

Registration number 03709742

# A&N Media Finance Services Limited

Directors' Report and Financial Statements

for the Year ended 2 October 2011

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## **A&N Media Finance Services Limited**

### **Contents**

Company Information .....	page 1
Directors' Report .....	page 2 to 5
Directors' Responsibilities Statement .....	page 6
Independent Auditors' Report .....	page 7 to 8
Profit and Loss Account .....	page 9
Balance Sheet .....	page 10
Reconciliation of Movement in Shareholders' Funds .....	page 11
Notes to the Financial Statements .....	page 12 to 24

## **A&N Media Finance Services Limited**

### **Company Information**

<b>Directors</b>	I Hanson M Page J Welsh
<b>Company secretary</b>	F Sallas
<b>Registered office</b>	Northcliffe House 2 Derry Street London W8 5TT
<b>Bankers</b>	The Royal Bank of Scotland plc Corporate Services PO Box 34 15 Bishopsgate London EC2P 2AP
<b>Solicitors</b>	Foot Anstey Salt Quay House 4 North East Quay Sutton Harbour Plymouth Devon PL4 0BN
<b>Auditors</b>	Deloitte LLP Chartered Accountants and Statutory Auditors Bristol United Kingdom

## **A&N Media Finance Services Limited**

### **Directors' Report for the Year Ended 2 October 2011**

The directors present their annual report on the affairs of the Company, together with the financial statements for the period from 4 October 2010 to 2 October 2011

#### **Principal activity**

The principal activity of the Company is the operation of a shared services centre to provide finance and related IT services to fellow group companies. The directors do not anticipate any changes to the activity for the foreseeable future.

#### **Future developments**

The directors expect the general level of activity of the Company to remain consistent with prior years and the Company's principal activities are not expected to change substantially.

There have been no significant events since the balance sheet date.

#### **Going Concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The Company has net current liabilities as at 2 October 2011 and is reliant on the support of its ultimate parent company, Daily Mail and General Trust plc ("DMGT"), to be able to meet its liabilities as they fall due. DMGT has confirmed that it will provide such financial support as might be necessary to ensure that the Company is a going concern for at least twelve months from the date of signing of these financial statements. After making enquiries and taking account of the factors noted above, the directors have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### **Business review**

##### **Demand**

The Company provides services to other members of the DMGT Group and as such, is reliant on the success of those businesses if it is to continue functioning. Technological innovations, changing legislation and competitor activity, in addition to a general decline in advertising and the demand for print services, could impact on the Company's customers, to the extent that there is a reduction in the demand for services from A&N Media Finance Services Limited.

##### **Liquidity and cash flow risk**

The Company manages its cash flow through its financing within the Group. The Company's exposure to fluctuations in foreign currency exchange rates is not significant and has not been hedged owing to cost benefit considerations.

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## **A&N Media Finance Services Limited**

### **Directors' Report for the Year Ended 2 October 2011**

..... *(continued)*

#### **Employees**

Details of the number of company employees and related costs can be found in the notes to the financial statements

#### **Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

#### **Employee involvement**

The Company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

#### **Environment**

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Company's activities. The Company operates in accordance with group policies, which are described in the Company's Annual Report, which does not form part of this report. Initiatives designed to minimise the Company's net impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumptions.

## A&N Media Finance Services Limited

### Directors' Report for the Year Ended 2 October 2011

..... (continued)

#### Results and dividends

The performance of the group's A&N Media division of Daily Mail and General Trust plc ("DMGT"), which includes the company, is discussed in the Daily Mail and General Trust plc Annual Report (available at [www.dmgtr.co.uk](http://www.dmgtr.co.uk)) which does not form part of this Report

As shown in the profit and loss account, turnover totalled £9,455,000 (2010 £8,326,000). The increase reflects the charge for services in 2011 to an increased number of businesses using the Company's services and increased services being offered. The operating loss for the financial year was £39,589,000 (2010 loss of £1,630,000), reflecting costs relating to the migration of the businesses into the shared services centre, which were not recharged to those businesses and a provision against the recoverability of intercompany debtors of £38,278,000 (2010 £118,000).

The loss after taxation of the company for the financial year amounted to £38,630,000 (2010 loss of £1,874,000).

The directors did not pay a dividend for the year (2010 £nil).

