KENT MESSENGER LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Messenger House
New Hythe Lane
Larkfield
Aylesford
Kent
ME20 6SG

Registered as a Company in England and Wales
Company Registration Number 505554

KENT MESSENGER LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report together with the financial statements for the fifty-two week period ended 31 December 2011

PRINCIPAL ACTIVITIES

The principal activities of the group continue to be those of publisher of newspapers, radio broadcast, internet and other media activities

REVIEW OF OPERATIONS

2011 was again a difficult year with advertising revenues continuing to fall The recruitment market remains particularly weak and public spending on advertising is very much reduced The net result of this is that revenues fell from £21 1m to £19 4m

Against this background the group made an offer to acquire Kent Regional Newspapers in Kent This acquisition was aborted given the OFT decision to refer the acquisition to the Competition Commission The cost of going through such a referral would be out of proportion to the size of the deal During the year the group continued to cut costs significantly and although most of the revenue decline was offset by cost savings, the group still reported a small operating loss of £259k against an operating profit of £108k in 2010 Exceptional costs of £576k were incurred primarily on the aborted acquisition £171k and further restructuring £330k

We anticipate that 2012 will be another challenging year in terms of economic activity However we go into it slightly more optimistic Cost savings continue and we have successfuly launched a new paid for title, our first for several years We will continue to develop our multimedia strategy which will enable us to provide our audience and customers with greater depth of content and audience growth

As noted below, since the year end we have also reached an agreement in principal to redevelop the main Larkfield site, part for residential and part for a new head office This will allow us to further reduce the cost base whilst providing significant capital to pay off debt

REVIEW OF BUSINESS

The key financial highlights are as follows

	2011 £'m	2010 £'m	2009 £'m	2008 £'m
Consolidated turnover	19 4	21 1	23 3	34 7
Gross profit margin	25 6%	28 6%	21 6%	21 5%

REFINANCING AND POST BALANCE SHEET EVENTS

In August 2011 the group restructured its debt and arranged a further Revolving Credit Facility of £2m At the same time all bank debt excluding the EFG was extended to June 2014 This means that no bank debt other than the EFG, which is repayable over 5 years from January 2010, is to be repaid until then The shareholders loan stock is required to be repaid over 5 years from December 2014

At the same time a new schedule of funding was agreed with the Pension Scheme, extending the repayments from 10 to 15 years The deficit continues to increase as a result of declining bond yields, however the scheme has been closed for many years to new members and future accrual (Note 29) As a result there are no major additional repayments to the bank and pension fund required over the next few years

Since the year end an acceptable offer has been received to redevelop the main Larkfield site This is subject to planning consent, but assuming this goes ahead, the likely result is that this will generate sufficient funds to build a new head office as well as in the final quarter of 2012 repay a very significant element of the bank debt This ensures the business is in an even stronger position should the current economic weaknesses continue

DIVIDENDS

Dunng the year no dividends were paid (2010 Nil)

FIXED ASSETS

Dunng the year the group purchased fixed assets of £0 1m which all relate to investments in IT development

DIRECTORS

The directors of Kent Messenger Limited dunng the penod were as follows

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

G J Mead - resigned 30 September 2011

* Non-Executive

In accordance with the Articles of Association, all directors continue in office

EMPLOYEES

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

EMPLOYMENT OF DISABLED PERSONS

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

DONATIONS

Dunng the penod, the group contributed £0 3k (2010 £1k) for charitable purposes

In addition to the direct charity payments shown above, the group directly assisted with raising funds for charitable bodies during 2011 to the value of £2 18m These events include the Big Quiz events around Kent and sponsored abseils The group also provided through editorial support special awareness to many charities within Kent and the group advertises many charities free of charge in our newspapers and on radio

No political donations were made

PRINCIPAL RISKS AND UNCERTAINTIES

Almost all the group's revenues are directly or indirectly related to the advertising market and consumer spending Therefore the main risk to the group and the group's revenues is the general economic conditions, both in the local market and nationally, and the general financial health of our customers Advertising spending in our market area has historically been cyclical, but is becoming more volatile, and there is evidence of a change in customer spending patterns reflecting a structural change within media This change is reflected in the continuing move from traditional to online media Our commitment to investment in our core brands and products helps to maintain the strength of our products in their local markets and ensuring that our products, newspapers, radio stations and increasingly websites, are the primary source of information for our consumers and first choice for advertising by our customers

