Registered Number: 19300

ARCHANT COMMUNITY MEDIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

ARCHANT COMMUNITY MEDIA LIMITED

Registered Number: 19300

DIRECTORS

J L Henry
M J Kelly
B G McCarthy
C N Nayman
D A Willmott

AUDITOR

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

BANKERS

HSBC UK Bank plc
18 London Street
Norwich
NR2 1LG

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 2018.

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 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 focused on driving and monitoring the transition of leveraging local and regional audiences via online media in light of the continuing decline in print:

	2018	2017
	£000	£000
Total revenue	86,916	96,051
Advertising revenue	42,455	51,300
Circulation revenue	22,716	24,264
Digital revenue	9,324	8,232
Other revenue	12,421	12,255
Subscriptions (% of magazine copy sales revenue)	57.2%	55.5%
Underlying operating costs*	83,811	91,291
Other operating income	275	261
Underlying operating profit*	3,380	5,021
Net funds	3,699	9,177
Web and mobile traffic (MUVs - million)	8.5	8.7

**excluding amortisation, impairment and non-recurring items*

Revenue

Revenue decreased from £96.1m in 2017 to £86.9m in 2018, a reduction of 9.5%. This revenue decline includes the impact of the closure of some titles within the Kent and London portfolio, which accounted for £0.7m of revenue in 2017.

Advertising revenue

Advertising revenue fell by 17.2% with falls in both newspapers (17.5%) and magazines (12.6%) and with declines in all major categories.

Circulation and subscriptions

Newspaper circulation revenue fell 6.6% to £16.4m, and magazine circulation revenue fell 5.7% to £6.3m.

Digital activity

Revenue from online activities has grown by 13.3% to £9.3m. This is underpinned by rapid growth in the key drivers of digital presence – audience. Monthly unique visitors to our fixed and mobile sites fell from 8.7m in 2017 to 8.5m but average, monthly Archant fixed and mobile site page views increased from 33.8 million to 34.4m. When the legacy classified business is excluded the like-for-like growth is 23.0%, mainly driven by revenue from content display.

Underlying Operating Costs

The directors continue to balance investment with good cost management. Operating costs were reduced by 8.2% to £83.8m with employment costs down by 8.8% and printing and paper costs falling by 7.1% compared to the prior year.

Underlying Operating Profit

Underlying operating profit reduced by 32.7% to £3.4m as revenues fell more than cost savings.

Future developments

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.

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:

Finance risk, and in particular liquidity risk is managed by the Group 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

Market risk, driven by lifestyle and attitude to spend on media is managed via the Company aiming to provide high quality editorial content in all its products to provide appropriate quality and value for its audience to encourage repeat purchases. Investment is continuing in digital brands, and in strengthening the Company's fixed web and mobile presence. It 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.

The Company continues to be exposed to regulatory changes, investment market fluctuations or changes in other core assumptions via its defined benefit pension scheme deficit. This is carefully monitored and there are regular reviews with the trustees of the scheme. The Company and trustees have taken appropriate actions to mitigate the growth in pension liabilities including closing the scheme to future accrual, managing the investment strategy to increase hedging on discount rates and inflation.

The Company is dependent on technology in particular computer networks and software. To mitigate this 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
1 August 2019

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The loss for the year after impairment charges and taxation amounted to £9,175,000 (2017: loss £8,276,000).

The directors do not propose a final dividend in respect of 2018 (2017: £nil). No interim dividend was paid during the year (2017: £nil).

DIRECTORS

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

	Resigned
J L Henry	
M J Kelly	
B G McCarthy	
C N Nayman	
N T Schiller	12th November 2018
D A Willmott	

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;

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 auditors are aware of that information.

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 4.

