

Registered Number: 19300

ARCHANT COMMUNITY MEDIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2016

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COMPANIES HOUSE

ARCHANT COMMUNITY MEDIA LIMITED

Registered Number: 19300

DIRECTORS

W H Hattam
J L Henry
M J Kelly
B G McCarthy
C N Nayman
N T Schiller
D A Willmott

AUDITOR

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

BANKERS

Nat West Bank plc
Norwich City Office
21 Gentleman's Walk
Norwich
NR2 1NA

REGISTERED OFFICE

Prospect House
Rouen Road
Norwich
NR1 1RE

ARCHANT COMMUNITY MEDIA LIMITED

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 31 December 2016.

Principal Activities

The Company's principal activity during the year continued to be primarily UK based and comprise a single trade of publishing content, predominantly in print, online, through mobile technologies, live events, television and printing.

Review of the business

The business continues to operate in an increasingly fragmented media landscape; its localness and understanding of its audiences and customers, together with its trusted relationship with these groups, remains one of its key strengths.

Key Performance Indicators

The key financial and non-financial performance indicators for the Company are:

	2016	2015
	£000	£000
Total revenue	108,471	114,926
Advertising revenue	60,570	67,199
Circulation revenue	26,324	26,616
Digital revenue	8,152	7,917
Other revenue	13,425	13,194
Subscriptions (% of magazine copy sales revenue)	50.5%	47.7%
Underlying operating costs*	100,292	104,936
Other operating income	399	479
Underlying operating profit*	8,578	10,469
Net funds	7,352	5,823
Web and mobile traffic (MUVs - million)	7.3	8.2

*excluding amortisation, impairment and non-recurring items

Revenue

Revenue decreased from £114.9m in 2015 to £108.5m in 2016, a reduction of 5.6% before allowing for the impact of the 2015 disposal of a portfolio of magazines which accounted for £1.0m of revenue in 2015. The reduction in like-for-like revenues is 4.8% which we believe is ahead of market environment.

Advertising revenue

Advertising revenue fell by 9.9% caused by a reduction in advertising in both newspapers (11.5%) and magazines (8.0%) with declines in all major categories.

Circulation and subscriptions

Newspaper circulation revenue grew 2.3% to £19.3m following the successful launch of The New European. Magazine circulation revenue fell 6.9% to £7.0m due to the disposal of a portfolio of magazines during 2015, but like-for-like subscription revenues increased 2.9% following improvements in absolute subscriptions sales and declines in the number of retail sales copies. Subscription sales as a percentage of copies on a like-for-like basis increased to 50.5% from 47.7%.

Digital and other revenues

Revenue from online activities has grown by 3.0% to £8.2m, mainly driven by revenue from content display and the expansion of the targeted display proposition Go Target. The decline in unique visitors to our fixed and mobile sites is due to the closure of the London24 website with unique visitors on a like-for-like basis broadly flat at 6.9m. There are, on average, 28.1 million Archant fixed and mobile site pages viewed on each month. Other revenue (including external printing and events) grew by 1.8% in 2016 to £13.4m (2015: £13.2m) driven by significant growth in events (18.3% to £2.4m).

ARCHANT COMMUNITY MEDIA LIMITED

STRATEGIC REPORT (continued)

Underlying Operating Costs

The directors continue to aim to balance investment with good cost management. Underlying operating costs fell by 4.4% to £100.3m with employment costs down by 0.9% and property occupancy costs falling by 23.9% compared to the prior year.

Underlying Operating Profit

Underlying operating profit before amortisation, impairment and non-recurring items fell by 18.1% to £8.6m.

Net non-recurring costs

Non-recurring items increased from £10.1m to £19.0m. This includes amortisation and impairment of intangible fixed assets of £13.7m (2015: £9.8m). Other non-recurring items comprise restructuring costs £1.9m (2015: £0.5m), past service costs on closure of the defined benefit scheme £3.3m (2015: £nil), impairment of a fixed asset investment and associated loan £0.2m (2015: £0.4m), and profit on disposal of a magazine portfolio £nil (2015: £0.6m).

Impairment of intangible assets

The Company is required to review the carrying value of its intangible assets annually, to determine whether events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying value is assessed using forecast cash flows, discounted in line with the Company's cost of capital. A total charge of £4.2m (2015: £0.2m) has been recorded against cash generating units where the value in use or recoverable amount was lower than their carrying value.

Pensions

The Company continues to operate a defined contribution scheme. The defined benefit scheme was closed to future accrual on 31 May 2016. The assets and liabilities of the defined benefit schemes are valued by an independent actuary at the end of each financial year for accounting purposes. The overall deficit in the pension fund has increased from £31.4m to £37.3m during 2016, due to employer contributions of £2.9m offset by an actuarial valuation loss of £3.8m, and a £5.1m charge to the income statement for service costs, past service costs, administration and financing. The Company continues to look at options to mitigate our exposures in this area. Further details are provided in the risk and uncertainties section of the strategic report.

Taxation

At 31 December 2016 the Company retained a provision of £15.2m in respect of disputed corporation tax liabilities and accrued interest dating back to 2003. During 2016, the Company continued to actively provide information to support its position, consulted with professional advisors, and continued to engage with HMRC. During 2017, the Company has settled all of the disputed corporation tax liabilities and accrued interest in full.

Net debt and cash flow

The Company continues to be strongly cash generative and at 31 December 2016 had net funds of £7.4m (2015: net funds of £5.8m), having transferred £2.0m to its ultimate parent company during the year. The bank facilities for the Archant group are managed centrally by the ultimate parent company. The Group maintains sufficient debt headroom to ensure it can meet its cash liabilities, including those in respect of tax. The Group is operating well within its existing banking covenants.

Net assets

Net assets on 1 January 2016 were £98.5m. The profit for the year after tax was £3.7m, which was transferred to reserves. Other movements included a decrease in reserves of £3.3m arising from an increase in the IAS 19 pension deficit of £3.8m offset by a £0.5m increase in the associated deferred tax asset, and a decrease in reserves of £1.2m arising from the fair value of unlisted investments. Net assets at the end of the year therefore fell to £97.7m.

Future developments

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

STRATEGIC REPORT (continued)

Principal Risks and Uncertainties

There is an ongoing process for the identification, evaluation and management of the significant risks faced by the Company. The management and mitigation of any adverse impact of the key risks identified are:

Risk	Potential Impact	Mitigating actions
Finance Risk		
The Group manages its liquidity risk through committed short-term and long-term finance facilities at a level to meet the Group's anticipated funding requirements. These finance facilities require certain financial covenants to be met including profit and cash covenants	If covenants are not met, the Group may be forced to renegotiate its finance facilities with its lenders.	The Group's banking facilities were renewed in July 2015 and expire in June 2019. The Group's forecasts and expectations demonstrate that it can operate within the terms of these facilities, including its financial covenants. Further, any cash outflows that may arise as a result of outstanding tax matters can be accommodated within the current finance facilities. Compliance with facilities is monitored on a monthly basis and reported quarterly to banks
Lifestyle changes affecting audiences		
Circulation volumes for print titles are under pressure due to changes to lifestyles and in the multimedia landscape.	Circulations for print titles do not achieve target, resulting in loss of circulation revenues. The reduced audience could also lead to a loss of advertising revenue.	The Company aims to provide high quality editorial content in all its products to provide appropriate quality and value for its audience to encourage repeat purchases. It promotes loyalty schemes and subscriptions to encourage increased frequency of purchase. The Company has continued to develop and improve news websites, including tailoring to mobile devices, increasing frequency of updates and implementing apps. Cover price increases may be an opportunity to mitigate circulation volume losses.
Changes in marketing expenditure		
The changing media needs of our advertisers are putting pressure on print advertising revenues	Advertising revenues do not achieve target.	The Company is continuing to invest in the quality, structure and training of its sales teams and to create a more customer-centric organisation, to ensure that customer revenue opportunities are optimised. Investment is continuing in digital brands, and in strengthening the Company's fixed web and mobile presence. The Company also continuously seeks to find and develop new online and mobile technology revenue sources. The Company reviews economic, industry and other relevant data to evaluate future revenue trends and to put appropriate plans in place