The balance sheet of the financial statements shows that the Company's financial position at the year-end has deteriorated in net liability terms, with net liabilities increasing by £38,630,000 during the year due to the loss for the year.

The Company's key financial and other performance indicators during the period were as follows:

	Unit	2011	2010
Turnover	£	9,455,000	8,326,000
Operating loss	£	(39,589,000)	(1,630,000)
% operating loss margin	%	(419)	(20)
Loss after tax	£	(38,630,000)	(1,874,000)
Employees (average number)	FTE	208	225
Net liabilities	£	(49,958,000)	(11,328,000)

#### Directors of the Company

The directors who held office during the period and up to the date of this report, except where indicated, were as follows:

I Hanson

J A Hart (resigned 19 November 2010)

M Page (appointed 19 November 2011)

J Welsh (appointed 17 November 2011)

**A&N Media Finance Services Limited**

**Directors' Report for the Year Ended 2 October 2011**

..... *(continued)*

**Policy on payment of suppliers**

The Company operates the trade creditors ledger for all companies which receive its services. The Company's policy on supplier payments is to agree to terms of payment at the time of placing an order for goods or services. Unless different terms have been negotiated at the outset, the normal payment terms of the supplier will be accepted. The Company makes every effort to abide by the terms agreed with each supplier.

Trade creditors for the Company as at 2 October 2011 were equivalent to 24 days (2010: 24 days) purchases, based on the average daily amount invoiced by suppliers during the year.

**Disclosure of information to the auditors**

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

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

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Reappointment of auditors**

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board on 21/5/12 and signed on its behalf by



M Page  
Director

## **A&N Media Finance Services Limited**

### **Directors' Responsibilities Statement**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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

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

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



## **Independent Auditors' Report to the Members of A&N Media Finance Services Limited**

We have audited the financial statements of A&N Media Finance Services Limited for the period from 4 October 2010 to 2 October 2011, which comprise the Profit and Loss Account, Balance Sheet, Reconciliation of Movement in Shareholders' Funds and Notes to the Financial Statements - notes 1 to 16. 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 Directors' Responsibilities Statement (set out on page 6), 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 (APB'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 Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 2 October 2011 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

**Independent Auditors' Report to the Members of  
A&N Media Finance Services Limited**

..... *(continued)*

**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

*Nigel Thomas*

Nigel Thomas (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP, Chartered Accountants & Statutory Auditors  
Bristol, United Kingdom

Date *3 May 2012*

**A&N Media Finance Services Limited**

**Profit and Loss Account for the Year Ended 2 October 2011**

Turnover and operating profit derive wholly from continuing operations

	Note	Year ended 2 October 2011 £ 000	Year ended 3 October 2010 £ 000
Turnover	2	9,455	8,326
Cost of sales		<u>(219)</u>	<u>(479)</u>
Gross profit		9,236	7,847
Administrative expenses		<u>(48,825)</u>	<u>(9,477)</u>
Operating loss	3	(39,589)	(1,630)
Tax credit/(charge) on loss on ordinary activities	4	<u>959</u>	<u>(244)</u>
Loss for the financial period		<u>(38,630)</u>	<u>(1,874)</u>

The Company has no recognised gains or losses for the period other than the results above and therefore no separate statement of recognised gains and losses has been presented

There is no difference between the loss for the periods stated above, and their historical cost equivalents


**A&N Media Finance Services Limited**

(Registration number: 03709742)

**Balance Sheet at 2 October 2011**

	Note	2 October 2011 £ 000	3 October 2010 £ 000
<b>Fixed assets</b>			
Tangible fixed assets	7	<u>3,207</u>	<u>4,860</u>
<b>Current assets</b>			
Debtors	8	2,169,068	871,214
Cash at bank and in hand		<u>26,794</u>	<u>31,541</u>
		2,195,862	902,755
Creditors Amounts falling due within one year	9	<u>(2,249,027)</u>	<u>(918,943)</u>
Net current liabilities		<u>(53,165)</u>	<u>(16,188)</u>
<b>Net liabilities</b>		<u>(49,958)</u>	<u>(11,328)</u>
<b>Share Capital and Reserves</b>			
Called up share capital	11	-	-
Profit and loss account	12	<u>(49,958)</u>	<u>(11,328)</u>
<b>Shareholders' deficit</b>		<u>(49,958)</u>	<u>(11,328)</u>