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

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

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
1 August 2019

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

Opinion on financial statements

We have audited the financial statements of Archant Community Media Limited for the year ended 31 December 2018 which comprise the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of financial position and the related notes 1 to 30. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, set out on pages 3 to 6, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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;and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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 not identified 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Nick Gomer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
5 *August 2019*

ARCHANT COMMUNITY MEDIA LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
TURNOVER	4	86,916	96,051
Other operating income	4	275	261
Operating costs	4	(99,690)	(105,068)
Operating loss	4	(12,499)	(8,756)
Other income	9	508	1,432
Interest payable and similar charges	10	(217)	(717)
Other finance expense	25	(699)	(969)
LOSS BEFORE TAXATION		(12,907)	(9,010)
Income tax credit	11	3,732	734
LOSS FOR THE YEAR		(9,174)	(8,276)
Attributable to:			
Equity shareholders of the Company		(9,174)	(8,276)

All amounts relate to continuing activities.

The notes on pages 13 to 39 form part of these financial statements.

ARCHANT COMMUNITY MEDIA LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Loss on ordinary activities after taxation		(9,174)	(8,276)
Actuarial gains and losses recognised on pension liability	25	4,397	6,891
Movement on deferred tax asset associated with actuarial gains and losses recognised on pension liability	11	(835)	(1,171)
Change in deferred tax asset on pension liability arising from a change in the rate of corporation tax	11	24	(50)
Total comprehensive expense		(5,588)	(2,606)
Attributable to:			
Equity shareholders of the Company		(5,588)	(2,606)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
At 31 December 2016		112,044	5,369	363	(32,943)	84,833
Profit for the year		-	-	-	(8,276)	(8,276)
Other comprehensive income:						
Actuarial gains on pension liability	25	-	-	-	6,891	6,891
Tax on pension liability	11	-	-	-	(1,221)	(1,221)
Fair value of unlisted investments	22	-	-	(184)	-	(184)
Other comprehensive income/(expense)		-	-	(184)	5,670	5,486
Total comprehensive income/(expense)		-	-	(184)	(2,606)	(2,790)
Credit to equity for share-based payment	22	-	-	(40)	-	(40)
At 31 December 2017		112,044	5,369	139	(35,549)	82,003
Profit for the year		-	-	-	(9,174)	(9,174)
Other comprehensive income:						
Actuarial gains on pension liability	25	-	-	-	4,397	4,397
Tax on pension liability	11	-	-	-	(811)	(811)
Fair value of unlisted investments	22	-	-	(83)	-	(83)
Foreign currency translation	22	-	-	(7)	-	(7)
Other comprehensive income/(expense)		-	-	(90)	3,586	3,496
Total comprehensive income/(expense)		-	-	(90)	(5,588)	(5,678)
Debit to equity for share-based payment	22	-	-	(15)	-	(15)
Prior year intra group adjustment					(207)	(207)
At 31 December 2018		112,044	5,369	34	(41,344)	76,103

ARCHANT COMMUNITY MEDIA LIMITED

STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
NON-CURRENT ASSETS			
Intangible fixed assets	12	53,907	65,114
Property, plant and equipment	13	16,817	18,581
Deferred tax	19	98	-
Investments	14	52	448
Other receivables	16	26,191	26,784
		97,065	110,927
CURRENT ASSETS			
Inventories	15	663	793
Trade and other receivables	16	12,136	12,002
Cash and cash equivalents		3,699	9,177
		16,498	21,972
TOTAL ASSETS		113,563	132,899
CURRENT LIABILITIES			
Trade and other payables	17	11,281	14,672
Current tax liabilities		-	5,315
Provisions	18	161	105
		11,442	20,092
NON-CURRENT LIABILITIES			
Trade and other payables	17	-	-
Provisions	18	729	525
Deferred tax	19	-	1,254
Pension liability	25	25,288	29,025
		26,018	30,804
TOTAL LIABILITIES		37,460	50,896
NET ASSETS		76,103	82,003
EQUITY			
Called up share capital	20	112,044	112,044
Share premium account	21	5,369	5,369
Other reserves	22	34	139
Profit and loss account		(41,344)	(35,549)
TOTAL EQUITY		76,103	82,003

Approved by the Board on 1 August 2019.

B G McCarthy

The notes on pages 13 to 39 form part of these financial statements.