ARCHANT COMMUNITY MEDIA LIMITED

STRATEGIC REPORT (continued)

Principal Risks and Uncertainties (continued)

Risk	Potential Impact	Mitigating actions
Defined Benefit Pension Scheme Deficit		
Regulatory changes, stock market fluctuations or changes in other core assumptions including interest rates, inflation and longevity may significantly impact the funding level of the defined benefit pension scheme, in turn impacting company contribution levels.	An adverse movement in any of the key assumptions may increase the deficit in the defined benefit pension scheme, resulting in a requirement for higher cash contributions.	The pension deficit is carefully monitored and there are regular reviews with the trustees of the scheme. The Company and trustees take appropriate actions to mitigate the growth in pension liabilities including closing the scheme to future accrual, and managing the investment strategy to increase hedging on discount rates and inflation. There are a number of factors which are outside the Company's control, including interest rates, inflation rates, life expectancy and regulatory change.
Organisational structure and retention of key people		
The ability to execute and implement the Company's strategic and business plans relies on the appropriate Company structure, culture and key people. Salary and bonus levels for senior managers could fall below market levels and key staff leave. The ability to recruit quality staff may also be impaired.	Key staff leaving could lead to a loss of leadership, industry knowledge and experience, and adversely impact customer and supplier relationships.	The Company has a succession plan in place and reviews it regularly together with market rates for salaries. The Company promotes a culture of continuous improvement. The Company has a rigorous recruitment process, including recruitment from outside traditional publishing areas, and is actively engaged in staff development & training.
Taxation		
During 2017, the Company has not prevailed in its current dispute with HMRC, dating back to 2003.	At 31 December 2016 the Company retained a provision of £15.2m in respect of disputed corporation tax liabilities and accrued interest dating back to 2003. During 2016, the Company continued to actively provide information to support its position, consulted with professional advisors, and continued to engage with HMRC. During 2017, the Company has settled all of the disputed corporation tax liabilities and accrued interest in full.	During 2017, the Company has been able to accommodate the cash outflows that arise as a result of these tax matters within its current bank facilities. The Company continues to generate cash and the Company's ability to fund growth and make dividend payments is not impaired as a result of the settlement of these liabilities in full.
Business continuity		
The Company is dependent on technology in particular computer networks and software. A substantial failure for a sustained period may potentially adversely affect revenues or profits.	Lack of robust systems or slow implementation of any recovery plan might impact the Company's ability to deliver products which could significantly impact earnings.	Business continuity plans are reviewed annually. The Company has full mirroring of core systems across two sites and uses cloud based services where appropriate. The Company also maintains adequate Business Interruption insurance cover in the event of financial loss as a result of failures in key systems.

By order of the Board



B G McCarthy
Director

14 September 2017

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The profit for the year after impairment charges and taxation amounted to £3,677,000 (2015: loss £1,711,000).

No interim ordinary dividends were paid in the year (2015: £nil). The directors do not recommend the payment of a final dividend (2015: £nil).

EVENTS AFTER THE REPORTING PERIOD

In May 2017 the Company completed the sale of the vacant Ilford property for proceeds, net of transaction costs, of £7.7m, realising a significant surplus over its carrying value of £3.7m at 31 December 2016.

On 1 September 2017, the Company sold its subsidiary Mustard TV Limited to That's Media Limited in a share for share exchange.

At 31 December 2016 the Company retained a provision of £15.2m in respect of disputed corporation tax liabilities and accrued interest dating back to 2003. During 2016, the Company continued to actively provide information to support its position, consulted with professional advisors, and continued to engage with HMRC. During 2017, the Company has settled all of the disputed corporation tax liabilities and accrued interest in full.

DIRECTORS

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

Appointed

W H Hattam

J L Henry

M J Kelly

22 July 2016

B G McCarthy

C N Nayman

N T Schiller

D A Willmott

ARCHANT COMMUNITY MEDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 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.

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 auditor is 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 auditor is aware of that information.

ARCHANT COMMUNITY MEDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

EMPLOYEE INVOLVEMENT

Increased staff engagement is a priority. Whether it is face-to-face, via email or through briefings, the Company is committed to improving communications to keep our people informed about our progress.

The Company recognises the vital importance of good communication with its staff. The Company's internal communication strategies include regular face-to-face updates with employees from their line managers.

The Archant Connect intranet provides a twice-weekly e-bulletin news update for staff and the Company has a comprehensive programme of briefings, conferences and workshops. The Company gauged staff opinions through micro-surveys and carried out a full employee involvement survey during 2015. Actions arising from the survey were implemented during 2016.

The Company's employees receive formal performance appraisals and agree clear objectives and development plans with their manager or team leader. Senior managers from across the Company take part in an annual conference at which the Group Chief Executive outlines the Group's strategy to make sure each individual, team and division's objectives were aligned to the Group's overall goals.

DISABLED EMPLOYEES

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development are described in the Strategic Report 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.

ARCHANT COMMUNITY MEDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

QUALIFYING THIRD-PARTY INDEMNITY PROVISIONS

It has been the practice of the Company to indemnify its directors in accordance with the Company's Articles of Association and to the maximum extent permitted by law. Indemnities that constitute qualifying third-party indemnity provisions as defined by section 234 of the Companies Act 2006 have been in place throughout the year and as at the date of this report remain in force. Under those indemnities the Company has indemnified the directors, in accordance with the Company's Articles of Association, in respect of liabilities that may attach to them in their capacity as directors of the Company or of associated companies.

AUDITOR

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,



B G McCarthy
Director
14 September 2017

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 2016 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 32. 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), including Financial Reporting Standard 101 - Reduced Disclosure Framework.

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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, 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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or 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 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.



Nick Gomer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
14 September 2017

ARCHANT COMMUNITY MEDIA LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
TURNOVER	4	108,471	114,926
Other operating income	4	399	479
Operating costs	4	(119,337)	(115,048)
Operating (loss)/profit	4	(10,467)	357
Other income	9	15,517	638
Interest payable and similar charges	10	(304)	(302)
Other finance expense	26	(1,156)	(1,140)
PROFIT/(LOSS) BEFORE TAXATION		3,590	(447)
Income tax credit/(expense)	11	87	(1,264)
PROFIT/(LOSS) FOR THE YEAR		3,677	(1,711)
Attributable to:			
Equity shareholders of the Company		3,677	(1,711)
Non-controlling interests		-	-
		3,677	(1,711)

All amounts relate to continuing activities.

The notes on pages 16 to 42 form part of these financial statements.

