

Registered number: 08528676

KM MEDIA GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018



KM MEDIA GROUP LIMITED

COMPANY INFORMATION

DIRECTORS

G R P Allinson
I J Carter
D S Fordham
D J Gray
The Honourable E R Iliffe
W Shepherd
N G Webster

REGISTERED NUMBER

08528676

REGISTERED OFFICE

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

INDEPENDENT AUDITORS

Peters Elworthy & Moore
Chartered Accountants & Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

KM MEDIA GROUP LIMITED

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KM MEDIA GROUP LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2018

INTRODUCTION

The directors present their Strategic Report for the period ended 31 March 2018.

BUSINESS REVIEW

The Company is a media business company and its principal activities continue to be the provision of editorial content and advertising services across print, digital and radio channels. The company operates across the county of Kent.

The Company was acquired by Iliffe Media Limited in April 2017 and the process of integration onto Iliffe Media's IT platforms and infrastructure has begun.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks to the Company arise mainly from economic pressures on circulation and advertising revenues, combined with risks from increases to newsprint prices. To mitigate these risks, the Company has a strategy of making use of Iliffe Media's IT platforms, and is benefitting from Iliffe Media's partnership arrangements with larger media groups, who have begun to perform production activities with greater efficiencies.

The directors regularly review the performance of circulation and advertising revenues across all media platforms in the Company and its subsidiaries, and are able to intervene quickly to ensure the desired level of returns are maintained.

FINANCIAL KEY PERFORMANCE INDICATORS

The key risk for the business remains turnover performance and the key metric is the underlying performance year on year. The negative decline year on year is commensurate with industry metrics.

	2018	2017*	% Year on Year
	£'k	£'k	Movement
Turnover	10,072	11,232	-10.3%

*2018 is a nine month financial period and 2017 has been calculated on a pro-rata basis.

OTHER KEY PERFORMANCE INDICATORS

The other measures in the business are year-end headcount numbers and turnover to headcount, which are key measures of operational efficiency. Headcount numbers have reduced from outsourcing production activities to another media group.

	Period to 31 March 2018	Period to 1 July 2017
Year-end Headcount	181	218
Turnover to Headcount	£56k	£52

KM MEDIA GROUP LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 MARCH 2018**

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



W Shepherd
Director

Date: 19 December 2018

KM MEDIA GROUP LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 MARCH 2018**

The directors present their report and the financial statements for the period ended 31 March 2018.

PRINCIPAL ACTIVITY

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

DIRECTORS

The directors who served during the period were:

G R P Allinson
I J Carter
D S Fordham
D J Gray
The Honourable E R Iliffe
W Shepherd
N G Webster

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements 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 Company will continue in business.

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

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £811,520 (2017 - loss £864,199).

During the period no dividends were paid or declared (2017 - £Nil).

KM MEDIA GROUP LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 MARCH 2018**

FUTURE DEVELOPMENTS

The Company and its subsidiaries continue to develop its online and subscription platforms to maximise revenue growth in this area. The development of apps and the use of micro payments are at the forefront of media technology and the company is committed to introducing its own solution.

DISCLOSURE OF INFORMATION TO AUDITORS

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's auditors are 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's auditors are aware of that information.

AUDITORS

The auditors, Peters Elworthy & Moore, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



**W Shepherd
Director**

Date: 19 December 2018

KM MEDIA GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KM MEDIA GROUP LIMITED

OPINION

We have audited the financial statements of KM Media Group Limited (the 'Company') for the period ended 31 March 2018, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity 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 Company's affairs as at 31 March 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Company 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.

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 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.3 in the financial statements, which indicates that the Company's ability to continue as a going concern is reliant on the support of the ultimate shareholder of the parent Company. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KM MEDIA GROUP LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KM MEDIA GROUP LIMITED
(CONTINUED)**

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 Auditors' 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 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 Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

KM MEDIA GROUP LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KM MEDIA GROUP LIMITED
(CONTINUED)**

RESPONSIBILITIES OF DIRECTORS

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 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 Company or to cease operations, or have no realistic alternative but to do so.

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 Auditors' 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. This description forms part of our Auditors' Report.

USE OF OUR REPORT

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 Auditors' 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.