1 CORPORATE INFORMATION

The financial statements of Archant Community Media Limited (the Company) for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 1 August 2019. 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 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

2.1 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 2018.

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 loss for the year would have been £10,000 higher 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.

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
Property, plant and equipment are 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.

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

Freehold buildings	-	35 years
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.

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.

2 ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Company operates a defined contribution pension scheme, the Archant Pension Plan, which is open to eligible employees. The Company's contributions are charged to the income statement in the year in which they are payable.

The defined benefit pension scheme ("the Scheme") operated by the Company was closed to new members in February 1998 and for future accrual from 31 May 2016.

The cost of providing benefits under the 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.

The interest cost of the Scheme obligations 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 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, any difference between the expected return on Scheme assets and that actually achieved and any differences that arise from experience or assumption changes are recognised in full in the statement of comprehensive income in the period in which they occur.

The Scheme asset or liability in the statement of financial position comprises the present value of the Scheme 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.

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

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.

2 ACCOUNTING POLICIES (continued)
2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2 ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

Items not included in underlying operating profit

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 and investments;
- profits and losses on the disposal of freehold property
- 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.

2 ACCOUNTING POLICIES (continued)

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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. 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 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 25.

Provisions

Provisions recognised at the balance sheet date are detailed in Note 18 and include amounts for property provisions including 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.

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 and printing.

4 OPERATING LOSS

	Note	2018 £'000	2017 £'000
Turnover			
Advertising revenue		42,455	51,300
Circulation revenue		22,716	24,264
Digital revenues		9,324	8,232
Other revenues		12,421	12,255
Revenue from continuing operations		86,916	96,051
Other operating income			
Shared services recharges		275	261
Operating costs			
Other external charges		16,377	17,631
Staff costs	6	37,822	41,453
Depreciation of owned assets	13	1,937	2,118
Other operating charges		27,675	30,089
Underlying operating costs		83,811	91,291
Fair value adjustments against unlisted investments		204	(101)
Amortisation and impairment of intangible assets	12	11,305	13,302
Restructuring and other non-recurring costs		1,269	2,216
Past service cost for Guaranteed Minimum Pension equalisation		3,025	-
Impairment of amounts due from subsidiary undertaking following capital reduction		76	-
Release of amounts due from subsidiary undertaking prior to disposal		-	2,048
Loss on disposal of subsidiary undertaking		-	350
Profit on disposal of freehold property		-	(4,038)
Non-recurring operating costs		15,879	13,777
Total operating costs		99,690	105,068
Operating loss		(12,499)	(8,756)

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

	2018 £'000	2017 £'000
Operating loss is stated after charging/(crediting):		
Cost of inventories recognised as an expense	7,026	7,885
Trade receivables impairment	108	191
Auditors' remuneration in respect of audit services	60	60
non-audit services	-	-
Operating lease rentals:		
plant and machinery	1,223	1,262
land and buildings	980	1,246
Sub-lease income		
land and buildings	47	47
Net profit on disposals of freehold property	(26)	(4,038)
Net loss on disposals of subsidiary undertaking	-	350
Net loss on disposals of available-for-sale investments	32	-
Waiver of loan balance due from subsidiary undertaking prior to disposal	-	2,048
Net loss on disposals of other intangible and tangible fixed assets	15	22
Net loss/(profit) on conversion of foreign currency transactions and balances	17	(42)

6 STAFF COSTS

	Note	2018 £'000	2017 £'000
Staff costs during the year:			
Wages and salaries		31,336	34,333
Social security costs		3,192	3,613
Other pension costs		3,309	3,552
Share-based payments	8	(15)	(45)
		37,822	41,453
Costs included in other pension costs in respect of defined contribution schemes		2,519	2,508

	Number	Number
The average number of employees during the year was:		
Publishing, printing and media activities	1,277	1,415

7 DIRECTORS' REMUNERATION

	2018 £'000	2017 £'000
Directors' remuneration paid by the Company:		
Salaries, bonuses and other benefits	511	779
Termination payment	106	104
Pension contributions:		
defined contribution scheme	34	51
self invested personal pension	14	17
	665	951
Number of directors in:		
defined contribution pension scheme	3	4
Number of share options awarded to directors of the Company under the 2011 Long-term Incentive Plan (Note 8)	142,856	-

The emoluments of the highest paid director were:	2018 £'000	2017 £'000
aggregate emoluments	150	176
termination payment	106	104
defined contribution scheme pension contributions	15	17

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 £992,000 (2017: £910,000). 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.