ARCHANT COMMUNITY MEDIA LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £'000	2015 £'000
Profit/(loss) on ordinary activities after taxation		3,677	(1,711)
Exchange differences on translation of foreign operations	23	-	13
Actuarial gains and losses recognised on defined benefit pension scheme	26	(3,826)	595
Movement on deferred tax asset associated with actuarial gains and losses recognised on defined benefit pension scheme	11	688	(119)
Change in deferred tax asset on pension scheme deficit arising from a change in the rate of corporation tax	11	(202)	(627)
Total comprehensive income/(expense)		<u>337</u>	<u>(1,849)</u>
Attributable to:			
Equity shareholders of the Company		337	(1,849)
Non-controlling interests		-	-
		<u>337</u>	<u>(1,849)</u>

ARCHANT COMMUNITY MEDIA LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
At 31 December 2014		112,044	5,369	1,438	(18,559)	100,292
Loss for the year		-	-	-	(1,711)	(1,711)
Other comprehensive income:						
Actuarial losses on retirement benefit schemes	26	-	-	-	595	595
Tax on retirement benefit schemes	11	-	-	-	(746)	(746)
Foreign currency translation	23	-	-	13	-	13
Other comprehensive income		-	-	13	- (151)	(138)
Total comprehensive income/(expense)		-	-	13	(1,862)	(1,849)
Credit to equity for share-based payment	23	-	-	57	-	57
At 31 December 2015		112,044	5,369	1,508	(20,421)	98,500
Profit for the year		-	-	-	3,677	3,677
Other comprehensive income:						
Actuarial gains on retirement benefit schemes	26	-	-	-	(3,826)	(3,826)
Tax on retirement benefit schemes	11	-	-	-	486	486
Fair value of unlisted investments	14	-	-	(1,160)	-	(1,160)
Other comprehensive income		-	-	(1,160)	(3,340)	(4,500)
Total comprehensive income/(expense)		-	-	(1,160)	337	(823)
Credit to equity for share-based payment	23	-	-	15	-	15
At 31 December 2016		112,044	5,369	363	(20,084)	97,692

ARCHANT COMMUNITY MEDIA LIMITED

STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
NON-CURRENT ASSETS			
Intangible fixed assets	12	77,992	91,571
Property, plant and equipment	13	19,853	7,499
Investments	14	863	2,023
Other receivables	16	35,141	32,831
Deferred tax asset	20	6,761	6,188
		<u>140,610</u>	<u>140,112</u>
CURRENT ASSETS			
Inventories	15	848	800
Trade and other receivables	16	15,169	14,817
Cash and cash equivalents		7,352	5,823
		<u>23,369</u>	<u>21,440</u>
AVAILABLE-FOR-SALE ASSETS	17	<u>3,700</u>	<u>-</u>
TOTAL ASSETS		<u>167,679</u>	<u>161,552</u>
CURRENT LIABILITIES			
Borrowings and overdrafts			
Trade and other payables	18	21,693	19,988
Current tax liabilities		10,237	11,011
Provisions	19	406	47
		<u>32,336</u>	<u>31,046</u>
NON-CURRENT LIABILITIES			
Borrowings and overdrafts			
Trade and other payables	18	-	204
Provisions	19	324	433
Defined benefit pension liability	26	37,327	31,369
		<u>37,651</u>	<u>32,006</u>
TOTAL LIABILITIES		<u>69,987</u>	<u>63,052</u>
NET ASSETS		<u>97,692</u>	<u>98,500</u>
EQUITY			
Called up share capital	21	112,044	112,044
Share premium account	22	5,369	5,369
Other reserves	23	363	1,508
Profit and loss account		(20,084)	(20,421)
TOTAL EQUITY		<u>97,692</u>	<u>98,500</u>

Approved by the Board on 14 September 2017.


B G McCarthy

The notes on pages 16 to 42 form part of these financial statements.

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 CORPORATE INFORMATION

The financial statements of Archant Community Media Limited (the Company) for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 14 September 2017. The Company is an unlisted limited company incorporated and domiciled in the United Kingdom. Its registered office is located at Prospect House, Rouen Road, Norwich NR1 1RE.

The Company's principal activity during the year continued to be primarily UK based and comprise a single trade of publishing content, predominantly in print, online, through mobile technologies, live events, television and printing.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair view override in respect of the non amortisation of goodwill (see Note 2).

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Archant Limited.

The results of the Company are included in the consolidated financial statements of Archant Limited which are available from The Registrar, Companies House, Crown Way, Maindy, Cardiff.

The principal accounting policies adopted by the Company are set out in Note 2.

2 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with FRS 101.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- (c) the requirements of paragraphs 10(d) of IAS 1 Presentation of Financial Statements;
- (d) the requirements of IAS 7 Statement of Cash Flows;
- (e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- (g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

2 ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES

Intangible fixed assets

(a) *Newspaper and magazine titles*

Newspaper and magazine titles acquired prior to 31 December 1997 were classified as goodwill and written off directly to reserves.

Newspaper and magazine titles acquired separately are measured on initial recognition at cost. The cost of newspaper and magazine titles acquired in a business combination is their fair value at the date of acquisition. Newspaper and magazine titles have finite useful lives, and following initial recognition, newspaper and magazine titles are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated newspaper and magazine titles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Newspaper and magazine titles are amortised on a straight line basis over their useful economic lives, and assessed for impairment whenever there is an indication that the titles may be impaired. The amortisation period and the amortisation method for newspaper and magazine titles are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of newspaper and magazine titles are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(b) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition.

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

The Company has elected to take advantage of the exemption under IFRS 1 not to restate all business combinations prior to 1 January 2014, and accordingly the value of goodwill reported under UK GAAP at 1 January 2014 is frozen.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the company amortised goodwill a period of 20 years would have been chosen as the useful life for goodwill. The profit for the year would have been £83,000 lower had goodwill been amortised in the year.

Goodwill is allocated to cash generating units (CGUs) and is tested for impairment annually at the year end, or at any other time that there is an indication of impairment, and is carried at cost less accumulated impairment losses. Impairment losses are charged to the income statement. These impairment calculations require the use of estimates and significant management judgement. A description of the key assumptions and sensitivities is included in Note 12.

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.

(c) *Computer software*

Computer software licences are capitalised at cost including the cost to bring into use.

Computer software licences are amortised on a straight line basis over the shorter of their useful economic lives and five years. Computer software licences are assessed for impairment whenever there is an indication that the software licence may be impaired.

Computer software is carried at cost less accumulated amortisation and impairment.

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2 ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) **Website and other digital development costs**

Expenditure incurred in research is recognised as an expense in the period in which it is incurred. Website and other digital development costs are capitalised only if the asset created can be identified, it is probable that the asset created will generate future economic benefits and the development cost can be measured reliably. Such assets are amortised on a straight-line basis over their useful economic lives of no more than three years. Where no asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

Capitalised website and other digital development costs are assessed for impairment whenever there is an indication that the assets may be impaired.

Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Land and buildings are recognised initially at cost, and thereafter carried at fair value less depreciation and impairment charged subsequent to the date of the revaluation. Fair value is based on periodic valuations by an external independent valuer and is determined from market-based evidence by appraisal. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent of any existing surplus in respect of that asset in the revaluation reserve. In other comprehensive income.

An annual transfer is made from the revaluation reserve to retained earnings for the difference between depreciation based on the carrying amount of the revalued assets and that based on the revalued assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows:

Plant and machinery	-	5 to 15 years
Motor vehicles, equipment, furniture and fittings	-	3 to 7 years
Leasehold improvements	-	term of lease

Available-for-sale financial assets

Available-for-sale financial assets comprise unlisted equity investments. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

Available-for-sale financial assets are recognised initially at fair value on the dates of acquisition. After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to other costs in the income statement. Dividend income from available-for-sale financial assets is recognised when the shareholders' rights to receive payment have been established and reported as finance income.

