

Consolidated Financial Statements

KM Media Group Limited

For the period ended 1 July 2017

THURSDAY



L72QY0E8

L12

29/03/2018

#209

COMPANIES HOUSE

Registered number: 08528676

KM Media Group Limited

Company Information

Directors

G R P Allinson
R E Elliot (resigned 31 May 2017)
D J Gray
I Carter
N Webster
W Shepherd (appointed 27 April 2017)
D S Fordham (appointed 27 April 2017)
The Honourable E R Iliffe (appointed 27 April 2017)

Registered number

08528676

Registered office

Medway House
Sir Thomas Longley Road
Medway City Estate
Rochester
England
ME2 4DU

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Senior Statutory Auditor
30 Finsbury Square
London
EC2P 2YU

KM Media Group Limited

Contents

	Page
Group strategic report	1 - 2
Directors' report	3 - 5
Independent auditor's report	6 - 9
Consolidated statement of income and retained earnings	10
Consolidated statement of financial position	11
Company statement of financial position	12
Consolidated Statement of cash flows	13
Notes to the financial statements	14 - 34

Group Strategic Report

For the period ended 1 July 2017

Business review

During the year ownership of the group changed to Iliffe Media Limited. KM Media Group became part of the Iliffe Media group, a group of local newspaper titles.

As part of the transaction, Iliffe Media provided financing to allow the repayment of external debt and the settlement of the intercompany balances, including the amounts due to Kent Messenger Limited and the Kent Messenger Pension Fund.

The expectation of the new larger group is the ability to take advantage of cost savings as synergies are identified across the group, improving the profit performance of both KM Media Group and the Iliffe Media group.

KM Media Group is in its fourth year of trading and continues to face the challenges of a continuing difficult press market with advertising and circulation revenues continuing to decline. This is partly being offset by continuing strong growth from the Radio Broadcasting and Digital elements of the business.

Given the economic uncertainty and continuing lack of consumer confidence we expect the economic outlook to remain challenging and as a result will continue to restructure and reshape the business. With the specific ongoing challenges of the press market we will continue to invest in the growth and launch of new multimedia products.

The key financial highlights are as follows:

	Period to 1 July 2017	Period to 2 July 2016
Company turnover	£15.0m	£ 16.9m
Gross profit margin	31.0%	23.0%
Operating EBITA before exceptional items	£46K	£53K

Principal risks and uncertainties

The main risk to the group remains the stabilisation of the economy and the continuing migration from press to digital media. During 2017 we have continued to see an improvement in the economy with digital sales starting to offset declines in press advertising revenues.

Financial key performance indicators

The key risk for the business remains the turnover performance. The key measure of this is the underlying performance year on year. This has been declining as a result of the challenging press market but as mentioned this is starting to be offset by the growth in other media so another key measure is the percentage of advertising revenues that come from new media.

	Period to 1 July 2017	Period to 2 July 2016
Underlying Turnover	£14,977K	£16,991K
% Multimedia Sales	31.5%	29.3%

KM Media Group Limited

Group Strategic Report (continued)

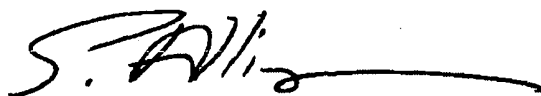
For the period ended 1 July 2017

Other performance indicators

The other measures for the business are revenue to headcount which is a key measure of operational efficiency in the group, as revenues have declined through restructuring the business we have also seen a significant decline in the headcount. The other key measure and driver of liquidity is collection of debts and particularly ensuring old debt is minimised.

	Period to 1 July 2017	Period to 2 July 2016
Turnover to Headcount	£69K	£68K
Year end Headcount	218	248
Debt greater than 60 days	£250K	£435K

This report was approved by the board and signed on its behalf.



G R P Allinson
Director

Date: 28-3-18

Directors' Report

For the period ended 1 July 2017

The directors present their report and the financial statements for the Period ended 1 July 2017.

Principal activity

The principal activities of the company are the publishing of newspapers and digital websites, radio broadcasting and other media interests.

Results and dividends

The loss for the period, after taxation, amounted to £867 thousand (2016: loss £435 thousand).

During the period no dividends were paid (2016: £Nil).