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 credit recognised in wages and salaries for share-based payments in respect of employee services received during the year ended 31 December 2018 is £15,000 (2017: credit £45,000).

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.

In 2015, 2016, 2017 and 2018, certain employees were granted Approved 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 exceptional items, measured against targets set at the beginning of the plan cycle.

The Approved Options and Unapproved Options can be exercised between the third and tenth anniversary of grant. The Remuneration Committee may award a participant a conditional discretionary Bonus Award, payable in cash, whose maximum gross amount is equivalent to the value of the Approved Options subject to the Bonus Award on the Grant Date.

	Approved share options		Unapproved share options	
	Number of shares	Weighted average exercise price £	Number of shares	Weighted average exercise price £
Outstanding at 31 December 2017	117,272	1.02	107,728	0.00
Options granted/lapsed during the year	142,856		-	
Forfeited/cancelled during the year	(10,000)		(11,667)	
Lapsed during the year	(60,000)		(46,667)	
Outstanding at 31 December 2018	190,128	0.79	49,394	0.00

9 OTHER INCOME

	2018 £'000	2017 £'000
Intra group dividends	-	789
Intra group interest	507	642
Third party interest	1	1
	508	1,432

10 INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £'000	2017 £'000
Accrued interest on potential corporation tax liabilities	126	717
Finance cost on Newspaper Society penison deficit funding	91	-
	217	717

11 TAX ON LOSS ON ORDINARY ACTIVITIES

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profit/loss for the year	-	(10)
Tax under provided in prior years	54	5,318
	54	5,308
Deferred taxation		
Origination and reversal of timing differences on intangible assets	-	(2,116)
Origination and reversal of timing differences	(2,192)	326
Origination and reversal of pension scheme timing differences	240	240
Adjustment in respect of prior years	(1,805)	(4,464)
Adjustment for change in rate of corporation tax	(28)	(28)
Total deferred tax	(3,786)	(6,042)
Total tax credit	(3,732)	(734)

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

	2018 £'000	2017 £'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	835	1,171
Change in deferred tax asset on pension scheme deficit arising from a change in the rate of corporation tax	(24)	50
	811	1,221

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 19.00% (2017: 19.25%) to the loss before tax are as follows:

	2018	2017
Loss on ordinary activities before tax	(12,907)	(9,010)
Loss on ordinary activities multiplied by effective standard rate of corporation tax in the UK	(2,452)	(1,734)
Adjustment to current tax in respect of prior years	54	5,318
Adjustment to deferred tax in respect of prior years	(1,805)	(4,464)
Adjustment to deferred tax for change in rate of corporation tax	(28)	(28)
Expenses not deductible for tax purposes	128	55
Release of amounts due from subsidiary undertaking	-	394
Adjustment to accounting profits for capital gains	13	(226)
Non qualifying amortisation and impairment of intangible assets	-	169
Non taxable income	-	(152)
Non-taxable credits	-	(47)
Adjustment for change in rate on deferred tax on intangible assets and accelerated capital allowances	59	-
Corporation tax loss not recognised	261	-
Other	40	(19)
Total tax credit above	(3,732)	(734)

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

Factors that may affect future tax charges

The Finance Act 2016 enacted on 15 September 2016 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 change 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 £1,400,000 (2017: £nil) 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 19.