The group's principal financial instruments comprise bank balances, trade creditors, trade debtors, bank and shareholder loans The main purpose of these instruments is to finance the group's operations In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility The group manages the liquidity risk on bank loans by ensuring there are sufficient funds available to meet the repayments as they fall due

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information

KENT MESSENGER LIMITED
REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

AUDITORS

The company's auditors, Rothman Pantall LLP, have indicated their willingness to continue in office and, in accordance with Section 485 of the Companies Act 2006, a resolution proposing their re-appointment will be put to the Annual General Meeting

On Behalf of the Board

D J Gray
Secretary

17 May 2012

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
KENT MESSENGER LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2011

We have audited the financial statements of Kent Messenger Limited for the year ended 31 December 2011 on pages eight to thirty which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheet, the Consolidated Cash Flow Statement and the Consolidated Statement of Total Recognised Gains and Losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Continued

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
KENT MESSENGER LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2011

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Andrew Bennett

Andrew Bennett FCA (Senior Statutory Auditor)
for and on behalf of Rothman Pantall LLP
Statutory Auditors
Chartered Accountants
Fryern House
125 Winchester Road
Chandlers Ford
Hampshire
SO53 2DR

17 May 2012

KENT MESSENGER LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011	2010
		£'000s	£'000s
TURNOVER	1, 2	19,352	21,051
COST OF SALES		(14,390)	(15,034)
GROSS PROFIT		4,962	6,017
Distribution costs		(1,791)	(1,981)
Administrative expenses		(3,430)	(3,928)
OPERATING (LOSS) / PROFIT BEFORE EXCEPTIONAL ITEMS	7	(259)	108
Exceptional items	4	(576)	(1,142)
OPERATING LOSS AFTER EXCEPTIONAL ITEMS		(835)	(1,034)
Interest receivable and other similar income	5	-	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(835)	(1,034)
Interest payable and similar charges	6	(196)	(201)
Other finance income / (costs)	29	38	(143)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(993)	(1,378)
Taxation on ordinary activities	9	-	-
LOSS FOR THE FINANCIAL YEAR		(993)	(1,378)

All of the material activities of the group are classed as continuing

A statement of the movement on reserves appears as Note 21 to the financial statements

The notes on pages 13 to 30 form part of these financial statements

KENT MESSENGER LIMITED
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011	2010
		£'000s	£'000s
Loss for the financial year		(993)	(1,740)
Actuarial (loss) / gain	29	(3,680)	1,572
Deferred tax		538	(554)
Revaluation of properties		-	(68)
Total recognised losses since the last annual report		(4,135)	(790)

The notes on pages 13 to 30 form part of these financial statements

KENT MESSENGER LIMITED (REGISTERED NUMBER 505554)
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Notes	2011 £'000s	2011 £'000s	2010 £'000s	2010 £'000s
FIXED ASSETS					
Intangible assets	11		4,496		4,496
Tangible assets	12		8,385		8,925
Investments	13		69		69
			12,950		13,490
CURRENT ASSETS					
Stocks	15	-		-	
Debtors	16	2,604		2,998	
Cash at bank and in hand		50		129	
		2,654		3,127	
CURRENT LIABILITIES					
Creditors Amounts falling due within one year	17	3,826		4,190	
NET CURRENT LIABILITIES			(1,172)		(1,063)
TOTAL ASSETS LESS CURRENT LIABILITIES			11,778		12,427
CREDITORS					
Amounts falling due after more than one year	18	4,400		3,696	
PROVISION FOR LIABILITIES	19	-		-	
			4,400		3,696
NET ASSETS excluding pension liability			7,378		8,731
Net Pension liability	29		6,903		4,121
NET ASSETS including pension liability			475		4,610
CAPITAL AND RESERVES					
Called up share capital	20		240		240
Share premium account	21		8		8
Revaluation reserve	21		2,400		2,400
Profit and loss account	21		(2,173)		1,962
EQUITY SHAREHOLDERS' FUNDS	22		475		4,610

