KM (HOLDINGS) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 4 JULY 2015

Medway House
Ginsbury Close
Sir Thomas Longley Road
Medway City Estate
Strood
Rochester
Kent
ME2 4DU

Registered as a Company in England and Wales
Company Registration Number 08526759

The directors present their strategic report for the period ended 4 July 2015.

PRINCIPAL ACTIVITIES

The principal activities of the group are the publishing of newspapers and digital websites, radio broadcasting and other media interests.
The principal activity of the company is a holding company.

REVIEW OF OPERATIONS

On the 13 May 2013 KM (Holdings) Limited was formed as a company and on 30th June 2013 the company acquired 100% of the share capital of Kent Messenger Limited along with the majority of that company's property and external investments, certain bank debt and loan note holder liabilities.

The refinancing was carried out following discussions with the group's bank, loan note holders, pension trustees and shareholders to secure the long term funding of the group. More details are given in note 5.

Following this agreement the trading assets and liabilities (including all newspaper titles together with all radio station licences) of Kent Messenger Limited were transferred to KM Media Group Limited, a company 100% owned by KM (Holdings) Limited.

During the financial period the group received a dividend of £602K from its investments in entities outside of the group.

The financial period to 4 July 2015 therefore represents the second full year of trading for KM (Holdings) Limited.

REVIEW OF BUSINESS

The company now in its second year of trading continues to show improving results with revenues growing by 3.9% to £18.5m, and operating EBITDA of £1,071k. Whilst the press market remains challenging significant growth in online and radio revenues continues to drive the overall growth in the business.

Overall markets remain volatile but we anticipate overall revenues to see modest growth on the back of digital audiences which are increasing significantly and expect the overall trading performance to continue to improve.

The key financial highlights are as follows:

	Period to 4 July 2015	Restated Period to 28 Jun 2014
Consolidated turnover	£18.5m	£17.8m
Gross profit margin	27.6%	27.1%
Operating EBITDA before Exceptional Items	£1,071K	£898K

Further exceptionals items in the period were incurred as a result of the restructuring of the group as mentioned above, totalling £158k.

Further details of the prior year restatement are within note 2.

PRINCIPAL RISKS AND UNCERTAINTIES

The main risk to the group remains the stabilisation of the economy and the continuing migration from press to digital media. During 2015 we have seen an improvement in the economy and over the last few months increases in digital sales starting to offset declines in press advertising revenues.

The key financial liability remains the pension scheme which continues to be subject to the risk of future investment returns, yields on government gilts, pension members' mortality rates and the rate of inflation.

On Behalf of the Board

D J Gray
Secretary

18 November 2015

The directors present their report together with the financial statements of the company and the group for the period ended 4 July 2015.

DIVIDENDS

During the period no dividends were paid (2014: nil).

FIXED ASSETS

During the period the group purchased fixed assets of £0.3m of which £0.2m related to investments in IT development.

DIRECTORS

The directors of KM (Holdings) Limited during the period were as follows:

Mrs G R P Allinson (Chairman)
R E Elliot
D J Gray
C Mitchell
M J Phippen *
C D Brims *
I A Gray *
Mrs E M M Lawson *
Mr H Boorman *

* Non-Executive

EMPLOYEES

The directors recognise the importance of employee involvement in the operation and development of the business. This involvement entails good communication which is achieved through weekly updates across the business and regular departmental meetings for the dissemination of information and collection of employees' views. The Chairman and Managing Director also regularly hold meetings with employees across the business to update them on the financial performance and strategy of the group.

As a result of the restructure of the group that took place on 30 June 2013 all employees were transferred under the TUPE regulations to a new group company, KM Media Group Limited.

EMPLOYMENT OF DISABLED PERSONS

It is the group's policy to give full and fair consideration to the employment and development of disabled persons, or those becoming disabled, having regard to their qualifications and abilities. The group will continue to monitor the employment of registered disabled persons and to determine its position in relation to current statutory requirements.

DONATIONS

During the period the group no donations were made for charitable purposes.

However the group valued its support for charitable and community activity in Kent during 2014-2015 at well over £2m. This is done by supporting events such as the Big Quiz around Kent and others like the Kent and Medway Charity Team's abseil, assault course and dragon boat events. The group also provided through editorial and advertising support special awareness to many charities in our newspapers, on radio and online.

No political donations were made.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report and 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 for that period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors confirm that:

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

AUDITORS

Appointed to fill a casual vacancy on 29 April 2015, the auditor, Grant Thornton UK LLP have indicated their willingness to continue in office. In accordance with Section 485 of the Companies Act 2006, a resolution proposing their reappointment will be put to the Annual General Meeting.

On Behalf of the Board

D J Gray
Secretary

18 November 2015

We have audited the financial statements of KM (Holdings) Limited for the period ended 04 July 2015 which comprise the group and parent company balance sheets, the consolidated profit and loss account, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, and the related notes. 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 AUDITOR

As explained more fully in the Statement of Directors' Responsibilities, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 04 July 2015 and of the group's profit 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 Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company, 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.

