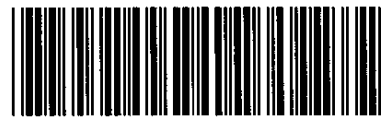


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# ARCHANT

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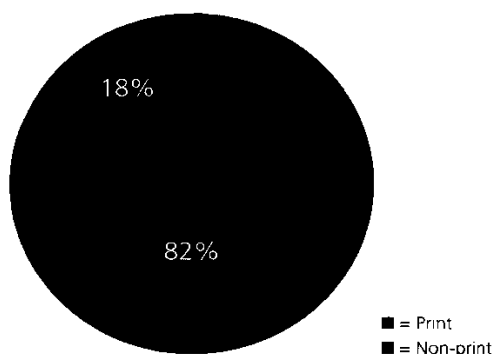
**ARCHANT  
LIMITED**

ANNUAL  
REPORT  
2017

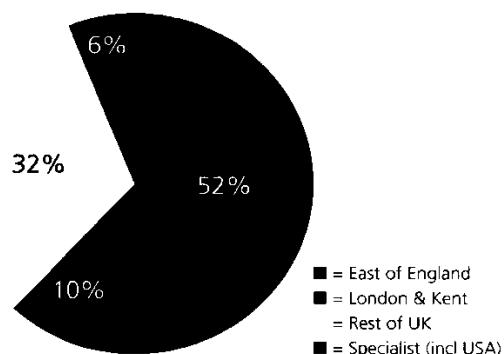
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## ARCHANT AT A GLANCE

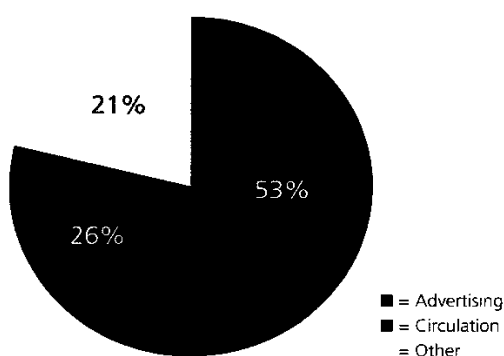
REVENUE BY MEDIUM 2017



REVENUE BY AUDIENCE GROUP 2017

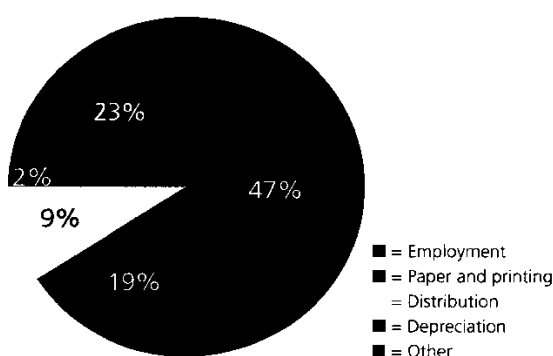


REVENUE BY TYPE 2017

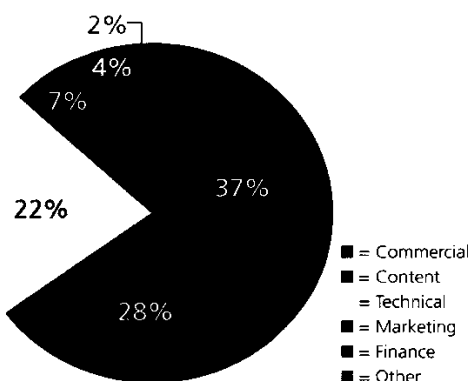


OPERATING COSTS 2017

INCLUDED IN UNDERLYING OPERATING PROFIT



FULL TIME EQUIVALENT STAFF NUMBERS 2017



AUDIENCE 2017



**DAILY NEWSPAPERS**  
over 56,000 copies per day



**WEEKLY NEWSPAPERS**  
over 780,000 copies per week



**MAGAZINES**  
over 633,000 copies per month



**DIGITAL AUDIENCE**  
over 33,800,000 pages viewed,  
and 8,700,000 unique visitors  
on average each month

## **ARCHANT LIMITED ANNUAL REPORT 2017**

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## STRATEGIC REPORT

The Directors present their Strategic report for the year ended  
31 December 2017

### PRINCIPAL ACTIVITIES

The parent company's ("the Company") principal activity is that of a holding company for the Archant group of companies ("the Group").

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

### REVIEW OF THE BUSINESS

The business continues to operate in an increasingly fragmented media landscape; its localness and understanding of its audiences and customers, together with its trusted relationship with these groups, remains one of its key strengths. During the year the Company sold Mustard TV for a stake in That's TV Group.

### KEY PERFORMANCE INDICATORS

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

|   | Reported      |         | Like-for-like |         |
|---|---------------|---------|---------------|---------|
|   | 2017          | 2016    | 2017          | 2016    |
| Total revenue                               | <b>£96.6m</b> | £109.5m | <b>£95.5m</b> | £107.1m |
| Advertising and other revenue (inc digital) | <b>£72.0m</b> | £82.8m  | <b>£70.9m</b> | £80.4m  |
| Circulation revenue                         | <b>£24.6m</b> | £26.7m  | <b>£24.6m</b> | £26.7m  |
| Subscriptions (% of magazine copy sales)    | <b>55.5%</b>  | 54.1%   | <b>55.5%</b>  | 53.9%   |
| Digital revenue - classified                | <b>£2.3m</b>  | £2.7m   | <b>£2.3m</b>  | £2.7m   |
| Digital revenue - other                     | <b>£5.9m</b>  | £5.5m   | <b>£5.9m</b>  | £5.4m   |
| Operating costs*                            | <b>£92.5m</b> | £101.7m | <b>£90.8m</b> | £98.6m  |
| Operating profit*                           | <b>£4.1m</b>  | £7.8m   | <b>£4.7m</b>  | £8.4m   |
| Net funds                                   | <b>£8.7m</b>  | £15.4m  | <b>£8.7m</b>  | £15.4m  |
| Web and mobile traffic (MUVs)               | <b>8.7m</b>   | 7.3m    | <b>8.7m</b>   | 6.9m    |

\*excluding items not included in underlying operating profit

### REVENUE

On a like-for-like basis, the reduction in ongoing revenues is 10.8% reflecting the challenging environment within the industry. On an as-reported basis revenue decreased from £109.5m in 2016 to £96.6m in 2017, a reduction of 11.8% before allowing for the impact of the disposal of Mustard TV plus the closure of some titles within the Kent and London portfolio, which accounted for £1.1m of revenue in 2017.

### ADVERTISING AND OTHER REVENUE

Advertising and other revenue fell by 11.8% on a like-for-like basis. This fall in revenues was caused by a reduction in advertising in both newspapers (15.5%) and magazines (12.4%). Other revenue (including external printing and events, but excluding digital) declined by 8.5% on a like-for-like basis in 2017 as marginal and supplementary activities were reprioritised to focus on core trading.

## STRATEGIC REPORT continued

### CIRCULATION AND SUBSCRIPTIONS

Newspaper circulation revenue fell 8.9% to £17.8m, and magazine circulation revenue fell 4.8% to £6.8m. Subscription revenue fell 1.1% to £3.8m. Subscription sales as a percentage of copies on a like-for-like basis increased to 55.5% from 54.1% following improvements in absolute subscriptions sales and declines in the retail sales copies.

### DIGITAL ACTIVITY

Revenue from like-for-like online activities has grown by 1.6% to £8.2m. This is underpinned by rapid growth in the key drivers of digital presence – audience. Unique visitors to our fixed and mobile sites on a like-for-like basis grew to 8.7m from 6.9m in 2016 and there were, on average, 33.8 million Archant fixed and mobile site page views each month. When the legacy classified business is excluded the like-for-like growth is 10.0%, mainly driven by revenue from content display and the expansion of the targeted display proposition GoTarget.

### OPERATING COSTS

The directors continue to aim to balance investment with good cost management. Operating costs were reduced by 9.0% to £92.5m (8.0% on a like-for-like basis) with ongoing employment costs down by 14.5% and printing and paper costs falling by 7.0% compared to the prior year.

### OPERATING PROFIT

Underlying operating profit reduced by 48% to £4.1m as revenues fell more than cost savings.

### ITEMS NOT INCLUDED IN UNDERLYING OPERATING PROFIT

Items not included in underlying operating profit reduced from £13.4m to £3.3m. This included amortisation of intangible fixed assets of £2.3m (2016: £2.8m) and impairment of intangible fixed assets of £2.1m (2016: £4.6m). Also included are the profit relating to the sale of freehold property (net of associated costs) £4.0m, potential interest in respect of past corporation tax liabilities (£0.7m) and restructuring costs of £2.1m (2016: £1.9m).

The Group is required to review the carrying value of its intangible assets annually to determine whether events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying value is assessed using forecast cash flows, discounted in line with the Group's cost of capital. A total charge of £2.1m (2016: £4.6m) has been recorded against cash generating units where the value in use or recoverable amount was lower than their carrying value.

### PENSIONS

The Group operates a defined contribution pension scheme. The defined benefit scheme having been closed to future accrual during 2016. The assets and liabilities of the defined benefit scheme are valued by an independent actuary at the end of each financial year for accounting purposes. The overall deficit in the pension fund has decreased from £37.3m to £29.0m during 2017 as a result of contributions made by the Company, improving economic market conditions on assets within the scheme and the estimated future liabilities. The Group continues to look at options to mitigate our exposures in this area. Further details are provided in the risk and uncertainties section of this Strategic report.

## STRATEGIC REPORT continued

### TAXATION

During the year the disputed tax matters in respect of licensing and discounted convertible loan notes, dating back to 2003, were settled, with related interest, with HMRC. The Group continues to actively provide information to support its position in respect of the one remaining item which dates back to a group restructuring in 2011. At 31 December 2016, the Group had provided for these liabilities as deferred tax but was in correspondence with HMRC concerning the appropriate classification of these liabilities. Following correspondence with HMRC during the year, the Group has fully provided for these liabilities as current tax, together with accrued interest.

### NET DEBT AND CASH FLOW

At 31 December 2017 the Group had net funds of £8.7m (2016: £15.4m) having generated £8.0m of cash during the year, including the sale of the Ilford property and after paying tax and interest of £14.9m relating to historic disputed tax liabilities. The Group maintains sufficient debt headroom to ensure it can meet all its cash liabilities. The Group's current banking facilities are in place until June 2019.

### NET ASSETS

Net assets increased in the year by £3.3m to £12.7m. The loss in the year was £1.0m, which was transferred to reserves. Other movements on reserves included an increase of £5.7m arising from a decrease in the pension deficit, a reduction of £0.5m from an increase in deferred taxation on property valuations and a reduction of £0.8m from the fair values of listed and unlisted investments.

### FUTURE DEVELOPMENTS

Save for the sale of Mustard TV, there have not been any significant changes in the Group's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Group's activity in the next year.

## STRATEGIC REPORT continued

### PRINCIPAL RISKS AND UNCERTAINTIES

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

| Risk  | Potential impact   | Mitigating actions   |
|---|--|--|
| <b>FINANCE RISK</b>   |  |  |
| The Group manages its liquidity risk through committed short-term and long-term finance facilities at a level to meet the Group's anticipated funding requirements. These finance facilities require certain financial covenants to be met including profit and cash covenants. | If covenants are not met, the Group may be forced to renegotiate its finance facilities with its lenders.  | The Group's banking facilities were renewed in July 2015 and expire in June 2019. The Group's forecasts and expectations demonstrate that it can operate within the terms of these facilities, including its financial covenants.<br><br>Further, any cash outflows that may arise as a result of outstanding tax matters can be accommodated within the current finance facilities. Compliance with facilities is monitored on a monthly basis and reported quarterly to banks.                                 |
| <b>LIFESTYLE CHANGES AFFECTING AUDIENCES</b>  |  |  |
| Circulation volumes for print titles are under pressure due to changes to lifestyles and in the multimedia landscape.   | Circulations for print titles do not achieve target, resulting in loss of circulation revenues. The reduced audience could also lead to a loss of advertising revenue. | The Group aims to provide high quality editorial content in all its products to provide appropriate quality and value for its audience to encourage repeat purchases. It promotes loyalty schemes and subscriptions to encourage increased frequency of purchase. The Group has continued to develop and improve news websites, including tailoring to mobile devices, increasing frequency of updates and implementing apps. Cover price increases may be an opportunity to mitigate circulation volume losses. |

## STRATEGIC REPORT *continued*

| Risk  | Potential impact  | Mitigating actions  |
|---|---|---|
| <b>CHANGES IN MARKETING EXPENDITURE</b>   |   |   |
| The changing media needs of our advertisers are putting pressure on print advertising revenues.   | Advertising revenues do not achieve target.   | <p>The Group is continuing to invest in the quality, structure and training of its sales teams and to create a more customer-centric organisation, to ensure that customer revenue opportunities are optimised. Investment is continuing in digital brands, and in strengthening the Group's fixed web and mobile presence. It also continuously seeks to find and develop new online and mobile technology revenue sources.</p> <p>The Group reviews economic, industry and other relevant data to evaluate future revenue trends and to put appropriate plans in place.</p> |
| <b>DEFINED BENEFIT PENSION SCHEME DEFICIT</b>   |   |   |
| Regulatory changes, stock market fluctuations or changes in other core assumptions including interest rates, inflation and longevity may significantly impact the funding level of the defined benefit pension scheme, in turn impacting company contribution levels. | An adverse movement in any of the key assumptions may increase the deficit in the defined benefit pension scheme, resulting in a requirement for higher cash contributions. | <p>The pension deficit is carefully monitored and there are regular reviews with the trustees of the scheme. The Group 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. There are a number of factors which are outside the Group's control, including interest rates, inflation rates, life expectancy and regulatory change.</p>   |



# STRATEGIC REPORT continued

| Risk  | Potential impact   | Mitigating actions  |
|---|--|---|
| <b>ORGANISATIONAL STRUCTURE AND RETENTION OF KEY PEOPLE</b>   |  |   |
| The ability to execute and implement the Group's strategic and business plans relies on the appropriate Group structure, culture and key people. Salary and bonus levels for senior managers could fall below market levels and key staff leave. The ability to recruit quality staff may also be impaired. | Key staff leaving could lead to a loss of leadership, industry knowledge and experience and customer and supplier relationships.                                   | The Group has a succession plan in place and reviews it regularly together with market rates for salaries. The Group promotes a culture of continuous improvement. The Group has a rigorous recruitment process, including recruitment from outside traditional publishing areas, and is actively engaged in staff development and training.  |
| <b>TAXATION</b>   |  |   |
| The Group may not prevail in its current dispute with HMRC, dating back to 2011.  | Unsuccessful conclusion of the ongoing dispute may require settlement (in cash) of the full amount of tax and interest provided.                                   | The Group is working closely with its legal and tax advisors to resolve this matter with HMRC. The Group can accommodate any cash outflows that may arise as a result of this tax matter within its current bank facilities. The Group continues to generate cash which reduces the impact to the Group of any eventual tax payment on the Group's ability to fund growth and make dividend payments. |
| <b>BUSINESS CONTINUITY</b>  |  |   |
| The Group is dependent on technology in particular computer networks and software. A substantial failure for a sustained period may potentially adversely affect revenues or profits.   | Lack of robust systems or slow implementation of any recovery plan might impact the Group's ability to deliver products which could significantly impact earnings. | Business continuity plans are reviewed annually. The Group has full mirroring of core systems across two sites and uses cloud based services where appropriate. The Group 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,

**BG McCarthy**

Director

7 March 2018

## **DIRECTORS' REPORT**

The Directors present their report for the year ended 31 December 2017

### **DIRECTORS**

The following directors held office during the year:

S T Bax

S C Copeman

J L Henry

A J Hastings

B G McCarthy

D J M Hill

M J Walsh

foreseeable future. Accordingly the directors have continued to adopt the going concern basis in preparing the accompanying financial statements.