The financial statements were approved by the Board of Directors on 17 May 2012

G R P Allinson
Chairman

R E Elliot
Director

The notes on pages 13 to 30 form part of these financial statements

KENT MESSENGER LIMITED (REGISTERED NUMBER 505554)
BALANCE SHEET
AS AT 31 DECEMBER 2011

		2011		2010	
	Notes	£'000s	£'000s	£'000s	£'000s
FIXED ASSETS					
Tangible assets	12		8,176		8,598
Investments	13		1,255		1,255
			9,431		9,853
CURRENT ASSETS					
Stocks	15	-		-	
Debtors	16	6,030		6,521	
Cash at bank and in hand		50		136	
		6,080		6,657	
CURRENT LIABILITIES					
Creditors Amounts falling due within one year	17	3,820		4,183	
NET CURRENT ASSETS			2,260		2,474
TOTAL ASSETS LESS CURRENT LIABILITIES			11,691		12,327
CREDITORS					
Amounts falling due after more than one year	18	4,400		3,696	
PROVISION FOR LIABILITIES	19	-		-	
			4,400		3,696
NET ASSETS excluding pension liability			7,291		8,631
Net Pension liability	29		6,903		4,121
NET ASSETS including pension liability			388		4,510
CAPITAL AND RESERVES					
Called up share capital	20		240		240
Share premium account	21		8		8
Revaluation reserve	21		2,400		2,400
Profit and loss account	21		(2,260)		1,862
EQUITY SHAREHOLDERS' FUNDS	22		388		4,510

The financial statements were approved by the Board of Directors on 17 May 2012

G R P Allinson
Chairman

R E Elliot
Director

The notes on pages 13 to 30 form part of these financial statements

KENT MESSENGER LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

		2011		2010	
	Notes	£'000s	£'000s	£'000s	£'000s
Net cash inflow from ordinary operating activities	23		188		401
Net cash outflow from exceptional items	23		(400)		(906)
Pension deficit funding contributions	29		(322)		(348)
			(534)		(853)
Returns on investments and servicing of finance					
Loan interest paid		(195)		(203)	
Other interest paid		(2)		(3)	
			(197)		(206)
Taxation			-		-
Capital expenditure and financial investment					
Receipts from sale of fixed assets and investments		21		1,267	
Payments to acquire tangible fixed assets and investments		(127)		(487)	
			(106)		780
Cash outflow before financing			(837)		(279)
Financing					
Issue of loan notes		-		1,000	
Loan advances		1,194		850	
Repayment of loans		(436)		(1,742)	
			758		108
Decrease in cash & cash equivalents	23		(79)		(171)

KENT MESSENGER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

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

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

In accordance with Section 408 of the Companies Act 2006 Kent Messenger Limited is exempt from the requirement to present its own profit and loss account The loss of the company for the period is £980k (2010 £1,359k) (see Note 21(b))

(a) BASIS OF CONSOLIDATION The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2011 except where a subsidiary has been excluded from consolidation because of its dormant status Intra-group sales and profits are eliminated fully on consolidation

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values, reflecting their condition at that date

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

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

Plant and machinery, and fixtures and fittings	10%
Computer and other electronic equipment	20% or 25%
Motor vehicles	25%
Radio equipment	Over 5 years or the life of the licence

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

Investment property is carried at open market value and, in accordance with SSAP 19, Accounting for Investment Properties, no depreciation is provided in respect of these properties Such properties are not held for consumption but for investment and therefore to depreciate them would not give a true and fair view Investment property will be subject to valuation on an annual basis

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

(d) GOODWILL Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions before 3 January 1998, when Financial Reporting Standard 10 (FRS10), Goodwill and Intangible Assets, was adopted, was written off to reserves in the year of acquisition When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit and loss on disposal

1 (d) GOODWILL (continued)

Purchased goodwill arising on consolidation in respect of acquisitions since 3 January 1998 is capitalised in accordance with FRS10

Goodwill arising since 1998 on the acquisition of the radio stations has been assumed to have an indefinite useful economic life Investments in radio stations are considered to have indefinite durability that can be demonstrated, and the value of these investments can be readily measured The carrying values are reviewed annually by the directors to determine whether there has been any permanent impairment in value and any such reductions in their values are taken to the profit and loss account

As a result of the impairment review, no additional provision has been made against the carrying value of goodwill (see Note 11)

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

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

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

(g) PENSIONS The company operates a defined benefit pension scheme, which is closed to future accruals, and a defined contribution scheme It also operates a stakeholder pension scheme

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

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

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

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

2 TURNOVER AND LOSS ON ORDINARY ACTIVITIES The turnover and loss are derived from the group's activities carried on within the United Kingdom

KENT MESSENGER LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

3 PARTICULARS OF EMPLOYEES The average number of full-time equivalent persons employed by the group (including directors of the holding company) during the period was as follows