Grant Thornton UK LLP

Nicholas Page
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Gatwick
Date:
13/11/15

	Notes	Period to 4 July 2015	Restated Period to 28 Jun 2014
		£'000s	£'000s
TURNOVER	3	18,489	17,883
COST OF SALES		(13,423)	(13,035)
GROSS PROFIT		5,066	4,848
Distribution costs		(1,151)	(1,313)
Administrative expenses		(3,084)	(2,977)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	8	831	558
Exceptional items - restructuring	5	(158)	(1,020)
OPERATING PROFIT/(LOSS) AFTER EXCEPTIONAL ITEMS		673	(462)
Interest receivable and other similar income	6	602	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		1,275	(462)
Interest payable and similar charges	7	(129)	(162)
Other finance income	32	207	147
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,353	(477)
Taxation on ordinary activities	10	186	840
PROFIT FOR THE FINANCIAL PERIOD		1,539	363

All of the group's material activities were acquired during the period and are classed as continuing activities.

A statement of the movement on reserves appears as Note 25 to the financial statements.

The notes on pages 13 to 31 form part of these financial statements.

KM (HOLDINGS) LIMITEDCONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSESFOR THE PERIOD ENDED 4 JULY 2015

	Notes	Period to 4 July 2015	Restated Period to 28 Jun 2014
		£'000s	£'000s
Profit / (Loss) for the financial period		1,539	363
Actuarial loss	32	(3,686)	(1,171)
Deferred tax	32	588	20
Total recognised losses		(1,559)	(788)

The notes on pages 13 to 31 form part of these financial statements.

KM (HOLDINGS) LIMITED (REGISTERED NUMBER: 08526759)CONSOLIDATED BALANCE SHEETAS AT 4 JULY 2015

	Notes	2015 £'000s	2015 £'000s	Restated 2014 £'000s	Restated 2014 £'000s
FIXED ASSETS					
Goodwill	11		969		1,011
Intangible assets	12		200		200
Tangible assets	13		2,589		2,520
Investments	14		138		138
			3,896		3,869
CURRENT ASSETS					
Debtors	16	2,980		2,688	
Cash at bank and in hand		701		205	
		3,681		2,893	
CREDITORS					
Creditors: Amounts falling due within one year	18	3,726		3,982	
NET CURRENT LIABILITIES			(45)		(1,089)
Deferred tax	17		1,008		840
TOTAL ASSETS LESS CURRENT LIABILITIES			4,859		3,620
CREDITORS					
Amounts falling due after more than one year	19	1,064		1,157	
			1,064		1,157
NET ASSETS excluding pension liability			3,795		2,463
Net Pension liability	32		11,388		8,497
NET LIABILITIES including pension liability			(7,593)		(6,034)
CAPITAL AND RESERVES					
Called up share capital	23		120		120
Profit and loss account	24		(7,841)		(6,282)
Merger reserve	24		128		128
SHAREHOLDERS' FUNDS	25		(7,593)		(6,034)

The financial statements were approved by the Board of Directors on 18 November 2015.

G R P Allinson
Chairman

R E Elliot
Director

The notes on pages 13 to 31 form part of these financial statements.

KM (HOLDINGS) LIMITED (REGISTERED NUMBER: 08526759)COMPANY BALANCE SHEETAS AT 4 JULY 2015

	Notes	2015 £'000s	2015 £'000s	Restated 2014 £'000s	Restated 2014 £'000s
FIXED ASSETS					
Tangible assets	13		533		533
Investments	14		258		258
			791		791
CURRENT ASSETS					
Debtors	16	5		477	
Cash at bank and in hand		599		-	
		604		477	
CREDITORS					
Creditors: Amounts falling due within one year	18	215		170	
NET CURRENT LIABILITIES			389		307
TOTAL ASSETS LESS CURRENT LIABILITIES			1,180		1,098
CREDITORS					
Amounts falling due after more than one year	19	666		1,074	
			666		1,074
NET LIABILITIES			514		24
CAPITAL AND RESERVES					
Called up share capital	23		120		120
Profit and loss account	24		394		(96)
SHAREHOLDERS' FUNDS	25		514		24

The financial statements were approved by the Board of Directors on 18 November 2015.

G R P Allinson
Chairman

R E Elliot
Director

The notes on pages 13 to 31 form part of these financial statements.

KM (HOLDINGS) LIMITEDCONSOLIDATED CASHFLOW STATEMENTFOR THE PERIOD ENDED 4 JULY 2015

		Period to 4 July 2015		Restated Period to 28 Jun 2014	
	Notes	£'000s	£'000s	£'000s	£'000s
Net cash inflow from ordinary operating activities	26		194		1,702
Net cash outflow from exceptional items	26		(158)		(841)
			36		861
Returns on investments and servicing of finance					
Sale of investment		-		13	
Dividends received		602		-	
Loan interest paid		(54)		(82)	
Other interest paid		(75)		(80)	
			473		(149)
Taxation			-		-
Capital expenditure and financial investment					
Receipts from sale of fixed assets		-		1,100	
Payments to acquire tangible fixed assets		(267)		(392)	
			(267)		708
Cash inflow before financing			242		1,420
Financing					
Loan advances		663		-	
Repayment of loans		(409)		(1,297)	
			254		(1,297)
Increase in cash & cash equivalents	26		496		123

The notes on pages 13 to 31 form part of these financial statements.