12 INTANGIBLE FIXED ASSETS

	Goodwill	Newspaper titles	Magazine titles	Software	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 December 2016	1,657	99,441	33,103	6,263	140,464
Acquisitions	-	-	-	424	424
Disposals	-	-	-	(111)	(111)
At 31 December 2017	1,657	99,441	33,103	6,576	140,777
Acquisitions	-	-	-	99	99
Disposals	-	-	-	(450)	(450)
At 31 December 2018	1,657	99,441	33,103	6,225	140,426
Amortisation					
At 31 December 2016	281	40,679	15,439	6,073	62,472
Amortisation in the year	-	6,521	2,020	163	8,704
Impairment	1,242	1,223	2,133	-	4,598
Disposals	-	-	-	(111)	(111)
At 31 December 2017	1,523	48,423	19,592	6,125	75,663
Amortisation in the year	-	6,374	1,754	209	8,337
Impairment	-	2,069	899	-	2,968
Disposals	-	-	-	(449)	(449)
At 31 December 2018	1,523	56,866	22,245	5,885	86,519
Net book value					
At 31 December 2018	134	42,575	10,858	340	53,907
At 31 December 2017	134	51,018	13,511	451	65,114
At 31 December 2016	1,376	58,762	17,664	190	77,992

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 and fixed plant and 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 8.49% (2017: 8.95%) on a post-tax basis. Cash flows for 2019 have been projected based upon management's most recent business forecast. Growth rates for cash flows beyond 2019 assume an annual RPI increase of 2.5% and no underlying growth.

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold property £'000	Leasehold improvements £'000	Plant and machinery £'000	Other equipment £'000	Total £'000
Cost					
At 31 December 2016	13,525	3,250	14,268	9,058	40,101
Additions	-	108	34	273	415
Inter company transfer	475	-	-	-	475
Disposals	-	(278)	-	(358)	(636)
At 31 December 2017	14,000	3,080	14,302	8,973	40,355
Additions	-	6	12	130	148
Disposals	(130)	(46)	(8)	(824)	(1,008)
At 31 December 2018	13,870	3,040	14,306	8,279	39,495
Depreciation					
At 31 December 2016	19	3,088	9,980	7,161	20,248
Charge for year	256	79	1,171	612	2,118
On inter company transfers	4	-	-	-	4
Disposals	-	(278)	-	(318)	(596)
At 31 December 2017	279	2,889	11,151	7,455	21,774
Charge for year	257	30	1,165	486	1,938
Reclassification	-	(31)	-	31	-
Disposals	(4)	(38)	(8)	(984)	(1,034)
At 31 December 2018	532	2,850	12,308	6,988	22,678
Net book amount					
At 31 December 2018	13,338	190	1,998	1,291	16,817
At 31 December 2017	13,721	191	3,151	1,518	18,581
At 31 December 2016	13,506	162	4,288	1,897	19,853

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.

14 INVESTMENTS - NON-CURRENT

	Subsidiary undertakings £'000	Available-for-sale financial assets £'000	Total £'000
At cost or fair value:			
At 31 December 2016	464	399	863
Fair value adjustment through income statement		101	101
Fair value adjustment through other comprehensive income	-	(184)	(184)
Acquisition of availabile-for-sale financial assets	-	4	4
Disposal of subsidiary undertaking	(336)	-	(336)
At 31 December 2017	128	320	448
Acquisition of availabile-for-sale financial assets	-	200	200
Disposal of available-for-sale financial assets	-	(316)	(316)
Fair value adjustment through income statement	-	(204)	(204)
At 31 December 2018	128	-	128
Amounts provided:			
At 31 December 2016 and 2017	-	-	-
Provided during the year	76	-	76
At 31 December 2018	76	-	76
Net book value:			
At 31 December 2018	52	-	52
At 31 December 2017	128	320	448
At 31 December 2016	464	399	863

The available-for-sale financial assets are non-controlling interests in unlisted companies. The fair values of available-for-sale financial assets are determined by the directors based on published financial information, including financial statements and equity transactions.

The Company's principal subsidiary undertaking is:

Company	*Country of incorporation*	*Holding ordinary shares*	*Activity*
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 in subsidiary undertakings is not less than their book value.