Inventories

Inventories 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 and consumables are stated at purchase cost on a first-in, first-out basis.

Trade receivables

Trade receivables do not carry any interest. They are recorded initially at fair value and subsequently measured at amortised cost for situations where recovery is doubtful. Such allowances are based on an individual assessment of each receivable. Generally, this results in their recognition at nominal value less any allowance for any doubtful debts.

2 ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade payables

Trade payables are not interest bearing. They are recorded initially at fair value and subsequently measured at amortised cost. Generally, this results in their recognition at nominal value.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits with initial maturities of three months or less. Cash and cash equivalents are shown net of bank overdrafts where the Company have the right of net settlement.

Borrowings

Borrowings are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost. Loan arrangement costs in respect of debt are capitalised and amortised over the life of the debt at a constant rate. Finance costs are charged to the income statement, based on the effective interest rate of the associated borrowings.

Pensions

The Archant Pension & Life Assurance Scheme ("the Scheme") had a defined benefit section that required contributions to be made to separately administered funds. The defined benefit section was closed to new members in February 1998 from which time membership of a defined contribution scheme has been available. The Scheme closed for future accrual from 31 May 2016 and a defined contribution plan was offered to all former members of the Scheme for future service.

The Company has adopted IAS 19 and 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.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit 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 the income statement 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 income statement. 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 cost of the defined benefit obligations 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 interest income on Scheme assets is a component of the return on Scheme assets and is determined by multiplying the fair value of Scheme assets at the beginning of the year by the discount rate, adjusted for the effect on the fair value of Scheme assets of contributions received and benefits paid during the year. The difference between the interest income on Scheme assets and the interest cost on Scheme obligations is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of comprehensive income 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 comprehensive income.

The defined benefit pension asset or liability in the statement of financial position 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. 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 defined benefit pension 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.

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

2 ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Assets acquired under finance leases are capitalised at the inception of the lease and depreciated over the shorter of their respective lease terms and the estimated useful lives of the assets.

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

Lease premiums and inducements are recognised in current and non-current assets or liabilities as appropriate, and amortised or released on a straight line basis over the lease term.

Sub-lease income is recognised as income on a straight line basis over the sub-lease term, less allowances for situations where recovery is doubtful.

Taxation

The charge for corporation tax is based on the results for the year as adjusted for items which are not taxed or are disallowed. It is calculated using tax rates in legislation that has been enacted or substantively enacted by the balance sheet date.

Deferred income tax is accounted for using the balance sheet liability method in respect of taxable temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax arising from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

2 ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Contingent liabilities are not recognised, but are disclosed unless an outflow of resources is remote. Contingent assets are not recognised, but are disclosed where an inflow of economic benefit is probable.

Foreign currency transactions

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in sterling (£), which is the Company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to cash and cash equivalents and all other foreign exchange gains and losses are presented in the income statement.

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 using an appropriate valuation model.

That cost is recognised in staff costs together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period and is recognised in staff costs (Note 6).

Non-recurring items

The directors believe that the underlying profit measure provides additional useful information for shareholders on the underlying performance of the business. This measure is consistent with how underlying business performance is measured internally. The underlying profit before tax measure is not a recognised profit measure under FRS 101 and may not be directly comparable with adjusted profit measures used by other companies. The adjustments made to reported profit before tax are to exclude the following:

- profits and losses on the disposal of intangible assets;
- amortisation of intangible assets;
- impairment of intangible assets, investments and loans;
- restructuring costs;
- costs relating to strategy changes that are not considered normal operating costs of the underlying business;
- and other significant and one-off items of income and expense that distort underlying trading.

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2 ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgements

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

The preparation of the financial statements requires management to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, be likely to differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Pensions

Pension accounting requires certain assumptions to be made in order to value our obligations and to determine the charges to be made to the income statement. These figures are particularly sensitive to assumptions for discount rates, mortality, inflation rates and expected long-term rates of return on assets. Details of assumptions are given in Note 26.

Provisions

Provisions recognised at the balance sheet date are detailed in Note 19 and include amounts for property dilapidations.

Although provisions and liabilities are reviewed on a regular basis and adjusted to reflect management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

Impairment

The Company is required to test whether assets in use in operations have suffered any impairment. The recoverable amounts of cash generating units have been determined based on the higher of fair value less costs to sell and value in use. The calculation of value in use requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the selection of a suitable discount rate in order to calculate the present value. Given the degree of subjectivity involved, actual outcomes could vary significantly from these estimates.

Income tax liabilities and accrued interest on income tax liabilities

The Company has provided £15.2m for income tax payable and accrued interest in respect of disputed tax matters dating back to 2003.

Although provisions and liabilities are reviewed on a regular basis and adjusted to reflect management's best current estimates the judgemental nature of these items means that the future amounts settled, and the timing of those payments, may be different from those provided.

The Company is also in correspondence with HM Revenue & Customs concerning the appropriate classification of other disputed corporation tax liabilities between current tax and deferred tax. The Company has fully provided for these liabilities, although the classification between current tax and deferred tax, once agreed, may be different from those provided.

3 TURNOVER

Turnover represents amounts invoiced to third parties, and is attributable to the continuing activities of the Company.

The Company's principal activity during the year continued to be primarily UK based and comprise a single trade of publishing content, predominantly in print, online, through mobile technologies, live events, television and printing.

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4 OPERATING (LOSS)/PROFIT	Note	2016 £'000	2015 £'000
Turnover			
Advertising revenue		60,570	67,199
Circulation revenue		26,324	26,616
Other revenues		21,577	21,111
Revenue from continuing operations		<u>108,471</u>	<u>114,926</u>
Other operating income			
Shared services recharges		399	479
Operating costs			
Other external charges		18,356	18,976
Staff costs	6	47,201	47,636
Depreciation of owned assets	13	2,302	2,949
Other operating charges		32,433	35,375
Underlying operating costs		<u>100,292</u>	<u>104,936</u>
Impairment of unlisted investment and loan receivable		193	418
Amortisation and impairment of intangible assets	12	13,698	9,802
Restructuring costs		1,891	492
Past service cost on closure of defined benefit pension scheme		3,263	-
Profit on disposal of magazine titles		-	(627)
Other losses less profits on disposals		-	27
Non-recurring operating costs		<u>19,045</u>	<u>10,112</u>
Total operating costs		<u>119,337</u>	<u>115,048</u>
Operating (loss)/profit		<u>(10,467)</u>	<u>357</u>

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.