	2011	2010
Executive and central services	25	26
Operations	63	66
Commercial	117	114
Editorial	118	114
Marketing and newspaper sales	12	33
	335	353
Total full-time and part-time persons	344	364

The aggregate payroll costs of these persons were as follows		2011 £'000s	2010 £'000s
Wages and salaries		8,716	9,087
Social security costs		864	906
Other pension costs	- defined contribution pension scheme	621	781
		10,201	10,774

In addition, deficit funding contributions totalling £322,000 were made to the company's defined benefit pension scheme (see Note 29)

4 EXCEPTIONAL ITEMS	2011 £'000s	2010 £'000s
Reorganisation costs - restructuring	330	623
Reorganisation costs - refinancing	75	74
Aborted acquisition costs	171	-
Profit on sale of fixed assets	-	(99)
Property revaluation	-	544
	576	1,142

5 INTEREST RECEIVABLE AND OTHER SIMILAR INCOME	2011 £'000s	2010 £'000s
Dividends from listed investments	-	-
Interest receivable	-	-
	-	-

6 INTEREST PAYABLE AND SIMILAR CHARGES	2011 £'000s	2010 £'000s
Interest on other bank loans (Note 18)	194	198
Other interest	2	3
	196	201

7 OPERATING LOSS

		2011	2010
Operating loss is stated after charging		£'000s	£'000s
Auditors' remuneration	- audit services	31	33
	- taxation services	17	25
	- accounting services	29	26
Hire and rental charges (excluding hire purchase)			
	- property	178	173
	- plant and vehicles	239	264
Depreciation on tangible fixed assets		667	651
Exceptional items (Note 4)		576	1,142
and after crediting			
Profit on sale of fixed assets		21	99

8 DIRECTORS' REMUNERATION

	2011	2010
	£'000s	£'000s
Directors' emoluments	604	648
Compensation for loss of office	-	159
Company contributions paid to defined contribution pension schemes	54	56

During the year, four directors (2010 five) were members of defined contribution pension schemes One of these directors is also a deferred member of the group's defined benefit pension scheme, which was closed to future accrual as at 31 December 2004

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

Highest paid director

Emoluments	124,236	144,963
Company contributions paid to defined contribution pension scheme	-	20,429

9 TAXATION ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period	2,011 £'000s	2010 £'000s
Corporation tax on the results for the period		
Current at 26% (2010 28%)	-	-
Adjustments relating to prior years	-	-
Corporation tax	-	-
Deferred at 23% (2010 27%)	-	-
	-	-

Tax losses amounting to £3,119k are being carried forward at the year end (2010 £3,221k)

(b) Factors affecting tax charge for the period

The tax assessed for the period is less (2010 less) than the standard rate of corporation tax in the UK (26%)

The differences are explained below

	2,011 £'000s	2010 £'000s
Loss on ordinary activities before tax	(993)	(1,378)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2010 28%)	(258)	(386)
Effects of		
Expenses not deductible for tax purposes	(12)	247
Depreciation for period in excess of capital allowances	107	(111)
Effect of current year losses carried forward	163	250
	-	-

(c) Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets Such tax would become payable only if the property were sold without it being possible to claim rollover relief The total amount unprovided for is £552k At present, it is not envisaged that any tax will become payable in the foreseeable future

Note 19 on page 25 gives details of the deferred taxation charged in the year

10 DIVIDENDS PAID

No dividends were paid or declared in 2011 or 2010

11 INTANGIBLE FIXED ASSETS - GOODWILL

COST	£'000s
At 31 December 2011 and 1 January 2011	10,546
AMORTISATION / PROVISION	
At 31 December 2011 and 1 January 2011	6,050
NET CARRYING AMOUNTS	
At 31 December 2011 and 1 January 2011	4,496

KENT MESSENGER LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

12 TANGIBLE FIXED ASSETS

(a) Group

	Land and Buildings	Plant and Vehicles	Fixtures & Fittings, Radio & Computer Equipment	Total
COST OR VALUATION	£'000s	£'000s	£'000s	£'000s
At 1 January 2011	7,205	23,999	8,755	39,959
Additions	-	2	125	127
Disposals	-	(22,576)	-	(22,576)
At 31 December 2011	7,205	1,425	8,880	17,510
DEPRECIATION				
At 1 January 2011	-	23,977	7,057	31,034
Eliminated on disposal	-	(19,104)	-	(19,104)
Impairment provision	-	(3,472)	-	(3,472)
Charge for the period	-	17	650	667
At 31 December 2011	-	1,418	7,707	9,125
NET BOOK AMOUNTS				
At 31 December 2011	7,205	7	1,173	8,385
At 1 January 2011	7,205	22	1,698	8,925