### **DIRECTORS' LIABILITIES**

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.

### **DIVIDENDS**

The directors do not propose a final dividend in respect of 2017 (2016: Nil). No interim dividend was paid during the year (2016: Nil).

### **GOING CONCERN**

The Group's business activities, together with the factors likely to affect its future development are described in the Strategic report on pages 4 to 9.

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 Group 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 and the Group have adequate resources to continue in operational existence for the

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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 International Financial Reporting Standards (IFRSs). 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 Group and the Company and of the profit or loss of the Group 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

## **DIRECTORS' REPORT** continued

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

The directors who were members of the board at the time of approving this report are listed on page 10. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirm that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditors are unaware; and
- they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

### **ANNUAL GENERAL MEETING**

The 2018 Annual General Meeting will be held at noon on 24 April 2018 at The Assembly House, Theatre Street, Norwich, NR2 1RQ.

By order of the Board,

**B G McCarthy**

Director

7 March 2018

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCHANT LIMITED

(Company number 4126997)

### OPINION

We have audited the financial statements of Archant Limited ('the Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of financial position, the Consolidated and Company statements of changes in equity, the Consolidated statement of cash flows and the related Consolidated notes 1 to 35 and Company notes C1 to C16 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Group and Parent 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 Group's or the Parent 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, 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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCHANT LIMITED

continued

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.

### OPINIONS ON OTHER MATTERS 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 Directors' report have been prepared in accordance with applicable legal requirements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent 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 in relation to which 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 Parent Company 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 10, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCHANT LIMITED**

continued

### **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.

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.

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.*

#### **Nick Gomer**

Senior statutory auditor  
for and on behalf of  
Ernst & Young LLP  
Statutory Auditor  
Cambridge  
**8 March 2018**

## CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2017

|  | Notes | 2017<br>£000   | 2016<br>£000 |
|--|-------|----------------|--------------|
| <b>REVENUE</b>   | 3     | <b>96,593</b>  | 109,477      |
| <b>OPERATING PROFIT/(LOSS)</b>                                     | 3     | <b>1,502</b>   | (5,332)      |
| Finance income   | 7     | <b>3</b>       | 26           |
| Finance costs  | 8     | <b>(870)</b>   | (473)        |
| Finance expense on pension liability                               | 35    | <b>(969)</b>   | (1,156)      |
| <b>LOSS BEFORE TAXATION</b>  |       | <b>(334)</b>   | (6,935)      |
| Income tax expense   | 9     | <b>(641)</b>   | 1,157        |
| <b>LOSS FOR THE YEAR</b>   |       | <b>(975)</b>   | (5,778)      |
| Attributable to:   |       |                |              |
| Equity shareholders of the Company                                 |       | <b>(975)</b>   | (5,778)      |
| Non-controlling interests  |       | -              | -            |
|  |       | <b>(975)</b>   | (5,778)      |
| <b>ITEMS NOT INCLUDED IN UNDERLYING PROFIT BEFORE TAX</b>          |       |                |              |
| Loss before taxation   |       | <b>(334)</b>   | (6,935)      |
| Adjusted for:  |       |                |              |
| Amortisation of intangible assets                                  | 4     | <b>2,272</b>   | 2,844        |
| Impairment of intangible assets, investments and loans             | 4     | <b>2,139</b>   | 4,566        |
| Fair value adjustments of unlisted investment and convertible loan | 4     | <b>(101)</b>   | 193          |
| Credit to income statement for prior year revaluation deficit      | 4     | -              | 236          |
| Past service cost on closure of defined benefit pension scheme     | 4     | -              | 3,263        |
| Restructuring and other exceptional costs                          | 4     | <b>2,239</b>   | 2,255        |
| Profits on disposals   | 4     | <b>(3,999)</b> | (215)        |
| Interest on potential corporation tax liabilities                  | 4     | <b>716</b>     | 304          |
| <b>UNDERLYING PROFIT BEFORE TAX</b>                                |       | <b>2,932</b>   | 6,511        |
| Statutory loss per share   |       |                |              |
| Basic  | 12    | <b>(7.0)</b>   | (41.6)       |
| Diluted  | 12    | <b>(7.0)</b>   | (41.6)       |
| Underlying earnings per share                                      |       |                |              |
| Basic  | 12    | <b>14.0</b>    | 39.8         |

The revenue and profit/(loss) presented above are derived from continuing operations.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2017

|   | Note | 2017<br>£000 | 2016<br>£000 |
|---|------|--------------|--------------|
| <b>Loss for the year</b>  |      | <b>(975)</b> | (5,778)      |
| <b>Other comprehensive income:</b>  |      |              |              |
| <b>Items to be reclassified to the consolidated income statement in subsequent periods:</b>                             |      |              |              |
| Exchange differences on translation of foreign operations   |      | 29           | (22)         |
| Net unrealised deficit on available-for-sale financial assets   |      | (791)        | (1,160)      |
| Income tax effect   |      | -            | 3            |
| <b>Net other comprehensive income to be reclassified to the consolidated income statement in subsequent periods</b>     |      | <b>(762)</b> | (1,179)      |
| <b>Items not to be reclassified to the consolidated income statement in subsequent periods:</b>                         |      |              |              |
| Actuarial gains/(losses) recognised on pension liability  | 35   | 6,891        | (3,826)      |
| Movement on deferred tax asset associated with pension liability  |      | (1,171)      | 689          |
| Change in deferred tax asset on pension liability arising from a change in the rate of corporation tax                  |      | (50)         | (202)        |
| Deferred tax on carrying value of intangible assets   | 9(a) | -            | 602          |
| Revaluation of land and buildings   |      | -            | 1,618        |
| Revaluation of land and buildings adjustments relating to prior years   | 9(a) | (508)        | -            |
| Deferred tax on revaluation of land and buildings   |      | 26           | (58)         |
| <b>Net other comprehensive income not to be reclassified to the consolidated income statement in subsequent periods</b> |      | <b>5,188</b> | (1,177)      |
| <b>Total comprehensive income for the year, net of tax</b>  |      | <b>3,451</b> | (8,134)      |
| <b>Attributable to:</b>   |      |              |              |
| Equity shareholders of the Company  |      | 3,451        | (8,134)      |



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2017

|   | Notes | 2017<br>£000  | 2016<br>£000 |
|---|-------|---------------|--------------|
| <b>NON-CURRENT ASSETS</b>                     |       |               |              |
| Intangible assets                             | 13    | 9,637         | 13,624       |
| Property, plant and equipment                 | 14    | 18,582        | 20,328       |
| Available-for-sale financial assets           | 15    | 3,244         | 3,931        |
| Deferred tax assets                           | 24    | 7,172         | 4,528        |
| Other receivables                             | 18    | 198           | 231          |
|   |       | <b>38,833</b> | 42,642       |
| <b>CURRENT ASSETS</b>                         |       |               |              |
| Inventories                                   | 17    | 793           | 848          |
| Trade and other receivables                   | 18    | 12,146        | 15,338       |
| Available-for-sale assets                     | 19    | -             | 3,700        |
| Cash and cash equivalents                     | 20    | 9,669         | 16,296       |
|   |       | <b>22,608</b> | 36,182       |
| <b>TOTAL ASSETS</b>                           |       | <b>61,441</b> | 78,824       |
| <b>CURRENT LIABILITIES</b>                    |       |               |              |
| Borrowings and overdrafts                     | 22    | 938           | 901          |
| Trade and other payables                      | 21    | 12,720        | 20,919       |
| Current tax liabilities                       |       | 5,224         | 9,335        |
| Provisions                                    | 23    | 105           | 406          |
|   |       | <b>18,987</b> | 31,561       |
| <b>NON-CURRENT LIABILITIES</b>                |       |               |              |
| Provisions                                    | 23    | 707           | 552          |
| <b>TOTAL LIABILITIES</b>                      |       | <b>19,694</b> | 32,113       |
| <b>NET ASSETS EXCLUDING PENSION LIABILITY</b> |       | <b>41,747</b> | 46,711       |
| Pension liability                             | 35    | 29,025        | 37,327       |
| <b>NET ASSETS INCLUDING PENSION LIABILITY</b> |       | <b>12,722</b> | 9,384        |
| <b>EQUITY</b>                                 |       |               |              |
| Called up share capital                       | 25    | 2,884         | 2,884        |
| Share premium account                         | 26    | 2,675         | 2,675        |
| Other reserves                                | 27    | 8,769         | 10,958       |
| Retained earnings                             | 28    | (1,606)       | (7,133)      |
| <b>TOTAL EQUITY</b>                           |       | <b>12,722</b> | 9,384        |

**S Bax**  
Chairman

**BG McCarthy**  
Director

7 March 2018

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017

|  | Note | Share capital<br>£000 | Share premium<br>£000 | Other reserves<br>£000 | Retained earnings<br>£000 | Total equity<br>£000 |
|--|------|-----------------------|-----------------------|------------------------|---------------------------|----------------------|
| <b>At 31 December 2015</b>                     |      | 2,879                 | 2,647                 | 10,630                 | 1,910                     | 18,066               |
| <b>Loss for the year</b>                       |      | -                     | -                     | -                      | (5,778)                   | (5,778)              |
| <b>Other comprehensive income:</b>             |      |                       |                       |                        |                           |                      |
| Actuarial losses on pension liability          | 35   | -                     | -                     | -                      | (3,826)                   | (3,826)              |
| Tax on pension liability                       |      | -                     | -                     | -                      | 487                       | 487                  |
| Deferred tax on intangible assets              |      | -                     | -                     | -                      | 602                       | 602                  |
| Revaluation of freehold property               |      | -                     | -                     | 1,560                  | -                         | 1,560                |
| Fair value of listed and unlisted investments  |      | -                     | -                     | (1,157)                | -                         | (1,157)              |
| Foreign currency translation                   |      | -                     | -                     | (22)                   | -                         | (22)                 |
| <b>Other comprehensive income</b>              |      | -                     | -                     | 381                    | (2,737)                   | (2,356)              |
| <b>Total comprehensive income</b>              |      | -                     | -                     | 381                    | (8,515)                   | (8,134)              |
| Purchase of own shares held by employee trusts |      | -                     | -                     | (5)                    | -                         | (5)                  |
| Issue of share capital                         |      | 5                     | 28                    | -                      | -                         | 33                   |
| Credit to equity for share-based payment       |      | -                     | -                     | 81                     | -                         | 81                   |
| Forfeited dividends                            |      | -                     | -                     | -                      | 37                        | 37                   |
| Equity dividends paid                          |      | -                     | -                     | -                      | (694)                     | (694)                |
| Depreciation transfer for freehold property    |      | -                     | -                     | (129)                  | 129                       | -                    |
| <b>At 31 December 2016</b>                     |      | 2,884                 | 2,675                 | 10,958                 | (7,133)                   | 9,384                |
| <b>Loss for the year</b>                       |      | -                     | -                     | -                      | (975)                     | (975)                |
| <b>Other comprehensive income:</b>             |      |                       |                       |                        |                           |                      |
| Actuarial gains on pension liability           | 35   | -                     | -                     | -                      | 6,891                     | 6,891                |
| Tax on pension liability                       |      | -                     | -                     | -                      | (1,221)                   | (1,221)              |
| Revaluation of freehold property               |      | -                     | -                     | -                      | (482)                     | (482)                |
| Fair value of listed and unlisted investments  |      | -                     | -                     | (791)                  | -                         | (791)                |
| Foreign currency translation                   |      | -                     | -                     | 29                     | -                         | 29                   |
| <b>Other comprehensive income</b>              |      | -                     | -                     | (762)                  | 5,188                     | 4,426                |
| <b>Total comprehensive income</b>              |      | -                     | -                     | (762)                  | 4,213                     | 3,451                |
| Purchase of own shares held by employee trusts |      | -                     | -                     | (8)                    | -                         | (8)                  |
| Sale of own shares held by employee trusts     |      | -                     | -                     | 14                     | -                         | 14                   |
| Debit to equity for share-based payment        |      | -                     | -                     | (119)                  | -                         | (119)                |
| Realised on disposal of freehold property      |      | -                     | -                     | (1,193)                | 1,193                     | -                    |
| Depreciation transfer for freehold property    |      | -                     | -                     | (121)                  | 121                       | -                    |
| <b>At 31 December 2017</b>                     |      | 2,884                 | 2,675                 | 8,769                  | (1,606)                   | 12,722               |

## CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2017

|  | Note | 2017<br>£000   | 2016<br>£000 |
|--|------|----------------|--------------|
| Cash flow from operating activities                      | 30   | 855            | 4,282        |
| Income tax paid  |      | (9,099)        | (152)        |
| <b>Net cash (used)/generated in operating activities</b> |      | <b>(8,244)</b> | 4,130        |
| <b>Cash flows from investing activities</b>              |      |                |              |
| Purchase of intangible assets                            |      | (424)          | (94)         |
| Purchase of property, plant and equipment                |      | (416)          | (2,835)      |
| Sale of property, plant and equipment                    |      | 7,718          | 2,388        |
| Dividends received on unlisted investments               |      | -              | 1            |
| Purchase of unlisted investments and convertible loan    |      | (4)            | (193)        |
| Interest received  |      | 3              | 25           |
| <b>Net cash generated/(used) in investing activities</b> |      | <b>6,877</b>   | (708)        |
| <b>Cash flows from financing activities</b>              |      |                |              |
| Interest paid  |      | (5,279)        | (141)        |
| Issue of ordinary share capital                          |      | -              | 33           |
| Equity dividends paid                                    |      | -              | (694)        |
| Forfeited dividends                                      |      | -              | 37           |
| Sale of own shares                                       |      | 14             | -            |
| Purchase of own shares                                   |      | (6)            | (5)          |
| <b>Net cash used in financing activities</b>             |      | <b>(5,271)</b> | (770)        |
| Net cash (outflow)/inflow from activities                |      | (6,638)        | 2,652        |
| Amortisation of loan issue costs                         |      | (26)           | (26)         |
| Net movement in cash and cash equivalents                |      | (6,664)        | 2,626        |
| <b>Opening cash and cash equivalents</b>                 |      | <b>15,395</b>  | 12,769       |
| <b>Closing cash and cash equivalents</b>                 |      | <b>8,731</b>   | 15,395       |

### MOVEMENTS IN NET FUNDS

|                                  | At 31<br>December<br>2016<br>£000 | Cash flow<br>£000 | Other non<br>cash changes<br>£000 | At 31<br>December<br>2017<br>£000 |
|----------------------------------|-----------------------------------|-------------------|-----------------------------------|-----------------------------------|
| <b>Cash and cash equivalents</b> | 16,296                            | (6,627)           | -                                 | 9,669                             |
| EBT overdraft                    | (966)                             | (11)              | -                                 | (977)                             |
| Loan issue costs                 | 65                                | -                 | (26)                              | 39                                |
| <b>Bank loans and overdrafts</b> | (901)                             | (11)              | (26)                              | (938)                             |
| <b>Net funds</b>                 | 15,395                            | (6,638)           | (26)                              | 8,731                             |

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# ARCHANT ANNUAL REPORT 2017

Notes to the consolidated financial statements for the year ended 31 December 2017

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## 1 CORPORATE INFORMATION

The consolidated financial statements of Archant Limited and its subsidiaries (collectively the Group) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 22 February 2018. Archant Limited (the Company or the parent) 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 Group's principal activity during the year continued to be primarily UK based and comprise a single trade of publishing content, predominantly in print, online, through mobile technologies, live events, television and printing.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

These policies have been consistently applied to *all the years presented unless otherwise stated*.

### STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The following standards and interpretations have an effective date after the date of these financial statements but the Group has not early adopted them and plans to adopt them from the effective dates adopted by the EU.

#### IFRS 9 Financial Instruments (effective 1 January 2018)

Under IFRS 9 the Group is required to modify its bad debt policy to recognise that all debts carry a bad debt risk from the date of inception. The Group has calculated the level of provision required under IFRS 9 based on historical evidence. Under this revised basis, the bad debt provision at 31 December 2017 would have been £5,000 lower than under the policy currently adopted. The Group will adopt IFRS 9 with effect from 1 January 2018.

#### IFRS 15 Revenue from contracts with customers (effective 1 January 2018)

The Group does not expect any significant changes for the recognition of revenues under IFRS 15.

#### IFRS 16 Leases (effective 1 January 2019)

Under IFRS 16 the Group will be required to capitalise assets held under operating leases and to recognise the corresponding lease obligations. The Group will also be required to recognise depreciation charges on those

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

assets and financing costs for the leasing obligations, rather than the operating lease rentals currently recognised

There are three options for the methodology of implementing IFRS 16. The Group has only assessed the impact of the simplest option to implement, which has a higher adverse impact on the income statement than the other two available options.

Under the option assessed, if the Group had adopted IFRS 16 for 2017, the initial estimate of the impact on the Group income statement and statement of financial position is:

### Income statement:

|                                | £000    |
|--------------------------------|---------|
| Depreciation charges           | (1,653) |
| Operating lease rentals        | 1,904   |
| Financing cost                 | (373)   |
| Net impact on income statement | (122)   |

### Statement of financial position:

|                      | £000    |
|----------------------|---------|
| Fixed assets         | 4,422   |
| Leasing obligations  | (4,544) |
| Impact on net assets | (122)   |

### BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings drawn up to 31 December each year.

### SUBSIDIARY UNDERTAKINGS

Subsidiary undertakings are all entities over which the Group has control. Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for each acquisition

is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group and includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Intra-group transactions, balances and unrealised gains are eliminated on consolidation.

The accounting policies of subsidiary undertakings are consistent with the policies adopted by the Group.

### AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise listed and unlisted equity investments and 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 and are subsequently measured at fair value. Unrealised gains or losses are 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 Consolidated 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### INTANGIBLE 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 since 1 January 1998 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 impairment losses. Internally generated newspaper and magazine titles 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 and in accordance with IFRS 3 'Business combinations' is not amortised.

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 Group 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.

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 Consolidated 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 13.

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.

## 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued

### **(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.

performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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

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

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 and expenditure incurred in research is charged to the Consolidated 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.

An annual transfer is made from the revaluation reserve to retained earnings for the difference between depreciation based on the carrying amount of the revalued assets and that based on the revalued assets' original cost. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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

|                              |                        |
|------------------------------|------------------------|
| Freehold buildings           | 35 years               |
| Leasehold buildings          | Period of lease        |
| Plant and machinery          | Between 5 and 15 years |
| Other equipment and vehicles | Between 3 and 7 years  |

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no

### **PROPERTY, PLANT AND EQUIPMENT**

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings are stated at fair value comprising periodic valuations by an external independent valuer, with subsequent additions stated at cost. Valuations are

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued

future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the Consolidated income statement in the period of derecognition.

### **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. Vehicle rebates due under separate contract are recognised at the end of the period in which they remain repayable to the manufacturer under the terms of the contract.

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.

### **INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

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

### **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 Consolidated 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.

### **PROVISIONS**

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

### FOREIGN CURRENCY TRANSACTIONS

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

Foreign currency transactions are translated into the presentation 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, including cash and cash equivalents, denominated in foreign currencies are recognised in the Consolidated income statement.

#### (c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates; and

- (c) all resulting exchange differences are recognised in other comprehensive income.

### 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 Group have the right of net settlement.

For the purpose of the Consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### 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 Consolidated income statement, based on the effective interest rate of the associated borrowings.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued

### **PENSIONS**

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

The defined benefit pension scheme ("the Scheme") operated by the Group 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 Consolidated 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 Consolidated 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 Consolidated statement of comprehensive income in the period in which they occur.

The Scheme asset or liability in the consolidated 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 Group also makes provision for the capital value of unfunded pensions to certain current and former employees in accordance with independent actuarial advice.

### **SEGMENT REPORTING**

The Group's activities are primarily UK based and comprise a single trade of publishing content, predominantly in print, online, through mobile technologies, live events, television and printing.

### **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 Group's activities. Revenue is shown net of value added tax, trade discounts and anticipated returns after eliminating sales within the Group.

The Group 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 Group's activities as follows:

- Advertising and circulation revenues are recognised on publication or display.
- Subscription revenues are recognised over the periods to which the subscriptions relate.
- Printing and contract publishing revenues are recognised on delivery of the publication.
- Other revenues are recognised when the goods or services have been supplied or provided to the customer, and there is a contractual obligation for the customer to pay for those goods or services.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### SHARE-BASED PAYMENTS – 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 (Note 5), 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 Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss expense or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

### ITEMS NOT INCLUDED IN UNDERLYING OPERATING PROFIT

The directors believe that the underlying profit and earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These measures are consistent with how underlying business performance is measured internally. The underlying profit before tax measure is not a recognised profit measure under IFRS 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 properties;
- amortisation of intangible assets;
- impairment of intangible assets, investments and loans;
- restructuring costs;
- costs relating to strategy changes that are not considered normal operating costs of the underlying business; and

- other significant and one-off items of income and expense that distort underlying trading.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### *Pensions*

Pension accounting requires certain assumptions to be made in order to value our obligations and to determine the charges to be made to the Consolidated 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 35.

#### *Provisions*

Provisions recognised at the balance sheet date are detailed in Note 23 and include amounts for property provisions including dilapidations, and for restructuring costs.

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.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued

### ***Impairment***

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

### ***Income tax liabilities and accrued interest on income tax liabilities***

The Group is in correspondence with HMRC concerning disputed corporation tax liabilities for 2011 and subsequent years. At 31 December 2016, the Group had provided for these liabilities as deferred tax but was in correspondence with HMRC concerning the appropriate classification of these liabilities. Following correspondence with HMRC during the year, the Group has fully provided for these liabilities as current tax, together with accrued interest. The judgemental nature of these items means that future amounts settled, and the timing of those payments, may be different from those provided.

### 3 OPERATING PROFIT/(LOSS)

|   | Notes | 2017<br>£000  | 2016<br>£000   |
|---|-------|---------------|----------------|
| Advertising revenue   |       | 51,300        | 60,570         |
| Circulation revenue   |       | 24,594        | 26,668         |
| Other revenues  |       | 20,699        | 22,239         |
| <b>Revenue from continuing operations</b>                               |       | <b>96,593</b> | <b>109,477</b> |
| <b>Underlying operating costs</b>                                       |       |               |                |
| Raw materials and consumables   |       | 7,885         | 8,482          |
| Staff costs   | 5     | 43,243        | 53,221         |
| Depreciation of property, plant and equipment                           | 14    | 2,121         | 2,549          |
| Loss on disposal of property, plant and equipment                       |       | 21            | 21             |
| Other operating expenses  |       | 39,271        | 37,394         |
| <b>Underlying operating costs</b>                                       |       | <b>92,541</b> | <b>101,667</b> |
| <b>Underlying operating profit</b>                                      |       | <b>4,052</b>  | <b>7,810</b>   |
| <b>Items not included in underlying operating profit</b>                |       |               |                |
| Amortisation of intangible assets                                       | 4     | 2,272         | 2,844          |
| Impairment of intangible assets, investments and loans                  | 4     | 2,139         | 4,566          |
| Fair value adjustments against unlisted investment and convertible loan |       | (101)         | 193            |
| Property revaluation increase set against prior year deficit            | 4     | -             | 236            |
| Past service cost on closure of defined benefit pension scheme          | 4     | -             | 3,263          |
| Restructuring and other exceptional costs                               | 4     | 2,239         | 2,255          |
| Profits on disposals of freehold property and subsidiary undertakings   | 4     | (3,999)       | (215)          |
| <b>Items not included in underlying operating profit</b>                |       | <b>2,550</b>  | <b>13,142</b>  |
| <b>Operating profit/(loss)</b>  |       | <b>1,502</b>  | <b>(5,332)</b> |

#### PROFIT/(LOSS) BEFORE TAXATION

The following items have been included in arriving at profit/(loss) before taxation:

|   | Note | 2017<br>£000 | 2016<br>£000 |
|---|------|--------------|--------------|
| <b>Cost of inventories recognised as an expense</b> |      | <b>7,885</b> | <b>8,482</b> |
| <b>Trade receivables impairment</b>                 | 18   | <b>191</b>   | <b>93</b>    |
| <b>Operating lease rentals payable</b>              |      |              |              |
| • property  |      | 1,246        | 1,090        |
| • plant and equipment                               |      | 1,267        | 1,612        |
| <b>Sub-lease income</b>                             |      |              |              |
| • property  |      | 47           | 46           |
| <b>Auditor's remuneration:</b>                      |      |              |              |
| • Audit – parent company and consolidation          |      | 39           | 35           |
| • Audit – subsidiaries                              |      | 60           | 60           |
| • Tax compliance                                    |      | 23           | 68           |
| <b>Net foreign exchange differences</b>             |      | <b>(24)</b>  | <b>(17)</b>  |

## 4 ITEMS NOT INCLUDED IN UNDERLYING OPERATING PROFIT

|   | Notes | 2017<br>£000   | 2016<br>£000    |
|---|-------|----------------|-----------------|
| Past service cost on closure of defined benefit pension scheme          |       | -              | (3,263)         |
| Amortisation of intangible assets                                       | 13    | (2,272)        | (2,844)         |
| Impairment of intangible assets   | 13    | (2,139)        | (4,566)         |
| Fair value adjustments against unlisted investment and convertible loan | 15,33 | 101            | (193)           |
| Property revaluation increase set against prior year deficit            |       | -              | (236)           |
| Restructuring costs   |       | (2,125)        | (1,871)         |
| Property portfolio rationalisation                                      |       | (91)           | (325)           |
| Professional fees in relation to potential corporation tax liabilities  |       | (23)           | (59)            |
| Loss on disposal of subsidiary undertaking                              | 16    | (39)           | -               |
| Profit on disposal of freehold property                                 | 19    | 4,038          | 215             |
| <b>Recognised in operating profit</b>                                   |       | <b>(2,550)</b> | <b>(13,142)</b> |
| Interest on potential corporation tax liabilities                       | 8     | (716)          | (304)           |
| <b>Total</b>  |       | <b>(3,266)</b> | <b>(13,446)</b> |

### RESTRUCTURING COSTS

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.

### PROPERTY PORTFOLIO RATIONALISATION

The Group decided to divest its freehold properties in Ipswich and Ilford, and has incurred costs in relation to the exits from, and future disposals of these properties, and further costs in sourcing and acquiring replacement rented accommodation.

### PROFESSIONAL FEES INCURRED IN RELATION TO POTENTIAL CORPORATION TAX LIABILITIES

These costs relate to the long standing tax dispute with HMRC dating back to 2003. As noted in the 2016 financial statements, the Group had provided for the maximum corporation tax liabilities that may be incurred as a result of a challenge by HMRC in respect of licensing agreements together with the accrued interest on these potential corporation tax liabilities. All corporation tax liabilities and interest due for financial years up to 2010 have been settled in full during 2017.

All non-recurring items recognised in the Consolidated income statement arise from the continuing operations of the Group.

