Registered Number: 19300

ARCHANT COMMUNITY MEDIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013

ARCHANT COMMUNITY MEDIA LIMITED

Registered Number: 19300

DIRECTORS

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

SECRETARY

J O Ellison

AUDITORS

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

BANKERS

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

REGISTERED OFFICE

Prospect House
Rouen Road
Norwich
NR1 1RE

ARCHANT COMMUNITY MEDIA LIMITED

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2013

Review of the business

The group's principal activities during the year continued to be predominantly UK based and comprise a single trade of publishing newspapers and magazines in print, online and through mobile technologies, and printing newspapers

The key financial and non-financial performance indicators for the Company include revenue, operating profit, operating margin, circulation including the proportion of magazines sold through subscriptions, web traffic, digital revenue and net assets The Company seeks to target performance in line with or ahead of competitors These are regularly reviewed by the Board

A summary of the Company's financial performance and key financial and non-financial performance indicators is shown below

	2013 £m	2012 £m	Change £m	Change %
Advertising revenue	77 2	80 3	(3 1)	-3 9%
Circulation revenue	28 8	30 0	(1 2)	-3 9%
Digital revenue	7 3	6 3	1 0	15 7%
Print revenue	1 9	2 4	(0 5)	-21 3%
Other revenue	10 4	11 4	(1 0)	-8 7%
Total revenue	**125.6**	**130 4**	**(4.8)**	**-3.7%**
Other operating income	0 5	0 5	0 0	4 2%
Operating costs				
Employment	50 7	53 5	2 8	5 3%
Other costs	65 4	70 4	5 0	7 1%
Total operating costs[1]	116 1	123 9	7 8	6 3%
Operating profit[1]	**10.0**	**7 0**	**3 0**	**43 0%**
Royalty income on films	1 9	-	1 9	
Amortisation of film copyright	(1 6)	-	(1 6)	
Other amortisation and impairment of intangibles	(11 6)	(10 6)	(1 0)	9 9%
Impairment of amounts due from subsidiary	-	(0 8)	0 8	-100 0%
Restructuring costs	(1 3)	(0 9)	(0 4)	38 1%
Operating loss	**(2 6)**	**(5 3)**	**2.7**	**-51.3%**
Other income	1 3	2 6	(1 3)	-49 0%
Interest payable	(0 7)	(4 6)	3 9	-84 5%
Other finance expense	(0 1)	(0 8)	0 7	-84 9%
Loss before tax	**(2.1)**	**(8.1)**	**6.0**	**-74 0%**
Taxation	(1 9)	(4 3)	2 4	-56 1%
Loss after tax	**(4.0)**	**(12.4)**	**8.4**	**-67.8%**
Net assets	**122.3**	**114 1**	**8.2**	**7.2%**
Monthly unique visitors to websites (thousands)	**5,556**	**4,791**	**765**	**16 0%**
Magazine subscriptions as percentage of copy sales	**57.4%**	**54.1%**	**3.3%**	**6.0%**
Average number of employees	**1,747**	**1,795**	**(49)**	**-2 7%**

[1]Excluding amortisation, impairment, restructuring costs and other exceptional items

STRATEGIC REPORT (continued)

Operating profit before amortisation, impairment, restructuring costs and other exceptional items increased to £10 0m, an improvement of £3 0m or 43 0%, following cost reductions of £7 8m in the year The growth in underlying operating profits excluding amortisation, impairment, restructuring costs and other exceptional items was achieved after continuing investment in sales skills, new products, resources and people Our businesses in the East of England improved profitability year on year, however competition in our London magazine business caused profitability to decline for these titles

Exceptional items include amortisation and impairment of intangible assets of £11 6m, including a provision for impairment of £2 0m against the London magazine portfolio

A net profit of £0 3m was made on the winding up of long-standing film finance arrangements which had been in place since 1983 From an accounting perspective, this is disclosed as film royalty income of £1 9m offset by amortisation of film copyright of £1 6m Net proceeds will be received in 2014

There are no further provisions made in relation to our tax dispute other than a further accrual of £0 3m for interest which is included within interest payable

The Company is actively engaged with HMRC on this matter, however it is a slow, methodical and detailed process which still has many months to run We are working closely with legal and tax advisers and have consulted Counsel where appropriate to determine the strength of our position The Company remains of the view that its position is strong, although inevitably it is difficult to predict the final outcome, either in quantum or timing, particularly should this lead to a Tax Tribunal

The Company has maintained full provision in respect of these tax matters In the event of an unfavourable outcome during 2014, there will be cash outflows of some £9 0m tax plus interest of up to £4 7m As noted above this can be managed from within the existing Group banking facilities, but would inevitably increase the Group's debt and reduce headroom against the banking facilities

Revenue

Revenue at £125 6m (2012 £130 4m) was £4 8m (3 7%) lower than 2012 0 8% of this reduction is attributable to the suspension of a number of titles in the Midlands in the year, 1 0% is due to rationalisation and performance of our London newspaper portfolio, and 0 4% is due to the loss of contract printing contracts. London magazines that have been affected by competitive issues contributed a further 0 8% to the reduction

Advertising

The rate of advertising revenue decline slowed in 2013 – the best year-on-year performance since 2007 The rate of decline in recruitment was just under 2%, and the fall in newspaper local display revenue of £0 6m was almost matched with the growth in newspaper digital content display revenue