(b) Company

	Land and Buildings	Plant and Vehicles	Fixtures & Fittings & Computer Equipment	Total
COST OR VALUATION	£'000s	£'000s	£'000s	£'000s
At 1 January 2011	7,205	24,029	7,397	38,631
Additions	-	2	115	117
Disposals	-	(22,576)	-	(22,576)
At 31 December 2011	7,205	1,455	7,512	16,172
DEPRECIATION				
At 1 January 2011	-	24,007	6,026	30,033
Eliminated on disposal	-	(19,104)	-	(19,104)
Impairment provision	-	(3,472)	-	(3,472)
Charge for the period	-	17	522	539
At 31 December 2011	-	1,448	6,548	7,996
NET BOOK AMOUNTS				
At 31 December 2011	7,205	7	964	8,176
At 1 January 2011	7,205	22	1,371	8,598

12 TANGIBLE FIXED ASSETS (continued)

LAND AND BUILDINGS - Group	2011 £'000s	2010 £'000s
Freehold property		
At valuation as at 31 December 2011 (notes (i) and (iii))	5,855	5,855
Investment property		
At valuation as at 31 December 2011 (notes (i) and (ii) and Note 21)	1,350	1,350
	7,205	7,205

LAND AND BUILDINGS - Company	2011 £'000s	2010 £'000s
Freehold property		
At valuation as at 31 December 2011 (notes (i) and (iii))	5,855	5,855
Investment property		
At valuation as at 31 December 2011 (notes (i) and (ii) and Note 21)	1,350	1,350
	7,205	7,205

(i) The company's freehold and investment properties were professionally valued as at 1 January 2011 by Page & Wells, Surveyors, Valuers and Commercial Agents

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

(ii) In the opinion of the directors the market value of the company's investment property remains unchanged as at 31 December 2011

(iii) If freehold property had not been revalued at £5,855k it would have been included at a historical cost of £4,222k

KENT MESSENGER LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

13 FIXED ASSETS - INVESTMENTS

(a) Group	2011 £'000s	2010 £'000s
At cost or valuation		
At 1 January 2011	69	69
Disposals	-	-
At 31 December 2011	69	69
Comprising		
Listed on a recognised stock exchange (note (i))	3	3
Unlisted at cost (note (ii))	66	66
	69	69

(b) Company	2011 £'000s	2010 £'000s
At cost or valuation		
At 1 January 2011	1,255	1,255
Disposals	-	-
Provision against cost of unlisted investments	-	-
At 31 December 2011	1,255	1,255
Comprising		
Shares in subsidiary companies		
At cost less amounts written off and provided for	1,186	1,186
Amounts due to subsidiaries	-	-
	1,186	1,186
Other investments		
Listed on a recognised stock exchange (note (i))	3	3
Unlisted at cost (note (ii))	66	66
	1,255	1,255

(i) The listed investments comprise	2011 £'000s	2010 £'000s
Shares at directors' valuation June 1984	1	1
Others at cost	2	2
	3	3
Market value at 31 December 2011	1	1

(ii) In the opinion of the directors the market value of the unlisted investments is in excess of the book amount but this cannot readily be quantified

14 INTERESTS IN GROUP UNDERTAKINGS

The company controls 100% of the ordinary share capital of the following companies The principal activity of all these companies is that of commercial radio broadcasting

kmfm Thanet Limited
kmfm Folkestone Limited
kmfm Canterbury Limited
kmfm Medway Limited
kmfm West Kent Limited
Kent Digital Extra Limited - trading as kmfm
Local Ashford Radio Kent Limited
Maidstone Radio Limited

Through its 100% holding of the ordinary share capital of Kent & Sussex Radio Investors Limited, and by its direct holding of shares, Kent Messenger Limited holds 99 6% of the ordinary share capital of kmfm Medway Limited However, due to the ongoing loss position, the directors consider it prudent to treat the company as a 100% subsidiary and consolidate on this basis

KM Radio Limited

The company owns 100% of the ordinary share capital of KM Radio Limited Its principal activity is that of the provision of management, administration and other support services to local radio operating companies

KM Direct Limited

The company owns 100% of the ordinary share capital of KM Direct Limited Its principal activity is that of the distribution of newspapers