Approved by the Board on 2/5/12 and signed on its behalf by

  
M Page  
Director

**A&N Media Finance Services Limited**

**Reconciliation of Movement in Shareholders' Funds for the Year Ended 2 October 2011**

	<b>Year ended 2 October 2011 £ 000</b>	<b>Year ended 3 October 2010 £ 000</b>
Loss attributable to the members of the Company	<u>(38,630)</u>	<u>(1,874)</u>
Net reduction to Shareholders' Funds	(38,630)	(1,874)
Shareholders' deficit at start of period	<u>(11,328)</u>	<u>(9,454)</u>
Shareholders' deficit at end of period	<u><u>(49,958)</u></u>	<u><u>(11,328)</u></u>

## **A&N Media Finance Services Limited**

### **Notes to the Financial Statements for the Year Ended 2 October 2011**

#### **1 Accounting policies**

##### **Basis of preparation**

The accounting policies below have been applied on a consistent basis in both the current and prior periods. The annual financial statements are made up to the Sunday nearest to 30 September. The financial period ended 2 October 2011 consists of 52 weeks.

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

The Directors have changed the format of the profit and loss account in order to align with the rest of the group and to better reflect the nature of the operations following significant changes in the business operations in recent years.

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The Company has net current liabilities as at 2 October 2011 and is reliant on the support of its ultimate parent company, Daily Mail and General Trust plc ("DMGT"), to be able to meet its liabilities as they fall due. DMGT has confirmed that it will provide such financial support as might be necessary to ensure that the Company is a going concern for at least twelve months from the date of signing of these financial statements. After making enquiries and taking account of the factors noted above, the directors have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

##### **Foreign currency**

Assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Revenue items are translated at the exchange rate on the date of the transaction, except where they are covered by forward contracts, in which case the forward rate is used. All exchange differences are included in the profit and loss account.

##### **Tangible fixed assets**

Tangible fixed assets are stated at historical cost less accumulated depreciation and any provision for impairment. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Impairment reviews are undertaken annually.

Depreciation is calculated to write off the cost of tangible fixed assets by equal annual instalments over their estimated useful lives as follows:

<b>Asset class</b>	<b>Depreciation rate</b>
Fixtures & fittings	5-10 years
Plant and machinery	5-10 years

##### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## **A&N Media Finance Services Limited**

### **Notes to the Financial Statements for the Year Ended 2 October 2011**

..... *(continued)*

#### **Deferred tax**

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### **Pensions**

The Company participates in the DMGT Group's defined benefit pension schemes and defined contribution schemes.

As it is not possible to identify the Company's share of the underlying assets and liabilities of the Group's defined benefit pension schemes on a consistent and reasonable basis, in accordance with FRS 17, the defined benefit schemes are accounted for as if they were defined contribution schemes. The Company's contributions to both the defined benefit and defined contribution pension schemes are charged to the profit and loss account on an accruals basis as they become payable.

#### **Cash flow**

The Company is a wholly owned subsidiary of Daily Mail and General Trust plc (DMGT) and the cash flows of the Company are included in the consolidated cash flow of that company. Consequently the Company is exempt under the terms of FRS 1(revised) from publishing a separate cash flow statement.

#### **Related party transactions**

The Company has taken advantage of the exemptions under paragraph 3(c) of FRS 8 not to disclose transactions or balances with entities that are wholly owned by the DMGT Group.

#### **Hire purchase and leasing**

Rentals payable relating to operating leases are charged to the profit and loss account equally over the lease term.

## **2 Turnover**

Turnover, which excludes value added tax, represents charges to the businesses serviced by A&N Media Finance Services Limited. All turnover relates to the United Kingdom and is attributed to the principal activity of the Company.