Directors

The directors who served during the period to were:

G R P Allinson
R E Elliot (resigned 31 May 2017)
D J Gray
I Carter
N Webster
W Shepherd (appointed 27 April 2017)
D S Fordham (appointed 27 April 2017)
The Honourable E R Iliffe (appointed 27 April 2017)

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

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

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

Directors' Report (continued)

For the period ended 1 July 2017

Employee involvement

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

Disabled employees

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

Donations

During the period no donations were made for charitable purposes.

However, the group valued its support for charitable and community activity in Kent during 2016-2017 at £2.6m (2016: £2m). This is done by supporting events such as the Big Quiz around Kent and others like the Kent and Medway Charity Team's abseil, assault course and dragon boat events. The group also provided through editorial and advertising support special awareness to many charities in our newspapers, on radio and online.

No political donations were made.

Matters covered by the Strategic Report

Information relating to business activities, likely future developments in the business, its financial position and its exposure to risks have been disclosed within the Strategic Report in accordance with S414c(ii) of the Companies Act 2006.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the Group's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

KM Media Group Limited

Directors' Report (continued)

For the period ended 1 July 2017

This report was approved by the board and signed on its behalf.



G R P Allinson
Director

Date: 28-3-18



Independent Auditor's Report to the Members of KM Media Group Limited

Opinion

We have audited the financial statements of KM Media Group Limited (the 'parent company') and its subsidiaries (the 'Group') for the period ended 1 July 2017, which comprise the Consolidated Statement of income and retained earnings, the Consolidated and company Statements of financial position, the Consolidated Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 1 July 2017 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

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.



Independent Auditor's Report to the Members of KM Media Group Limited (continued)

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 directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion 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 Group strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.



Independent Auditor's Report to the Members of KM Media Group Limited (continued)

Matter on which we are required to report under the Companies Act 2006

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 Group strategic report or the Directors' report.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, 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 KM Media Group Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

A handwritten signature in black ink, appearing to read 'Nicholas Page'.

Nicholas Page (Senior statutory auditor)
for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Senior Statutory Auditor

London Finsbury

Date:

28/3/13

Consolidated Statement of Income and Retained Earnings

For the period ended 1 July 2017

	Note	Period to 1 July 2017 £000	Period to 2 July 2016 £000
Turnover	4	14,977	16,944
Cost of sales		(10,327)	(13,048)
Gross profit		4,650	3,896
Distribution costs		(868)	(1,098)
Administrative expenses		(3,959)	(2,965)
Exceptional administrative expenses		161	(287)
Gain on fair value movements		-	377
Operating loss	5	(16)	(77)
Interest payable and expenses	9	(170)	(51)
Loss before tax		(186)	(128)
Tax on loss	10	(681)	(307)
Loss after tax		(867)	(435)
Retained earnings at the beginning of the period		(70)	365
		(70)	365
Loss for the period attributable to the owners of the parent		(867)	(435)
Retained earnings at the end of the period		(937)	(70)

There was no other comprehensive income for 2017 or 2016 other than those included in the consolidated statement of income and retained earnings.

The notes on pages 14 to 34 form part of these financial statements.

Consolidated Statement of Financial Position

As at 1 July 2017

	Note	1 July 2017 £000	2 July 2016 £000
Fixed assets			
Intangible assets	13	1,158	1,259
Tangible assets	14	345	375
		<u>1,503</u>	<u>1,634</u>
Current assets			
Debtors: amounts falling due within one year	16	2,054	3,553
Cash at bank and in hand	17	229	24
		<u>2,283</u>	<u>3,577</u>
Creditors: amounts falling due within one year	18	(4,723)	(4,007)
Net current liabilities		<u>(2,440)</u>	<u>(430)</u>
Total assets less current liabilities		<u>(937)</u>	<u>1,204</u>
Creditors: amounts falling due after more than one year	19	-	(1,274)
Net liabilities		<u>(937)</u>	<u>(70)</u>
Capital and reserves			
Called up share capital	23	-	-
Profit and loss account	24	(937)	(70)
		<u>(937)</u>	<u>(70)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



G R P Allinson
Director

Date: 28-3-18

The notes on pages 14 to 34 form part of these financial statements.