Circulation

Newspaper circulation revenues grew by 0 6% year on year, with price rises more than offsetting circulation volume declines This remains an area for ongoing investment Magazine circulation revenues fell 9 5% in a difficult marketplace, with subscription sales falling by 4 1% and now representing 57 4% of our circulation revenue Copy sales through the newstrade continue to be difficult

Digital activity

Revenue from online activities increased by 15 7% to £7 3m, mainly driven by revenue from content display, jobs24, and mobile sites and apps Monthly unique visitors to our websites increased by 16 0% and page impressions by 6 2%, with 5 6 million people on average visiting Archant websites every month In addition there were just over 0 3m paid and free downloads of Archant published apps through the Apple app store

After winning the bid for local television provision in Norwich, Mustard TV launched on Freeview Channel 8 on 24 March 2014, later than planned following delays in the provision of the transmission infrastructure During this set up phase Mustard TV generated digital revenues through its website of £0 1m

ARCHANT COMMUNITY MEDIA LIMITED

STRATEGIC REPORT (continued)

Costs

Total operating costs in the business fell by £7 8m or 6 3% Newsprint, magazine paper costs and manufacturing costs contributed savings of just over £3 3m Employment costs fell by £2 8m against an overall reduction in headcount of 48 or 2 7% to a total of 1,747 An active process to manage non-core costs was undertaken in the first half of the year which contributed strongly to this performance

As ever, the Group aims to manage all costs to ensure where possible that investment is maintained in those areas where its effect is required to provide growth in the business

Operating profit

Operating profit before amortisation, impairment, restructuring costs and other exceptional items grew by £3 0m (43 0%) to £10 0m (2012 £7 0m)

Exceptional items

Exceptional items increased from £12 3m to £12 6m This includes amortisation and impairment of intangible fixed assets £11 6m (2012 £10 6m) and impairment of amounts due from subsidiary (2012 £0 8m) The remaining exceptional costs comprise £1 3m of operational restructuring (2012 £0 9m) and a net £0 3m relating to the wind up of the film finance position

Impairment of newspaper and magazine intangible assets

The Company is required to review the carrying value of all 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 £2 0m has been recorded against one income generating unit where the value in use was lower than their carrying value (2012 £0 9m)

Interest payable and financing costs

Intra group interest payable of £0 4m was £0 1m lower than 2012 as a result of reduced levels of intra group debt Exceptional interest relating to the potential tax liability dating back to 2003 has been accrued at an amount of £0 3m for 2013, adding to the prior year accrual of £4 1m

A £0 1m charge (2012 £0 8m) is shown as other finance expense in the profit and loss account This charge arises from the expected return on pension scheme assets relative to the interest charge on scheme liabilities under the FRS 17 accounting standard

Taxation

The tax charge on profits for the year was £1 9m (2012 £4 3m) representing adjustments in respect of prior years' corporation tax of £0 5m and movements in deferred tax of £1 4m

Net debt and cash flow

The Company continues to be cash generative and at 31 December 2013 the Company had no long term external or intra group debt This result was achieved after capital expenditure of £1 1m The Group maintains sufficient debt headroom to ensure that it can meet its cash liabilities, including those in respect of tax, ensuring sufficient headroom in the event of unexpected poor performance The Group is currently operating well within its existing banking covenants

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

Net assets
Net assets on 1 January 2013 were £114 1m The loss for the year after tax was £4 0m, which was transferred to reserves Other movements included an increase to reserves of £12 2m arising from a reduction in the FRS 17 pension deficit Net assets at the end of the year were therefore £8 4m higher at £122 3m

Environment
Archant adopts a responsible approach to environmental matters within its business activities A Sustainability Policy has been adopted, which is reviewed annually, and a network of sustainability management representatives is established across the Company to ensure best practice is shared and to provide a forum for ideas and suggestions to be considered

Archant Print's continuous quest for process improvement in its environmental management processes was recognised in 2013 by the reaccreditation of the ISO 9001 Quality Management Standard and of the ISO 14001 Environmental Management System Standard

Sourcing Paper
Newsprint is one of the Company's largest costs and one where we can manage our environmental impact by considered sourcing Our newsprint is made from 100% recycled fibre and is manufactured primarily by Palm Paper in King's Lynn, to where we return waste newsprint as part of the delivery cycle, thereby reducing transportation and enabling returned paper to be incorporated into the manufacture of virgin paper We also ensure that all our magazine paper is sourced from environmentally sustainable and controlled forests in Europe

In addition to arrangements for recycling newsprint, waste is segregated for recycling at all principal offices thus minimising the volume of waste sent to landfill

Energy and emissions
We are committed to monitoring and minimising our energy consumption In 2013, a number of initiatives were introduced to reduce energy usage, including installation of LED lighting and reducing consumption of compressed air at Thorpe Print Centre, and changing environmental control systems and hot water boiler controls at Ilford and Prospect House respectively

Increased newspaper print volumes at Thorpe Print Centre and the hard 2012/13 winter led to an increase in electricity consumption over that period, as illustrated in the emissions chart below

Total emissions for energy consumed (including Carbon Reduction Commitment and Carbon Credit Allowance)

Gas and electricity	Offices	Print	Total
2013	2,074	2,612	4,686
2012	2,148	2,403	4,551
2011	2,120	2,573	4,693
2010	2,615	2,824	5,439

Fleet
The Company is replacing fleet vehicles with more efficient models and implementing a number of other measures to reduce CO2 emissions