All other subsidiary undertakings are dormant and, as a consequence, these consolidated financial statements are not prepared with respect to these companies

The year end dates of all subsidiaries are concurrent with that of Kent Messenger Limited

Mail Publications Limited

The company owns 40% of the ordinary share capital of Mail Publications Limited This company publishes the Downs Mail

15 STOCKS

Group and company	2011 £'000s	2010 £'000s
Raw material and consumables	-	-

16 DEBTORS

(a) Group	2011 £'000s	2010 £'000s
Amounts falling due within one year		
Trade debtors	2,103	1,988
Other debtors	21	600
Prepayments	480	410
	2,604	2,998

(b) Company

Amounts falling due within one year		
Trade debtors	2,103	1,986
Other debtors	17	598
Amount owed by group undertakings	3,430	3,527
Prepayments	480	410
	6,030	6,521

17 CREDITORS

(a) Group	2011 £'000s	2010 £'000s
Amounts falling due within one year		
Bank loans (see Note 18)	1,616	1,562
Trade creditors	739	737
Other creditors	167	124
Accruals	799	1,228
Other taxes and Social Security	505	539
	3,826	4,190

(b) Company

Amounts falling due within one year		
Bank loans (see Note 18)	1,616	1,562
Trade creditors	738	735
Other creditors	165	122
Amount due to group undertakings	-	-
Accruals	799	1,228
Other taxes and Social Security	502	536
	3,820	4,183

18 CREDITORS FALLING DUE AFTER ONE YEAR

(a) Group	2011 £'000s	2010 £'000s
Bank loans falling due		
In one year or less, or on demand	1,616	1,562
In more than one year, but not more than two years	188	2,214
In more than two years, but not more than five years	3,629	699
Due in more than five years	583	783
	6,016	5,258
Less Current portion (Note 17)	(1,616)	(1,562)
	4,400	3,696
The following outstanding loans are secured		
10 year loan taken out in March 2001	-	68
Property loan taken out in April 2009	1,854	2,054
5 Year EFG loan taken out in 2010	634	802
Loan stock taken out in 2010	1,000	1,000
Commercial finance advance	1,428	1,334
RCF Facility taken out in 2011	1,100	-
Total secured loans	6,016	5,258

(b) Company	2011 £'000s	2010 £'000s
Bank loans falling due		
In one year or less, or on demand	1,616	1,562
In more than one year, but not more than two years	188	2,214
In more than two years, but not more than five years	3,629	699
In more than five years	583	783
	6,016	5,258
Less Current portion (Note 17)	(1,616)	(1,562)
	4,400	3,696
The following outstanding loans are secured		
10 year loan taken out in March 2001	-	68
Property loan taken out in April 2009	1,854	2,054
5 Year EFG loan taken out in 2010	634	802
Loan stock taken out in 2010	1,000	1,000
Commercial finance advance	1,428	1,334
RCF facility taken out in 2011	1,100	-
Total secured loans	6,016	5,258

18 CREDITORS FALLING DUE AFTER ONE YEAR (continued)

In 2009 the group took out a £4 3m term loan secured on the property of the group as well as a commercial facility to borrow up to 75% of the sales ledger These facilities are secured by of a debenture across the whole group with various covenants attached Interest rates are 3 5% over Base Rate As part of the refinancing these facilities were secured out to June 2014 with no repayments until then The commercial facility is capped at £2 1m

In addition Lloyds TSB was given a warrant over 5% of the share capital The warrant is exercisable at nominal value or is cancellable at market value, Lloyds TSB's option to exercise or cancel extends to January 2020 The company has an option to cancel the warrant by December 2014 at the higher of market value or £500,000 This was provided for in full in 2009's accounts

In January 2010 the shareholders subscribed to a further £1m by way of Loan stock The Loan stock is repayable by equal annual instalments from December 2014 to December 2019 The Loan stock attracts interest at the higher of 6% or 2 5% over Base Rate and has warrants over 60,000 B Ordinary Shares The Loan stock has a second charge over the group's property

At the same time as the shareholders took out the Loan stock the bank provided an EFG facility of £850k This is repayable over 5 years and attracts interest of 5 3% over Base Rate Security is provided by way of the bank's debenture across the group

In August 2011 the group agreed a further revolving credit facility with Lloyds TSB of £2m, with no repayments until June 2014 These facilities attract interest rates of 5% over LIBOR on the first £0 75m, 10% over LIBOR on the second tranche of £0 75m, and the final tranche of £0 5m will be at 20% over LIBOR