5 OPERATING (LOSS)/PROFIT	Note	2016 £'000	2015 £'000
Operating (loss)/profit is stated after charging/(crediting):			
Cost of inventories recognised as an expense		8,482	8,822
Trade receivables impairment		93	143
Auditors' remuneration in respect of audit services		60	68
non-audit services		-	-
Operating lease rentals:			
plant and machinery		1,605	1,894
land and buildings		1,874	2,228
Sub-lease income			
land and buildings		46	50
Net loss/(profit) on disposals of intangible and tangible fixed assets		21	(600)
Net (profit)/loss on conversion of foreign currency transactions and balances		(18)	12

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6 STAFF COSTS	2016 £'000	2015 £'000
Staff costs during the year:		
Wages and salaries	39,302	39,721
Social security costs	3,902	3,776
Other pension costs	3,982	4,082
Share-based payments	8 15	57
	<hr/>	<hr/>
	47,201	47,636
Exceptional past service cost on closure of defined benefit pension scheme	3,263	-
	<hr/>	<hr/>
	50,464	47,636
	<hr/>	<hr/>
Costs included in other pension costs in respect of defined contribution schemes	2,395	2,297
	<hr/>	<hr/>
	Number	Number
The average number of employees during the year was:		
Publishing, printing and media activities	1,470	1,532
	<hr/>	<hr/>
7 DIRECTORS' REMUNERATION	2016 £'000	2015 £'000
Directors' remuneration paid by the Company:		
Salaries, bonuses and other benefits	855	869
Termination payment	-	28
Pension contributions:		
defined contribution scheme	40	43
self invested personal pension	17	7
	<hr/>	<hr/>
	912	947
	<hr/>	<hr/>
Number of directors in:		
defined benefit pension scheme	-	-
defined contribution pension scheme	4	6
	<hr/>	<hr/>
	4	6
	<hr/>	<hr/>
Number of share options awarded to directors of the Company under the 2011 Long-term Incentive Plan (Note 8)	65,000	160,000
	<hr/>	<hr/>
The emoluments of the highest paid director were:	2016 £'000	2015 £'000
aggregate emoluments	278	302
self invested personal pension	17	-
defined contribution scheme pension contributions	-	17
	<hr/>	<hr/>

Remuneration of directors paid by other group companies:

Each of Mr J L Henry, Mr B G McCarthy and Ms D A Willmott are also directors or senior executives of the holding company and/or fellow subsidiaries.

The total remuneration for the year paid by the holding company or fellow subsidiaries for Mr J L Henry, Mr B G McCarthy and Ms D A Willmott, including defined contribution pension contributions and pension supplements was £1,049,000 (2015: £1,226,000). 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. Ms D A Willmott is a member of the Archant defined contribution pension scheme.

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

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8 SHARE-BASED PAYMENTS

The Group operates a Long-term Incentive Plan (LTIP), a Joint Share Ownership Plan (JSOP) and a Share Incentive Plan (SIP) all of which may result in eligible employees of the Company receiving part of their remuneration in the form of shares in the parent company ('equity-settled transactions'). No awards have been made to employees of the Company under the JSOP, and no awards have been made to employees of the Company under the SIP since 2008.

The expense recognised in wages and salaries for share-based payments in respect of employee services received during the year ended 31 December 2016 is £15,000 (2015: £57,000).

2011 long-term incentive plan (2011 LTIP)

The 2011 LTIP was approved by the shareholders of Archant Limited at the AGM of that company on 13 April 2011.

Up to and including 31 December 2014, the only options awarded under the 2011 LTIP were made in 2011. The performance conditions were not met, and all outstanding options lapsed as at 31 December 2014.

In 2015 and 2016, certain employees were granted Approved Share Options and Unapproved Options over shares in Archant Limited, the final vesting of which is subject to continued employment within the Group and satisfaction of the performance conditions. The proportion that vests will be determined by the growth in the Group's operating profit calculated on a like-for-like basis before non-recurring items, measured against targets set at the beginning of the plan cycle.

The Approved Share Options and Unapproved Options can be exercised between the third and tenth anniversary of grant.

	Approved share options		Unapproved share options	
	Number of shares	Weighted average exercise price £	Number of shares	Weighted average exercise price £
Options outstanding at 31 December 2015	120,000	1.00	70,000	0.00
Options granted during the year	27,272	1.10	37,728	0.00
Options lapsed during the year	(30,000)	1.00	-	-
Outstanding at 31 December 2016	117,272	1.02	107,728	1.04

9 OTHER INCOME

	2016 £'000	2015 £'000
Intra group dividends	14,500	-
Intra group interest	1,017	638
	15,517	638

10 INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Accrued interest on potential corporation tax liabilities	304	302

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on profit/loss for the year	381	887
Tax (over)/under provided in prior years	(143)	13
	<u>238</u>	<u>900</u>
Deferred taxation		
Origination and reversal of timing differences	80	413
Origination and reversal of pension scheme timing differences	(384)	199
Adjustment in respect of prior years	(52)	(261)
Adjustment for change in rate of corporation tax	31	13
	<u>(325)</u>	<u>364</u>
Total deferred tax		
	<u>(325)</u>	<u>364</u>
Total tax (credit)/charge	<u>(87)</u>	<u>1,264</u>

Analysis of tax (credited)/charged in the statement of comprehensive income

	2016 £'000	2015 £'000
Deferred tax:		
Movement on deferred tax asset in respect of actuarial gains and losses on defined benefit pension scheme recognised in other comprehensive income	(688)	119
Change in deferred tax asset on pension scheme deficit arising from a change in the rate of corporation tax	<u>202</u>	<u>627</u>
	<u>(486)</u>	<u>746</u>

Reconciliation of the total 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 20% (2015: 20.25%) to the loss before tax are as follows:

Profit/(loss) on ordinary activities before tax	<u>3,590</u>	<u>(447)</u>
Profit/(loss) on ordinary activities multiplied by effective standard rate of corporation tax in the UK	<u>718</u>	<u>(91)</u>
Adjustment to current tax in respect of prior years	(143)	13
Adjustment to deferred tax in respect of prior years	(52)	(261)
Adjustment to deferred tax for change in rate of corporation tax	31	13
Expenses not deductible for tax purposes	67	166
Adjustment to accounting profits for capital gains	-	263
Non qualifying amortisation and impairment of intangible assets	2,208	1,697
Non taxable income	(2,900)	-
Non-taxable credits	(60)	(74)
Loan relationship deficits and capital losses utilised	-	(455)
Adjustment for change in rate on deferred tax on pension deficit	43	-
Other	1	(7)
Total tax (credit)/charge above	<u>(87)</u>	<u>1,264</u>

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

Factors that may affect future tax charges

The Finance (No. 2) Act 2015 enacted on 18 November 2015 reduced the rate of UK Corporation Tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Act 2016 enacted on 15 September 2016 further reduced the rate from 1 April 2020 to 17%. Accordingly, deferred tax has been calculated at the tax rates that are expected to apply when the related asset is realised or liability is settled in these financial statements.

The above changes to the rate of corporation tax will impact the amount of future cash tax payments to be made by the Company.

The Company has trading tax losses arising in the UK of approximately £8,800,000 (2015: £9,700,000) that may be available for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses carried forward as they do not satisfy the recognition criteria for deferred tax assets under IAS 12.

The provision for deferred taxation, the amounts unprovided, and the movements in the provision are detailed in Note 20.

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12 INTANGIBLE FIXED ASSETS	Goodwill	Newspaper titles	Magazine titles	Software	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 December 2014	1,657	99,441	33,103	6,286	140,487
Acquisitions	-	-	-	96	96
At 31 December 2015	1,657	99,441	33,103	6,382	140,583
Acquisitions	-	-	-	119	119
Disposals	-	-	-	(238)	(238)
At 31 December 2016	1,657	99,441	33,103	6,263	140,464
Amortisation					
At 31 December 2014	281	22,211	11,399	5,318	39,209
Amortisation in the year	-	7,014	2,020	605	9,639
Impairment	-	-	-	164	164
At 31 December 2015	281	29,225	13,419	6,087	49,012
Amortisation in the year	-	7,014	2,020	224	9,258
Impairment	-	4,440	-	-	4,440
Disposals	-	-	-	(238)	(238)
At 31 December 2016	281	40,679	15,439	6,073	62,472
Net book value					
At 31 December 2016	1,376	58,762	17,664	190	77,992
At 31 December 2015	1,376	70,216	19,684	295	91,571
At 31 December 2014	1,376	77,230	21,704	968	101,278

The Group's bank overdrafts and borrowings under the revolving credit facility are secured by a fixed and floating charge over the undertaking and all property and assets present and future, including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant & machinery.

