,632	1,854

In preparation for auto enrolment, introduced by the government and which takes effect for the Archant Group from September 2013, the Archant Group closed the DCS to further contributions at 31 December 2012 A new defined contribution pension scheme (the Archant Pension Plan) has been set up from 1 January 2013 and contributions for the existing members of the DCS will be paid into the Archant Pension Plan Subject to agreement with the Trustee Directors, certain of the funds held by the DCS will be transferred to the Archant Pension Plan This transfer will not take place before April 2013

Defined benefit section

The Company provides retirement benefits to some of its former and approximately 9% of current employees through the PLAS DBS In 2009 the Archant Group amended the definition of Final Pensionable Salary such that Pensionable Earnings used to calculate Final Salary pension benefits became capped at the employees' Pensionable Earnings in the twelve months prior to 1 December 2009 Any pension benefits on Pensionable Earnings above the capped level of Pensionable Earnings are provided through a Defined Contribution arrangement Members of the DBS continue to accrue additional pensionable years of service at their current accrual rate for the purpose of calculating pension benefit The level of retirement benefit is based principally on years nf pensionable service and final pensionable salary, subject to the 2009 Cap

The liabilities of the DBS are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method, an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings The accumulated benefit obligation is an actuarial measure of the present value of benefits for service already rendered and includes no assumption for future salary increases Following the capping of pensionable salaries in 2009, there is no difference between the projected unit method and the accumulated benefit obligation method The DBS accumulated benefit obligation included in the balance sheet was £149 9m (2011 £140 2m)

An alternative method of valuation to the projected unit method is a solvency basis, often estimated using the cost of buying out benefits at the balance sheet date with a suitable insurer This amount represents the amount that would be required to settle the scheme liabilities at the balance sheet date rather than the Archant Group continuing to fund the on going liabilities of the scheme The Company estimates the amount required to settle the scheme's liabilities at the balance sheet date is £89m (2011 £104m) in excess of the assets held by the scheme

23 PENSION COMMITMENTS (continued)

Actuarial valuation

The most recently completed triennial actuarial valuation was carried out as at 1 January 2011 ("the Valuation") by an independent actuary for the trustees of the scheme The financial assumptions adopted that have the most significant effect on the Valuation were

Annual rate of increase in	
Prices	3 3%
Salaries	0 0%
Pensions in payment	3 2%
Investment return – Pre-retirement	6 2%
– Post-retirement	5 0%

At the time of the Valuation the assets of the scheme, which are held separately from those of the Company, were

Scheme liabilities	£160,400,000
Market value of the scheme's assets	£147,100,000
Scheme deficit	£13,300,000
Actuarial value as a proportion of accrued benefit	91 7%

Contributions to the DBS are determined with the advice of independent actuaries, using the projected unit method

Following the Valuation, the parent company has agreed for the Archant Group to pay a shortfall recovery payment of at least £1 8m per annum for the years 2012 to 2020 inclusive The Company paid shortfall recovery payments of £1 8m into the PLAS in 2012 (2011 £1 45m) From 1 January 2012, the parent company also agreed for the Archant Group to settle the administration costs of the DBS and SMS, including insurances and the Pension Protection Fund levy The Company settled these costs totalling £771,000 for 2012 These costs are estimated at £660,000 for 2013

Following the Valuation the parent company agreed with the Trustee Directors to return the on-going funding level of the scheme to 100% of the projected past service liabilities within a period of ten years from the Valuation and to maintain funding at least at this level once the funding level of the scheme is 100% of the projected past service liabilities The next triennial valuation is due to be completed as at 1 January 2014 The deficit and regular contributions will be recalculated as part of this valuation

On 16 January 2009 the parent company guaranteed the punctual performance of all obligations under the Scheme of the Scheme's Participating Employers The guarantee will remain in place until the Scheme becomes fully funded on the scheme-specific funding basis, as advised by the Scheme actuary The Trustee Directors took the guarantee into consideration when setting the period of the Scheme's deficit recovery plan, following the Valuation, and setting the Scheme's investment strategy

The benefits payable by the scheme are expected to increase steadily over the next 30 years as active and deferred members reach retirement After that the benefits payable should drop off markedly as mortality rates increase

23 PENSION COMMITMENTS (continued)

Pension disclosure under FRS 17

The Company adopted FRS 17 following the restructuring of the Archant Group on 16 November 2011, as at that time 99 5% of the members of the DBS were employees or former employees of the Company, and 95% of the pensionable salaries for active members were in respect of employees of the Company The Company has incorporated the pension scheme deficit in full on the grounds that the share of the assets and liabilities for Archant Limited, the only other participating company, would not be material in relation to the overall deficit.