**A&N Media Finance Services Limited**

**Notes to the Financial Statements for the Year Ended 2 October 2011**

..... .. *(continued)*

**3 Operating loss**

Operating loss is stated after charging/ (crediting)

	Year ended 2 October 2011 £ 000	Year ended 3 October 2010 £ 000
Operating leases - plant and machinery	20	28
Operating leases - other assets	44	72
Fees payable to the Company's auditors for the audit of the Company's annual accounts	9	30
Foreign currency gains	(8)	-
Depreciation of owned assets	<u>1,653</u>	<u>1,663</u>

Operating leases - other assets relates to motor vehicles

During the year there was a provision made against the recoverability of intercompany debts of £38,278,000 (2010 £118,000)

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the Daily Mail and General Trust plc consolidated financial statements disclose such fees on a consolidated basis



**A&N Media Finance Services Limited**

**Notes to the Financial Statements for the Year Ended 2 October 2011**

..... *(continued)*

**4 Taxation**

**Tax on loss on ordinary activities**

	Year ended 2 October 2011 £ 000	Year ended 3 October 2010 £ 000
<b>Current tax</b>		
Corporation tax credit at 27% (2010 28%)	(325)	(328)
Adjustments in respect of previous years	(170)	516
Current tax (credit)/charge	(495)	188
<b>Deferred tax</b>		
Origination and reversal of timing differences	13	(92)
Deferred tax adjustment relating to previous years	(477)	148
Total deferred tax (note 10)	(464)	56
Tax (credit)/charge on loss on ordinary activities	(959)	244

**Factors affecting current tax charge for the period**

Tax on loss on ordinary activities for the year is higher than (2010 higher than) the standard rate of corporation tax in the UK of 27% (2010 28%). The differences are reconciled below

	Year ended 2 October 2011 £ 000	Year ended 3 October 2010 £ 000
Loss on ordinary activities before taxation	(39,589)	(1,630)
Corporation tax at standard rate (27% (2010 28%))	(10,689)	(456)
Depreciation in excess of capital allowances	175	94
Other timing differences	(146)	-
Expenses not deductible for tax purposes	-	1
Adjustments in respect of prior year	(170)	516
Provision for intercompany loans non-recoverable	10,335	33
Total current tax	(495)	188

## A&N Media Finance Services Limited

### Notes to the Financial Statements for the Year Ended 2 October 2011

..... (continued)

#### Factors that may affect future tax charges

Legislation reducing the main rate of corporation tax from 28% to 26% with effect from 1 April 2011 was substantively enacted during the period. Accordingly, current tax has been provided for at an effective rate of 27% in these financial statements. Further reductions to the main rate of corporation tax of 1% per annum to 23% by 1 April 2014 have been announced by the government and the reduction to 25% was substantively enacted on 19 July 2011.

In the 2012 Budget, issued on 21 March 2012, the Chancellor announced that the main rate of corporation tax would be further reduced to 24% with effect from 1 April 2012, with further annual 1% rate reductions down to 22% by 1 April 2014. As these future rate reductions had not been enacted at the balance sheet date, they have not been reflected in these financial statements. The effect of these tax rate reductions will be accounted for in the period they are substantively enacted. If the deferred tax assets and liabilities of the Company were all to reverse after 2014, the effect of the changes in the rate of tax would be to reduce the net deferred tax asset by £11,000. To the extent that the deferred tax asset reverses more quickly than this, the impact on the net deferred tax asset will be reduced.

#### 5 Particulars of employees

The aggregate payroll costs were as follows

	Year ended 2 October 2011 £ 000	Year ended 3 October 2010 £ 000
Wages and salaries	4,822	5,572
Social security costs	454	490
Staff pensions	195	252
	<u>5,471</u>	<u>6,314</u>

The average number of persons employed by the company (including directors) during the period, analysed by category was as follows

	Year ended 2 October 2011 No.	Year ended 3 October 2010 No.
Administration and support	<u>208</u>	<u>225</u>

**A&N Media Finance Services Limited**

**Notes to the Financial Statements for the Year Ended 2 October 2011**

..... .. (continued)

**6 Directors' remuneration**

The directors' remuneration for the period was as follows

	Year ended 2 October 2011 £ 000	Year ended 3 October 2010 £ 000
Aggregate emoluments (including benefits in kind)	-	211

During the period the number of directors who were receiving benefits and share incentives was as follows

	Year ended 2 October 2011 No.	Year ended 3 October 2010 No.
Accruing benefits under defined benefit pension scheme	-	1

In respect of the highest paid director

	Year ended 2 October 2011 £ 000	Year ended 3 October 2010 £ 000
Remuneration	-	211
Defined benefit accrued pension entitlement at the end of the period	-	4

The emoluments of I Hanson, J Welsh and M Page were paid by Associated Newspapers Limited and are excluded from the details above. It is not practicable to split their remuneration between the services provided to Associated Newspapers Limited and its subsidiaries of Daily Mail and General Trust plc. The remuneration of J Welsh is fully disclosed in the financial statements of Associated Newspapers Limited.