All amortisation and impairment charges in the year have been charged through operating costs in the income statement.

The carrying values of all intangible assets 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.

Impairment of intangible fixed assets

In accordance with IAS 36 'Impairment of Assets' the carrying values of newspaper titles, magazine titles and goodwill have been compared to their recoverable amounts, represented by their value in use to the Company.

The value in use has been derived from discounted cash flow projections using a discount rate of 9.61% (2015: 10.20%) on a post-tax basis. Cash flows for 2017 have been projected based upon management's most recent business forecast. Growth rates for cash flows beyond 2017 assume an annual RPI increase of 2.5% and no underlying growth.

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold property £'000	Leasehold improvements £'000	Plant and machinery £'000	Other equipment £'000	Total £'000
Cost					
At 31 December 2014	-	3,219	13,913	8,795	25,927
Additions	-	68	171	994	1,233
Disposals	-	(150)	-	(656)	(806)
At 31 December 2015	-	3,137	14,084	9,133	26,354
Additions	-	111	190	662	963
Inter company transfer	13,525	2	-	294	13,821
Disposals	-	-	(6)	(1,031)	(1,037)
At 31 December 2016	13,525	3,250	14,268	9,058	40,101
Depreciation					
At 31 December 2014	-	2,596	6,997	7,082	16,675
Charge for year	-	320	1,792	837	2,949
Disposals	-	(150)	-	(619)	(769)
At 31 December 2015	-	2,766	8,789	7,300	18,855
Charge for year	19	320	1,197	766	2,302
On inter company transfers	-	2	-	101	103
Disposals	-	-	(6)	(1,006)	(1,012)
At 31 December 2016	19	3,088	9,980	7,161	20,248
Net book amount					
At 31 December 2016	13,506	162	4,288	1,897	19,853
At 31 December 2015	-	371	5,295	1,833	7,499
At 31 December 2014	-	623	6,916	1,713	9,252

The Group's bank overdrafts and borrowings under the revolving credit facility are secured by a fixed and floating charge over the undertaking and all property and assets present and future, including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant & machinery.

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14 FIXED ASSET INVESTMENTS	Note	Subsidiary undertakings £'000	Unlisted investments £'000	Total £'000
At cost or fair value:				
At 31 December 2014		464	1,559	2,023
Additions		-	418	418
Fair value adjustment through income statement		-	(418)	(418)
At 31 December 2015		464	1,559	2,023
Additions	29	-	193	193
Fair value adjustment through income statement	29	-	(193)	(193)
Fair value adjustment through other comprehensive income		-	(1,160)	(1,160)
At 31 December 2016		464	399	863
Amounts provided:				
At 31 December 2014, 2015 and 2016		-	-	-
Net book value:				
At 31 December 2016		464	399	863
At 31 December 2015		464	1,559	2,023
At 31 December 2014		464	1,559	2,023

The unlisted investments are non-controlling interests and include a strategic holding of 10.0% in Streetbook Limited.

The fair values of unlisted investments are determined by the directors based on published financial information, including financial statements and equity transactions.

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	100%	Local television broadcaster
The British Connection, Inc	United States of America	100%	Magazine distribution

Impairment of investments in subsidiary undertakings

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

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15 INVENTORIES	2016	2015
	£'000	£'000
Newsprint, paper, inks and printing materials	604	499
Engineering and mechanical spares	227	285
Other	17	16
	<u>848</u>	<u>800</u>

The cost of inventories for newsprint, paper, inks and printing materials recognised as an expense in the year was £8,536,000 (2015: £8,899,000). The credit of inventories for engineering and mechanical spares recognised by the Company in the year was £29,000 (2015: charge £39,000). Provisions against inventories for engineering and mechanical spares of £83,000 (2015: £138,000) were charged in operating expenses.

16 TRADE AND OTHER RECEIVABLES	2016	2015
	£'000	£'000
Trade receivables	11,889	11,546
Less provision for impairment of receivables	(130)	(172)
Trade receivables - net	<u>11,759</u>	<u>11,374</u>
Other receivables	1,464	1,758
Prepayments and accrued income	2,177	1,234
Amounts due from group companies	34,910	33,282
	<u>50,310</u>	<u>47,648</u>

Analysis of trade and other receivables:	2016	2015
	£'000	£'000
Non-current		
Other receivables	231	184
Amounts due from group companies	34,910	32,647
Total non-current	<u>35,141</u>	<u>32,831</u>
Current	15,169	14,817
	<u>50,310</u>	<u>47,648</u>

As at 31 December 2016, trade receivables of £130,000 (2015: £172,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2016	2015
	£'000	£'000
At start of the year	(172)	(132)
Charged in the income statement	(93)	(143)
Utilised	135	103
	<u>(130)</u>	<u>(172)</u>

The movements in the provision for impaired receivables have been included in operating expenses in the income statement.

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16 TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2016, trade receivables of £3,730,000 (2015: £3,746,000) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

	2016 £'000	2015 £'000
Neither past due nor impaired	8,030	7,628
Past due but not impaired:		
Less than 30 days	2,518	2,676
From 30 to 60 days	995	810
From 61 to 90 days	166	245
More than 90 days	50	15
At end of year	11,759	11,374

17 AVAILABLE-FOR-SALE ASSETS

	2016 £'000	2015 £'000
Freehold property	3,700	-

At 31 December 2016, the Ilford freehold property was available for sale. The Company vacated the property in January 2016, and has undertaken development proposals with a view to a disposal in 2017 for mixed residential and retail usage. The property was independently revalued at 30 November 2016.

18 TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
Trade payables	4,840	2,385
Other taxation and social security payable	2,345	2,235
Other payables	1,975	2,358
Accruals and deferred income	9,012	11,637
Amounts due to group companies	1,959	49
Subscriptions in advance	1,562	1,528
	21,693	20,192
Current	21,693	19,988
Non-current	-	204
	21,693	20,192

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

19 PROVISIONS FOR LIABILITIES

	Severance	Dilapidations	Newspaper Society pension scheme deficit	Share-based payment	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2015	-	372	228	-	600
Provided during the year	-	(19)	-	8	(11)
Utilised during the year	-	(83)	(26)	-	(109)
Balance at 31 December 2015	-	270	202	8	480
Provided during the year	200	74	-	2	276
Utilised during the year	-	-	(26)	-	(26)
Balance at 31 December 2016	200	344	176	10	730

Analysis of provisions:	2016 £'000	2015 £'000
Current	406	47
Non-current	324	433
	730	480

The timing of the settlement of the obligations for dilapidations 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.

The Company committed to fund its share of the Newspaper Society Pension and Life Assurance Scheme deficit prior to the incorporation of the society in April 2014.

The provision for share-based payment comprises national insurance on the cost of share options granted under the Long Term Incentive Plan, recognised in equity.