	2013	2012	2011	2010
Average number of leased company cars	482	496	502	465
Average combined CO_2 / km for company cars	112g/km	116 g/km	124 g/km	139 g/km

ARCHANT COMMUNITY MEDIA LIMITED

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The bank facilities of the Archant Group are managed centrally The main risks that the Archant Group faces from its treasury activities are liquidity risk and interest rate risk The Archant Group's treasury objective is to minimise borrowing costs while ensuring that there is sufficient headroom to meet short-term liquidity requirements

Sums drawn by the Archant Group under the revolving credit facilities with The Royal Bank of Scotland plc are secured by floating charges over the undertaking, property, assets and rights of the Company and certain other companies in the Archant Group, together with cross guarantees given by the Company and certain other companies in the Archant Group

Liquidity risk results from having insufficient financial resources to meet day-to-day fluctuations in working capital and cash flow Ultimate responsibility for the Company's liquidity risk management rests with the Board of the parent company The Archant Group manages liquidity risk by maintaining adequate reserves, by regularly monitoring forecast and actual cash flows and by maintaining a mixture of long-term and short-term committed facilities that are designed to ensure the Archant Group has sufficient available funds for operations and planned expansions The Archant Group has a term facility available in the amount of £28m, reducing to £26m on 30 June 2014 The term facility expires on 31 March 2016 The Archant Group also has an overdraft facility of £3m which is repayable on demand £21m of these facilities remained undrawn at the year end, and the Archant Group considers that it should be able to operate within the level of its current facilities

The Company continues to achieve a high conversion of operating profit into cash, and at 31 December 2013 had no external or intra group long term debt The amount that the Company can borrow from the ultimate parent company is limited by the aggregate banking facilities available to the Archant Group The Company considers that it should have sufficient financial resources to meet day-to-day fluctuations in working capital and cash flow, given the management of the liquidity risk for the Archant Group carried out by the parent company, and the facilities available to the Archant Group

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

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

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

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

By order of the Board

JO Ellison
Secretary
8 April 2014

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2013

RESULTS AND DIVIDENDS

The loss for the year after impairment charges and taxation amounted to £3,960,000 (2012 loss £12,431,000)

An interim ordinary dividend of £nil (2012 £nil) was paid in the year The directors do not recommend the payment of a final dividend (2012 £nil)

DIRECTORS

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

	Resigned
A D Jeakings	
B G McCarthy	
J A E Hustler	
N T Schiller	
D A Willmott	
S Taborin	17 December 2013
W H Hattam	
M Hogg	

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 auditors are unaware and

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

ARCHANT COMMUNITY MEDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made charitable contributions totalling £7,139 (2012 £7,320)

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 During 2013 the Company has implemented new internal communication strategies with more face-to-face updates to employees from managing directors and the Chief Executive 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

In 2014, formal briefings by the Group Chief Executive will be supplemented by video presentations and round table meetings The Company will also gauge our people's opinions more often through micro-surveys and has a full biennial staff survey planned for autumn 2014

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 7

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

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

AUDITORS

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

By order of the Board,

JO Ellison
Secretary
8 April 2014

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 2013 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 26 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, 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 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 2013 and of the loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Robert Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
8 April 2014

ARCHANT COMMUNITY MEDIA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £'000	2012 £'000
TURNOVER	2, 3	125,563	130,386
Other operating income	3	499	479
Operating costs	3	(116,047)	(123,867)
OPERATING PROFIT before amortisation, impairment, restructuring costs and other exceptional items		10,015	6,998
Royalty income on films	3	1,930	-
Amortisation of film copyright	3, 10	(1,613)	-
Amortisation and impairment of intangible assets	3, 10	(11,641)	(10,563)
Restructuring costs	3	(1,271)	(942)
Impairment of amounts due from subsidiary undertakings		-	(807)
Operating loss	3, 4	(2,580)	(5,314)
Other income	7	1,362	2,535
Interest payable and similar charges	8	(712)	(4,582)
Other finance expense	22	(148)	(783)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,078)	(8,144)
Tax on loss on ordinary activities	9	(1,882)	(4,287)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	20	(3,960)	(12,431)

All amounts relate to continuing activities

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

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

The notes on pages 16 to 36 form part of these financial statements

ARCHANT COMMUNITY MEDIA LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Loss on ordinary activities after taxation		(3,960)	(12,431)
Actuarial gains and losses recognised on defined benefit pension scheme			
Actuarial gains and losses	22	16,116	(34)
Movement on deferred tax asset associated with actuarial gains and losses recognised on defined benefit pension scheme		(3,720)	10
Change in deferred tax asset on pension scheme deficit arising from a change in the rate of corporation tax		(236)	(594)
Total recognised gains and losses relating to the year		8,200	(13,049)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £'000	2012 £'000
Total recognised gains and losses	8,200	(13,049)
Opening shareholders' funds	114,109	127,158
Closing shareholders' funds	122,309	114,109