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards issued by the UK accountancy bodies. In particular, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the company and subsidiaries accounts.

The financial statements have been prepared under the historic cost convention. The directors, having prepared long term financial forecasts, consider it appropriate to prepare the financial statements on a going concern basis.

In accordance with Section 408 of the Companies Act 2006 KM (Holdings) Limited is exempt from the requirement to present its own profit and loss account. The profit of the company for the period ended 4 July 2015 is £490k (2014: £96k loss)(see Note 23(b)).

(a) BASIS OF CONSOLIDATION. On 30 June 2013 a group reconstruction took place where trade and assets were transferred between two subsidiaries and a share for share exchange took place for where shares in the subsidiary Kent Messenger Limited were exchanged for shares in KM (Holdings) Limited. This group reconstruction has been accounted for using the merger accounting principles set out in FRS 6.

More details can be found within note 2.

(b) TURNOVER represents net amounts invoiced during the period, excluding Value Added Tax, adjusted for accrued and deferred income.

(c) DEPRECIATION is calculated on a straight line basis at rates sufficient to write down the cost of fixed assets to their expected residual value over their anticipated useful lives, generally as follows:

Computer and other electronic equipment	20%
Radio equipment	Over 5 years or the life of the licence

Freehold property is carried at either cost or professional valuation and no depreciation is provided in respect of these properties as the depreciation charge would be immaterial due to the high residual values of these assets, which are ensured by a programme of regular maintenance and repair (the cost of which is charged to the profit and loss account). Freehold property will be subject to regular review, including a full valuation, at least once every five years.

An annual impairment review of net book values is undertaken for those tangible fixed assets which are not depreciated.

(d) GOODWILL. Represents the goodwill arising on the acquisition of the assets and trading activities of another company and are the amount by which the consideration paid for the acquisition exceeds the fair value of the net tangible assets acquired. Goodwill is being amortised over a period of 25 years, being the estimated economic life, on a straight line basis. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition and if events or changes in circumstances indicate that the carrying value may not be recoverable.

(e) INTANGIBLE ASSETS. Intangible assets are carried at cost. No amortisation is provided in respect of these intangibles as the amortisation charge would be immaterial, due to a high residual value and indefinite estimated useful life. An impairment review is undertaken annually.

1. ACCOUNTING POLICIES (continued)

(f) OPERATING LEASE COMMITMENTS. Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against the profit and loss account as incurred.

(g) DEFERRED TAXATION is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(h) PENSIONS. The group operates a defined contribution scheme and also a stakeholder pension scheme for employees of the group.

Contributions payable for the period to the defined contribution scheme are charged to the profit and loss account.

In addition, the group operates a defined benefit pension scheme.

Under FRS17 the pension scheme liabilities are measured using a projected units method. The pension scheme deficit is recognised in full, net of deferred tax, and presented on the face of the balance sheet. The movement in the scheme deficit is split between operating and financing items in the profit and loss account and the statement of total recognised gains and losses.

The full service cost of the pension provision is charged to operating profit. The net impact of the expected return on assets and interest on liabilities is (charged) / credited to other finance (costs) / income.

Any difference between the expected return on assets and that actually achieved is charged through the statement of total recognised gains and losses. Similarly, differences that arise from experience or assumption changes are charged through the statement of total recognised gains and losses.

2. PRIOR PERIOD ADJUSTMENT

The group reconstruction that took place in the prior year was previously accounted for using acquisition accounting.

It has been concluded that merger accounting is the most appropriate method of accounting for this group reconstruction, and therefore the comparative figures have been restated accordingly.

The impact of this being;

- Goodwill of £5,366K previous recognised under acquisition accounting and impaired has been removed and replaced with goodwill of £1,053K which was present within the group prior to the reconstruction. This goodwill is being amortised over 25 years with an annual charge of £42K being recognised within the profit and loss account.
- The intangible asset relating to Newspaper Titles as been removed, as this represented the goodwill within the group prior to the reconstruction. The treatment of this has been discussed above.
- The cash flow statement has been restated to show the cash flows for the group under merger accounting. Adjustments being made cash purchased on acquisition and loans acquired.

2. PRIOR PERIOD ADJUSTMENT (continued)

In 2014 the group incurred exceptional expenses relating to the group reconstruction which were recognised within KM (Holdings) Limited. It has been concluded that the correct entity within which these costs should be recognised is within KM Media Group Limited. Therefore exceptional costs of £855K have been recognised within KM Media Group Limited in 2014.