KM Media Group Limited
Registered number:08528676

Company Statement of Financial Position

As at 1 July 2017

	Note	1 July 2017 £000	2 July 2016 £000
Fixed assets			
Intangible assets	13	1,158	1,259
Tangible assets	14	345	375
		<u>1,503</u>	<u>1,634</u>
Current assets			
Debtors: amounts falling due within one year	16	2,054	3,553
Cash at bank and in hand	17	229	14
		<u>2,283</u>	<u>3,567</u>
Creditors: amounts falling due within one year	18	(4,723)	(3,997)
Net current liabilities		<u>(2,440)</u>	<u>(430)</u>
Total assets less current liabilities		<u>(937)</u>	<u>1,204</u>
Creditors: amounts falling due after more than one year	19	-	(1,274)
Net assets excluding pension asset		<u>(937)</u>	<u>(70)</u>
Net liabilities		<u>(937)</u>	<u>(70)</u>
Capital and reserves			
Profit and loss account brought forward		(70)	366
Loss for the period		(867)	(436)
Profit and loss account carried forward		<u>(937)</u>	<u>(70)</u>
		<u>(937)</u>	<u>(70)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



G R P Allinson
Director

Date: 28-3-18

The notes on pages 14 to 34 form part of these financial statements.

Consolidated Statement of Cash Flows

For the period ended 1 July 2017

	1 July 2017 £000	2 July 2016 £000
Cash flows from operating activities		
Loss for the financial period	(867)	(435)
Adjustments for:		
Amortisation of intangible assets	101	129
Depreciation of tangible assets	105	91
Interest paid	170	51
Taxation charge	684	307
Decrease in debtors	814	109
Decrease/(increase) in amounts owed by groups	1,462	(14)
(Decrease) in creditors	(415)	(29)
Net cash generated from operating activities	2,054	209
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(55)
Purchase of tangible fixed assets	(75)	(124)
Net cash from investing activities	(75)	(179)
Cash flows from financing activities		
Repayment of bank loans	(1,604)	(48)
Interest paid	(170)	(51)
Net cash used in financing activities	(1,774)	(99)
Net increase/(decrease) in cash and cash equivalents	205	(69)
Cash and cash equivalents at beginning of period	24	93
Cash and cash equivalents at the end of period	229	24
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	229	24
	229	24

The notes on pages 14 to 34 form part of these financial statements.

Notes to the Financial Statements

For the period ended 1 July 2017

1. General information

KM Media Group Limited is a limited liability company incorporated in England and Wales. Its registered office is Medway House, Sir Thomas Longley Road, Medway City Estate, Rochester, England, ME2 4DU.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Group's functional and representational currency is GBP.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The parent company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of income and retained earnings from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 05 July 2015.

Notes to the Financial Statements

For the period ended 1 July 2017

2. Accounting policies (continued)

2.4 Going concern

The Group's forecasts and projections, taking account of potential changes in trading performance along with continued support from the parent Iliffe Media Limited, show that the Group will be able to operate within the level of its current working capital requirements.

Based on the above the directors have a reasonable expectation that the Group will be able to trade for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from the provision of services is recognised in the period in which the services are provided, when the amount of turnover can be measured reliably and it is probable that the company will receive the consideration.

Notes to the Financial Statements

For the period ended 1 July 2017

2. Accounting policies (continued)

2.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of income and retained earnings over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	25	years
Software	-	5	years

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of income and retained earnings.

Notes to the Financial Statements

For the period ended 1 July 2017

2. Accounting policies (continued)

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated statement of income and retained earnings for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Notes to the Financial Statements

For the period ended 1 July 2017

2. Accounting policies (continued)

2.11 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Finance costs

Finance costs are charged to the Consolidated statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Notes to the Financial Statements

For the period ended 1 July 2017

2. Accounting policies (continued)

2.14 Operating leases

Rentals paid under operating leases are charged to the Consolidated statement of income and retained earnings on a straight line basis over the lease term.

2.15 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.16 Interest income

Interest income is recognised in the Consolidated statement of income and retained earnings using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of income and retained earnings in the period in which they are incurred.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of income and retained earnings in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

Notes to the Financial Statements

For the period ended 1 July 2017

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated statement of income and retained earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the prior year the intercompany payable to Kent Messenger Limited relied on management judgement as it is derived from a 25 year free cash flow model. Assumptions had been made around the entity's trading results and cashflow. These were subject to uncertainty given the length of the period under review.