ARCHANT COMMUNITY MEDIA LIMITED

BALANCE SHEET - 31 DECEMBER 2013

	Note	2013	2012
		£'000	£'000
FIXED ASSETS			
Intangible fixed assets	10	112,331	125,874
Tangible assets	11	13,339	16,735
Investments	12	597	303
		126,267	142,912
CURRENT ASSETS			
Stocks	13	1,253	1,267
Debtors			
Amounts falling due in less than one year	14	29,730	26,932
Cash at bank and in hand		5,547	4,842
		36,530	33,041
CREDITORS·			
Amounts falling due within one year	15	30,743	32,044
NET CURRENT ASSETS		5,787	997
TOTAL ASSETS LESS CURRENT LIABILITIES		132,054	143,909
CREDITORS :			
Amounts falling due in more than one year	16	-	6,525
Provisions for liabilities	17	446	418
NET ASSETS EXCLUDING PENSION SCHEME LIABILITY		131,608	136,967
Defined benefit pension liability	22	9,299	22,857
NET ASSETS		122,309	114,110
CAPITAL AND RESERVES			
Called up share capital	19	112,044	112,044
Share premium account	20	5,369	5,369
Special reserve	20	-	2,350
Profit and loss account	20	4,896	(5,654)
SHAREHOLDERS' FUNDS	20	122,309	114,109

Approved by the Board on 8 April 2014

B G McCarthy

The notes on pages 16 to 36 form part of these financial statements

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1 ACCOUNTING POLICIES

Basis of preparation

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

Group accounts

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

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

Intangible fixed assets

(a) Newspaper and magazine titles

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

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

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

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

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

1 ACCOUNTING POLICIES

Intangible fixed assets (continued)

(b) Goodwill

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

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

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

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

Tangible fixed assets
All assets are stated at cost less accumulated depreciation and impairment if any Such cost includes the cost of refurbishing or replacing part of an asset, provided that the recognition criteria are met

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

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

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

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

Stocks

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

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

1 ACCOUNTING POLICIES

Pensions

The Archant Pension & Life Assurance Scheme ("the Scheme") has a defined-benefit section that requires 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 is available

The Company has adopted FRS 17 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 profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested When a settlement or curtailment occurs the change in the present value of the Scheme liabilities and the fair value of the Scheme assets reflects the gain or loss which is recognised in the profit and loss account Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction

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

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

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

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

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

1 ACCOUNTING POLICIES

Leasing and hire purchase commitments

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

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

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

Deferred taxation

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

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

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

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

Revenue recognition

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

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

Advertising and circulation revenues are recognised on publication or display

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

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

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

Provisions

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

1 ACCOUNTING POLICIES

Foreign currency transactions

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

Group share-based payment transactions

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

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

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

2 TURNOVER

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

The Company's activities are predominantly UK based and comprise a single trade of publishing newspapers and magazines in print, online and through mobile technologies, and printing newspapers

3 OPERATING LOSS

	Note	2013 £'000	2012 £'000
Turnover			
Publishing of newspapers and magazines, and printing of newspapers		125,563	130,386
Other operating income			
Shared services recharges		499	479
Operating costs			
Other external charges		22,619	25,628
Staff costs	5	50,713	53,540
Depreciation of owned assets	11	4,451	4,379
Other operating charges		38,264	40,320
		116,047	123,867
Operating profit before amortisation, impairment, restructuring costs and other exceptional items		10,015	6,998
Royalty income on films		1,930	-
Amortisation of film copyright	10	(1,613)	-
Amortisation and impairment of intangible assets	10	(11,641)	(10,563)
Restructuring costs		(1,271)	(942)
Impairment of amounts due from subsidiary undertaking		-	(807)
		(12,595)	(12,312)
Operating loss		(2,580)	(5,314)

The Company owned the copyright and physical material of two films which were carried at estimated net realisable value, calculated as the minimum value of royalties receivable The distribution agreements for the films expired in December 2013, at which time the Company received the royalties due under those agreements, and amortised the carrying value of the films to reduce the carrying value to nil The Company subsequently sold the copyright and physical material in the films, the profits and proceeds of which are included in the profits on disposals of intangible fixed assets above

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

ARCHANT COMMUNITY MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4 OPERATING LOSS

	2013 £'000	2012 £'000
Operating loss is stated after charging		
Auditors' remuneration in respect of audit services	68	68
non-audit services	-	53
Operating lease rentals		
plant and machinery	2,027	2,186
land and buildings	2,352	2,501

5 EMPLOYEES

	2013 £'000	2012 £'000
Staff costs during the year		
Wages and salaries	42,760	44,566
Social security costs	4,128	4,308
Other pension costs	3,825	4,666
	50,713	53,540

	Number	Number
The average number of employees during the year was		
Production and distribution	280	283
Sales and editorial	1,181	1,241
Management and administration	286	271
	1,747	1,795

6 DIRECTORS' REMUNERATION

	2013 £'000	2012 £'000
Directors' remuneration paid by the Company.		
Salaries	683	636
Performance related bonuses	28	168
Other benefits	53	50
Termination payment	70	-
Pension contributions		
defined contribution scheme	45	47
self invested personal pension	22	9
	901	910

	2013	2012
Number of directors in		
defined benefit pension scheme	2	2
defined contribution pension scheme	5	5
	7	7

6 DIRECTORS' REMUNERATION (continued)

	2013 £'000	2012 £'000
The emoluments of the highest paid director were		
aggregate emoluments, including termination payment	200	192

Remuneration of directors paid by other group companies:

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

The total remuneration for the year paid by the holding company or fellow subsidiaries for Mr A D Jeakings, Mr B G McCarthy and Ms D A Willmott, including defined contribution pension contributions but excluding accrued defined benefit pension entitlements was £710,000 (2012 Mr A D Jeakings, Mr B G McCarthy and Ms D A Willmott £853,000) The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors or executives of the holding and fellow subsidiary companies Mr A D Jeakings is a member of the Archant defined benefit pension scheme, and Mr B G McCarthy and Ms D A Willmott are members of the Archant defined contribution pension scheme The values of all pension related benefits accruing in 2012 and 2013 for Mr A D Jeakings and Mr J A E Hustler are disclosed in the directors' remuneration report in the 2013 annual report of Archant Limited

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

7 OTHER INCOME

	2013 £'000	2012 £'000
Intra group dividends	1,250	2,500
Intra group interest	112	35
	1,362	2,535

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Interest paid to group undertakings	410	525
Accrued interest on potential corporation tax liabilities	302	4,057
	712	4,582

9 TAX ON LOSS ON ORDINARY ACTIVITIES

	2013 £'000	2012 £'000
UK corporation tax		
Tax underprovided in prior years	487	3,171
Deferred taxation		
Origination and reversal of timing differences	1,409	513
Origination and reversal of pension schemetiming differences	400	156
Adjustment in respect of prior years	(556)	221
Adjustment for change in rate of corporation tax	142	226
Total deferred tax	1,395	1,116
Tax on loss on ordinary activities	1,882	4,287

Factors affecting current tax charge

The differences between the total current tax shown above and the amount calculated by applying the effective standard rate of UK corporation tax of 23 25% (2012 24 5%) to the loss before tax are as follows

	2013	2012
Loss on ordinary activities before tax	(2,078)	(8,144)
Loss on ordinary activities multiplied by effective standard rate of corporation tax in the UK	(483)	(1,995)
Expenses not deductible for tax purposes	102	196
Adjustment to accounting profits for capital gains	(44)	-
Non qualifying amortisation and impairment of intangible assets	2,543	2,587
Impairment of amounts due from subsidiary undertakings	-	198
Non taxable income	(291)	(613)
Accelerated capital allowances	654	759
Other short term timing differences	(404)	(162)
Losses utilised	(2,216)	(2,084)
Loan relationship deficits not recognised	139	1,114
Tax underprovided in prior years	487	3,171
Total current tax above	487	3,171

Factors that may affect future tax charges

The Finance Act 2013 enacted on 17 July 2013 reduced the main rate of UK Corporation Tax to 21% from 1 April 2014 and to 20% from 1 April 2015 The Company expects that substantially all of the gross timing differences at 31 December 2013, excluding the pension scheme deficit, will reverse in 2014 Due to the expected reversals of timing differences in 2014, deferred tax has been calculated at 21% in these financial statements

The effect of the announced reduction to 20% would be to reduce the deferred tax asset by approximately £189,000

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

The Company has trading losses arising in the UK of approximately £7,800,000 (2012 £7,700,000) that are available indefinitely for offset against future taxable profits A deferred tax asset has been recognised in respect of these losses as on the basis of all available evidence it is regarded as more likely than not that there will be suitable taxable profits against which these losses can be utilised

In addition, the Company has further tax losses arising in the UK of approximately £9,500,000 (2012 £8,800,000) that may be available for offset against future taxable profits Deferred tax assets have not been recognised in respect of these losses

The Company also has non-trade loan relationship deficits carried forward of approximately £3,200,000 (2012 £4,600,000) A deferred tax asset has been recognised on £nil (2012 £2,000,000) of these deficits as on the basis of all available evidence it is regarded as more likely than not that there will be suitable taxable non-trade income against which these deficits can be utilised

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

10 **INTANGIBLE FIXED ASSETS**

	Film copyright £'000	Goodwill £'000	Newspaper titles £'000	Magazine titles £'000	Total £'000
Cost					
At 1 January 2013	4,100	1,647	99,441	35,495	140,683
Inter company transfers	-	10	-	-	10
Disposals	(4,100)	-	-	(346)	(4,446)
At 31 December 2013	-	1,657	99,441	35,149	136,247
Amortisation					
At 1 January 2013	2,487	155	8,183	3,984	14,809
Amortisation in the year	1,613	126	7,014	2,465	11,218
Impairment	-	-	-	2,036	2,036
Eliminated on disposals	(4,100)	-	-	(47)	(4,147)
At 31 December 2013	-	281	15,197	8,438	23,916
Net book value					
At 31 December 2013	-	1,376	84,244	26,711	112,331
At 31 December 2012	1,613	1,492	91,258	31,511	125,874

Film copyright

The Company owned the copyright and physical material of two films Films were carried at estimated net realisable value, calculated as the minimum value of future royalties receivable The carrying value was matched by interest-free loans, secured on the films and repayable out of film receipts up to 14 December 2013 On termination of the distribution agreements, the financial impact of which is explained more fully in Note 3, the Company sold its interest in the copyright and physical material of the two films

Impairment of newspaper and magazine titles and goodwill

Newspaper titles, magazine titles and goodwill are allocated, at acquisition, to the Income Generating Units (IGU's) that are expected to benefit from that business combination The recoverable amounts of the IGU's are determined from value in use calculations The key assumptions for the value in use calculations are those regarding the growth rates, expected changes to revenues and direct costs during the period, and the discount rates applied These assumptions have been reviewed during the year in light of the current economic environment The value in use calculation uses post-tax cash flow projections based on the financial budgets approved by the Board for 2014 The growth rates for cash flows beyond 2014 assume an annual RPI increase only and no underlying growth Changes in revenues and direct costs are based on past practices and expectations of market development Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the IGU's The post tax cost of capital and therefore the discount rate applied to future cash flows was 10 2% (2012 11 7%)