**A&N Media Finance Services Limited**

**Notes to the Financial Statements for the Year Ended 2 October 2011**

..... *(continued)*

**7 Tangible fixed assets**

	<b>Plant and machinery £ 000</b>	<b>Fixtures and fittings £ 000</b>	<b>Total £ 000</b>
<b>Cost</b>			
At 4 October 2010	<u>7,711</u>	<u>359</u>	<u>8,070</u>
<b>Depreciation</b>			
At 4 October 2010	3,068	142	3,210
Charge for the period	<u>1,580</u>	<u>73</u>	<u>1,653</u>
At 2 October 2011	<u>4,648</u>	<u>215</u>	<u>4,863</u>
<b>Net book value</b>			
At 2 October 2011	<u>3,063</u>	<u>144</u>	<u>3,207</u>
At 3 October 2010	<u>4,643</u>	<u>217</u>	<u>4,860</u>

**A&N Media Finance Services Limited**

**Notes to the Financial Statements for the Year Ended 2 October 2011**

*.. ..... (continued)*

**8 Debtors**

	<b>2 October 2011 £ 000</b>	<b>3 October 2010 £ 000</b>
Amounts owed by group undertakings	2,166,923	866,861
Other debtors	1,464	4,240
Deferred tax	527	63
Prepayments and accrued income	154	50
	<u>2,169,068</u>	<u>871,214</u>

Other debtors includes £325,000 of corporation tax recoverable (2010 £3,416,000)

**9 Creditors Amounts falling due within one year**

	<b>2 October 2011 £ 000</b>	<b>3 October 2010 £ 000</b>
Trade creditors	48,010	41,293
Amounts owed to group undertakings	2,188,978	874,019
Other taxes and social security	7,059	1,518
Other creditors	3,984	690
Accruals & deferred income	996	1,423
	<u>2,249,027</u>	<u>918,943</u>

A&N Media Finance Services Limited provides a purchase ledger service for a number of subsidiaries of the Daily Mail and General Trust plc group

**A&N Media Finance Services Limited**

**Notes to the Financial Statements for the Year Ended 2 October 2011**

..... (continued)

**10 Deferred tax asset**

The movement in the deferred tax asset in the period is as follows

	2 October 2011 £ 000	3 October 2010 £ 000
At start of the period	63	119
Deferred tax credited/(charged) to the profit and loss account	464	(56)
At end of the period	<u>527</u>	<u>63</u>

**Analysis of deferred tax**

	2 October 2011 £ 000	3 October 2010 £ 000
Difference between accumulated depreciation and capital allowances	234	65
Other timing differences	293	(2)
	<u>527</u>	<u>63</u>

The directors are of the opinion that it is more likely than not that the level of profits in future financial periods in the Company and the wider UK group will be sufficient to recover the recognised deferred tax asset

**11 Share capital**

**Allotted, called up and fully paid shares**

	2 October 2011		3 October 2010	
	No.	£	No.	£
Ordinary of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

## A&N Media Finance Services Limited

### Notes to the Financial Statements for the Year Ended 2 October 2011

... (continued)

#### 12 Reserves

	Profit and loss account £ 000	Total £ 000
At 4 October 2010	(11,328)	(11,328)
Loss for the period	(38,630)	(38,630)
At 2 October 2011	<u>(49,958)</u>	<u>(49,958)</u>

#### 13 Contingent liabilities

The Company, as part of an interest set-off arrangement, has guaranteed the overdraft facilities of a number of fellow subsidiaries of the Daily Mail and General Trust plc group. The maximum liability under the guarantee is limited to the credit balances in those bank accounts which are part of the interest set-off arrangement together with the proceeds of any items in the course of collection for the credit of such bank accounts. At 2 October 2011, the potential liability was £28,536,000 (2010 £4,891,000).