During the year this payable was settled, and therefore no such judgement were required at the year end.

Notes to the Financial Statements

For the period ended 1 July 2017

4. Turnover

An analysis of turnover by class of business is as follows:

	Period to 1 July 2017 £000	Period to 2 July 2016 £000
Provision of services	12,166	14,097
Provision of goods	2,811	2,847
	<u>14,977</u>	<u>16,944</u>

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	Period to 1 July 2017 £000	Period to 2 July 2016 £000
Depreciation of tangible fixed assets	105	91
Amortisation of intangible assets, including goodwill	101	129
Hire and rental charges (excluding hire purchase):		
- property	351	329
- plant and vehicles	170	205
	<u>727</u>	<u>754</u>

6. Auditor's remuneration

	Period to 1 July 2017 £000	Period to 2 July 2016 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	26	20
Fees payable to the Group's auditor and its associates in respect of:		
Other services relating to taxation	3	3
Services relating to accounting	2	2
	<u>5</u>	<u>5</u>

Notes to the Financial Statements

For the period ended 1 July 2017

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 1 July 2017 £000	Group 2 July 2016 £000
Wages and salaries	6,498	6,936
Social security costs	600	670
Cost of defined contribution scheme	622	583
	<u>7,720</u>	<u>8,189</u>

The average monthly number of employees, including the directors, during the period was as follows:

	Period to 1 July 2017 No.	Period to 2 July 2016 No.
Executive and central services	11	18
Operations	52	48
Commercial	60	77
Editorial	99	108
Marketing and newspaper sales	15	14
	<u>237</u>	<u>265</u>

8. Directors' remuneration

	Period to 1 July 2017 £000	Period to 2 July 2016 £000
Directors' emoluments	778	748
Company contributions to defined contribution pension schemes	30	33
	<u>808</u>	<u>781</u>

During the period retirement benefits were accruing to 3 directors (2016: 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £264,000 (2016: £160,000).

Notes to the Financial Statements

For the period ended 1 July 2017

9. Interest payable and similar charges

	Period to 1 July 2017 £000	Period to 2 July 2016 £000
Interest on bank loans	170	51

10. Taxation

	Period to 1 July 2017 £000	Period to 2 July 2016 £000
Corporation tax		
Adjustments in respect of previous periods	-	(20)
	-	(20)
Foreign tax		
Origination and reversal of timing differences	681	327
Total current tax	681	307

Notes to the Financial Statements

For the period ended 1 July 2017

10. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period differs to the standard rate of corporation tax in the UK of 19.75% (2016: 20%). The differences are explained below:

	Period to 1 July 2017 £000	Period to 2 July 2016 £000
Profit on ordinary activities before tax	(186)	(128)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016 - 20%)	(37)	(25)
Effects of:		
Fixed asset differences	-	8
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	143	3
Income not deductible for tax purposes	(211)	(98)
Group relief surrendered	23	28
Adjustments to tax charge in respect of prior periods	(3)	(20)
Adjust closing deferred tax to average rate of 20%	126	217
Deferred tax not recognised / (recognised)	640	194
Total tax charge for the period	681	307

Factors that may affect future tax charges

The corporation tax rate fell to 19% on 1 April 2017 and is due to fall 17% on 1 April 2020.

Notes to the Financial Statements

For the period ended 1 July 2017

11. Exceptional items

	Period to 1 July 2017 £000	Period to 2 July 2016 £000
Restructuring	199	287
Gain on settlement of Kent Messenger Limited balance	(360)	-
	<u>(161)</u>	<u>287</u>

During the period the company was sold by KM (Holdings) Limited to Iliffe Media Limited. The costs associated with this change of ownership are considered exceptionals. After the change in ownership a restructure of management resulted in redundancy payments.

During the transaction the payable to a fellow subsidiary Kent Messenger Limited of £1,135,000 was settled for £775,000 and hence a gain of £360,000 has been recognised.

During the prior period the company was involved in a restructuring across a number of areas within the business. As a result redundancy payments and relocation payments were made.

12. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of income and retained earnings in these financial statements. The loss after tax of the parent company for the period was £867,000 (2016 - loss £435,000).

Notes to the Financial Statements

For the period ended 1 July 2017

13. Intangible assets

Group and Company

	Radio licences £000	Software £000	Goodwill £000	Total £000
Cost				
At 3 July 2016	200	731	1,053	1,984
At 1 July 2017	200	731	1,053	1,984
Amortisation				
At 3 July 2016	-	599	126	725
Charge for the year	-	59	42	101
At 1 July 2017	-	658	168	826
Net book value				
At 1 July 2017	200	73	885	1,158
At 2 July 2016	200	132	927	1,259

Notes to the Financial Statements

For the period ended 1 July 2017

14. Tangible fixed assets

Group and Company

	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 3 July 2016	1,422	7,738	9,160
Additions	-	75	75
Write off	(986)	(1,631)	(2,617)
At 1 July 2017	436	6,182	6,618
Depreciation			
At 3 July 2016	1,416	7,369	8,785
Charge owned for the period	2	103	105
Write off	(986)	(1,631)	(2,617)
At 1 July 2017	432	5,841	6,273
Net book value			
At 1 July 2017	4	341	345
At 2 July 2016	6	369	375

15. Interests in group undertakings

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Online Kent Property Limited	Ordinary	100 %	Dormant
KM Direct Limited	Ordinary	100 %	Newspaper distribution

Notes to the Financial Statements

For the period ended 1 July 2017

16. Debtors

	Group 1 July 2017 £000	Group 2 July 2016 £000	Company 1 July 2017 £000	Company 2 July 2016 £000
Trade debtors	1,538	2,208	1,538	2,208
Other debtors	108	75	108	75
Prepayments and accrued income	408	589	408	589
Deferred taxation	-	681	-	681
	<u>2,054</u>	<u>3,553</u>	<u>2,054</u>	<u>3,553</u>

17. Cash and cash equivalents

	Group 1 July 2017 £000	Group 2 July 2016 £000	Company 1 July 2017 £000	Company 2 July 2016 £000
Cash at bank and in hand	<u>229</u>	<u>24</u>	<u>229</u>	<u>14</u>

Notes to the Financial Statements

For the period ended 1 July 2017

18. Creditors: Amounts falling due within one year

	Group 1 July 2017 £000	Group 2 July 2016 £000	Company 1 July 2017 £000	Company 2 July 2016 £000
Repayment loan	-	180	-	180
Other loans - commercial finance facility	-	1,285	-	1,285
Trade creditors	720	1,046	720	1,046
Amounts owed to group undertakings	2,769	173	2,770	163
Other creditors	529	662	528	662
Accruals and deferred income	705	661	705	661
	4,723	4,007	4,723	3,997

Secured loans

At the prior period end the Commercial Finance facility to borrow on the sales ledger was payable on demand with interest payable at 3.5% per annum over base rate. The Repayment Loan was repayable over three years, with interest payable at 4.5% per annum over base rate. These represented commercial finance facilities secured against the sales ledger by way of a debenture.

As part of the transaction during the year, this balance was settled with cash provided by the new parent company Iliffe Media Limited through an intercompany account. The outstanding amounts owed to group undertakings at the period end are repayable on demand and are interest free.

At the prior period end the amounts owed to group undertakings were due to the previous parent company, KM (Holdings) Limited, and were also due on demand and interest free.

Notes to the Financial Statements

For the period ended 1 July 2017

19. Creditors: Amounts falling due after more than one year

	Group 1 July 2017 £000	Group 2 July 2016 £000	Company 1 July 2017 £000	Company 2 July 2016 £000
Other loans	-	139	-	139
Amounts owed to group undertakings	-	1,135	-	1,135
	-	1,274	-	1,274

Secured loans

The amount owed to group undertakings in the prior year relates to a loan note with Kent Messenger Limited, the company was contracted to provide payment to Kent Messenger Limited for 30% of its free cashflow from July 2013 for 25 years.

In the prior year the £1,135,000 was the net present value of forecast future repayments of the loan note using a discount factor of 20%, being the directors' best estimate of an appropriate rate. The fair value of the liability was reassessed by management during in the prior year to take in to consideration revised free cashflow forecasts. This resulted in a gain as a result of a change in fair value of £377,000 and was credited to the Statement of income and retained earnings. Annually this payable was unwound to recognise the increase in value as cash payments draw nearer, the total charge recognised during the year was £nil as the liability was revalued downwards.