A full actuarial valuation was carried out for the PLAS as at 1 January 2011

The following information shows the results for the PLAS measured in accordance with FRS 17 The Valuation has been updated to 31 December 2012 by an independent actuary

Assumptions

The major assumptions used by the actuary in updating the valuations were

	2012 %	2011 %	2010 %
Rate of increase in salaries	0 00	0 00	0 00
Rate of increase in deferred pensions	2 15	2 30	2 85
Rate of increase of pensions in payment for	2 85	3 00	3 35
Discount rate	4 29	4 66	5 46
Inflation	2 85	3 00	3 35
Expected long term rate of return			
Equities	5 62	5 55	6 82
Bonds and gilts	4 78	4 99	5 41
Other	0 50	0 50	0 50

An investigation of the scheme's mortality experience over the past three years was carried out as part of the Valuation The current assumed life expectations on retirement at age 65 are

	2012 years	2011 years
Retiring today		
Males	22 3	22 3
Females	24 2	24 2
Retiring in 20 years		
Male	24 4	24 4
Female	26 5	26 5

23 **PENSION COMMITMENTS (continued)**

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0 25%	Decrease by 3 6%
Rate of inflation	Increase by 0 25%	Increase by 2 1%
Life expectancy	Increase by 1 year	Increase by 1 8%

Employee benefit obligations

The amounts recognised in the balance sheet are as follows

	2012 %	2012 £'000	2011 %	2011 £'000
Global equities	49 6%	76,299	49 1%	68,683
Absolute Return	23 3%	35,872	23 7%	33,159
Corporate and Government bonds	17 7%	27,155	17 9%	25,064
High yield bonds	8 0%	12,249	7 8%	10,854
Bank and cash balances	1 4%	2,193	1 5%	2,050
	100 0%	153,768	100 0%	139,810
Present value of funded obligations		182,803		169,359
Present value of unfunded obligations		650		728
		183,453		170,087
Deficit		29,685		30,277
Related deferred tax asset at 23% (2011 25%)		(6,828)		(7,568)
Net liability		22,857		22,709

The unfunded obligations are in respect of the ex gratia pensions paid by the Company The present value of these obligations has been calculated in accordance with FRS 17 by an independent actuary

The amounts recognised in the profit and loss account are as follows

	2012 £'000	2011 £'000
Current service cost - DBS	1,471	1,297
Current service cost - DCS	2,932	2,643
Recognised in arriving at operating profit	4,403	3,940
Interest on funded obligations	6,405	7,004
Interest on unfunded obligations	34	38
Expected return on scheme assets	(5,656)	(6,982)
Other finance expense	783	60
Total recognised in the profit and loss account	5,186	4,000
Actual return on scheme assets	13,769	221

23 PENSION COMMITMENTS (continued)

Changes in the present value of the scheme obligation are as follows

	2012 £'000	2011 £'000
Opening scheme obligation – funded obligations	169,359	160,497
Opening scheme obligation – unfunded obligations	728	823
Total opening scheme obligation	170,087	161,320
Service cost	4,403	3,940
Interest cost	6,439	7,042
Actuarial losses - DBS and unfunded obligations	8,147	9,029
Contributions by employees	54	59
Change in DC fund values	3,096	(1,568)
Benefits paid	(8,773)	(9,735)
Closing scheme obligation	183,453	170,087

Changes in the fair value of scheme assets are as follows

	2012 £'000	2011 £'000
Opening fair value of scheme assets	139,810	145,544
Expected return	5,656	6,982
Actuarial gains and (losses)	8,113	(6,761)
Contributions by employer	5,812	5,289
Contributions by employees	54	59
Change in DC fund values	3,096	(1,568)
Benefits paid	(8,773)	(9,735)
Closing fair value of scheme assets	153,768	139,810