Certain undertakings of the A&N Media division are included in a group VAT registration. The contingent liability of A&N Media Finance Services Limited under the group VAT registration at 2 October 2011 was £4,362,000 (2010 £4,891,000).

#### 14 Pension schemes

The Company operates AN PensionSaver, a group personal pension arrangement under which contributions are paid by the employer and employees. It also participates in a defined benefit pension scheme operated by Daily Mail and General Trust plc.

##### AN PensionSaver

AN PensionSaver is the principal pension arrangement offered to employees of the Company.

Assets of the plan are invested in funds selected by members and held independently from the Company's finances. The investment and administration of the plan is undertaken by Fidelity Pension Management.

## A&N Media Finance Services Limited

### Notes to the Financial Statements for the Year Ended 2 October 2011

..... (continued)

#### Harmsworth Pension Scheme

The Company participates in the Harmsworth Pension Scheme, a defined benefit scheme operated by the Daily Mail and General Trust plc (DMGT), providing service-related benefits. The assets of the scheme are held independently from the Company's finances and are administered by a trustee company. The scheme is no longer offered to new employees of the Company.

With effect from 1 April 2011 the benefit design of the scheme changed significantly to align with DMGT's objective of controlling risk and cost going forward. On the same date the scheme also ceased to be contracted-out of the State Second Pension. The scheme continues to operate on a defined benefit basis but total benefits are no longer linked to final salary. These changes do not affect benefit entitlements accrued by members prior to 1 April 2011. Benefits accrued up to 31 March 2011 are protected on a final salary basis, but they have been de-linked from pensionable salary. This part of a member's benefit will instead be increased in line with the retail price index (RPI), capped at 5%.

From 1 April 2011 benefits are accrued on a cash basis rather than a pension basis with members building up a retirement account (a cash balance which is used to buy an annuity from an insurance company at retirement). The accumulated retirement account is calculated on a Career Average Revalued Earnings (CARE) basis using pensionable pay history.

DMGT communicated these changes through a formal employee consultation process that ended in February 2011.

The scheme was closed to new employees with effect from 1 October 2009 and will fully close to new entrants on 31 March 2012. Full actuarial valuations of the defined benefit scheme are carried out triennially by the actuary. The latest valuation as at 31 March 2010 was signed on 30 June 2011 along with a new schedule of contributions. In view of the closure of the scheme to new entrants, it was agreed to use a control period, over which the future contribution rate is assessed, equal to the average working lifetime of the active membership, known as the attained age method. The valuation as at 31 March 2010 and the funding basis arising from it makes allowance for the scheme changes described above.

The rates of normal cash contributions paid by the Company to the scheme under the two schedules of contributions in force during the year were 18.0% of members' scheme salaries (2010: 18.0%) for the six-month period to 31 March 2011 (with employees contributing either 5.0% or 7.5% depending on which section of the scheme they are in), followed by six-months from 1 April 2011 of the equivalent of 10.0% of members' basic salary for the 'Standard' section (with members contributing 4%) and 15.0% of members' basic salary for the 'Plus' section (with members contributing 6.0%). As a part of funding agreements with the trustees of the main schemes DMGT has agreed Recovery Plans involving a series of annual funding payments amounting to £265.9 million over a period to end on 5 October 2023. The first of these payments amounting to £36.7 million was made by DMGT post year-end on 5 October 2011. The normal and deficit funding payments described above are subject to review following subsequent actuarial valuations.

The contributions payable to the scheme are determined by the trustee company after taking advice from an independent qualified actuary and following agreement with DMGT.

The funding strategy agreed with the trustee of the scheme in connection with the 2007 valuation made allowance for assumed future investment returns on the scheme's assets of 3.3% p.a. above price inflation, compared with the real return of some 2.6% p.a. implicit within the calculation of the Technical Provisions (i.e. the value of the scheme's benefit liabilities). DMGT agreed with the trustee that this margin would be covered by a contingent asset and DMGT has put in place a letter of credit (to be updated annually) of an amount sufficient to cover any potential shortfall in this additional investment return arising prior to the 2010 triennial valuation. As at 2 October 2011, the letter of credit had a value of £53.6 million (2010: £46.9 million).