19 PROVISIONS FOR LIABILITIES

The full potential liability to deferred taxation and the amounts unprovided in the financial statements calculated at the rate of 23% (2010 27%) are shown below

	2011		2010	
Group and company	Amount Provided £'000s	Amount Unprovided £'000s	Amount Provided £'000s	Amount Unprovided £'000s
Excess of capital allowances over depreciation	-	-	-	-
Property revaluations and investment valuations	-	552	-	648
Interest and other timing differences	-	-	-	-
	-	552	-	648

For factors that may affect future tax charges, see Note 9(c) on page 17

20 SHARE CAPITAL

	2011 £'000s	2010 £'000s
Allotted, called up and fully paid Ordinary shares of £1 each	240	240

21 RESERVES

(a) Group

	Share Premium A/c £'000s	Revaluation Reserve £'000s	Profit & Loss A/c £'000s
At 1 January 2011	8	2,400	1,962
Loss for the period			(993)
Other recognised gains (page 9)			(3,142)
At 31 December 2011	8	2,400	(2,173)

(b) Company

	Share Premium A/c £'000s	Revaluation Reserve £'000s	Profit & Loss A/c £'000s
At 1 January 2011	8	2,400	1,862
Loss for the period			(980)
Other recognised gains (page 9)			(3,142)
At 31 December 2011	8	2,400	(2,260)

As at 3 January 1998, £655,884 of positive goodwill had been eliminated against reserves for the period 30 December 1995 to 2 January 1998 It is impractical to calculate goodwill before 30 December 1995

Included in the revaluation reserve is an amount of £85,000 relating to the revaluation of investment property

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group £'000s	Company £'000s
At 1 January 2011	4,610	4,510
Loss for the period	(993)	(980)
Other recognised gains (page 9)	(3,142)	(3,142)
At 31 December 2011	475	388

23 NOTES TO THE CASHFLOW STATEMENT

Reconciliation of operating loss to net cash outflows from operating activities

	2011		2010	
	Ordinary activities £'000s	Exceptional items £'000s	Ordinary activities £'000s	Exceptional items £'000s
Operating (loss) / profit	(259)	(576)	108	(1,142)
Depreciation charges	667	-	651	-
Profit on sale of fixed assets	(21)	-	(48)	(216)
Revaluation of fixed assets	-	-	-	544
Decrease in stock	-	-	5	-
Decrease in net debtors	(148)	542	140	49
Decrease in net creditors	(51)	(366)	(455)	(141)
	188	(400)	401	(906)

23 NOTES TO THE CASHFLOW STATEMENT (continued)

Reconciliation of net cash flow to movement in net funds

	2011 £'000s	2010 £'000s
Net funds at 1 January 2011	129	300
Decrease in cash in the year	(79)	(171)
At 31 December 2011	50	129

Analysis of changes in net funds

	At 1 Jan 2011	Cash Outflows	At 31 Dec 2011
Cash at bank & in hand	129	(79)	50

24 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party

25 CAPITAL COMMITMENTS

Group and company	2011 £'000s	2010 £'000s
Capital expenditure contracted for but not provided for in the accounts	-	77
Capital expenditure authorised but not contracted	-	-

26 CONTINGENT LIABILITIES

Other than those provided for or disclosed in these financial statements, the group has no material contingent liabilities at 31 December 2011 (2010 Nil)

27 FINANCIAL COMMITMENTS

The group has short and long term operating leases on certain land and buildings The group pays for all insurance, maintenance and repairs on these properties The rents payable under these leases are subject to review at various intervals specified in the leases The group also has short term operating leases on some of its vehicles At 31 December 2011 the rental commitments for the forthcoming years at the then ascertained rents were as follows

	Land and buildings		Vehicles	
	2011	2010	2011	2010
Group and company	£'000s	£'000s	£'000s	£'000s
On leases expiring within				
One year	4	5	23	174
Two to five years	46	44	107	63
Thereafter	200	150	-	-

28 RELATED PARTY TRANSACTIONS

During the period the company leased two properties, at a total market value rental of £93,036 per annum, from the Kent Messenger Pension Scheme In addition, the company also leased two properties, at a market value rental of £48,500 per annum, from the pension scheme of E R P Boorman

Mrs G R P Allinson has provided a personal guarantee as part of the security for the EFG loan