The impact of this being:

- The profit and loss account for KM (Holdings) Limited as an entity has been restated to include the exceptional costs £855K. There is no impact on the consolidated figures.
- The intercompany balances between KM (Holdings) Limited and KM Media Group Limited have been adjusted by £855K.

The directors have concluded that it is appropriate to recognise a deferred tax asset in 2014 given that the deferred consideration based on future free cash flow of KM Media Group Limited has been recognised on the basis that KM Media Group Limited will be profitable in the future. The deferred tax asset has been recognised to the extend that the liability has also been recognised, taking into consideration the risk that forecasted future profits may not materialise. Due to the liability being due to Kent Messenger Limited, on consolidation the liability and receivable within the group are eliminated.

The impact of this being:

- A deferred tax asset of £840K has been recognised within the 2014 consolidated balance sheet. This has been recognised within debtors.
- Tax income of £840K has been recognised within the consolidated profit and loss account on recognition of this deferred tax asset. This is within taxation on ordinary activities.

Overall, the loss for the group has decreased by £5,324K to £363K and the net liability position has decreased by £798K to £6,034K.

Overall, the loss for the company has decreased by £855K to £96K and the net liability position has decreased by £855K to net assets of £24K.

3. TURNOVER AND LOSS ON ORDINARY ACTIVITIES.

The turnover and loss are derived from the group's activities carried on within the United Kingdom.

4. PARTICULARS OF EMPLOYEES.

The average number of persons employed by the group (including directors of the holding company) during the period was as follows:

	Period to 4 July 2015	Period to 28 Jun 2014
Executive and central services	24	22
Operations	51	52
Commercial	79	81
Editorial	107	107
Marketing and newspaper sales	14	16
	275	278

4. PARTICULARS OF EMPLOYEES (continued)

The aggregate payroll costs of these persons were as follows:

		Period to 4 July 2015 £'000s	Period to 28 Jun 2014 £'000s
Wages and salaries		7,385	7,196
Social security costs		703	679
Other pension costs	- defined contribution pension scheme	531	587
		8,619	8,462

No deficit funding contributions totalling were made to the group's defined benefit pension scheme (see Note 31).

5. EXCEPTIONAL ITEMS - RESTRUCTURING

		Period to 4 July 2015 £'000s	Period to 28 Jun 2014 £'000s
Reorganisation costs	- refinancing	15	753
	- restructuring	93	178
	- new systems	50	-
Pension liability		-	89
		158	1,020

On 30th June 2013 the Kent Messenger Group was refinanced following discussions with the group's bank, loan note holders, pension trustees and shareholders to secure the long term funding of the group. As a result of this there were significant transaction costs relating to the refinancing including the fees negotiating with the bank, pension scheme, loan note and shareholders a well as the settlement of the warrant to the bank.

During the period to 28 June 2014 the company was involved in a restructuring across a number of areas within the business. As a result redundancy payments were made.

In addition, as part of the group reorganisation some exceptional fees were incurred. The company, following an agreement at the Newspaper Society, has provided for its share of future potential pension liabilities.

6. INTEREST RECEIVABLE AND OTHER SIMILAR INCOME

	Period to 4 July 2015 £'000s	Period to 28 Jun 2014 £'000s
Dividends from unlisted investments	602	-

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Period to 4 July 2015 £'000s	Period to 28 Jun 2014 £'000s
Interest on bank loans (Note 20)	54	82
Other interest	75	80
	129	162

8. OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS

		Period to 4 July 2015 £'000s	Restated Period to 28 Jun 2014 £'000s
Operating profit is stated after charging:			
Auditors' remuneration	- audit services	25	27
	- non audit services	10	10
Hire and rental charges (excluding hire purchase)			
	- property	215	218
	- plant and vehicles	213	216
Amortisation of goodwill		42	42
Depreciation on tangible fixed assets		198	298

9. DIRECTORS' REMUNERATION

	Period to 4 July 2015 £'000s	Period to 28 Jun 2014 £'000s
Directors' emoluments	746	726
Company contributions paid to defined contribution pension schemes	32	46

During the period, three directors were members of defined contribution pension schemes. One of these directors is also a deferred member of the group's defined benefit pension scheme, which was closed to future accrual as at 31 December 2004.

One non-executive director is also a deferred member of the group's defined benefit pension scheme as a result of employment with the group before becoming a director.

Highest paid director:	£'000s	£'000s
Emoluments	160	149
Company contributions paid to defined contribution pension scheme	-	13

10. TAXATION ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period :	Period to 4 Jul 2015 £'000s	Restated Period to 28 Jun 2014 £'000s
Corporation tax on the results for the period:		
Prior period adjustment	18	-
	18	-
Deferred tax		
Origination and reversal of timing differences	168	840
	186	840

(b) Factors affecting tax charge for the period

The tax assessed for the period differs to the standard rate of corporation tax in the UK.