15 INVENTORIES

	2018 £'000	2017 £'000
Newsprint, paper, inks and printing materials	550	605
Engineering and mechanical spares	98	172
Other	15	16
	663	793

The cost of inventories for newsprint, paper, inks and printing materials recognised as an expense in the year was £7,053,000 (2017: £7,937,000). The credit of inventories for engineering and mechanical spares recognised by the Company in the year was £32,000 (2017: credit £22,000). Provisions against inventories for engineering and mechanical spares of £59,000 (2017: £74,000) were charged in operating expenses.

16 TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Trade receivables	9,584	9,861
Less provision for impairment of receivables	(133)	(138)
Trade receivables - net	9,451	9,723
Other receivables	1,025	918
Prepayments and accrued income	1,715	1,559
Amounts due from group companies	26,136	26,586
	38,327	38,786

Analysis of trade and other receivables:

	2018 £'000	2017 £'000
Non-current		
Other receivables	55	198
Amounts due from group companies	26,136	26,586
Total non-current	26,191	26,784
Current	12,136	12,002
	38,327	38,786

As at 31 December 2018, trade receivables of £133,000 (2017: £138,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2018 £'000	2017 £'000
At start of the year	(138)	(130)
Charged in the income statement	(108)	(191)
Utilised	113	183
	(133)	(138)

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

As at 31 December 2018, trade receivables of £3,834,000 (2017: £3,706,000) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

	2018 £'000	2017 £'000
Neither past due nor impaired	5,617	6,017
Past due but not impaired:		
Less than 30 days	2,713	2,610
From 30 to 60 days	700	691
From 61 to 90 days	294	313
More than 90 days	127	92
At end of year	9,451	9,723

17 TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Trade payables	2,981	3,113
Other taxation and social security payable	1,021	1,842
Other payables	1,785	1,238
Accruals and deferred income	3,921	4,382
Amounts due to group companies	58	2,606
Subscriptions in advance	1,515	1,491
	11,281	14,672
Current	11,281	14,672
Non-current	-	-
	11,281	14,672

18 PROVISIONS FOR LIABILITIES

	Severance	Property provisions	Newspaper Society pension scheme deficit	Share-based payment	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	200	344	176	10	730
Provided during the year	-	258	-	-	258
Utilised during the year	(200)	(101)	(52)	(5)	(358)
Balance at 31 December 2017	-	501	124	5	630
Provided during the year	-	244	91		335
Utilised during the year	-	(47)	(26)	(2)	(75)
Balance at 31 December 2018	-	698	189	3	890

Analysis of provisions:	2018 £'000	2017 £'000
Current	161	105
Non-current	729	525
	890	630

Property provisions are made in accordance with independent professional advice. For provisions for dilapidations, 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

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.

19 DEFERRED TAXATION

Deferred tax recognised in the financial statements is as follows:	2018 £'000	2017 £'000
Non-current (asset)/liability	(98)	1,254

The movements in deferred taxation are as follows:

	Pension temporary differences £'000	Revaluation of land and buildings	Accelerated capital allowances £'000	Short-term timing differences £'000	Intangible assets £'000	Loan relationship deficits £'000	Total £'000
At 31 December 2016	(6,496)	-	(60)	(129)	12,859	(76)	6,098
Credit/charge to:							-
Income statement	240	-	(4,299)	57	(2,116)	76	(6,042)
Other comprehensive income	1,221	-	-	-	-	-	1,221
Transfer from subsidiary undertakings	-	-	(23)	-	-	-	(23)
At 31 December 2017	(5,035)	-	(4,382)	(72)	10,743	-	1,254
Transfer from group company	-	1,623	-	-	-	-	1,623
Credit/charge to:							
Income statement	(126)	(1,623)	(195)	(6)	(1,836)	-	(3,786)
Other comprehensive income	811	-	-	-	-	-	811
At 31 December 2018	(4,350)	-	(4,577)	(78)	8,907	-	(98)