Mrs G R P Allinson and Mrs E M M Lawson, a non-executive director, each hold £395,000 of the loan stock issue (see Note 18)

29 CONTRIBUTORY PENSION SCHEMES

During the year the group operated a contributory defined contribution scheme for eligible employees and a stakeholder pension scheme All employees are given the opportunity to join these schemes during their employment Information regarding the company's defined benefit pension scheme is given below

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

The pension charge for the year was £Nil (2010 £Nil)

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

	2011	2010
Rate of increases of pensions in payment	2 70%	3 20%
Expected return on scheme assets	7 00%	7 00%
Discount rate	4 80%	5 70%
Rate of inflation	2 90%	3 40%
Rate of increase in deferred pensions	5 00%	5 00%
Pre retirement mortality (non-pensioners)	S1PA CMI 2010 [0 5%] (rated up 2 years)	PA92 C2010
Post retirement mortality (non-pensioners)	S1PA CMI 2010 [0 5%] (rated up 2 years)	PA92 C2010
Post retirement mortality (pensioners)	S1PA CMI 2010 [0 5%] (rated up 2 years)	PA92 C2010

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

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

29 CONTRIBUTORY PENSION SCHEMES (continued)

The fair value of assets in the defined benefit pension scheme and the expected rates of return on each class, together with the overall net deficit between the assets of the group's defined benefit pension scheme and the actuarial liabilities of the scheme at 31 December 2011 are as follows

	2011 % of scheme assets	2011 Value at 31/12/2011 £'000s	2010 % of scheme assets	2010 Value at 01/01/2011 £'000s
Equities	5%	1,269	5%	1,409
Diversified Growth Fund	64%	16,719	64%	17,549
Gilts	9%	2,405	8%	2,251
Corporate bonds	8%	2,116	6%	1,757
Property - direct	5%	1,130	4%	1,130
Property - indirect	2%	432	2%	405
Cash and other	7%	1,887	11%	2,958
Total market value of assets		25,958		27,459
Present value of scheme liabilities		(34,923)		(33,104)
Deficit in scheme		(8,965)		(5,645)
Related deferred tax asset		2,062		1,524
Net pension liability		(6,903)		(4,121)

Contributions totalling £322,000 (2010 £349,000), against the net pension liability, were made to the scheme during the year

There were no amounts charged to operating profit during the year under FRS17

The amounts charged to other finance income / (costs) during the year under FRS17 amounted to

	2011 £'000s	2010 £'000s
Expected return on pension scheme assets	1,886	1,768
Interest on pension scheme assets / liabilities	(1,848)	(1,911)
Total finance income / (cost)	38	(143)
Actual return on scheme assets	(450)	2,946

The amounts recognised in the statement of total recognised gains and losses during the year under FRS17 amounted to

	2011 £'000s	2010 £'000s
Actual return less expected return on pension scheme	(2,336)	1,178
Experience adjustment to scheme liabilities	2,784	1,858
Adjustment due to changes in assumptions	(4,128)	(1,464)
	(3,680)	1,572

29 CONTRIBUTORY PENSION SCHEMES (continued)

	2011 £'000s	2010 £'000s
Opening scheme liabilities	33,104	33,171
Interest cost	1,848	1,911
Actuarial loss/(gain)	1,344	(394)
Benefits paid	(1,373)	(1,584)
Closing scheme liabilities	34,923	33,104

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

	2011 £'000s	2010 £'000s
Opening scheme assets	27,459	25,748
Expected return	1,886	1,768
Actuarial (loss)/gain	(2,336)	1,178
Employer contributions	322	349
Benefits paid	(1,373)	(1,584)
Closing scheme assets	25,958	27,459

Amounts for the current and previous four periods are as follows

	2011 £'000s	2010 £'000s	2009 £'000s	2008 £'000s	2007 £'000s
Present value of scheme liabilities	(34,923)	(33,104)	(33,171)	(28,576)	(33,361)
Fair value of scheme assets	25,958	27,459	25,748	22,513	28,242
Deficit	(8,965)	(5,645)	(7,423)	(6,063)	(5,119)
Experience adjustments on scheme liabilities	2,784	1,858	(1,512)	82	(110)
Experience adjustments on scheme assets	(2,336)	1,178	3,405	(6,692)	(2,617)
Total actuarial gains and losses recognised in the statement of total recognised gains and losses	(3,680)	1,572	(1,080)	(1,131)	1,771

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses since adoption of FRS17 is £1,823k (2010 gains £1,857k)

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