The differences are explained below :

	Period to 4 July 2015 £'000s	Restated Period to 28 Jun 2014 £'000s
Loss on ordinary activities before tax	1,353	(5,788)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.75% (2014: 21%)	281	(1,215)
Effects of :		
Fixed asset differences	9	-
Income not deductible for tax purposes	(177)	-
Amounts charged directly to reserves	(541)	-
Adjustment to tax charge in respect of previous periods	(18)	-
Other short term timing differences	510	-
Expenses not deductible for tax purposes	56	1,151
Capital allowances for period in excess of depreciation	(172)	(130)
Effect of movement on tax losses	34	194
	(18)	-

11. GOODWILL

	Restated £'000s
COST	
At 28 June 2014 and at 4 July 2015	1,053
AMORTISATION / PROVISION	
At 28 June 2014	42
Charge for the period	42
At 4 July 2015	84
NET CARRYING AMOUNTS	
At 28 June 2014	1,011
At 4 July 2015	969

12. INTANGIBLE FIXED ASSETS

(a) Group

	Restated Radio licences £'000s
COST	
At 28 June 2014 and 4 July 2015	200
AMORTISATION / PROVISION	
At 28 June 2014 and 4 July 2015	-
NET CARRYING AMOUNTS	
At 28 June 2014 and 4 July 2015	200

13. TANGIBLE FIXED ASSETS

(a) Group

	Land and Buildings	Plant and Vehicles	Fixtures & Fittings, Radio & Computer Equipment	Total
	£'000s	£'000s	£'000s	£'000s
COST OR VALUATION				
At 29 June 2014	2,083	1,417	7,935	11,435
Additions	-	5	262	267
At 4 July 2015	2,083	1,422	8,197	11,702
DEPRECIATION				
At 29 June 2014	-	1,415	7,500	8,915
Charge for the period	-	-	198	198
At 4 July 2015	-	1,415	7,698	9,113
NET BOOK AMOUNTS				
At 28 June 2014	2,083	2	435	2,520
At 4 July 2015	2,083	7	499	2,589

(b) Company

	Land and Buildings
	£'000s
COST OR VALUATION	
At 28 June 2014 and 4 July 2015	533
DEPRECIATION	
At 28 June 2014 and 4 July 2015	-
NET BOOK AMOUNTS	
At 28 June 2014 and 4 July 2015	533

13. TANGIBLE FIXED ASSETS (continued)

Cost or valuation at 4 July 2015 is represented by:

	Freehold property £'000s
Cost	2,083
Valuation in 2013	-

If freehold land and buildings had not been revalued they would have been included at the following historical cost:

	2015 £'000s	2014 £'000s
Cost	2,083	2,083
Aggregate depreciation	-	-

Included in the above is a property which was professionally valued as at 1 January 2011 by Page & Wells, Surveyors, Valuers and Commercial Agents.

Also included in the above is land which was professional valued as at 30 June 2013 by Savills, Surveyors, Valuers and Commercial Agents.

The basis for valuation was market value in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors.

14. FIXED ASSETS - INVESTMENTS

(a) Group

	£'000s
At cost:	
At 28 June 2014 and 4 July 2015	138
Comprising	
Listed on a recognised stock exchange	2
Unlisted at cost	136
	138

(b) Company

	£'000s
At cost:	
At 28 June 2014 and 4 July 2015	258

	2015 £'000s	£'000s
Comprising:		
Shares in subsidiary companies		
At cost less amounts written off and provided for		120
Other investments		
Listed on a recognised stock exchange	2	
Unlisted at cost	136	
		138
		258

14. FIXED ASSETS - INVESTMENTS (continued)

Within unlisted investments is a 40% shareholding of Mail Publications Limited. This entity has not been recognised as an associate within the consolidated accounts on the basis that KM (Holdings) Limited does not exercise control or influence over the operating and financial policy of the entity.

15. INTERESTS IN GROUP UNDERTAKINGS

The company's interests in the ordinary share capital of subsidiary companies at the balance sheet date were as follows:

Subsidiary	Principal activity	Direct	Indirect
Kent Messenger Limited	Property holding	100%	
KM Media Group Limited	Publisher of newspapers, radio broadcast, interest and other media activities	100%	
KM Direct Limited	Newspaper Distribution		100%

The following companies have not been consolidated on the grounds that they are immaterial and dormant. The company is exempt under section 402 and 405(2) of the Companies Act 2006 from the requirements to prepare financial statements as the subsidiary companies are dormant.