## 5 STAFF COSTS

| Average monthly number of staff           | 2017         | 2016         |
|---|--------------|--------------|
| Publishing, printing and media activities | 1,424        | 1,489        |
| Group head office                         | 16           | 21           |
|   | 1,440        | 1,510        |
| <b>Full time equivalents</b>              | <b>1,262</b> | <b>1,428</b> |

|   | Notes | 2017<br>£000 | 2016<br>£000 |
|---|-------|--------------|--------------|
| <b>Pay and benefits</b>   |       |              |              |
| Wages and salaries  |       | 35,947       | 41,566       |
| Social security costs   |       | 3,804        | 4,186        |
| Other pension costs   |       | 3,648        | 4,098        |
| Share based payments  | 6     | (156)        | 108          |
|   |       | 43,243       | 49,958       |
| Exceptional past service cost on closure of defined benefit pension scheme      | 35    | -            | 3,263        |
|   |       | 43,243       | 53,221       |
| Costs included in other pension costs in respect of defined contribution scheme |       | 2,582        | 2,487        |

### KEY MANAGEMENT COMPENSATION

Included above are the following amounts in respect of key management compensation:

|                                 | Note | 2017<br>£000 | 2016<br>£000 |
|---------------------------------|------|--------------|--------------|
| <b>Pay and benefits</b>         |      |              |              |
| Wages and salaries              |      | 1,517        | 1,693        |
| Performance related bonuses     |      | 254          | 600          |
| Other benefits                  |      | 87           | 75           |
| Compensation for loss of office |      | 104          | 164          |
| Social security costs           |      | 296          | 354          |
| Other pension costs             |      | 107          | 135          |
| Share based payments            | 6    | (156)        | 108          |
|                                 |      | 2,209        | 3,129        |

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**ARCHANT ANNUAL REPORT 2017**Notes to the consolidated financial statements for the year ended 31 December 2017

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**5 STAFF COSTS** continued**DIRECTORS' REMUNERATION**

|   | <b>2017</b> | 2016  |
|---|-------------|-------|
|   | <b>£000</b> | £000  |
| Aggregate remuneration in respect of qualifying services      | <b>955</b>  | 1,054 |
| Company contributions to defined contribution pension schemes | -           | 7     |
|   | <b>955</b>  | 1,061 |

**IN RESPECT OF THE HIGHEST PAID DIRECTOR**

|                        | <b>2017</b> | 2016 |
|------------------------|-------------|------|
|                        | <b>£000</b> | £000 |
| Aggregate remuneration | <b>499</b>  | 561  |

|   | <b>2017</b>    | 2016    |
|---|----------------|---------|
|   | <b>Number</b>  | Number  |
| Number of directors who received shares in respect of qualifying services   | <b>Nil</b>     | Nil     |
| Number of options awarded to directors under the 2011 LTIP                  |                |         |
| Total number of options awarded to directors at 1 January                   | <b>295,000</b> | 245,000 |
| Options awarded in the year   | <b>50,000</b>  | 50,000  |
| Total number of options awarded to directors at 31 December                 | <b>345,000</b> | 295,000 |
| Number of directors who exercised share options                             | <b>Nil</b>     | Nil     |
| Number of directors accruing benefits under defined benefit pension schemes | <b>Nil</b>     | Nil     |



## 6 SHARE-BASED PAYMENTS

The Group operates a Long-Term Incentive Plan, a Joint Share Ownership Plan and a Share Incentive Plan all of which may result in eligible employees of the Group receiving part of their remuneration in the form of shares in the Company ('equity-settled transactions').

The credit recognised in wages and salaries for share-based payments in respect of employee services received during the year ended 31 December 2017 is £156,000 (2016: expense £108,000).

### 2011 LONG-TERM INCENTIVE PLAN (2011 LTIP)

The 2011 LTIP was approved by shareholders at the AGM on 13 April 2011.

In 2015, 2016 and 2017, 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 Share Options subject to the Bonus Award on the Grant Date.

### Share options issued under the 2011 LTIP

|  | Approved share options |                                   | Unapproved share options |                                   |
|--|------------------------|-----------------------------------|--------------------------|-----------------------------------|
|  | Number of shares       | Weighted average exercise price £ | Number of shares         | Weighted average exercise price £ |
| Outstanding at 31 December 2016        | 207,272                | 1.01                              | 377,728                  | 0.00                              |
| Options granted during the year        | -                      | -                                 | 50,000                   | 0.00                              |
| <b>Outstanding at 31 December 2017</b> | <b>207,272</b>         | <b>1.01</b>                       | <b>427,728</b>           | <b>0.00</b>                       |

### JOINT SHARE OWNERSHIP PLAN ("JSOP")

A JSOP was established on 25 September 2014 under which eligible employees may be offered the opportunity to acquire shares held jointly with the trustee of an employee benefit trust operated by the Company. The employee interest in each share is equal to any value above a hurdle set at the time of entering the JSOP agreement, the remaining value in each share at any time belongs to the trustee.

In October 2014 the Company entered into a JSOP agreement with one participant and EFG Trust Company Limited (the "Trustee") using 150,000 shares already held by the Trustee. All shares vested and were released in 2014. The hurdle was set at £1.20, and an additional award was made to the participant of up to £180,000 payable in cash, or at the discretion of the Company in shares, on the sale of the jointly-owned shares.

## **6 SHARE BASED PAYMENTS** continued

### **SHARE INCENTIVE PLAN (SIP)**

The SIP is an HMRC approved scheme. Eligible employees may be invited from time to time to purchase shares in the Company, and may be awarded further shares, either conditional on the purchase of shares and/or unconditionally. All SIP shares are held by the SIP Trustee on behalf of the participating employees.

No SIP awards have been granted since 2008.

## **7 FINANCE INCOME**

|  | <b>2017</b> | 2016 |
|--|-------------|------|
|  | <b>£000</b> | £000 |
| <b>Income from available-for-sale investments</b>    |             |      |
| Other dividends from listed and unlisted investments | -           | 1    |
| <b>Interest received</b>                             | <b>3</b>    | 25   |
|  | <b>3</b>    | 26   |

## **8 FINANCE COSTS**

|   | <b>2017</b> | 2016 |
|---|-------------|------|
| Note  | <b>£000</b> | £000 |
| Interest payable on bank loans, overdrafts and facilities | <b>128</b>  | 143  |
| Amortisation of loan issue costs                          | <b>26</b>   | 26   |
| Interest on potential corporation tax liabilities 4       | <b>716</b>  | 304  |
|   | <b>870</b>  | 473  |

## 9 INCOME TAX EXPENSE

### (a) Analysis of tax charge

|   | Notes | 2017<br>£000   | 2016<br>£000   |
|---|-------|----------------|----------------|
| <b>Current tax:</b>   |       |                |                |
| UK corporation tax on loss for the year                                 |       | -              | 141            |
| Tax under/(over) provided in prior years                                |       | 4,988          | (282)          |
| <b>Current tax on loss before tax</b>                                   |       | <b>4,988</b>   | <b>(141)</b>   |
| <b>Deferred tax:</b>  |       |                |                |
| Origination and reversal of timing differences                          |       | (389)          | (630)          |
| Origination and reversal of timing differences relating to prior years* |       | (489)          | -              |
| Origination and reversal of pension liability timing differences        |       | 268            | (426)          |
| Adjustments in respect of prior years                                   |       | (3,753)        | (51)           |
| Adjustment arising from change in rate of corporation tax               |       | 16             | 91             |
| <b>Total deferred tax</b>   | 24    | <b>(4,347)</b> | <b>(1,016)</b> |
| <b>Total tax charge/(credit)</b>  | 9(b)  | <b>641</b>     | <b>(1,157)</b> |

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

|   | 2017<br>£000 | 2016<br>£000   |
|---|--------------|----------------|
| <b>Deferred tax:</b>  |              |                |
| Tax on pension liability  | 1,171        | (689)          |
| Tax on pension liability arising on change in rate                  | 50           | 202            |
| Unrealised gain on available-for-sale financial assets              | -            | (3)            |
| Freehold property revaluations                                      | (26)         | 148            |
| Freehold property revaluations adjustments relating to prior years* | 508          | -              |
| Freehold property revaluations arising on change in rate            | -            | (90)           |
| Carrying values of intangible assets*                               | -            | (602)          |
| <b>Total deferred tax</b>   | <b>1,703</b> | <b>(1,034)</b> |

\* During the year two sets of transactions that relate to deferred tax liabilities recognised on the transition to IFRS were identified as misstated or incorrectly treated and have been adjusted through the current year, as management consider that the adjustments are immaterial in the context of an understanding of the Group's financial performance for users of the financial statements.

## ARCHANT ANNUAL REPORT 2017

Notes to the consolidated financial statements for the year ended 31 December 2017

### 9 INCOME TAX EXPENSE continued

#### (b) Tax reconciliation

The tax assessed on the loss for the year is higher (2016: lower) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

|  | 2017<br>£000    | 2016<br>£000   |
|--|-----------------|----------------|
|  | Note            |                |
| <b>Loss from ordinary activities before tax</b>  | <b>(334)</b>    | <b>(6,935)</b> |
| Loss from ordinary activities multiplied by standard rate of corporation tax in the UK | <b>(64)</b>     | <b>(1,387)</b> |
| Adjustments to current tax in respect of prior years                                   | <b>4,988</b>    | <b>(282)</b>   |
| Adjustments to deferred tax in respect of prior years                                  | <b>(3,753)</b>  | <b>(51)</b>    |
| Restatement of deferred tax balances for reduction in the corporation tax rate         | <b>16</b>       | <b>91</b>      |
| Expenses not deductible for tax purposes   | <b>62</b>       | <b>141</b>     |
| Non taxable credits  | <b>(47)</b>     | <b>(64)</b>    |
| Ineligible amortisation of goodwill and intangible assets                              | <b>46</b>       | <b>404</b>     |
| Ineligible impairment of intangible assets   | <b>40</b>       | <b>330</b>     |
| Fair value adjustments of unlisted investment and loans                                | <b>(19)</b>     | <b>39</b>      |
| Other permanent differences  | <b>62</b>       | <b>-</b>       |
| Loan relationship deficits not previously recognised                                   | <b>-</b>        | <b>(339)</b>   |
| Adjustment to accounting profits for capital gains                                     | <b>(690)</b>    | <b>(39)</b>    |
| Total tax charge/(credit)  | 9(a) <b>641</b> | <b>(1,157)</b> |

#### (c) 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 Group.

### 10 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, Archant Limited has not presented its own income statement or statement of comprehensive expense. The loss dealt with in the financial statements of the parent company was £3,208,000 (2016: loss £3,725,000).

### 11 DISTRIBUTIONS MADE AND PROPOSED

|                                      | 2017<br>£000 | 2016<br>£000 |
|--------------------------------------|--------------|--------------|
| Declared and paid during the year:   |              |              |
| Equity dividends on ordinary shares: |              |              |
| Final dividend for 2015: 5.0p        | -            | 694          |

No dividends were accrued as liabilities at either year end.

## 12 EARNINGS/(LOSS) PER ORDINARY SHARE

The calculation of loss per ordinary share (EPS) is based on loss after tax and the weighted average number of shares in issue during the year.

Diluted loss per share is based on ordinary shares calculated in the table below.

|  | <b>2017</b><br><b>'000</b> | 2016<br>'000 |
|--|----------------------------|--------------|
| Weighted average number of ordinary shares in issue                      | <b>14,421</b>              | 14,405       |
| Weighted average number of ordinary shares excluded from EPS calculation | <b>(525)</b>               | (525)        |
| Weighted average number of ordinary shares for EPS calculation           | <b>13,896</b>              | 13,880       |
| Dilutive potential ordinary shares:                                      |                            |              |
| Options granted under the 2011 LTIP                                      | <b>635</b>                 | 585          |
|  | <b>14,531</b>              | 14,465       |

As in previous years, adjusted earnings per share have also been disclosed as the directors consider that this alternative measure gives a more comparable indication of the Group's underlying trading performance.

The adjusted earnings per share has been calculated by using the profits/(losses) attributable to shareholders, adjusted as follows:

|   | <b>2017</b><br><b>£000</b> | <b>2017</b><br><b>Pence per share</b> | 2016<br>£000 | 2016<br>Pence per share |
|---|----------------------------|---------------------------------------|--------------|-------------------------|
| Loss attributable to shareholders/loss per share  | <b>(975)</b>               | <b>(7.0)</b>                          | (5,778)      | (41.6)                  |
| Restructuring and other exceptional costs   | <b>2,239</b>               | <b>16.1</b>                           | 2,255        | 16.2                    |
| Past service cost on closure of defined benefit pension scheme                                | -                          | -                                     | 3,263        | 23.5                    |
| Amortisation of intangible assets   | <b>2,272</b>               | <b>16.4</b>                           | 2,844        | 20.5                    |
| Impairment of intangible assets   | <b>2,139</b>               | <b>15.4</b>                           | 4,566        | 32.9                    |
| Fair value adjustments of unlisted investment and convertible loan                            | <b>(101)</b>               | <b>(0.7)</b>                          | 193          | 1.4                     |
| Revaluation surpluses credited to income statement  | -                          | -                                     | 236          | 1.7                     |
| Exceptional profits less losses on disposals of freehold property and subsidiary undertakings | <b>(3,999)</b>             | <b>(28.8)</b>                         | (215)        | (1.5)                   |
| Tax impact of exceptional items   | <b>(364)</b>               | <b>(2.6)</b>                          | (1,895)      | (13.7)                  |
| Exceptional interest accrual on potential corporation tax liabilities                         | <b>716</b>                 | <b>5.1</b>                            | 304          | 2.2                     |
| Exceptional prior year deferred tax credits   | -                          | -                                     | (339)        | (2.4)                   |
| Deferred tax adjustment arising on change in rate of corporation tax                          | <b>16</b>                  | <b>0.1</b>                            | 91           | 0.6                     |
| Adjusted earnings per share   | <b>1,943</b>               | <b>14.0</b>                           | 5,525        | 39.8                    |

## ARCHANT ANNUAL REPORT 2017

Notes to the consolidated financial statements for the year ended 31 December 2017

### 13 INTANGIBLE ASSETS

|                            | Goodwill     | Newspaper titles | Magazine titles | Software     | Total          |
|----------------------------|--------------|------------------|-----------------|--------------|----------------|
|                            | £000         | £000             | £000            | £000         | £000           |
| <b>Cost:</b>               |              |                  |                 |              |                |
| At 31 December 2015        | 7,300        | 112,489          | 50,358          | 6,447        | 176,594        |
| Acquisitions               | -            | -                | -               | 94           | 94             |
| Derecognition              | -            | -                | -               | (238)        | (238)          |
| At 31 December 2016        | 7,300        | 112,489          | 50,358          | 6,303        | 176,450        |
| Acquisitions               | -            | -                | -               | 424          | 424            |
| Derecognition              | -            | -                | -               | (111)        | (111)          |
| <b>At 31 December 2017</b> | <b>7,300</b> | <b>112,489</b>   | <b>50,358</b>   | <b>6,616</b> | <b>176,763</b> |
| <b>Amortisation:</b>       |              |                  |                 |              |                |
| At 31 December 2015        | 6,408        | 101,566          | 41,544          | 6,136        | 155,654        |
| Provided during the year   | -            | 1,092            | 1,537           | 215          | 2,844          |
| Impairment                 | -            | 4,453            | 113             | -            | 4,566          |
| Derecognition              | -            | -                | -               | (238)        | (238)          |
| At 31 December 2016        | <b>6,408</b> | <b>107,111</b>   | <b>43,194</b>   | <b>6,113</b> | <b>162,826</b> |
| Provided during the year   | -            | 598              | 1,511           | 163          | 2,272          |
| Impairment                 | -            | 1,223            | 916             | -            | 2,139          |
| Derecognition              | -            | -                | -               | (111)        | (111)          |
| <b>At 31 December 2017</b> | <b>6,408</b> | <b>108,932</b>   | <b>45,621</b>   | <b>6,165</b> | <b>167,126</b> |
| Net book value:            |              |                  |                 |              |                |
| <b>At 31 December 2017</b> | <b>892</b>   | <b>3,557</b>     | <b>4,737</b>    | <b>451</b>   | <b>9,637</b>   |
| At 31 December 2016        | 892          | 5,378            | 7,164           | 190          | 13,624         |
| At 31 December 2015        | 892          | 10,923           | 8,814           | 311          | 20,940         |

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 (Note 22).