20 DEFERRED TAXATION ASSET

Deferred tax recognised in the financial statements is as follows:	2016 £'000	2015 £'000
Non-current asset	6,761	6,188

The movements in the deferred taxation asset are as follows:

	Pension temporary differences £'000	Accelerated capital allowances £'000	Short-term timing differences £'000	Losses carried forward £'000	Loan relationship deficits £'000	Total £'000
At 31 December 2014	6,592	20	75	612	-	7,299
Credit/charge to:						
Income statement	(199)	193	5	(612)	248	(365)
Other comprehensive income	(746)	-	-	-	-	(746)
At 31 December 2015	5,647	213	80	-	248	6,188
Credit/charge to:						
Income statement	363	86	49	-	(172)	326
Other comprehensive income	486	-	-	-	-	486
Transfer from Archant Properties Limited	-	(239)	-	-	-	(239)
At 31 December 2016	6,496	60	129	-	76	6,761

The deferred tax assets not recognised as they do not satisfy the recognition criteria for deferred tax assets under IAS 12 are

Losses carried forward	2016 1,672	2015 1,937
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ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21 CALLED UP SHARE CAPITAL

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
560,222,930 (2015: 560,222,930) ordinary shares of 20p each	112,044	112,044

22 SHARE PREMIUM

	2016 £'000	2015 £'000
At 1 January and 31 December	5,369	5,369

23 OTHER RESERVES

	Fair value reserve £'000	Share-based payments £'000	Translation reserve £'000	Other reserves £'000
At 31 December 2014	1,427	-	11	1,438
Other comprehensive income:				
Foreign currency translation	-	-	13	13
Credit to equity for share-based payment	-	57	-	57
At 31 December 2015	1,427	57	24	1,508
Other comprehensive income:				
Fair value of unlisted investments	(1,160)	-	-	(1,160)
Credit to equity for share-based payment	-	15	-	15
At 31 December 2016	267	72	24	363

24 OPERATING LEASE RENTALS

The Company leases various properties and equipment under non-cancellable operating lease agreements. The total future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Operating leases which expire:				
No later than one year	175	59	23	117
Later than one year and no later than five years	580	903	2,481	2,277
Later than five years	5,385	2,791	-	-
Later than one year and no later than five years - intra group	36	959	-	-
	6,176	4,712	2,504	2,394

The Company has sub-let two operating leases (2015: two) and the future aggregate minimum sub-lease amounts expected to be received amount to £52,000 (2015: £73,000).

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL AND CAPITAL RISK MANAGEMENT

The Company currently derives its funding from share capital, retained profits and bank borrowing through the Archant Group bank facilities. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, provide returns to shareholders and to maintain a prudent level of debt funding.

The Company's principal financial assets include trade and other receivables and cash and short-term deposits that derive directly from its operations. The Company's principal financial liabilities comprise trade and other payables and bank borrowings. The main purpose of these financial liabilities is to finance the Company's operations.

The Board of the parent company retains responsibility for the agreement of the terms of any new or renewed borrowing facilities. Surplus funds and borrowings are managed centrally, and the Group's treasury objective is to minimise borrowing costs and maximise returns on funds, subject to short-term liquidity requirements.

Financial risk factors

The Company's principal financial risks are liquidity risk and interest rate risk. The Company has limited exposure to foreign exchange risk, credit risk and commodity price risk. The Company's senior management oversees the management of these risks within an overall risk strategy which seeks to minimise potential adverse effects on the Company's performance.

Liquidity risk

Liquidity risk results from having insufficient financial resources to meet day-to-day fluctuations in working capital and cash flow. Ultimate responsibility for liquidity risk management rests with the Board of the parent company. The Company monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on its borrowing facilities. Surplus cash is managed on a Group basis, and is invested in time deposits and money market deposits with appropriate maturities to ensure sufficient headroom within the cash flow forecasts. At 31 December 2016, the amount available to the Group under the term facility, which expires on 30 June 2019, was £17m. In addition, the Group has an overdraft facility of £3m which is repayable on demand. £20m of these facilities remained undrawn at the year end, and the Company considers that it should be able to operate within the level of its current facilities.

The Company's bank borrowing facilities contain financial covenants based on cash flow cover, interest cover and the ratio of debt to adjusted EBITDA. Throughout the year the Company maintained adequate headroom against these covenants and is expected to do so into the foreseeable future.

Interest rate risk

The Company's interest rate risk arises on the loan to the Company's ultimate parent company, which carries interest at a commercial margin above bank base rate. As a result, the Company is exposed to interest rate risk on the interest receivable on the loan balance due from the ultimate parent company.

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

25 FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Foreign exchange risk

The Company has a subsidiary undertaking in the United States of America, which is limited in scale and largely self-financing. Therefore the Company has no foreign currency borrowings to hedge the foreign currency investment. The Company has limited exposure to foreign exchange risks with respect to transactions in US dollars and the Euro. Due to the low exposure to currency risk, the Company does not use forward exchange contracts.

Credit risk

The Company has no significant exposure to customer credit risk, due to transactions being principally of a high volume, low value and short maturity. The Company has implemented policies that require, where appropriate, credit checks on potential customers before sales commence.

Cash at bank, including short-term bank deposits also give rise to credit risk on the amounts due from counterparties. These risks are managed by restricting such transactions to approved counterparties and designating appropriate limits for each counterparty. The Company considers that its maximum exposure to credit risk is as follows:

	Notes	2016 £'000	2015 £'000
Trade and other receivables	16	15,400	15,001
Cash and cash equivalents		<u>7,352</u>	<u>5,823</u>
		<u>22,752</u>	<u>20,824</u>

Commodity price risk

The Company is affected by the price volatility of newsprint and paper which are required in its operating activities. The Company has an agreement to source most of its newsprint from a single major supplier and negotiates prices for newsprint at least six months in advance.

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26 PENSION COMMITMENTS

Defined benefit provision

The Company provided defined benefit pensions through the Archant Pension and Life Assurance Scheme ("the Scheme"), which has a defined benefit section ("the DBS"), and a senior management section ("the SMS"). The Scheme was closed to new entrants in February 1998 and to future accrual on 31 May 2016.

The 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 (the "Trustee Directors") 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 Scheme.

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. Members of the Scheme continued to accrue additional pensionable years of service at their current accrual rate for the purpose of calculating pension benefit until the Scheme closed to future accrual. The level of retirement benefit at date of exit was based principally on years of pensionable service and final pensionable salary, subject to the 2009 Cap.

Contribution rates to the Scheme are calculated as a percentage of pensionable earnings determined on the basis of the most recent actuarial valuation and with the advice of independent actuaries, using the projected unit method.

Insurance contract

In December 2015, the Trustee Company (with support from the Company) agreed to purchase an insurance contract with Partnership Life Assurance Company Limited. This insurance contract took the form of a medically underwritten bulk annuity policy covering a predefined group of pensioner members, selected as those with annual pension amounts over a pre-agreed limit.

This investment decision was taken by the Trustee Company with a view to reducing the inflation, interest rate and mortality risks within the Archant Pension & Life Assurance Scheme. These risks specifically concentrated around the predefined group due to their proportionately higher individual liability.

The purchase of the annuities for £20.4m was completed in January 2016, and was funded by the liquidation of Scheme assets, with £15m from the Scheme's corporate bond fund, £5.2m from the Scheme's equity holdings and the residual balance from the Trustee bank account.

At 31 December 2015, the present value of the obligations to these pensioners was £17.3m resulting in a £3.1m shortfall to the fund shown as a deduction from the Scheme assets. At 31 December 2016 the present value of the annuity for these pensioners was £18.4m.

Individual pensioners' pensions are not affected by this investment and the insurance contract is treated as an asset of the Scheme.

Defined contribution provision

Following the closure of the Scheme to new entrants in February 1998, membership of a defined-contribution scheme ("the DCS") was available. The DCS was closed to new entrants on 31 December 2012 and from 1 January 2013 contributions for former members of the DCS and new entrants have been paid into a new defined-contribution scheme, the Archant Pension Plan ("the APP").