Kent Online Limited	100%
kmfm Thanet Limited	100%
kmfm Folkestone Limited	100%
kmfm Canterbury Limited	100%
kmfm Medway Limited	99.8%
KM Radio Limited	100%
KM Group Newspapers Limited	100%
KM Group Limited	100%
Kent Newspapers Limited	100%
Air Messenger Limited	100%
Headline Travel Limited	100%
Kent County Newspapers Limited	100%
The Kentish Express Limited	100%
kmfm West Kent Limited	100%
Kent Digital Extra Limited	100%
Local Ashford Radio Kent Limited	100%
Maidstone Radio Limited	100%
May 2013 Newco 3 Limited	100%
May 2013 Newco 4 Limited	100%
Larkfield Web-Offset Limited	100%
Media House Europe Limited	100%
Seacoast Newspapers Limited	100%
South Eastern Newspapers Limited	100%
Star Publishing Limited	100%
Kent & Sussex Radio Investors Limited	100%

16. DEBTORS

(a) Group	2015 £'000s	Restated 2014 £'000s
Amounts falling due within one year:		
Trade debtors	2,153	1,995
Other debtors	83	44
Prepayments	744	649
	2,980	2,688

(b) Company	2015 £'000s	Restated 2014 £'000s
Amounts falling due within one year:		
Prepayments	5	30
Amount due by group undertakings	-	447
	5	477

17. DEFERRED TAX

	2015 £'000s	Restated 2014 £'000s
At beginning of period	840	-
Asset recognised during the period	168	840
At the end of the period	1,008	840

The deferred tax balance is made up as follows

	2015 £'000s	Restated 2014 £'000s
Losses and other deductions	1,008	840

The company has not recognised a deferred tax asset of £1,048K (2014: £1,370K) due to the

	Period to 4 Jul 2015 £'000s	Restated Period to 28 Jun 2014 £'000s
Fixed asset timing difference	614	780
Short term timing difference	23	11
Losses and other deductions	443	579
	1,080	1,370

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

(a) Group	2015 £'000s	2014 £'000s
Amounts falling due within one year:		
Bank loans	1,335	988
Other loans	167	167
Trade creditors	1,083	1,174
Other creditors	20	658
Accruals	372	327
Other taxes and Social Security	749	668
	3,726	3,982

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

(b) Company	2015 £'000s	Restated 2014 £'000s
Amounts falling due within one year:		
Other loans	167	167
Amount due to group undertaking	48	-
Accruals	-	3
	215	170

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

(a) Group	2015 £'000s	2014 £'000s
Bank loans	315	241
Other loans	666	833
Accruals	83	83
	1,064	1,157

(b) Company	2015 £'000s	2014 £'000s
Bank loans	-	241
Other loans	666	833
	666	1,074

20. LOANS

An analysis of the maturity of loans is given below:

(a) Group	2015 £'000s	2014 £'000s
Amounts falling due within one year or on demand:		
Bank loans	1,335	988
Other loans	167	167
	1,502	1,155
Amounts falling due between one and two years:		
Bank loans	180	-
Other loans	333	167
	513	167
Amounts falling due between two and five years		
Bank loans	135	241
Other loans	333	666
	468	907

(b) Company	2015 £'000s	2014 £'000s
Amounts falling due within one year or on demand:		
Other loans	167	167
	167	167
Amounts falling due between one and two years:		
Other loans	333	167
	333	167
Amounts falling due between two and five years		
Bank loans	-	241
Other loans	333	666
	333	907

21. SECURED CREDITORS

The following outstanding loans are secured:

(a) Group	2015 £'000s	2014 £'000s
5 Year EFG loan taken out in 2010	-	165
Loan stock	833	1,000
Commercial finance advance	1,155	823
RCF Facility taken out in 2011	-	241
Repayment loan	495	-
Total secured loans	2,483	2,229

(b) Company	2014 £'000s	2014 £'000s
Loan stock	833	1,000
RCF Facility taken out in 2011	-	241
Total secured loans	833	1,241

The EFG loan attracted an interest rate of 5.3% over the Base Rate, and was secured by way of a debenture across the group. The remaining repayments were guaranteed by KM (Holdings) Limited and the final repayment was made in May 2015.

The loan stock is repayable in instalments from December 2014 to December 2017. The loan stock attracts interest at 8% and is secured by a debenture over the group property.

The loan stock holds warrants over 60000 50p Ordinary shares, exercisable during the period 1 December 2013 and 30 November 2022.

The commercial finance advance is secured against the sales ledger by way of a debenture, interest is charged at 3.5% per annum over base rate.

The RCF (Revolving Credit Facility) was repaid in full in June 2015.

The Repayment loan attracts an interest rate of 4.5% per annum over the base rate, repayable over 3 years.

22. GROUP RECONSTRUCTION

On 30 June 2013 the company purchased 100% of the shareholding in Kent Messenger Limited in a share for share exchange.

On 30 June 2013 the company purchased 100% of the shareholding in KM Media Group Limited, which represented the subscriber shares.

On the 30 June 2013 KM Media Group purchased the trade and trading assets of Kent Messenger Limited for deferred cash consideration valued at £1,050K at the time of purchase.

This group reconstruction has been accounted for using the merger accounting principles set out in FRS 6, with an effective date from 30 June 2013.