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

## **13 INTANGIBLE ASSETS** continued

### **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 Group.

Newspaper titles, magazine titles, goodwill and other intangible assets are allocated, at acquisition, to the Cash Generating Units (CGU's) that are expected to benefit from that business combination. The recoverable amounts of the CGU's are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the growth rates, expected changes to revenues and direct costs during the period, and the discount rates applied. These assumptions have been reviewed during the year in light of the current economic environment. The value in use calculation uses post-tax cash flow projections based on the financial budgets approved by the Board for 2018. The growth rates for cash flows beyond 2018 assume an annual RPI increase only and no underlying growth. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money, long-term expected debt/equity ratios and the risks specific to the CGU's. The cost of capital and therefore the discount rate applied to future cash flows was 8.95% (2016: 9.61%).

The Group prepares discounted cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates those cash flows to perpetuity based on an estimated annual growth rate of 2.5%. The present value of the cash flows is then compared to the carrying value of the asset.

The sensitivity of the assumptions underlying the valuation methodology has been assessed for the following variables:

| <b>Sensitivity scenarios</b>                       | <b>Result</b>                        |
|--|--------------------------------------|
| Growth rate of 1% after 5 years (rather than 2.5%) | Additional impairment required £342k |
| Discount rate of 9.95% (rather than 8.95%)         | Additional impairment required £311k |
| Zero growth rate from 2017 onwards                 | Additional impairment required £256k |

## ARCHANT ANNUAL REPORT 2017

Notes to the consolidated financial statements for the year ended 31 December 2017

### 14 PROPERTY, PLANT AND EQUIPMENT

|                                  | Freehold property | Leasehold buildings | Plant and machinery | Other equipment & vehicles | Assets in course of construction | Total         |
|----------------------------------|-------------------|---------------------|---------------------|----------------------------|----------------------------------|---------------|
|                                  | £000              | £000                | £000                | £000                       | £000                             | £000          |
| <b>Cost or valuation:</b>        |                   |                     |                     |                            |                                  |               |
| At 31 December 2015              | 16,585            | 343                 | 36,120              | 13,089                     | 187                              | 66,324        |
| Additions                        | -                 | 111                 | 191                 | 748                        | 1,785                            | 2,835         |
| Revaluation                      | (35)              | -                   | -                   | -                          | -                                | (35)          |
| Transfer to assets held for sale | (2,550)           | -                   | -                   | -                          | -                                | (2,550)       |
| Disposals                        | -                 | -                   | (7)                 | (1,032)                    | (1,870)                          | (2,909)       |
| At 31 December 2016              | 14,000            | 454                 | 36,304              | 12,805                     | 102                              | 63,665        |
| Additions                        | -                 | 108                 | 34                  | 326                        | (52)                             | 416           |
| Disposals                        | -                 | (278)               | -                   | (359)                      | -                                | (637)         |
| <b>At 31 December 2017</b>       | <b>14,000</b>     | <b>284</b>          | <b>36,338</b>       | <b>12,772</b>              | <b>50</b>                        | <b>63,444</b> |
| <b>Depreciation:</b>             |                   |                     |                     |                            |                                  |               |
| At 31 December 2015              | 19                | 283                 | 30,826              | 10,938                     | -                                | 42,066        |
| Charge for year                  | 268               | 21                  | 1,197               | 1,064                      | -                                | 2,550         |
| Revaluation                      | (266)             | -                   | -                   | -                          | -                                | (266)         |
| Disposals                        | -                 | -                   | (7)                 | (1,006)                    | -                                | (1,013)       |
| At 31 December 2016              | 21                | 304                 | 32,016              | 10,996                     | -                                | 43,337        |
| Charge for year                  | 259               | 35                  | 1,171               | 656                        | -                                | 2,121         |
| Disposals                        | -                 | (277)               | -                   | (319)                      | -                                | (596)         |
| <b>At 31 December 2017</b>       | <b>280</b>        | <b>62</b>           | <b>33,187</b>       | <b>11,333</b>              | <b>-</b>                         | <b>44,862</b> |
| <b>Net book value:</b>           |                   |                     |                     |                            |                                  |               |
| <b>At 31 December 2017</b>       | <b>13,720</b>     | <b>222</b>          | <b>3,151</b>        | <b>1,439</b>               | <b>50</b>                        | <b>18,582</b> |
| At 31 December 2016              | 13,979            | 150                 | 4,288               | 1,809                      | 102                              | 20,328        |
| At 31 December 2015              | 16,566            | 60                  | 5,294               | 2,151                      | 187                              | 24,258        |

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 (Note 22).

An independent valuation of the Group's freehold property was performed by valuers to determine the fair value of the freehold property as at 30 November 2016. The revaluation surplus, net of applicable deferred income taxes was credited to other comprehensive income and is shown in other reserves in shareholders' equity.



## 14 **PROPERTY, PLANT AND EQUIPMENT** continued

The cost or valuation of land and buildings at 31 December 2017 comprises:

|              | Freehold<br>£000 | Short Leasehold<br>£000 |
|--------------|------------------|-------------------------|
| At valuation | 14,000           | -                       |
| At cost      | -                | 284                     |
|              | 14,000           | 284                     |

The historical cost of freehold and leasehold land and buildings is as follows:

|                        | Freehold     |              | Leasehold    |              |
|------------------------|--------------|--------------|--------------|--------------|
|                        | 2017<br>£000 | 2016<br>£000 | 2017<br>£000 | 2016<br>£000 |
| Cost                   | 12,125       | 12,125       | 284          | 454          |
| Aggregate depreciation | (5,464)      | (5,233)      | (62)         | (304)        |
| Net carrying amount    | 6,661        | 6,892        | 222          | 150          |

Depreciation for the year on the Group's freehold properties has been based on their revalued amounts. Based on cost the consolidated charge would have been lower by £30,000 (2016: £64,000).

## 15 **AVAILABLE-FOR-SALE FINANCIAL ASSETS**

|  | Note | Listed<br>£000 | Unlisted<br>£000 | Total<br>£000 |
|--|------|----------------|------------------|---------------|
| <b>Fair value</b>  |      |                |                  |               |
| At 31 December 2015                                      |      | 9              | 5,082            | 5,091         |
| Additions  | 33   | -              | 193              | 193           |
| Fair value adjustment through Income Statement           | 33   | -              | (193)            | (193)         |
| Fair value adjustment through Other comprehensive income |      | -              | (1,160)          | (1,160)       |
| At 31 December 2016                                      |      | 9              | 3,922            | 3,931         |
| Additions  |      | -              | 3                | 3             |
| Fair value adjustment through Income Statement           |      | -              | 101              | 101           |
| Fair value adjustment through Other comprehensive income |      | -              | (791)            | (791)         |
| <b>At 31 December 2017</b>                               |      | <b>9</b>       | <b>3,235</b>     | <b>3,244</b>  |

Listed investments are investments in listed equity securities that present the Group with opportunity for return through dividend income and trading gains. The unlisted investments are non-controlling interests and include a strategic holding of 3.5% in PA Group Limited (The Press Association).

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

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## ARCHANT ANNUAL REPORT 2017

Notes to the consolidated financial statements for the year ended 31 December 2017

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### 16 PRINCIPAL SUBSIDIARY UNDERTAKINGS

The consolidated financial statements include the following principal subsidiary undertakings, all of which are unlisted companies. Archant BHGC Limited is a company limited by guarantee given by Archant Holdings Limited. All other subsidiary undertakings are wholly owned and incorporated in England, with the exception of The British Connection, Inc., which is incorporated in the United States of America.

Those companies in which the equity is held by a subsidiary undertaking are marked with an asterisk.

| Company                                    | Company registration number | Activity                     |
|--|-----------------------------|------------------------------|
| <b>Subsidiary undertakings</b>             |                             |                              |
| Archant BHGC Limited                       | 7783475                     | Holding company              |
| Archant Community Media Holdings Limited * | 4243174                     | Holding company              |
| Archant Community Media Limited *          | 19300                       | Media company                |
| The British Connection, Inc *              | Not applicable              | Magazine distribution        |
| Archant Properties Limited *               | 2562545                     | Property                     |
| Archant Holdings Limited                   | 4040110                     | Holding company              |
| Mustard TV Limited *                       | 7982360                     | Local television broadcaster |

For all UK subsidiary undertakings listed above, other than Archant Community Media Limited and Mustard TV Limited, in accordance with section 479C of The Companies Act 2006 the Company has guaranteed all outstanding liabilities to which those subsidiary undertakings are subject at 31 December 2017 until they are satisfied in full. Accordingly, each of those UK subsidiaries is exempt under section 479A from the requirements of the Companies Act 2006 relating to the audit of accounts.

The Group sold Mustard TV Limited on 1 September 2017 incurring a loss of £39,000.

## 17 INVENTORIES

|   | <b>2017</b> | 2016 |
|---|-------------|------|
|   | <b>£000</b> | £000 |
| Newsprint, paper, inks and printing materials | <b>605</b>  | 604  |
| Engineering and mechanical spares             | <b>172</b>  | 227  |
| Other   | <b>16</b>   | 17   |
|   | <b>793</b>  | 848  |

The cost of inventories for newsprint, paper, inks and printing materials recognised as an expense by the Group in the year was £7,937,000 (2016: £8,536,000). The credit for inventories of engineering and mechanical spares recognised by the Group in the year was £22,000 (2016: credit £29,000). Provisions against inventories for engineering and mechanical spares of £74,000 (2016: £83,000) were charged in operating expenses.

## 18 TRADE AND OTHER RECEIVABLES

|   | <b>2017</b>   | 2016   |
|---|---------------|--------|
|   | <b>£000</b>   | £000   |
| Trade receivables                                   | <b>9,873</b>  | 11,910 |
| <i>Less provision for impairment of receivables</i> | <b>(138)</b>  | (130)  |
| Trade receivables - net                             | <b>9,735</b>  | 11,780 |
| Other receivables                                   | <b>946</b>    | 1,464  |
| Prepayments and accrued income                      | <b>1,663</b>  | 2,325  |
|   | <b>12,344</b> | 15,569 |
| Current   | <b>12,146</b> | 15,338 |
| Non-current   | <b>198</b>    | 231    |
| Total   | <b>12,344</b> | 15,569 |

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**ARCHANT ANNUAL REPORT 2017**

Notes to the consolidated financial statements for the year ended 31 December 2017

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## **18 TRADE AND OTHER RECEIVABLES** continued

As at 31 December 2017, trade receivables of £138,000 (2016: £130,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

|                                 | <b>2017</b>  | 2016  |
|---------------------------------|--------------|-------|
|                                 | <b>£000</b>  | £000  |
| At start of year                | <b>(130)</b> | (172) |
| Charged in the income statement | <b>(191)</b> | (93)  |
| Utilised                        | <b>183</b>   | 135   |
| At end of year                  | <b>(138)</b> | (130) |

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

As at 31 December 2017, trade receivables of £3,710,000 (2016: £3,736,000) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

|                               | <b>2017</b>  | 2016   |
|-------------------------------|--------------|--------|
|                               | <b>£000</b>  | £000   |
| Neither past due nor impaired | <b>6,025</b> | 8,044  |
| Past due but not impaired:    |              |        |
| Less than 30 days             | <b>2,613</b> | 2,522  |
| From 30 to 60 days            | <b>692</b>   | 997    |
| From 61 to 90 days            | <b>313</b>   | 166    |
| More than 90 days             | <b>92</b>    | 51     |
| At end of year                | <b>9,735</b> | 11,780 |

## **19 AVAILABLE-FOR-SALE ASSETS**

|                   | <b>2017</b> | 2016  |
|-------------------|-------------|-------|
|                   | <b>£000</b> | £000  |
| Freehold property | -           | 3,700 |

In January 2016 the Group vacated the Ilford freehold property which was available for sale at 31 December 2016. The Group undertook development proposals with a view to a disposal for mixed residential and retail usage. The Group sold the property in May 2017 for consideration net of disposal costs of £7,738,000.

## 20 CASH AND CASH EQUIVALENTS

|   | <b>2017</b>  | 2016   |
|---|--------------|--------|
|   | <b>£000</b>  | £000   |
| Cash at banks and in hand   | <b>9,669</b> | 16,296 |
| Cash and cash equivalents in Consolidated statement of financial position | <b>9,669</b> | 16,296 |
| Less bank overdraft   | <b>(938)</b> | (901)  |
| Net cash and cash equivalents in Consolidated statement of cash flows     | <b>8,731</b> | 15,395 |

## 21 TRADE AND OTHER PAYABLES

|                               | <b>2017</b>   | 2016   |
|-------------------------------|---------------|--------|
|                               | <b>£000</b>   | £000   |
| Trade payables                | <b>3,138</b>  | 4,833  |
| Other tax and social security | <b>1,842</b>  | 2,591  |
| Other payables                | <b>1,238</b>  | 1,974  |
| Accruals and deferred income  | <b>4,729</b>  | 9,637  |
| Subscriptions in advance      | <b>1,773</b>  | 1,884  |
|                               | <b>12,720</b> | 20,919 |
| Current                       | <b>12,720</b> | 20,919 |
| Non-current                   | -             | -      |
|                               | <b>12,720</b> | 20,919 |

## 22 BANK LOANS, OVERDRAFTS AND FACILITIES

The bank loans, overdrafts and facilities comprise:

|  | <b>2017</b> | 2016 |
|--|-------------|------|
|  | <b>£000</b> | £000 |
| <b>Amounts falling due within one year</b> |             |      |
| Employee Benefit Trust overdraft           | <b>977</b>  | 966  |
| Less bank facility arrangement fees        | <b>(39)</b> | (65) |
|  | <b>938</b>  | 901  |

The Employee Benefit Trust ("the EBT") has a bank overdraft facility of £1m and any overdraft under this facility is guaranteed by the Company. The Group has a bank overdraft facility of £3m and any overdrafts under this facility are secured by a fixed and floating charge over the undertaking, property, assets and rights of certain companies in the Group, together with cross guarantees from certain companies in the Group. Any overdrafts under the EBT overdraft facility and the Group overdraft facility are repayable on demand.