The Company cost of defined contribution pensions is disclosed in Note 6.

Other pension provision

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.

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26 PENSION COMMITMENTS (continued)

Pension disclosure under IAS 19

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.

The following information shows the results for the Scheme measured in accordance with IAS 19, based on the most recent actuarial valuation at 1 January 2014 ("the Valuation") updated to 31 December 2016 by an independent actuary.

The assets and liabilities of the Scheme at 31 December are:

	2016 £'000	2015 £'000
Equity instruments	56,119	76,227
Debt instruments	15,207	28,712
Investment funds	58,103	50,411
Assets held by insurance company	18,365	17,393
Insurance contract	-	(20,417)
Bank and cash balances	25,029	1,731
	<hr/>	<hr/>
Fair value of the Scheme assets	172,823	154,057
	<hr/>	<hr/>
Present value of funded obligations	209,810	185,063
Present value of unfunded obligations	340	363
	<hr/>	<hr/>
	210,150	185,426
	<hr/>	<hr/>
Deficit	37,327	31,369
	<hr/>	<hr/>

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 IAS 19 by an independent actuary.

Analysis of the movement in the balance sheet liability

	2016 £'000	2015 £'000
Shortfall in Scheme at beginning of year	(31,369)	(32,959)
Movements:		
Total recognised in the income statement	(5,076)	(2,230)
Employer contributions	2,944	3,225
Total (losses)/gains recognised in equity	(3,826)	595
	<hr/>	<hr/>
Shortfall in Scheme at end of year	(37,327)	(31,369)
	<hr/>	<hr/>

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26 PENSION COMMITMENTS (continued)

The amounts recognised in the income statement are as follows:

	2016 £'000	2015 £'000
Current service cost	323	829
Past service cost on closure	3,263	-
Administrative expenses	334	261
Operating expenses	3,920	1,090
Interest on funded obligations	6,211	5,992
Interest on unfunded obligations	17	23
Interest income on scheme assets	(5,072)	(4,875)
Finance expense on pension	1,156	1,140
Total recognised in the income statement	5,076	2,230
Actual return on scheme assets	23,214	2,113

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

	2016 £'000	2015 £'000
Opening scheme obligation – funded obligations	185,063	189,911
Opening scheme obligation – unfunded obligations	363	501
Total opening scheme obligation	185,426	190,412
Current service cost	323	829
Past service cost on closure	3,263	-
Interest expense - funded obligations	6,211	5,992
Interest expense - unfunded obligations	17	23
DBS benefit payments from plan assets	(7,664)	(7,176)
DCS benefit payments from plan assets	(995)	(1,272)
Participant contributions	3	6
Insurance premiums for risk benefits	-	(218)
Remeasurements		
Effect of changes in demographic assumptions	(2,521)	2,375
Effect of changes in financial assumptions	31,356	(6,461)
Effect of experience adjustments	(6,882)	825
Effect of changes in DCS fund values	1,653	252
Ex gratia benefit payments	(55)	(65)
Ex gratia remeasurements	15	(96)
Closing scheme obligation	210,150	185,426

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26 PENSION COMMITMENTS (continued)

	2016 £'000	2015 £'000
Closing scheme obligation:		
Funded obligations	209,810	185,063
Unfunded obligations	340	363
	<hr/> 210,150	<hr/> 185,426
The funded obligations by participant status comprise:		
Active members	-	24,243
Deferred members	119,693	77,517
Pensioners	90,117	83,303
	<hr/> 209,810	<hr/> 185,063

The benefits payable by the Scheme are expected to increase steadily over the next 20 years as active and deferred members reach retirement. After that the benefits payable should drop off markedly as mortality rates increase.

The expected benefit payments in the next ten years are:

	2016 £'000
In the years 2017 to 2021	40,317
In the years 2022 to 2026	43,937
	<hr/> 84,254

Changes in the fair value of scheme assets are as follows:

	2016 £'000	2015 £'000
Opening fair value of scheme assets	154,057	157,453
Interest income on the Scheme assets	5,072	4,875
Contributions by employer	2,944	3,225
Participant contributions	3	6
DBS benefit payments from plan assets	(7,664)	(7,176)
DCS benefit payments from plan assets	(995)	(1,272)
Ex gratia benefit payments	(55)	(65)
Administrative expenses paid from plan assets	(334)	(261)
Insurance premiums for risk benefits	-	(218)
Effects of changes in DCS fund values	1,653	252
Remeasurement - return on plan assets excluding interest income	18,142	(2,762)
Closing fair value of scheme assets	<hr/> 172,823	<hr/> 154,057

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26 PENSION COMMITMENTS (continued)

Assumptions

The major assumptions used by the actuary in updating the Valuation for IAS 19 were:

	2016 insured members %	2016 Insured members %	2015 insured members %	2015 Insured members %
Rate of increase in salaries	-	-	-	-
Rate of increase in deferred pensions	2.18	0.00	2.00	1.90
Rate of statutory increase to relevant pension elements	3.10	3.15	2.95	2.85
Discount rate	2.66	2.58	3.83	3.68
Inflation	2.98	2.99	3.00	2.90

The current assumed life expectations on retirement at age 65 are:

	2016 insured members years	2016 Insured members years	2015 insured members years	2015 Insured members years
Retiring today				
Males	22.5	23.5	22.5	23.5
Retiring in 20 years				
Male	-	24.6	-	24.6

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 3.7%
Rate of inflation	Increase by 0.25%	Increase by 2.7%
Life expectancy	Increase by 1 year	Increase by 2.8%

Following the Valuation the parent company has 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 eleven years and four months from the date of 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 Company expects to contribute approximately £2,600,000 to the Scheme in 2017.

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

27 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 former 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.

28 CAPITAL COMMITMENTS

Contracts entered into, but not provided for, for property, plant and equipment amounted to £34,000 (2015: £61,000).

29 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 from disclosing transactions with related parties that are wholly owned subsidiaries of the Archant Limited group.

The Group holds a 16.67% equity holding in WiSpire Limited (WiSpire), a provider of high-speed broadband to rural communities in Norfolk. The Group have provided marketing and accounting services to WiSpire, and also advanced a non-convertible loan of £193,000 (2015: convertible loan £378,000). As the planned expansion of WiSpire's business is in its early stages, the recovery of the investment and loan is uncertain, and full provision has been made for the non-recovery of these items.

30 CASH FLOW STATEMENT

The Company has taken advantage of the dispensation under paragraph 8(h) FRS 101 not to publish a cash flow statement. The cash flow statement of the Group is published in the financial statements of Archant Limited.

31 EVENTS AFTER THE REPORTING PERIOD

In May 2017 the Company completed the sale of the vacant Ilford property for proceeds, net of transaction costs, of £7.7m, realising a significant surplus over its carrying value of £3.7m at 31 December 2016.

On 1 September 2017, the Company sold its subsidiary Mustard TV Limited to That's Media Limited in a share for share exchange.

At 31 December 2016 the Company retained a provision of £15.2m in respect of disputed corporation tax liabilities and accrued interest dating back to 2003. During 2016, the Company continued to actively provide information to support its position, consulted with professional advisors, and continued to engage with HMRC. During 2017, the Company has settled all of the disputed corporation tax liabilities and accrued interest in full.

32 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is Archant Community Media Holdings Limited.

The Company's ultimate parent undertaking is Archant Limited. The results of the Company are included within these group accounts which are available from The Registrar, Companies House, Crown Way, Mandy, Cardiff.