The deferred tax assets not recognised as they do not satisfy the recognition criteria for deferred tax assets under IAS 12 are as follows:	2018	2017
Losses carried forward	233	-

20 CALLED UP SHARE CAPITAL

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
560,222,930 (2017: 560,222,930) ordinary shares of 20p each	112,044	112,044

21 SHARE PREMIUM

	2018 £'000	2017 £'000
At 1 January and 31 December	5,369	5,369

22 OTHER RESERVES

	Fair value reserve £'000	Share-based payments £'000	Translation reserve £'000	Other reserves £'000
At 31 December 2016	267	72	24	363
Other comprehensive income:				
Fair value of unlisted investments	(184)	-	-	(184)
Debit to equity for share-based payment	-	(40)	-	(40)
At 31 December 2017	83	32	24	139
Other comprehensive income:				
Fair value of unlisted investments	(83)	-	-	(83)
Foreign currency translation	-	-	(7)	(7)
Debit to equity for share-based payment	-	(15)	-	(15)
At 31 December 2018	-	17	17	34

23 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:

	Land and buildings		*Plant, equipment and vehicles*	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Operating leases which expire:				
No later than one year	647	773	795	965
Later than one year and no later than five years	1,467	1,800	602	975
Later than five years	934	1,120	-	-
	3,048	3,693	1,397	1,940

The Company has sub-let two operating leases (2017: two) and the future aggregate minimum sub-lease amounts expected to be received amount to £36,000 (2017: £44,000).

24 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 and provide returns to shareholders.

The Company's principal financial assets include trade and other receivables and cash and short-term deposits. The Company's principal financial liabilities comprise trade and other payables and bank borrowings.

The Board of the ultimate 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 ultimate parent company. The Company monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash and available borrowing facilities to meet operational needs. The Group may invest surplus cash in money market deposits. At 31 December 2018, the Group had undrawn term facilities and overdrafts of £12m and the Company considers that it should be able to operate within the level of its current facilities.

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.

24 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	2018 £'000	2017 £'000
Trade and other receivables	16	12,191	12,200
Cash and cash equivalents		3,699	9,177
		15,890	21,377

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.

25 PENSION LIABILITY

Defined contribution provision

The Company operates a defined contribution scheme, the Archant Pension Plan ("the APP"), which is open to eligible employees.

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

Defined benefit provision

The Company provided defined benefit pensions through the Archant Pension and Life Assurance Scheme ("the Scheme"). 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.

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 which 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 Scheme.

Buy-in contract

In December 2018, the Trustee (with support from the Company) agreed to purchase a buy-in contract with Just Retirement Limited covering approximately one-third of the previously uninsured pensioner members of the Scheme.

This investment decision was taken by the Trustee Company, following appropriate advice, with a view to reducing the inflation, interest rate and mortality risks within the Scheme.

The purchase of the buy-in policy for £25.2m took place in December 2018, and was funded from the Baring Diversified Growth Fund and the J P Morgan Diversified Credit Fund.

Individual pensioner's pensions are not affected by this investment and the buy-in policy is treated as an asset of the Scheme.

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.

25 PENSION LIABILITY (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 for the Scheme is measured in accordance with IAS 19, based on the most recent actuarial valuation at 1 January 2017 ("the Valuation") and has been updated to 31 December 2018 by an independent actuary.

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

	2018 £'000	2017 £'000
Equity instruments	23,662	48,613
Debt instruments	33,876	42,780
Investment funds	45,501	57,529
Assets held by insurance company	39,612	17,398
Bank and cash balances	12,208	3,129
Fair value of the Scheme assets	154,859	169,449
Present value of funded obligations	179,986	198,280
Present value of unfunded obligations	161	194
	180,147	198,474
Deficit	25,288	29,025

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:

	2018 £'000	2017 £'000
Shortfall in Scheme at beginning of year	(29,025)	(37,327)
Movements:		
Total recognised in the income statement	(4,197)	(1,652)
Employer contributions	3,537	3,063
Total gains recognised in equity	4,397	6,891
Shortfall in Scheme at end of year	(25,288)	(29,025)