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

Given the current difficult trading climate, and the anticipated timing and extent of the recovery, certain of the Company's magazine titles have been impaired The magazines published by the London business unit had a carrying value before any impairment charge of £2,036,000, and value in use calculated at £nil, resulting in an impairment charge of £2,036,000

The Company has conducted a sensitivity analysis on the impairment test of each IGU's carrying value Neither a decrease in the long-term growth rate of 0 5%, nor an increase in the discount rate of 0 25%, nor a terminal value of five times the final year's cash flow would result in a higher or lower impairment charge for the Company

11 TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Motor vehicles £'000	Plant, machinery and equipment £'000	Total £'000
Cost				
At 1 January 2013	3,329	39	30,041	33,409
Additions	-	-	1,068	1,068
Disposals	(20)		(648)	(668)
At 31 December 2013	3,309	39	30,461	33,809
Depreciation				
At 1 January 2013	2,033	39	14,602	16,674
Charge for year	336		4,115	4,451
Disposals	(15)	-	(640)	(655)
At 31 December 2013	2,354	39	18,077	20,470
Net book amount				
At 31 December 2013	955	-	12,384	13,339
At 31 December 2012	1,296	-	15,439	16,735

12 FIXED ASSET INVESTMENTS

	Subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost:			
At 1 January 2013	146,368	48	146,416
Acquisitions	210	90	300
Disposals	-	(6)	(6)
At 31 December 2013	146,578	132	146,710
Amounts provided			
At 1 January and 31 December 2013	146,113	-	146,113
Net book value			
At 31 December 2013	465	132	597
At 31 December 2012	255	48	303

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
PlanningFinder Limited	England	100%	Online planning searches
The British Connection, Inc	United States of America	100%	Magazine distribution

Under the terms of the Mustard TV Limited shareholder agreement, the Company invested an additional £150,000 in January 2013 The other subscribers also subscribed for additional shares, and the Company's holding remained at 90% On 28 August 2013, the Company acquired the remaining 10% of the share capital of Mustard TV Limited not already owned by the Company for a consideration of £33,506 satisfied in cash

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

Impairment of investments in subsidiary undertakings

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

13 STOCKS

	2013 £'000	2012 £'000
Newsprint and paper stock	571	558
Raw materials and consumables	682	709
	1,253	1,267

14 DEBTORS

	Note	2013 £'000	2012 £'000
Trade debtors		12,266	13,131
Other debtors		2,468	1,517
Prepayments and accrued income		2,418	2,886
Amounts due from group companies		11,086	6,911
Deferred taxation asset	18	1,492	2,487
		29,730	26,932

15 CREDITORS Amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	4,227	5,377
Corporation tax	9,810	7,464
Other taxation and social security payable	2,778	2,509
Other creditors	1,807	2,841
Accruals and deferred income	9,595	9,575
Amounts due to group companies	524	503
Subscriptions in advance	2,002	2,162
Loans for film finance	-	1,613
	30,743	32,044

Loans for film finance
The loans for film finance were interest free and repayable out of film receipts prior to 14 December 2013 They were secured by charges on the copyright and physical material relating to two films owned by the Company and shown under that heading in intangible fixed assets

16 CREDITORS Amounts falling due in more than one year

	2013 £'000	2012 £'000
Unsecured loan due to the parent company carrying interest at LIBOR plus 2 94%	-	6,525

Loans due to parent company
The unsecured loan in the sum of £6,524,940, which was due to the parent company and carried interest at LIBOR plus a margin of 2 94%, was repaid during the year

17 PROVISIONS FOR LIABILITIES

	Dilapidations and onerous leases £'000	Total £'000
Balance at 1 January 2013	418	418
Provided during the year	26	26
Tenant contribution	21	21
Transfer to/from accruals	37	37
Utilised during the year	(56)	(56)
Balance at 31 December 2013	446	446

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

18 DEFERRED TAXATION ASSET

Deferred tax recognised in the financial statements is as follows	Note	2013 £'000	2012 £'000
Included in debtors	14	1,492	2,487
Included in defined benefit pension liability	22	2,472	6,828
		3,964	9,315

The movements in the deferred taxation asset are as follows	2013 £'000	2012 £'000
At 1 January	9,315	11,015
Origination and reversal of timing differences	(1,409)	(513)
Origination and reversal of pension schemetiming differences	(400)	(156)
Adjustments in respect of prior years	556	(221)
Adjustment for change in rate of corporation tax	(142)	(226)
Amount charged to the statement of total recognised gains and losses	(3,956)	(584)
At 31 December	3,964	9,315

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

	Recognised		*Not recognised*	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
(Accelerated)/decelerated capital allowances	(260)	146	-	-
Short term timing differences	119	118	-	-
Losses carried forward	1,633	1,765	1,991	1,629
Loan relationship deficits carried forward	-	458	675	598
Pension costs	2,472	6,828	-	-
	3,964	9,315	2,666	2,227

19 CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Allotted, called up and fully paid		
560,222,930 (2012 560,222,930) ordinary shares of 20p each	112,044	112,044