The Company expects to contribute between £3,500,000 and £4,000,000 to its defined benefit pension scheme in 2013

23 **PENSION COMMITMENTS (continued)**

Cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses (STRGL)

	2012 £'000 Group	2012 £'000 Company	2011 £'000 Group	2011 £'000 Company
Deficit recognised on adoption of FRS 17 (gross)	-	-	-	(29,247)
Actual return less expected return on assets	8,113	8,113	(6,761)	(2,199)
Changes in assumptions	(8,147)	(8,147)	(9,029)	953
Net actuarial losses recognised in STRGL	(34)	(34)	(15,790)	(30,493)
At the beginning of the year	(40,756)	(30,493)	(24,966)	-
At the end of the year	(40,790)	(30,527)	(40,756)	(30,493)

Analysis of the movement in the balance sheet liability

	2012 £'000 Group	2012 £'000 Company	2011 £'000 Group	2011 £'000 Company
Shortfall in schemes at beginning of year	(30,277)	(30,277)	(15,776)	-
Movements				
Total expense recognised in the profit and loss account	(5,186)	(5,186)	(4,000)	(600)
Employer contributions	5,812	5,812	5,289	816
Actuarial losses	(34)	(34)	(15,790)	(30,493)
Shortfall in schemes at end of year	(29,685)	(29,685)	(30,277)	(30,277)

Amounts for the current and previous four years are as follows

	2012 £'000 *Group and Company*	2011 £'000 *Group*	2010 £'000 *Group*	2009 £'000 *Group*	2008 £'000 *Group*
Present value of funded obligations	182,803	169,359	160,497	150,506	146,478
Present value of unfunded obligations	650	728	823	902	955
Total scheme obligations	183,453	170,087	161,320	151,408	147,433
Scheme assets	153,768	139,810	145,544	130,933	111,519
Deficit	(29,685)	(30,277)	(15,776)	(20,475)	(35,914)
Experience adjustments on pension scheme liabilities	109	2,603	-	(31)	5,055
Experience adjustments on pension scheme assets	8,113	(6,761)	7,393	12 643	(27,097)
Changes in assumptions					
Mortality	-	-	-	-	(10,820)
Demographics	-	(667)	-	-	-
Discount rate	(9,687)	(17,221)	(4,466)	(1,300)	(990)
Inflation	1,431	6,256	879	(5,490)	3,290
Salary increases	-	-	-	-	2,833
Actuarial (losses)/gains recognised in equity	(34)	(15,790)	3,806	5,822	(27,729)

24 CONTINGENT LIABILITY

The Company, together with certain other companies in the Archant Group, has provided a floating charge over the undertaking, property, assets and rights of the Company, and a cross guarantee to secure sums drawn by the Archant Group under the revolving credit facilities with The Royal Bank of Scotland plc Details of the RBS facility are contained in the Archant Limited Group financial statements

The Company has a potential liability for rent and other outgoings on a small number of properties occupied by a former subsidiary, where the Company provided a guarantee that they would ensure that the subsidiary met their obligations under the lease The leases on the properties concerned expire in 2018 No claims have been received by the Company at the date of this report

25 POST BALANCE SHEET EVENT

On 3 May 2013, the Company acquired the 33 4% of the ordinary share capital of PlanningFinder Limited not already owned by the Company, for a total consideration of £25,930

26 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions in FRS 8 from disclosing transactions with related parties that are part of the Archant Limited group

27 CASH FLOW STATEMENT

The Company has taken advantage of the dispensation under FRS 1 Section 8 (c) not to publish a cash flow statement The cash flow statement of the Group is published in the financial statements of Archant Limited

28 ULTIMATE PARENT UNDERTAKING

At 31 December 2012, the parent undertaking for which group accounts are drawn up and of which the Company was a member was Archant Limited, registered in England and Wales Copies of that company's accounts can be obtained from The Registrar, Companies House, Crown Way, Maindy, Cardiff