25 PENSION LIABILITY (continued)

The amounts recognised in the income statement are as follows:

	2018 £'000	2017 £'000
Current service cost	-	264
Administrative expenses	374	419
Past service cost for Guaranteed Minimum Pensions equalisation	3,025	-
Loss on settlements	99	-
Operating expenses	3,498	683
Interest on funded obligations	4,403	4,858
Interest on unfunded obligations	9	16
Interest income on Scheme assets	(3,713)	(3,905)
Finance expense on pension	699	969
Total recognised in the income statement	4,197	1,652
Actual return on Scheme assets	(3,210)	10,261

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

	2018 £'000	2017 £'000
Opening Scheme obligation – funded obligations	198,280	209,810
Opening Scheme obligation – unfunded obligations	194	340
Total opening Scheme obligation	198,474	210,150
Current service cost	-	264
Past service cost for Guaranteed Minimum Pensions equalisation	3,025	-
Loss on settlements	99	-
Interest expense - funded obligations	4,403	4,858
Interest expense - unfunded obligations	9	16
Benefit payments from Scheme assets	(9,125)	(16,836)
Settlement payments from plan assets	(4,364)	-
Insurance premiums for risk benefits	-	(264)
Remeasurements		
Effect of changes in demographic assumptions	(3,220)	4,559
Effect of changes in financial assumptions	(8,757)	3,724
Effect of experience adjustments	669	(8,624)
Effect of changes in fund values	(1,024)	789
Ex gratia benefit payments	(30)	(37)
Ex gratia remeasurements	(12)	(125)
Closing Scheme obligation	180,147	198,474

25 PENSION LIABILITY (continued)

	2018 £'000	2017 £'000
Closing Scheme obligation:		
Funded obligations	179,986	198,280
Unfunded obligations	161	194
	180,147	198,474
The funded obligations by participant status comprise:		
Deferred members	78,286	94,863
Pensioners	101,700	103,417
	179,986	198,280

The benefits payable by the Scheme are expected to increase steadily over the next 20 years as 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:

	2018 £'000
In the years 2019 to 2023	35,942
In the years 2024 to 2028	38,446
	74,388

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

	2018 £'000	2017 £'000
Opening fair value of Scheme assets	169,449	172,823
Interest income on the Scheme assets	3,713	3,905
Contributions by employer	3,537	3,063
Benefit payments from Scheme assets	(9,125)	(16,836)
Settlement payments from plan assets	(4,364)	-
Ex gratia benefit payments	(30)	(37)
Administrative expenses paid from Scheme assets	(374)	(419)
Insurance premiums for risk benefits	-	(264)
Effects of changes in fund values	(1,024)	789
Remeasurement - return on Scheme assets excluding interest income	(6,923)	6,425
Closing fair value of Scheme assets	154,859	169,449

25 **PENSION LIABILITY (continued)**

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

	2018 %	2017 %
Rate of increase in salaries	-	-
Rate of increase in deferred pensions	2.14	2.10
Rate of statutory increase to relevant pension elements	2.98	2.92
Discount rate	2.88	2.53
Inflation	3.14	3.10

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

	2018 Male years	2018 Female years	2017 Male years	2017 Female years
Retiring today				
Member	21.9	24.0	22.5	24.5
Retiring in 25 years				
Member	23.2	25.2	24.2	26.2

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 3.0%
Rate of inflation	Increase by 0.25%	Increase by 1.8%
Life expectancy	Increase by 1 year	Increase by 3.0%

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 five 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 £3,500,000 to the Scheme in 2019.

26 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 HSBC UK Bank plc. Details of the HSBC facility are contained in the Archant Limited Group financial statements.

27 CAPITAL COMMITMENTS

Contracts entered into, but not provided for, for property, plant and equipment amounted to £25,000 (2017: £nil.)

28 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.

29 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.

30 ULTIMATE PARENT UNDERTAKING

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

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