As part of the transaction during the year, this balance was settled for an amount less than its fair value, the gain on its settlement has been recognised within the exceptional items.

20. Loans

	1 July 2017 £000	2 July 2016 £000
Less than one year		
Other loans	-	1,285
Debenture loans	-	180
	-	1,465
Two to five years		
Other loans	-	139
	-	1,604

Notes to the Financial Statements

For the period ended 1 July 2017

21. Financial instruments

	Group 1 July 2017 £000	Group 2 July 2016 £000
Financial assets		
Financial assets measured at fair value through profit or loss	229	24
Financial assets that are debt instrument measured at amortised cost	1,646	2,283
	<u>1,875</u>	<u>2,307</u>
Financial liabilities		
Financial liabilities measured at amortised cost	4,018	4,620
	<u>4,018</u>	<u>4,620</u>

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors

Financial liabilities measured at amortised cost comprise repayment loan, commercial finance facility, trade creditors, amounts owed to group undertakings, other creditors and other loans

22. Deferred taxation

Group

	2017 £000	2016 £000
At beginning of year	681	1,008
Charged to profit or loss	(681)	(327)
At end of year	<u>-</u>	<u>681</u>

Notes to the Financial Statements

For the period ended 1 July 2017

22. Deferred taxation (continued)

Company

	2017 £000	2016 £000
At beginning of year	681	1,008
Charged to profit or loss	(681)	(327)
At end of year	-	681

The deferred tax asset is made up as follows:

	Group 1 July 2017 £000	Group 2 July 2016 £000	Company 1 July 2017 £000	Company 2 July 2016 £000
Losses and other deductions	-	681	-	681
	-	681	-	681

At the period end deferred tax assets of £467,000 (2016: £466,000) relating to fixed asset timing differences, £27,000 (2016: £27,000) relating to short term timing differences and £1,422,000 (2016: £785,000) relating to losses and other deductions were not recognised as their recoverability was not considered sufficiently certain to warrant recognition.

23. Share capital

	1 July 2017 £	2 July 2016 £
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

24. Reserves

Retained earnings

Includes all current and prior period retained profits and losses.

25. Contingent liabilities

Other than those provided for or disclosed in these financial statements, the group has no material contingent liabilities at 01 July 2017 (2016: £Nil).

Notes to the Financial Statements

For the period ended 1 July 2017

26. Capital commitments

There are no capital commitments at the period end (2016: £Nil).

27. Pension commitments

The company operates a defined contribution scheme.

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

The contributions for the year were £622,000 (2016: £583,000).

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

28. Commitments under operating leases

At 1 July 2017 the Group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 1 July 2017 £000	Group 2 July 2016 £000	Company 1 July 2017 £000	Company 2 July 2016 £000
Land and buildings				
Not later than 1 year	33	45	33	45
Later than 1 year and not later than 5 years	356	65	356	65
Later than 5 years	585	219	585	219
	<u>974</u>	<u>329</u>	<u>974</u>	<u>329</u>
	Group 1 July 2017 £000	Group 2 July 2016 £000	Company 1 July 2017 £000	Company 2 July 2016 £000
Vehicles				
Not later than 1 year			2	2
Later than 1 year and not later than 5 years			509	509
			<u>511</u>	<u>511</u>

Notes to the Financial Statements

For the period ended 1 July 2017

29. Related party transactions

The company is a wholly owned subsidiary of Iliffe Media Limited. Accordingly, the company has taken advantage of the exemption in FRS 102 from disclosing transactions with members of the Iliffe Media Group.

During the period the company leased two properties, at a total market value rental of £105,957 (2016: £103,663) per annum, from the Kent Messenger Pension Scheme. In addition, the company also leased two properties at a market value rental of £42,609 (2016: £48,500) per annum, from the discretionary trust pension scheme of E R P Boorman.

30. Ultimate parent undertaking and controlling party

From 28 April 2017 the immediate controlling party is Iliffe Media Limited. The ultimate controlling party is the Honourable Edward Richard Iliffe.