The Group has a term revolving advances facility expiring on 30 June 2019. The maximum amount available throughout the term of this facility is £17m. The undrawn committed facilities available at 31 December 2017, in respect of which all conditions precedent had been met at that date, were £20m (2016: £20m). Provided that the Group continues to comply with the conditions of the facility, the Group has the right to draw down sums up to the amount of the facility for periods ending on or before the expiry date.

Sums drawn down under the revolving advances facility are secured by a fixed and floating charge over the undertaking, property, assets and rights of certain companies in the Group, together with cross guarantees from certain companies in the Group.

## 23 PROVISIONS

The movements in provisions are as follows:

|                            | Property provisions | Severance | Share-based payment | Newspaper Society pension scheme deficit | Total      |
|----------------------------|---------------------|-----------|---------------------|--|------------|
|                            | £000                | £000      | £000                | £000                                     | £000       |
| At 31 December 2015        | 271                 | -         | 209                 | 202                                      | 682        |
| Arising during the year    | 74                  | 200       | 28                  | -  | 302        |
| Utilised                   | -                   | -         | -                   | (26)                                     | (26)       |
| At 31 December 2016        | 345                 | 200       | 237                 | 176                                      | 958        |
| Arising during the year    | 258                 | -         | (50)                | -  | 208        |
| Utilised                   | (102)               | (200)     | -                   | (52)                                     | (354)      |
| <b>At 31 December 2017</b> | <b>501</b>          | <b>-</b>  | <b>187</b>          | <b>124</b>                               | <b>812</b> |

| <b>Analysis of total provisions</b> | <b>2017</b> | 2016 |
|-------------------------------------|-------------|------|
|                                     | <b>£000</b> | £000 |
| Current                             | <b>105</b>  | 406  |
| Non-current                         | <b>707</b>  | 552  |
| Total                               | <b>812</b>  | 958  |

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 liabilities due in various years up to 2036.

The provision for share-based payment comprises cash bonuses payable under the JSOP, including associated national insurance, plus national insurance on the cost of share options granted under the 2011 LTIP.

The Group 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.

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### 24 DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using the tax rates that are expected to apply when the related asset is realised or liability is settled.

| Analysis of amounts provided | 2017<br>£000 | 2016<br>£000 |
|------------------------------|--------------|--------------|
| Non-current assets           | 9,818        | 7,585        |
| Non-current liabilities      | (2,646)      | (3,057)      |
| <b>Total</b>                 | <b>7,172</b> | <b>4,528</b> |

The movements on the deferred tax account are as follows:

|                               | Accelerated<br>capital<br>allowances<br>£000 | Pension<br>temporary<br>differences<br>£000 | Other<br>timing<br>differences<br>£000 | Losses<br>and loan<br>relationship<br>deficits<br>£000 | Revaluation<br>and fair<br>value<br>£000 | Intangible<br>assets<br>£000 | Total<br>£000 |
|-------------------------------|--|---|--|--|--|------------------------------|---------------|
| At 1 January 2016             | (268)  | 5,647                                       | 138                                    | 564  | (1,534)                                  | (2,069)                      | 2,478         |
| Credit/charge to:             |  |   |  |  |  |                              |               |
| Consolidated income statement | 267  | 361   | 66                                     | 322  | -  | -                            | 1,016         |
| Other comprehensive income    | -  | 487   | -                                      | -  | (55)                                     | 602                          | 1,034         |
| At 31 December 2016           | (1)  | 6,495                                       | 204                                    | 886  | (1,589)                                  | (1,467)                      | 4,528         |
| Credit/charge to:             |  |   |  |  |  |                              |               |
| Consolidated income statement | 4,330  | (240)                                       | (78)                                   | (557)  | 403                                      | 489                          | 4,347         |
| Other comprehensive income    | -  | (1,221)                                     | -                                      | -  | (482)                                    | -                            | (1,703)       |
| <b>At 31 December 2017</b>    | <b>4,329</b>                                 | <b>5,034</b>                                | <b>126</b>                             | <b>329</b>   | <b>(1,668)</b>                           | <b>(978)</b>                 | <b>7,172</b>  |

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

|  | 2017<br>£000 | 2016<br>£000 |
|--|--------------|--------------|
| Tax losses arising in the UK of approximately £1,700,000 (2016: £9,900,000) that may be available for offset against future taxable profits.       | 321          | 1,877        |
| Management expenses carried forward at 31 December 2016 of approximately £450,000 that may be available for offset against future taxable profits. | -            | 86           |
| <b>Total</b>   | <b>321</b>   | <b>1,963</b> |



## 25 CALLED UP SHARE CAPITAL

Issued ordinary shares of 20p each:

|                | <b>2017<br/>shares</b> | 2016<br>shares |
|----------------|------------------------|----------------|
| At 1 January   | <b>14,420,822</b>      | 14,396,222     |
| Shares issued  | -                      | 24,000         |
| At 31 December | <b>14,420,822</b>      | 14,420,822     |

Issued and fully paid ordinary shares of 20p each:

|                | <b>2017<br/>£000</b> | 2016<br>£000 |
|----------------|----------------------|--------------|
| At 1 January   | <b>2,884</b>         | 2,879        |
| Shares issued  | -                    | 5            |
| At 31 December | <b>2,884</b>         | 2,884        |

During 2016, 24,000 ordinary shares having a nominal value of £4,800 were issued with an aggregate consideration of £33,600.

## 26 SHARE PREMIUM

|                | <b>2017<br/>£000</b> | 2016<br>£000 |
|----------------|----------------------|--------------|
| At 1 January   | <b>2,675</b>         | 2,647        |
| Shares issued  | -                    | 28           |
| At 31 December | <b>2,675</b>         | 2,675        |

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Notes to the consolidated financial statements for the year ended 31 December 2017

### 27 OTHER RESERVES

|   | Capital<br>reserve<br>£000 | Revaluation<br>of land and<br>buildings<br>£000 | Available<br>for sale<br>investments<br>£000 | Share-<br>based<br>payments<br>£000 | Own<br>shares<br>held<br>£000 | Translation<br>£000 | Total<br>£000 |
|---|----------------------------|---|--|-------------------------------------|-------------------------------|---------------------|---------------|
| At 31 December 2015                                       | 5,369                      | 5,402   | 4,865  | 155                                 | (5,079)                       | (82)                | 10,630        |
| <b>Other comprehensive income</b>                         |                            |   |  |                                     |                               |                     |               |
| Purchase of own shares held by employee trusts            | -                          | -   | -  | -                                   | (5)                           | -                   | (5)           |
| Credit to equity for share-based payment                  | -                          | -   | -  | 81                                  | -                             | -                   | 81            |
| Depreciation transfer for freehold property               | -                          | (129)   | -  | -                                   | -                             | -                   | (129)         |
| Revaluation of freehold property                          | -                          | 1,560   | -  | -                                   | -                             | -                   | 1,560         |
| Fair value of listed and unlisted investments             | -                          | -   | (1,157)                                      | -                                   | -                             | -                   | (1,157)       |
| Exchange differences on translation of foreign operations | -                          | -   | -  | -                                   | -                             | (22)                | (22)          |
| At 31 December 2016                                       | 5,369                      | 6,833   | 3,708  | 236                                 | (5,084)                       | (104)               | 10,958        |
| <b>Other comprehensive income</b>                         |                            |   |  |                                     |                               |                     |               |
| Purchase of own shares held by employee trusts            | -                          | -   | -  | -                                   | (8)                           | -                   | (8)           |
| Sale of own shares held by employee trusts                | -                          | -   | -  | -                                   | 14                            | -                   | 14            |
| Debit to equity for share-based payment                   | -                          | -   | -  | (119)                               | -                             | -                   | (119)         |
| Realised on disposal of freehold property                 | -                          | (1,193)   | -  | -                                   | -                             | -                   | (1,193)       |
| Depreciation transfer for freehold property               | -                          | (121)   | -  | -                                   | -                             | -                   | (121)         |
| Fair value of listed and unlisted investments             | -                          | -   | (791)  | -                                   | -                             | -                   | (791)         |
| Exchange differences on translation of foreign operations | -                          | -   | -  | -                                   | -                             | 29                  | 29            |
| <b>At 31 December 2017</b>                                | <b>5,369</b>               | <b>5,519</b>                                    | <b>2,917</b>                                 | <b>117</b>                          | <b>(5,078)</b>                | <b>(75)</b>         | <b>8,769</b>  |

The capital reserve comprises the balance of the share premium account in the former holding company on 1 March 2002.

Own shares held comprise shares held by the JSOP and the trustees of the EBT, the LTIP Trust and the SIP Trust other than shares being held as a bare trustee. Own shares held comprised 675,146 shares with a nominal value of 20p each, acquired at an average cost of £7.52 each (2016: 677,117 shares at £7.51). Purchases of shares in the Company by the EBT have been funded by a bank overdraft guaranteed by the Company, and purchases by the LTIP and SIP have been funded by cash contributions from the Company and its subsidiaries. The trusts provide sources of shares for use in connection with share schemes.

All expenses incurred by the trusts are settled directly by the Company, and charged in the financial statements as incurred.

## 28 RETAINED EARNINGS

|   | <b>2017</b>    | 2016    |
|---|----------------|---------|
|   | <b>£000</b>    | £000    |
| At 1 January  | <b>(7,133)</b> | 1,910   |
| Other comprehensive income for the year                       | <b>4,213</b>   | (8,515) |
| Realised revaluation surplus on disposal of freehold property | <b>1,193</b>   | -       |
| Depreciation transfer on freehold property                    | <b>121</b>     | 129     |
| Forfeited dividends   | -              | 37      |
| Equity dividends paid   | -              | (694)   |
| <b>At 31 December</b>   | <b>(1,606)</b> | (7,133) |

The cumulative amount of goodwill written off to retained earnings at 31 December 2017 in the consolidated financial statements is £8,032,000 (2016: £8,032,000).

## 29 FINANCIAL AND CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and provide returns to shareholders.

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

The Board 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 Group's principal financial risks are liquidity risk and interest rate risk. The Group has limited exposure to foreign exchange risk, credit risk and commodity price risk. The Group's senior management oversees the management of these risks within an overall risk strategy which seeks to minimise potential adverse effects on the Group'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. The Group monitors rolling forecasts of the Group'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 2017, the Group had undrawn term facilities and overdrafts of £20m and the Group considers that it should be able to operate within the level of its current facilities.

## 29 FINANCIAL AND CAPITAL RISK MANAGEMENT continued

### Interest rate risk

Utilised long-term borrowings issued at variable rates expose the Group to interest rate risk which is partially offset by cash held at variable rates.

The Group manages its interest cost using a mix of fixed and variable rate debts. The Group's overdrafts and undrawn commitments carry fixed rates of interest.

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

### Foreign exchange risk

The Group has a subsidiary undertaking in the United States of America, which is limited in scale and largely self-financing. Therefore the Group has no foreign currency borrowings to hedge the foreign currency investment. The Group 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 Group does not use forward exchange contracts.

### Credit risk

The Group has no significant exposure to customer credit risk, due to transactions being principally of a high volume, low value and short maturity. The Group 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 Group considers that its maximum exposure to credit risk is as follows:

|                             | Notes | 2017<br>£000  | 2016<br>£000 |
|-----------------------------|-------|---------------|--------------|
| Trade and other receivables | 18    | 12,344        | 15,569       |
| Cash and cash equivalents   | 20    | 9,669         | 16,296       |
|                             |       | <b>22,013</b> | 31,865       |

### Commodity price risk

The Group is affected by the price volatility of newsprint and paper which are required in its operating activities. The Group 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.

## 30 CASH FLOWS FROM OPERATING ACTIVITIES

|  | Notes | <b>2017</b><br><b>£000</b> | 2016<br>£000 |
|--|-------|----------------------------|--------------|
| Loss before taxation   |       | <b>(334)</b>               | (6,935)      |
| Finance costs  | 8     | <b>870</b>                 | 473          |
| Finance income   | 7     | <b>(3)</b>                 | (26)         |
| Finance expense on pension liability   | 35    | <b>969</b>                 | 1,156        |
| Operating profit/(loss)  |       | <b>1,502</b>               | (5,332)      |
| Depreciation of property, plant and equipment  | 14    | <b>2,121</b>               | 2,550        |
| Amortisation of intangible fixed assets  | 13    | <b>2,272</b>               | 2,844        |
| Impairment of intangible fixed assets  | 13    | <b>2,139</b>               | 4,566        |
| Revaluation surplus credited to income statement against prior year deficit            |       | -                          | 236          |
| Fair value surplus on available for sale financial assets credited to income statement |       | <b>(101)</b>               | -            |
| Profit on disposals of property, plant and equipment and subsidiary undertakings       |       | <b>(3,977)</b>             | (194)        |
| Share-based payment  |       | <b>(156)</b>               | 108          |
| Increase/(decrease) in inventories   |       | <b>55</b>                  | (48)         |
| Increase/(decrease) in trade and other receivables                                     |       | <b>2,735</b>               | (784)        |
| Decrease in trade and other payables   |       | <b>(3,275)</b>             | (1,059)      |
| Movements in provisions and other impairments  |       | <b>(109)</b>               | 441          |
| Exchange differences on translation of foreign operations                              |       | <b>29</b>                  | (22)         |
| Pension costs charged against operating profit   | 35    | <b>683</b>                 | 3,920        |
| Cash contributions to pension scheme   | 35    | <b>(3,063)</b>             | (2,944)      |
| Cash flow from operating activities  |       | <b>855</b>                 | 4,282        |

## 31 CAPITAL COMMITMENTS

|  | <b>2017</b><br><b>£000</b> | 2016<br>£000 |
|--|----------------------------|--------------|
| Contracts entered into, but not provided for, for property plant and equipment amounted to | -                          | 34           |

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## ARCHANT ANNUAL REPORT 2017

Notes to the consolidated financial statements for the year ended 31 December 2017

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### 32 COMMITMENTS UNDER OPERATING LEASES

The Group 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 |              |
|--|--------------------|--------------|-------------------------------|--------------|
|  | 2017<br>£000       | 2016<br>£000 | 2017<br>£000                  | 2016<br>£000 |
| Operating leases which expire:                   |                    |              |                               |              |
| No later than one year                           | 773                | 835          | 965                           | 1,038        |
| Later than one year and no later than five years | 1,800              | 2,184        | 975                           | 1,832        |
| Later than five years                            | 1,120              | 3,121        | -                             | -            |
|  | 3,693              | 6,140        | 1,940                         | 2,870        |

The Group has sub-let two operating leases (2016: two) and the future aggregate minimum sub-lease amounts expected to be received amount to £44,000 (2016: £52,000).