23. SHARE CAPITAL

	2015 £'000s	2014 £'000s
Allotted, called up and fully paid		
Ordinary shares of £0.50 each	120	120

During the prior period 240,000 Ordinary shares of £0.50 each were issued in exchange for 240,000 Ordinary shares in Kent Messenger Limited.

24. RESERVES

(a) Group

	Restated Profit & Loss A/c £'000s	Restated Merger A/c £'000s
At 28 June 2014	(6,282)	128
Profit for the period	1,539	-
Other recognised losses (page 9)	(3,098)	-
At 4 July 2015	(7,841)	128

(b) Company

At 28 June 2014	(96)
Profit for the period	490
At 4 July 2015	394

25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Restated Group £'000s	Restated Company £'000s
At 28 June 2014	(6,034)	24
Profit for the period	1,539	490
Other recognised losses (page 9)	(3,098)	-
At 4 July 2015	(7,593)	514

26. NOTES TO THE CASHFLOW STATEMENT

Reconciliation of operating loss to net cash inflow / (outflow) from operating activities.

	Period to 4 July 2015		Restated Period to 28 June 2014	
	Ordinary activities £'000s	Exceptional items £'000s	Ordinary activities £'000s	Exceptional items £'000s
Operating profit / (loss)	831	(158)	558	(1,020)
Depreciation charges	198	-	298	-
Amortisation of goodwill	42	-	42	
(Increase) / Decrease in debtors	(292)	-	357	110
Increase / (Decrease) in creditors	(585)	-	447	69
	194	(158)	1,702	(841)

26. NOTES TO THE CASHFLOW STATEMENT (continued)

Reconciliation of net cash flow to movement in net debt

	Period to 4 July 2015 £'000s	Restated Period to 28 Jun 2014 £'000s
Increase in cash in the period	496	123
Cash outflow from decrease in debt	(254)	(1,297)
Movement in net debt in the period	242	(1,174)
Net debt at 30 June 2014	(2,024)	(3,198)
Net debt at 30 June 2015	(1,782)	(2,024)

Analysis of changes in net debt

	At 28 Jun 2014 £'000s	Cash flow £'000s	Other non-cash changes £'000s	At 4 Jul 2015 £'000s
Net cash:				
Cash at bank and in hand	205	496	-	701
Debt:				
Debts falling due within one year	(1,155)	(347)	-	(1,502)
Debts falling due after one year	(1,074)	93	-	(981)
	(2,229)	(254)	-	(2,483)
Total	(2,024)	242	-	(1,782)

27. ULTIMATE CONTROLLING PARTY

No one person is considered to have ultimate control.

28. CAPITAL COMMITMENTS

There are no capital commitments at the period end.

29. CONTINGENT LIABILITIES

Other than those provided for or disclosed in these financial statements, the group has no material contingent liabilities at 4 July 2015.

30. FINANCIAL COMMITMENTS

The group has short and long term operating leases on certain land and buildings. The group pays for all insurance, maintenance and repairs on these properties. The rents payable under these leases are subject to review at various intervals specified in the leases. The group also has short term operating leases on some of its vehicles. At 4 July 2015 the rental commitments for the forthcoming year at the then ascertained rents were as follows:

	Land and buildings			Vehicles
	2015	2014	2015	2014
Group	£'000s	£'000s	£'000s	£'000s
On leases expiring within:				
One year	14	7	55	161
Two to five years	125	11	54	-
Thereafter	201	209	-	-

31. RELATED PARTY TRANSACTIONS

During the period the group leased two properties, at a total market value rental of £103,099 (2014: £101,362) per annum, from the Kent Messenger Pension Scheme. In the prior year the group also leased two properties, at a market value rental of £48,500 per annum, from the discretionary trust pension scheme of E R P Boorman.

In a prior year, Mrs G R P Allinson provided a personal guarantee as part of the security for the EFG loan for a subsidiary company. This loan has been fully repaid.

Mr H Boorman and Mrs E M M Lawson, non-executive directors, each hold £110,000 (2014: £110,000) and £321,000 (2014:£395,000) respectively of the loan stock in issue. Mrs G R P Allinson, a director, holds £321,000 (2014:£395,000) of the loan stock in issue.

32. DEFINED BENEFIT PENSION SCHEME

(a) During the year the group operated a contributory defined contribution scheme for eligible employees and a stakeholder pension scheme. All employees are given the opportunity to join these schemes during their employment.

The defined contribution scheme is a money purchase plan with contributions paid being held individually for each employee and independently administered by the insurance company.

The pension contribution for the period was £531k.

(b) In addition the group operates a defined benefit scheme. The scheme was closed to new employees in 1993 and in addition the scheme also became closed to future accrual of pensions as from 31 December 2004. The assets of the scheme are held separately from those of the group, being mainly invested in managed funds.

The pension charge for the period was £Nil.