## A&N Media Finance Services Limited

### Notes to the Financial Statements for the Year Ended 2 October 2011

.... . (continued)

#### Pension arrangements

Price inflation RPI - 3.5% pa  
Price inflation CPI - 2.9% pa  
Salary increases - 3.3% pa  
Pension increases (on excess over GMP\*) - 3.3% pa

#### Discount rate for accrued liabilities

Pre-retirement - 6.5% pa  
Post-retirement - 4.9% pa

*\* Guaranteed minimum pension (GMP) is the minimum pension that a scheme must legally provide by being contracted out of the earnings-related part of the State Pension*

The financial assumptions shown above used in the most recent actuarial valuation were selected to provide a basis for funding the schemes and are not intended to reflect the Company's experience or policy regarding pay in any one financial year

The valuation of the scheme showed that the combined accumulated assets of the scheme as at 31 March 2010 and taking account of the scheme changes from 1 April 2011 represented 83% of the scheme's Technical Provisions in respect of past service benefits. Recent quarterly updates provided to the trustee indicate that the funding position has since deteriorated in common with most other defined benefit plans

Members are able to make additional voluntary contributions (AVCs) into unit-linked funds held within each scheme. No benefit obligation arises to DMGT, or the Company, from these AVCs and the related unit-linked AVC assets have been excluded from the valuation of assets and liabilities reported below

The Company and its subsidiaries which contribute to the scheme are unable to identify its share of the underlying assets and liabilities in the defined benefit schemes in which it participates. The schemes are operated on an aggregate basis with no segregation of the assets to individual participating employers and, therefore, the same contribution rate is charged to all participating employers (ie the contribution rate charged to each employer is affected by the experience of the schemes as a whole). The schemes are therefore accounted for as defined contribution schemes by the Company. This means that the pension charge reported in these financial statements is the same as the cash contributions due in the period.

The ultimate parent company, Daily Mail and General Trust plc, is required to account for defined benefit schemes under International Accounting Standard 19 "Employee Benefits" ("IAS 19"). The IAS 19 disclosures in the Annual Report and Accounts of Daily Mail and General Trust plc have been based on calculations performed as part of the work being carried out for the formal valuation of the scheme as at 31 March 2010, and adjusted to 2 October 2011 to take account of membership data as at 30 September 2011. The calculations are adjusted to allow for the assumptions and actuarial methodology required by IAS 19. These showed that the market value of the principal scheme's assets was £1,333.6 million (2010: £1,342.6 million) and that the actuarial value of these assets represented 83.0% (2010: 86.2%) of the benefits that had accrued to members (also calculated in accordance with IAS 19) resulting in a reported deficit of £273.2 million at 2 October, 2011 (2010: £214.3m deficit). The size of the surplus or deficit in the schemes, as measured for funding purposes, impacts on the calculations undertaken by the actuary to determine the cash funding (contributions) required from the companies that participate in the schemes. The valuations and disclosures required under IAS 19 for the financial statements of Daily Mail and General Trust plc are not materially different to the valuations and disclosures required under FRS 17.

## A&N Media Finance Services Limited

### Notes to the Financial Statements for the Year Ended 2 October 2011

... .... (continued)

#### Stakeholder pensions

The Company provides access to a stakeholder pension plan for relevant employees who are not eligible for other pension schemes operated by the Group

Pension costs charge for the year	2011	2010
AN PensionSaver	9,000	5,000
Harmsworth Pension Scheme	186,000	247,000
<b>Total P&amp;L charge for the year</b>	<b>195,000</b>	<b>252,000</b>

#### 15 Commitments

##### Operating lease commitments

As at 2 October 2011 the Company had annual commitments under non-cancellable operating leases as follows

	Operating leases which expire	
	2 October 2011 £ 000	3 October 2010 £ 000
<b>Other</b>		
Within one year	62	6
Within two and five years	120	43
	<u>182</u>	<u>49</u>

#### 16 Ultimate parent company and controlling party

The Company is controlled by Rothermere Continuation Limited which is incorporated in Bermuda. The ultimate controlling party is the Viscount Rothermere, who is a director of Daily Mail and General Trust plc. The Company's immediate parent undertaking at the balance sheet date was Daily Mail and General Trust plc.

The largest and smallest group of which the Company is a member and for which Group Accounts are drawn up is that of Daily Mail and General Trust plc, incorporated in Great Britain. Copies of the Report and Accounts are available from

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