### 33 RELATED PARTY TRANSACTIONS

Transactions between the Company and wholly-owned subsidiary companies, or between wholly-owned subsidiary companies, have been eliminated on consolidation and are not disclosed in this Note.

Transactions with the Archant Pension and Life Assurance Scheme and the Archant Pension Plan are disclosed in Note 35.

Key management compensation is disclosed in Note 5.

The Group holds a 16.67% equity holding in WiSpire Limited ("WiSpire"), a provider of high-speed broadband to rural communities in Norfolk. The Group have provided marketing and accounting services to WiSpire (2016: marketing and accounting services and also advanced a non-convertible loan £193,000). As the recovery of the investment and loan was uncertain, full provision was made for the non-recovery of these items at 31 December 2016. The Group has received offers for its share in WiSpire and has valued those shares at the estimated sale proceeds.

## **34 CONTINGENT LIABILITIES**

The Group has a potential liability for rent and other outgoings on a small number of properties occupied by a former subsidiary, where the Group provided a guarantee that the Company meets their obligations under the leases which expire in 2018. No claims have been received by the Group at the date of this report.

## **35 PENSION LIABILITY**

### **DEFINED CONTRIBUTION PROVISION**

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

The Group cost of defined contribution pensions is disclosed in Note 5.

### **DEFINED BENEFIT PROVISION**

The Group 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.

### **OTHER PENSION PROVISION**

The Group 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.

### **PENSION DISCLOSURE UNDER IAS 19**

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 2017 by an independent actuary.

## 35 PENSION LIABILITY continued

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

|  | 2017<br>£000   | 2016<br>£000   |
|--|----------------|----------------|
| Equity instruments                     | 48,613         | 56,119         |
| Debt instruments                       | 42,780         | 15,207         |
| Investment funds                       | 57,529         | 58,103         |
| Assets held by insurance company       | 17,398         | 18,365         |
| Bank and cash balances                 | 3,129          | 25,029         |
| <b>Fair value of the Scheme assets</b> | <b>169,449</b> | <b>172,823</b> |
| Present value of funded obligations    | 198,280        | 209,810        |
| Present value of unfunded obligations  | 194            | 340            |
| <b>Total Scheme obligations</b>        | <b>198,474</b> | <b>210,150</b> |
| <b>Scheme deficit</b>                  | <b>29,025</b>  | <b>37,327</b>  |

The unfunded obligations are in respect of the ex gratia pensions paid by the Group. 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:**

|   | 2017<br>£000 | 2016<br>£000 |
|---|--------------|--------------|
| Deficit in the Scheme at beginning of year            | (37,327)     | (31,369)     |
| Movements:  |              |              |
| Total recognised in the Consolidated income statement | (1,652)      | (5,076)      |
| Employer contributions                                | 3,063        | 2,944        |
| Total gains/(losses) recognised in equity             | 6,891        | (3,826)      |
| Deficit in the Scheme at end of year                  | (29,025)     | (37,327)     |

**The amounts recognised in the Consolidated income statement are as follows:**

|   | 2017<br>£000 | 2016<br>£000 |
|---|--------------|--------------|
| Current service cost                                  | 264          | 323          |
| Past service cost on closure                          | -            | 3,263        |
| Administrative expenses                               | 419          | 334          |
| Operating expenses                                    | 683          | 3,920        |
| Interest on funded obligations                        | 4,858        | 6,211        |
| Interest on unfunded obligations                      | 16           | 17           |
| Interest income on the Scheme assets                  | (3,905)      | (5,072)      |
| Finance expense on pension liability                  | 969          | 1,156        |
| Total recognised in the Consolidated income statement | 1,652        | 5,076        |
| Actual return on the Scheme assets                    | 10,261       | 23,214       |



## 35 PENSION LIABILITY continued

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

|   | 2017<br>£000 | 2016<br>£000 |
|---|--------------|--------------|
| Opening Scheme obligations – funded obligations   | 209,810      | 185,063      |
| Opening Scheme obligations – unfunded obligations | 340          | 363          |
| Total opening Scheme obligations                  | 210,150      | 185,426      |
| Current service cost                              | 264          | 323          |
| Past service cost                                 | -            | 3,263        |
| Interest expense – funded obligations             | 4,858        | 6,211        |
| Interest expense – unfunded obligations           | 16           | 17           |
| Benefit payments from plan assets                 | (16,836)     | (8,659)      |
| Participant contributions                         | -            | 3            |
| Insurance premiums for risk benefits              | (264)        | -            |
| Remeasurements                                    |              |              |
| Effect of changes in demographic assumptions      | 4,559        | (2,521)      |
| Effect of changes in financial assumptions        | 3,724        | 31,356       |
| Effect of experience adjustments                  | (8,624)      | (6,882)      |
| Effect of changes in fund values                  | 789          | 1,653        |
| Ex gratia benefit payments                        | (37)         | (55)         |
| Ex gratia remeasurements                          | (125)        | 15           |
| Closing Scheme obligations                        | 198,474      | 210,150      |
| Closing Scheme obligations                        |              |              |
| Funded obligations                                | 198,280      | 209,810      |
| Unfunded obligations                              | 194          | 340          |
|   | 198,474      | 210,150      |

The funded obligations by participant status comprise:

|                  | 2017<br>£000 | 2016<br>£000 |
|------------------|--------------|--------------|
| Deferred members | 94,863       | 119,693      |
| Pensioners       | 103,417      | 90,117       |
|                  | 198,280      | 209,810      |

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## ARCHANT ANNUAL REPORT 2017

Notes to the consolidated financial statements for the year ended 31 December 2017

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### 35 PENSION LIABILITY continued

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 benefits payments in the next ten years are:

|                           | £000   |
|---------------------------|--------|
| In the years 2018 to 2022 | 33,155 |
| In the years 2023 to 2027 | 35,227 |
|                           | 68,382 |

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

|   | 2017<br>£000 | 2016<br>£000 |
|---|--------------|--------------|
| Opening fair value of the Scheme assets                         | 172,823      | 154,057      |
| Interest income on the Scheme assets                            | 3,905        | 5,072        |
| Contributions by employer                                       | 3,063        | 2,944        |
| Participant contributions                                       | -            | 3            |
| Benefit payments from plan assets                               | (16,836)     | (8,659)      |
| Ex gratia benefit payments                                      | (37)         | (55)         |
| Administrative expenses paid from plan assets                   | (419)        | (334)        |
| Insurance premiums for risk benefits                            | (264)        | -            |
| Effect of changes in fund values                                | 789          | 1,653        |
| Remeasurement – return on plan assets excluding interest income | 6,425        | 18,142       |
| Closing fair value of the Scheme assets                         | 169,449      | 172,823      |

## 35 PENSION LIABILITY continued

### Assumptions

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

|   | <b>2017<br/>Non-insured<br/>members<br/>%</b> | <b>2017<br/>Insured<br/>members<br/>%</b> | 2016<br>Non-insured<br>members<br>% | 2016<br>Insured<br>members<br>% |
|---|---|---|-------------------------------------|---------------------------------|
| Rate of increase in salaries                            | <b>0.00</b>                                   | <b>0.00</b>                               | 0.00                                | 0.00                            |
| Rate of increase in deferred pensions                   | <b>2.10</b>                                   | <b>2.10</b>                               | 1.98                                | 1.99                            |
| Rate of statutory increase to relevant pension elements | <b>2.92</b>                                   | <b>2.92</b>                               | 2.95                                | 2.95                            |
| Discount rate   | <b>2.53</b>                                   | <b>2.53</b>                               | 2.66                                | 2.58                            |
| Inflation   | <b>3.10</b>                                   | <b>3.10</b>                               | 2.98                                | 2.99                            |

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

|                      | <b>2017<br/>Insured</b> | <b>2017<br/>Non-insured</b> | 2016<br>Insured | 2016<br>Non-insured |
|----------------------|-------------------------|-----------------------------|-----------------|---------------------|
| Retiring today       |                         |                             |                 |                     |
| Member               | <b>22.5</b>             | <b>22.5</b>                 | 23.5            | 22.5                |
| Retiring in 25 years |                         |                             |                 |                     |
| Member               | <b>24.2</b>             | <b>24.2</b>                 | 24.6            | 24.6                |

### Sensitivity analysis of the principal assumptions used to measure the Scheme liabilities

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

| Assumption        | Change in assumption | Impact on Scheme liabilities |
|-------------------|----------------------|------------------------------|
| Discount rate     | Increase by 0.25%    | Decrease by 3.8%             |
| Rate of inflation | Increase by 0.25%    | Increase by 2.9%             |
| Life expectancy   | Increase by 1 year   | Increase by 3.1%             |

Following the Valuation, the Group 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 Group expects to contribute approximately £3,500,000 to the Scheme in 2018.

# **COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

**COMPANY STATEMENT OF FINANCIAL POSITION for the year ended 31 December 2017**

|   | Notes | <b>2017</b><br>£000 | 2016<br>£000 |
|---|-------|---------------------|--------------|
| <b>NON-CURRENT ASSETS</b>               |       |                     |              |
| Property, plant and equipment           | C4    | -                   | -            |
| Other financial assets                  | C5    | <b>169,777</b>      | 170,423      |
| Deferred taxation                       | C11   | <b>2</b>            | 23           |
| Amounts owed by subsidiary undertakings | C6    | <b>88,375</b>       | 85,765       |
|   |       | <b>258,154</b>      | 256,211      |
| <b>CURRENT ASSETS</b>                   |       |                     |              |
| Trade and other receivables             | C6    | <b>47</b>           | 47           |
| Current tax recoverable                 |       | <b>966</b>          | 1,545        |
| Cash and cash equivalents               | C7    | <b>460</b>          | 8,869        |
|   |       | <b>1,473</b>        | 10,461       |
| <b>TOTAL ASSETS</b>                     |       | <b>259,627</b>      | 266,672      |
| <b>CURRENT LIABILITIES</b>              |       |                     |              |
| Borrowings and overdrafts               | C8    | <b>938</b>          | 901          |
| Trade and other payables                | C9    | <b>347</b>          | 583          |
|   |       | <b>1,285</b>        | 1,484        |
| <b>NON-CURRENT LIABILITIES</b>          |       |                     |              |
| Provisions                              | C10   | <b>182</b>          | 227          |
| Amounts owed to group undertakings      | C12   | <b>217,855</b>      | 220,728      |
|   |       | <b>218,037</b>      | 220,955      |
| <b>TOTAL LIABILITIES</b>                |       | <b>219,322</b>      | 222,439      |
| <b>NET ASSETS</b>                       |       | <b>40,305</b>       | 44,233       |
| <b>EQUITY</b>                           |       |                     |              |
| Called up share capital                 | C13   | <b>2,884</b>        | 2,884        |
| Share premium account                   | C14   | <b>2,675</b>        | 2,675        |
| Other reserves                          | C15   | <b>(2,127)</b>      | (1,407)      |
| Retained earnings                       | C16   | <b>36,873</b>       | 40,081       |
| <b>TOTAL EQUITY</b>                     |       | <b>40,305</b>       | 44,233       |

**S Bax**  
Chairman

**BG McCarthy**  
Finance Director

7 March 2018

# **ARCHANT ANNUAL REPORT 2017** **Company financial statements**

## **COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017**

|  | Share capital | Share premium | Own shares held | Available for sale investments | Share based payment | Retained earnings | Total equity  |
|--|---------------|---------------|-----------------|--------------------------------|---------------------|-------------------|---------------|
|  | £000          | £000          | £000            | £000                           | £000                | £000              | £000          |
| At 1 January 2016                              | 2,879         | 2,647         | (5,078)         | 3438                           | 155                 | 44,463            | 48,504        |
| Loss for the year                              | -             | -             | -               | -                              | -                   | (3,725)           | (3,725)       |
| Forfeited dividends                            | -             | -             | -               | -                              | -                   | 37                | 37            |
| Equity dividends paid                          | -             | -             | -               | -                              | -                   | (694)             | (694)         |
| Fair value of listed and unlisted investments  | -             | -             | -               | 3                              | -                   | -                 | 3             |
| Credit to equity for share based payments      | -             | -             | -               | -                              | 81                  | -                 | 81            |
| Purchase of own shares held by employee trusts | -             | -             | (6)             | -                              | -                   | -                 | (6)           |
| Issue of share capital                         | 5             | 28            | -               | -                              | -                   | -                 | 33            |
| At 31 December 2016                            | 2,884         | 2,675         | (5,084)         | 3,441                          | 236                 | 40,081            | 44,233        |
| Loss for the year                              | -             | -             | -               | -                              | -                   | (3,208)           | (3,208)       |
| Fair value of listed and unlisted investments  | -             | -             | -               | (607)                          | -                   | -                 | (607)         |
| Debit to equity for share based payments       | -             | -             | -               | -                              | (119)               | -                 | (119)         |
| Purchase of own shares held by employee trusts | -             | -             | (8)             | -                              | -                   | -                 | (8)           |
| Sale of own shares held by employee trusts     | -             | -             | 14              | -                              | -                   | -                 | 14            |
| <b>At 31 December 2017</b>                     | <b>2,884</b>  | <b>2,675</b>  | <b>(5,078)</b>  | <b>2,834</b>                   | <b>117</b>          | <b>36,873</b>     | <b>40,305</b> |

**NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 31 December 2017**

**C1 ACCOUNTING POLICIES**

The Company's accounting policies are the same as those set out in Note 1 of the Group financial statements, except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The Company grants share-based payments to the employees of subsidiary companies. Each period the fair value of the employee services received by the subsidiary is treated as a capital contribution from the Company and is reflected as an addition to investments in subsidiaries.