Based upon actuarial advice, the financial assumptions used in calculating the scheme's liabilities and the total value of these liabilities under FRS17 are:

	2015	2014
Rate of increases of pensions in payment	3.00%	3.00%
Expected return on scheme assets	6.90%	7.00%
Discount rate	4.00%	4.50%
Rate of inflation (RPI)	3.30%	3.20%
Rate of increase in deferred pensions	5.00%	5.00%
Pre retirement mortality (non-pensioners)	S1PA CMI 2013 [0.5%]	S1PA CMI 2013 [1.0%]
Post retirement mortality (non-pensioners)	S1PA CMI 2013 [0.5%]	S1PA CMI 2013 [1.0%]
Post retirement mortality (pensioners)	S1PA CMI 2013 [0.5%]	S1PA CMI 2013 [1.0%]

The expected return on the scheme assets is based on market conditions at the beginning of the financial period for returns over the life of the relevant obligation.

It is necessary to consider both the existing investment strategy as well as the development of the strategy as the scheme matures. This requires the consideration of the composition of the scheme's assets as well as the potential returns on different asset classes.

32 DEFINED BENEFIT PENSION SCHEME (continued)

The fair value of assets in the defined benefit pension scheme and the expected rates of return on each class, together with the overall net deficit between the assets of the group's defined benefit pension scheme and the actuarial liabilities of the scheme at 4 July 2015 are as follows:

	2015		2014	
	% of scheme assets	Value at 28/06/2014 £'000s	% of scheme assets	Value at 28/06/2014 £'000s
Equities	61%	16,129	6%	1,706
Diversified Growth Fund	8%	2,121	77%	20,612
Gilts	11%	2,945	1%	169
Corporate bonds	11%	2,795	9%	2,567
Property - direct	4%	1,080	4%	1,080
Property - indirect	5%	1,202	2%	523
Cash and other	0%	13	1%	121
Total market value of assets		26,285		26,778
Present value of scheme liabilities		(40,520)		(37,534)
Deficit in scheme		(14,235)		(10,756)
Related deferred tax asset		2,847		2,259
Net pension liability		(11,388)		(8,497)

No contributions, against the net pension liability, were made to the scheme during the period (2014: nil).

The fair value of assets is based on the post settlement valuation.

Following discussions in 2014 with the pension trustees the company has agreed a 25 year contribution schedule which includes a three year payment holiday until July 2016.

There were no amounts (charged) / credited to the operating loss during the period under FRS 17 (2014: nil).

The amounts (charged) / credited to other finance (costs) / income during the period under FRS 17 amounted to:

	2015 £'000s	2014 £'000s
Expected return on pension scheme assets	1,863	1,772
Interest on pension scheme assets / liabilities	(1,656)	(1,625)
Total finance (costs) / income	207	147
Actual return on scheme assets	985	1,773

32 DEFINED BENEFIT PENSION SCHEME (continued)

The amounts recognised in the statement of total recognised gains and losses during the period under FRS 17 amounted to:

	2015 £'000s	2014 £'000s
Actual return less expected return on pension scheme assets	(878)	1
Experience adjustment to scheme liabilities	-	(876)
Adjustment due to changes in assumptions	(2,808)	(296)
	(3,686)	(1,171)

The changes in the present value of the scheme liabilities are as follows:

	2015 £'000s	2014 £'000s
Acquisitions	37,534	36,301
Interest cost	1,656	1,625
Actuarial loss	2,808	1,172
Benefits paid	(1,478)	(1,564)
Closing scheme liabilities	40,520	37,534

The changes in the fair value of the scheme assets are as follows:

	2015 £'000s	2014 £'000s
Acquisitions	26,778	26,569
Expected return	1,863	1,772
Actuarial gain / (loss)	(878)	1
Employer contributions	-	-
Benefits paid	(1,478)	(1,564)
Closing scheme assets	26,285	26,778

Amounts for the current and previous four periods, for historical information purposes, are as follows:

	2015 £'000s	2014 £'000s	2013 £'000s	2011 £'000s	2010 £'000s
Present value of scheme liabilities	(40,520)	(37,534)	(36,301)	(34,923)	(33,104)
Fair value of scheme assets	26,285	26,778	26,569	25,958	27,459
Deficit	(14,235)	(10,756)	(9,732)	(8,965)	(5,645)
Experience adjustments on scheme liabilities	-	(876)	-	2,784	1,858
Experience adjustments on scheme assets	-	-	375	(2,336)	1,178
Total actuarial gains and losses recognised in the statement of total recognised gains and losses	(3,686)	(1,171)	(1,051)	(3,680)	1,572

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses since adoption of FRS 17 is £7,731 (2014: losses £4,045k).

32 DEFINED BENEFIT PENSION SCHEME (continued)

The amounts recognised in the statement of total recognised gains and losses during the period under FRS 17 amounted to:

	2015 £'000s	2014 £'000s
Actual return less expected return on pension scheme assets	(878)	1
Experience adjustment to scheme liabilities	-	(876)
Adjustment due to changes in assumptions	(2,808)	(296)
	(3,686)	(1,171)

The changes in the present value of the scheme liabilities are as follows:

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