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Special reserve £'000	Profit & loss account £'000	Shareholders' funds £'000
At 1 January 2012	112,044	5,369	2,350	7,395	127,158
Loss for the year	-	-	-	(12,431)	(12,431)
Other net recognised gains and losses in the year					
Net movement in pension scheme deficit	-	-	-	(618)	(618)
At 1 January 2013	112,044	5,369	2,350	(5,654)	114,109
Loss for the year	-	-	-	(3,960)	(3,960)
Transfer to profit & loss account	-	-	(2,350)	2,350	-
Other net recognised gains and losses in the year					
Net movement in pension scheme deficit	-	-	-	12,160	12,160
At 31 December 2013	112,044	5,369	-	4,896	122,309

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

21 OPERATING LEASE RENTALS

The Company has annual commitments under operating leases as at 31 December 2013 These are analysed by the date of the termination of the lease as follows

	Land and buildings		*Other*	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Within one year	62	146	449	-
Between one and two years	216	259	933	799
Between two and five years	701	617	419	1,129
After five years - external	40	157	-	-
After five years - intra group	1,234	1,234	-	-
	2,253	2,413	1,801	1,928

22 PENSION COMMITMENTS

Archant Pension & Life Assurance Scheme

The principal pension scheme operated by the Archant Group during 2012 was the Archant Pension & Life Assurance Scheme ("the Scheme"), a *hybrid scheme in the United Kingdom* with a defined benefit section ("the DBS") which includes a senior management section ("the SMS") and a defined contribution section ("the DCS") The DBS was closed to new entrants in February 1998 from which time membership of the DCS has been available The DCS was closed to new entrants on 31 December 2012 from which date membership of a new defined contribution scheme, the Archant Pension Plan, has been available

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 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, including at least one member by current pensioners

Archant Pension Plan

A new defined contribution pension scheme, the Archant Pension Plan ("the APP"), was established from 1 January 2013 and thereafter contributions for former members of the DCS and new entrants in 2013 are paid into the APP During 2013 certain of the funds held in the DCS were transferred into the APP by bulk transfer with the consent of the Scheme Trustee

Under workplace pension regulations, auto enrolment into an approved pension plan was introduced The Company's staging date was 1 September 2013, and implementation was postponed until 1 December 2013 as permitted by the regulations On that date, all Company employees who were not already members of an Archant pension scheme were auto enrolled into the APP

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

Defined contribution pensions

The Company provides retirement benefits to approximately 79% of current employees through the APP

	2013 £'000	2012 £'000
Contributions payable for the year		
DCS	109	2,632
APP	2,445	-
Total contributions payable for the year	2,554	2,632

Defined benefit section

The Company provides retirement benefits to some of its former and approximately 8% of current employees through the DBS In 2009 the Archant Group amended the definition of final pensionable salary such that pensionable earnings used to calculate final salary pension benefits became capped at the employees' pensionable earnings in the twelve months prior to 1 December 2009 Any pension benefits on pensionable earnings above the capped level of pensionable earnings are provided through a defined contribution arrangement Members of the DBS continue to accrue additional pensionable years of service at their current accrual rate for the purpose of calculating pension benefit The level of retirement benefit is based principally on years nf pensionable service and final pensionable salary, *subject to the 2009 Cap*

The liabilities of the DBS are measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit method, an accrued benefits valuation method in which the Scheme liabilities make allowance for projected earnings The accumulated benefit obligation is an actuarial measure of the present value of benefits for service already rendered and includes no assumption for future salary increases Following the capping of pensionable salaries in 2009, there is no difference between the projected unit method and the accumulated benefit obligation method The DBS accumulated benefit obligation included in the balance sheet was £145 3m (2012 £149 9m)

An alternative method of valuation to the projected unit method is a solvency basis, often estimated using the cost of buying out benefits at the balance sheet date with a suitable insurer This amount represents the amount that would be required to settle the Scheme liabilities at the balance sheet date rather than the Archant Group continuing to fund the on-going liabilities of the Scheme The Company estimates the amount required to settle the Scheme's liabilities at the balance sheet date is £98m (2012 £89m) in excess of the assets held by the Scheme

22 PENSION COMMITMENTS (continued)

Actuarial valuation

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

Annual rate of increase in	
Prices	3 3%
Salaries	0 0%
Statutory increases to relevant pension elements	3 2%
Investment return – Pre-retirement	6 2%
– Post-retirement	5 0%

The results of the Valuation were

Present value of Scheme liabilities	£160,400,000
Market value of the Scheme assets	£147,100,000
Scheme deficit	£13,300,000
Market value of the Scheme assets as a proportion of the present value of the Scheme liabilities	91 7%

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

Following the Valuation, the parent company has agreed for the Archant Group to pay a shortfall recovery payment of at least £1 8m per annum for the years 2012 to 2020 inclusive The Company paid shortfall recovery payments of £1 8m into the PLAS in 2013 (2012 £1 8m) From 1 January 2012, the parent company also agreed for the Archant Group to settle the administration costs of the DBS and SMS, including insurances and the Pension Protection Fund levy The Company settled these costs totalling £650,000 for 2013 (2012 £771,000) These costs are estimated at £883,000 for 2014

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

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

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

22 PENSION COMMITMENTS (continued)

Pension disclosure under FRS 17

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 FRS 17 The Valuation has been updated to 31 December 2013 by an independent actuary