Loans to other Group undertakings and all other receivables are initially recorded at fair value, which is generally the proceeds advanced. They are then subsequently carried at amortised cost. The loans are interest bearing and repayable on demand, subject to being given three calendar months' notice.

Loans from other Group undertakings and all other payables are initially recorded at fair value, which is generally the proceeds received. They are then subsequently carried at amortised cost. The loans are interest bearing and repayable on demand, subject to being given three calendar months' notice.

The Company's financial risk is managed as part of the Group's strategy and policies as discussed in Note 29 of the Group financial statements.

In accordance with the exemption allowed by Section 408(3) of the Companies Act 2006, the Company has not presented its own income statement.

**C2 EMPLOYEES**

| <b>Average monthly number of staff</b> | <b>2017</b> | 2016 |
|--|-------------|------|
| Company                                | <b>16</b>   | 21   |
| Full time equivalents                  | <b>15</b>   | 20   |

The average monthly number of staff shown above includes five (2016: six) non-executive directors of the Company.

**C3 AUDITOR'S REMUNERATION**

Amounts paid by the Company in respect of services provided by the Group's auditor are as follows:

|                               | <b>2017</b> | 2016 |
|-------------------------------|-------------|------|
|                               | <b>£000</b> | £000 |
| <b>Auditor's remuneration</b> |             |      |
| Audit                         | <b>39</b>   | 43   |
| Tax compliance                | <b>23</b>   | 68   |

**NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 31 December 2017**

**C4 PROPERTY, PLANT AND EQUIPMENT**

|                                     | Plant and equipment<br>£000 | Total<br>£000 |
|-------------------------------------|-----------------------------|---------------|
| Cost:                               |                             |               |
| At 1 January 2016                   | 16                          | 16            |
| Inter company transfer              | (4)                         | (4)           |
| <b>At 31 December 2016 and 2017</b> | <b>12</b>                   | <b>12</b>     |
| Depreciation:                       |                             |               |
| At 1 January 2016                   | 13                          | 13            |
| Inter company transfer              | (1)                         | (1)           |
| <b>At 31 December 2016 and 2017</b> | <b>12</b>                   | <b>12</b>     |
| Net book value:                     |                             |               |
| <b>At 31 December 2017</b>          | <b>-</b>                    | <b>-</b>      |
| At 31 December 2016                 | -                           | -             |
| At 1 January 2016                   | 3                           | 3             |

**C5 OTHER FINANCIAL ASSETS**

|   | Subsidiary undertakings<br>£000 | Listed<br>£000 | Unlisted<br>£000 | Total<br>£000  |
|---|---------------------------------|----------------|------------------|----------------|
| Fair value at 31 December 2015            | 177,378                         | 9              | 3,523            | 180,910        |
| Share based payment                       | 14                              | -              | -                | 14             |
| Fair value at 31 December 2016            | 177,392                         | 9              | 3,523            | 180,924        |
| Share based payment                       | (39)                            | -              | -                | (39)           |
| Fair value adjustment                     | -                               | -              | (607)            | (607)          |
| <b>Fair value at 31 December 2017</b>     | <b>177,353</b>                  | <b>9</b>       | <b>2,916</b>     | <b>180,278</b> |
| Provisions:                               |                                 |                |                  |                |
| <b>At 31 December 2015, 2016 and 2017</b> | <b>10,501</b>                   | <b>-</b>       | <b>-</b>         | <b>10,501</b>  |
| Net book value:                           |                                 |                |                  |                |
| <b>At 31 December 2017</b>                | <b>166,852</b>                  | <b>9</b>       | <b>2,916</b>     | <b>169,777</b> |
| At 31 December 2016                       | 166,891                         | 9              | 3,523            | 170,423        |
| At 31 December 2015                       | 166,877                         | 9              | 3,523            | 170,409        |



**NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 31 December 2017**

**C6 TRADE AND OTHER RECEIVABLES**

|   | <b>2017</b>   | 2016   |
|---|---------------|--------|
|   | <b>£000</b>   | £000   |
| Current:                                |               |        |
| Prepayments and accrued income          | <b>47</b>     | 47     |
| Non current:                            |               |        |
| Amounts owed by subsidiary undertakings | <b>88,375</b> | 85,765 |

**C7 CASH AND CASH EQUIVALENTS**

|                          | <b>2017</b> | 2016  |
|--------------------------|-------------|-------|
|                          | <b>£000</b> | £000  |
| Cash at bank and in hand | <b>460</b>  | 8,869 |

**C8 BANK LOANS, OVERDRAFTS AND FACILITIES**

The bank loans, overdrafts and facilities comprise:

|                                     | <b>2017</b> | 2016 |
|-------------------------------------|-------------|------|
| Current                             |             |      |
| EBT overdraft                       | <b>977</b>  | 966  |
| Less bank facility arrangement fees | <b>(39)</b> | (65) |
|                                     | <b>938</b>  | 901  |

The EBT has a bank overdraft facility of £1m and any overdraft under this facility is guaranteed by the Company. The Group has a bank overdraft facility of £3m and any overdrafts under this facility are secured by a fixed and floating charge over the undertaking, property, assets and rights of certain companies in the Group, together with cross guarantees from certain companies in the Group.

The Group has a term revolving advances facility expiring on 30 June 2019. The maximum amount throughout the term of this facility is £17m. The undrawn committed facilities available at 31 December 2017, in respect of which all conditions precedent had been met at that date, were £20m (2016: £20m). Provided that the Group continues to comply with the conditions of the facility, the Group has the right to draw down sums up to the amount of the facility for periods ending on or before the expiry date.

Sums drawn down under the revolving advances facility are secured by a fixed and floating charge over the undertaking, property, assets and rights of certain companies in the Group, together with cross guarantees from certain companies in the Group.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 31 December 2017**

**C9 TRADE AND OTHER PAYABLES**

|                              | <b>2017</b> | 2016 |
|------------------------------|-------------|------|
|                              | <b>£000</b> | £000 |
| Accruals and deferred income | <b>347</b>  | 583  |

**C10 PROVISIONS**

The movements in provisions are as follows:

|                            | National<br>insurance on<br>share options | Share based<br>payment | Total      |
|----------------------------|---|------------------------|------------|
|                            | £000                                      | £000                   | £000       |
| At 31 December 2016        | 22  | 205                    | 227        |
| Arising during the year    | (11)                                      | (34)                   | (45)       |
| <b>At 31 December 2017</b> | <b>11</b>                                 | <b>171</b>             | <b>182</b> |

|                              | <b>2017</b> | 2016 |
|------------------------------|-------------|------|
|                              | <b>£000</b> | £000 |
| Analysis of total provisions |             |      |
| Non-current                  | <b>182</b>  | 227  |

The provision for share-based payment comprises cash bonuses payable under the JSOP, including associated national insurance. The provision for national insurance is on the cost of share options granted under the 2011 LTIP.

**C11 DEFERRED TAX**

The movements on the deferred tax account are as follows:

|  | Accelerated<br>capital<br>allowances | Other timing<br>differences | Available<br>for sale<br>investments | Total    |
|--|--------------------------------------|-----------------------------|--------------------------------------|----------|
|  | £000                                 | £000                        | £000                                 | £000     |
| At 31 December 2015                    | 1                                    | 60                          | (55)                                 | 6        |
| Credited to the income statement       | -                                    | 14                          | -                                    | 14       |
| Credited to other comprehensive income | -                                    | -                           | 3                                    | 3        |
| At 31 December 2016                    | 1                                    | 74                          | (52)                                 | 23       |
| Credited to the income statement       | -                                    | (21)                        | -                                    | (21)     |
| <b>At 31 December 2017</b>             | <b>1</b>                             | <b>53</b>                   | <b>(52)</b>                          | <b>2</b> |

**NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 31 December 2017**

**C12 NON-CURRENT LIABILITIES**

|                                    | <b>2017</b>    | 2016    |
|------------------------------------|----------------|---------|
|                                    | <b>£000</b>    | £000    |
| Amounts owed to group undertakings | <b>217,855</b> | 220,728 |

All liabilities falling due in more than one year mature between two and five years.

**C13 CALLED UP SHARE CAPITAL**

Issued ordinary shares of 20p each:

|                | <b>2017</b>       | 2016       |
|----------------|-------------------|------------|
|                | <b>shares</b>     | shares     |
| At 1 January   | <b>14,420,822</b> | 14,396,822 |
| Shares issued  | -                 | 24,000     |
| At 31 December | <b>14,420,822</b> | 14,420,822 |

Issued and fully paid ordinary shares of 20p each:

|                | <b>2017</b>  | 2016  |
|----------------|--------------|-------|
|                | <b>£000</b>  | £000  |
| At 1 January   | <b>2,884</b> | 2,879 |
| Shares issued  | -            | 5     |
| At 31 December | <b>2,884</b> | 2,884 |

During 2016 24,000 ordinary shares having a nominal value of £4,800 were issued with an aggregate consideration of £33,600.

**C14 SHARE PREMIUM**

|                | <b>2017</b>  | 2016  |
|----------------|--------------|-------|
|                | <b>£000</b>  | £000  |
| At 1 January   | <b>2,675</b> | 2,647 |
| Shares issued  | -            | 28    |
| At 31 December | <b>2,675</b> | 2,675 |

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## ARCHANT ANNUAL REPORT 2017

### Company financial statements

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#### NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 31 December 2017

##### C15 OTHER RESERVES

|  | Available<br>for sale<br>investments | Share-based<br>payments | Own shares<br>held | Total          |
|--|--------------------------------------|-------------------------|--------------------|----------------|
|  | £000                                 | £000                    | £000               | £000           |
| At 31 December 2015                            | 3,438                                | 155                     | (5,078)            | (1,485)        |
| Other comprehensive income                     |                                      |                         |                    |                |
| Purchase of own shares held by employee trusts | -                                    | -                       | (6)                | (6)            |
| Credit to equity for share-based payment       | -                                    | 81                      | -                  | 81             |
| Fair value of listed and unlisted investments  | 3                                    | -                       | -                  | 3              |
| At 31 December 2016                            | 3,441                                | 236                     | (5,084)            | (1,407)        |
| Other comprehensive income                     |                                      |                         |                    |                |
| Purchase of own shares held by employee trusts | -                                    | -                       | (8)                | (8)            |
| Sale of own shares held by employee trusts     | -                                    | -                       | 14                 | 14             |
| Debit to equity for share-based payment        | -                                    | (119)                   | -                  | (119)          |
| Fair value of listed and unlisted investments  | (607)                                | -                       | -                  | (607)          |
| <b>At 31 December 2017</b>                     | <b>2,834</b>                         | <b>117</b>              | <b>(5,078)</b>     | <b>(2,127)</b> |

Own shares held comprise shares held by the JSOP and the trustees of the EBT, the LTIP Trust and the SIP Trust other than shares being held as a bare trustee. Own shares held comprised 675,146 shares with a nominal value of 20p each, acquired at an average cost of £7.52 each (2016: 677,117 shares at £7.51). Purchases of shares in the Company by the EBT have been funded by a bank overdraft guaranteed by the Company, and purchases by the LTIP and SIP have been funded by cash contributions from the Company and its subsidiaries. The trusts provide sources of shares for use in connection with share schemes.

All expenses incurred by the trusts are settled directly by the Company, and charged in the financial statements as incurred.

##### C16 RETAINED EARNINGS

|                            | 2017    | 2016    |
|----------------------------|---------|---------|
|                            | £000    | £000    |
| At 1 January               | 40,081  | 44,463  |
| Loss from income statement | (3,208) | (3,725) |
| Forfeited dividends        | -       | 37      |
| Equity dividends paid      | -       | (694)   |
| At 31 December             | 36,873  | 40,081  |

## **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at The Assembly House, Theatre Street, Norwich on Tuesday 24 April 2018 at noon, to consider and if thought fit, pass the following resolutions:

### **ORDINARY RESOLUTIONS**

- 1 THAT the reports of the directors and auditors and the audited financial statements for the year ended 31 December 2017 be and are hereby received.
- 2 THAT Mr J Henry, retiring as a director at this meeting, be re-elected as a director of the Company.
- 3 THAT Mr M Walsh, retiring as a director at this meeting, be re-elected as a director of the Company.
- 4 THAT Ernst & Young LLP be re-appointed as auditors for the Company at a fee to be fixed by the directors.

BY ORDER OF THE BOARD

B G McCarthy  
Director  
7 March 2018

**Archant Limited, Prospect House, Rouen Road, Norwich NR1 1RE**

Telephone: **01603 772772**

Facsimile: **01603 613276**

Email: **company.secretary@archant.co.uk**

Registered number: 4126997

### **NOTES**

- 1 Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the Annual General Meeting ("AGM"). A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Deputy Company Secretary on 01603 772802.
- 2 To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no later than noon on Sunday 22 April 2018.
- 3 The return of a completed proxy form will not prevent a shareholder attending the AGM and voting in person should they wish to do so.
- 4 To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 6.30pm on Sunday 22 April 2018 (or, in the event of any adjournment, at 6.30pm on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM.



## USEFUL INFORMATION FOR SHAREHOLDERS

### SHAREHOLDER WEBSITE

Shareholders can find the latest Annual Report, presentations from the previous Annual General Meeting, useful shareholder information (such as the most recent price at which shares traded) and other presentations/articles which may be of interest at [www.archant.co.uk](http://www.archant.co.uk). Please note the shareholder reference number will be required which can be found on the relevant share certificate or on the Chairman's letter accompanying this Annual Report.

### REGISTRARS

Shareholders with questions regarding their shareholding should contact the Company's registrars:

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
BN99 6DA  
UK: 0371 384 2641  
Overseas: +44 121 415 7047

Lines are open from 8.30am to 5.30pm (UK time) Monday to Friday, excluding English public holidays.

Shareholders are also able to manage their shareholding online including: viewing shareholdings, setting up paper-free share communications and updating records for changes in name or address through Equiniti's website Shareview: [www.shareview.co.uk](http://www.shareview.co.uk). Please note the shareholder reference number will be required which can be found on the relevant share certificate or on the Chairman's Letter accompanying this Annual Report.

### SHARE DEALING AND SHARE PRICE

Shareholders can buy or sell Archant shares by contacting the Company's stockbrokers, James Sharp & Co, on 0161 764 4043.

### CONTACT ARCHANT

If you wish to talk to somebody at Archant with regards to your shareholding or any other share related matters please contact the Deputy Company Secretary on 01603 772802 or email [company.secretary@archant.co.uk](mailto:company.secretary@archant.co.uk).



## ARCHANT LIMITED ANNUAL REPORT 2017

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