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

	2013 %	2013 £'000	2012 %	2012 £'000
Global equities	51 6%	79,031	49 6%	76,299
Absolute Return	21 3%	32,582	23 3%	35,872
Corporate and Government	17 8%	27,211	17 7%	27,155
High yield bonds	8 4%	12,843	8 0%	12,249
Bank and cash balances	0 9%	1,402	1 4%	2,193
	100 0%	153,069	100 0%	153,768
Present value of funded obligations		164,284		182,803
Present value of unfunded obligations		556		650
		164,840		183,453
Deficit		11,771		29,685
Related deferred tax asset at 21% (2012 23%)		(2,472)		(6,828)
Net liability		9,299		22,857

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

Analysis of the movement in the balance sheet liability

	2013 £'000	2012 £'000
Shortfall in schemes at beginning of year	(29,685)	(30,277)
Movements		
Total expense recognised in the profit and loss account	(1,485)	(5,186)
Employer contributions	3,283	5,812
Actuarial losses	16,116	(34)
Shortfall in schemes at end of year	(11,771)	(29,685)

22 PENSION COMMITMENTS (continued)

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

	2013 £'000	2012 £'000
Current service cost - DBS	1,128	1,471
Current service cost - DCS	209	2,932
Recognised in arriving at operating profit	1,337	4,403
Interest on funded obligations	6,306	6,405
Interest on unfunded obligations	30	34
Expected return on scheme assets	(6,188)	(5,656)
Other finance expense	148	783
Total recognised in the profit and loss account	1,485	5,186
Actual return on scheme assets	17,073	13,769

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

	2013 £'000	2012 £'000
Opening scheme obligation – funded obligations	182,803	169,359
Opening scheme obligation – unfunded obligations	650	728
Total opening scheme obligation	183,453	170,087
Service cost	1,337	4,403
Interest cost	6,336	6,439
Actuarial (gains)/losses - DBS and unfunded obligations	(5,231)	8,147
Contributions by employees	10	54
Change in DC fund values	3,648	3,096
Benefits paid	(8,911)	(8,773)
Bulk transfer to the APP	(15,802)	-
Closing scheme obligation	164,840	183,453

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

	2013 £'000	2012 £'000
Opening fair value of scheme assets	153,768	139,810
Expected return	6,188	5,656
Actuarial gains	10,885	8,113
Contributions by employer	3,283	5,812
Contributions by employees	10	54
Change in DC fund values	3,648	3,096
Benefits paid	(8,911)	(8,773)
Bulk transfer to the APP	(15,802)	-
Closing fair value of scheme assets	153,069	153,768

The Company expects to contribute approximately £3,200,000 to the Scheme in 2014

22 PENSION COMMITMENTS (continued)

Assumptions

The major assumptions used by the actuary in updating the Valuation for FRS 17 were

	2013 %	2012 %	2011 %
Rate of increase in salaries	0 00	0 00	0 00
Rate of increase in deferred pensions	2 50	2 15	2 30
Rate of statutory increase to relevant pension elements	3 20	2 85	3 00
Discount rate	4 59	4 29	4 66
Inflation	3 20	2 85	3 00
Expected long term rate of return			
Equities	6 11	5 62	5 55
Bonds and gilts	3 61	4 78	4 99
Other	0 50	0 50	0 50

The current assumed life expectations on retirement at age 65 are

	2013 years	2012 years
Retiring today		
Males	22 2	22 3
Females	24 1	24 2
Retiring in 20 years		
Male	23 9	24 4
Female	26 0	26 5

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 8%
Rate of inflation	Increase by 0 25%	Increase by 2 4%
Life expectancy	Increase by 1 year	Increase by 2 0%

22 PENSION COMMITMENTS (continued)

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

	2013 £'000 Group	2013 £'000 Company	2012 £'000 Group	2012 £'000 Company
Actual return less expected return on assets	10,885	10,885	8,113	8,113
Changes in assumptions	5,231	5,231	(8,147)	(8,147)
Net actuarial gains/(losses) recognised in STRGL	16,116	16,116	(34)	(34)
At the beginning of the year	(40,790)	(30,527)	(40,756)	(30,493)
At the end of the year	(24,674)	(14,411)	(40,790)	(30,527)

Amounts for the current and previous four years are as follows.

	2013 £'000 *Group and Company*	2012 £'000 *Group and Company*	2011 £'000 *Group*	2010 £'000 *Group*	2009 £'000 *Group*
Present value of funded obligations	164,284	182,803	169,359	160,497	150,506
Present value of unfunded obligations	556	650	728	823	902
Total scheme obligations	164,840	183,453	170,087	161,320	151,408
Scheme assets	153,069	153,768	139,810	145,544	130,933
Deficit	(11,771)	(29,685)	(30,277)	(15,776)	(20,475)
Experience adjustments on pension scheme liabilities	26	109	2,603	-	(31)
Experience adjustments on pension scheme assets	10,885	8,113	(6,761)	7,393	12,643
Changes in assumptions					
Demographics	1,666	-	(667)	-	-
Discount rate	9,563	(9,687)	(17,221)	(4,466)	(1,300)
Inflation	(6,024)	1,431	6,256	879	(5,490)
Actuarial gains/(losses) recognised in equity	16,116	(34)	(15,790)	3,806	5,822

23 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

24 RELATED PARTY TRANSACTIONS

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

25 CASH FLOW STATEMENT

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

26 ULTIMATE PARENT UNDERTAKING

At 31 December 2013, the parent undertaking for which group accounts are drawn up and of which the Company was a member was Archant Limited, registered in England and Wales Copies of that company's accounts can be obtained from The Registrar, Companies House, Crown Way, Maindy, Cardiff