James Burrett (Senior Statutory Auditor)

for and on behalf of
Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

20 December 2018

KM MEDIA GROUP LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2018**

	Note	2018 £	2017 £
Turnover	4	10,072,606	14,976,842
Cost of sales		(7,844,832)	(10,319,888)
GROSS PROFIT		2,227,774	4,656,954
Distribution costs		(480,197)	(871,708)
Administrative expenses		(2,559,097)	(3,959,299)
Exceptional administrative expenses	11	-	160,713
OPERATING LOSS	5	(811,520)	(13,340)
Interest payable	9	-	(169,859)
LOSS BEFORE TAX		(811,520)	(183,199)
Tax on loss	10	-	(681,000)
LOSS FOR THE FINANCIAL PERIOD		(811,520)	(864,199)

There were no recognised gains and losses for 2018 or 2017 other than those included in the profit and loss account.

The notes on pages 11 to 26 form part of these financial statements.

KM MEDIA GROUP LIMITED
REGISTERED NUMBER: 08528676

BALANCE SHEET
AS AT 31 MARCH 2018

	Note	31 March 2018 £	1 July 2017 £
FIXED ASSETS			
Intangible assets	12	1,011,849	1,158,216
Tangible assets	13	338,149	346,705
Investments	14	2	2
		<u>1,350,000</u>	<u>1,504,923</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	15	1,911,326	2,054,170
Cash at bank and in hand	16	135,399	228,967
		<u>2,046,725</u>	<u>2,283,137</u>
Creditors: amounts falling due within one year	17	(5,142,847)	(4,722,662)
NET CURRENT LIABILITIES		<u>(3,096,122)</u>	<u>(2,439,525)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,746,122)</u>	<u>(934,602)</u>
NET LIABILITIES		<u>(1,746,122)</u>	<u>(934,602)</u>
CAPITAL AND RESERVES			
Called up share capital	20	1	1
Profit and loss account	21	(1,746,123)	(934,603)
		<u>(1,746,122)</u>	<u>(934,602)</u>

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



W Shepherd
Director

Date: 19 December 2018

The notes on pages 11 to 26 form part of these financial statements.

KM MEDIA GROUP LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 July 2016	1	(70,404)	(70,403)
Loss for the period	-	(864,199)	(864,199)
At 2 July 2017	1	(934,603)	(934,602)
Loss for the period	-	(811,520)	(811,520)
AT 31 MARCH 2018	1	(1,746,123)	(1,746,122)

The notes on pages 11 to 26 form part of these financial statements.

KM MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

1. GENERAL INFORMATION

The company is limited by shares and incorporated in England and Wales. The registered office of the company is Medway House, Sir Thomas Longley Road, Medway City Estate, Rochester, ME2 4DU.

These financial statements cover a 9 month period of reporting. The directors have amended the reporting period to align with the group.

The company's functional and presentational currency is GBP.

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

The following principal accounting policies have been applied:

2.2 FINANCIAL REPORTING STANDARD 102 - REDUCED DISCLOSURE EXEMPTIONS

The 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);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;

This information is included in the consolidated financial statements of Iliffe Media Limited as at 31 March 2018 and these financial statements may be obtained from Winship Road, Milton, Cambridge, CB24 6PP.

2.3 GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes the Company will continue trading for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. The Company is currently being financed by its parent Company. In assessing the ability of the Company to continue to operate as a going concern the lender has indicated their ongoing financial support. The directors of KM Media Group Limited are therefore satisfied that the Company can meet its liabilities as they fall due and thus the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

2. ACCOUNTING POLICIES (CONTINUED)

2.4 TURNOVER

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes or fees.

Print advertising revenue is recognised on publication and circulation revenue is recognised at the point of sale. Digital advertising revenue is recognised in the period in which the services are provided.

2.5 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 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 Profit and Loss Account over its useful economic life.

During the year, the directors assessed the appropriateness of the amortisation policy of goodwill. It was deemed more appropriate to amortise goodwill over a period of 10 years rather than the previous policy of over 25 years. This is a more suitable reflection of the benefits gained from the purchase of goodwill. The amortisation charge on goodwill in the year is £105,298. Had amortisation continued to be 25 years, the charge for the year would have been £42,119.

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:

Radio licences	-	5	years or the life of the licence
Software	-	5	years
Goodwill	-	10	years

2.6 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.

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

2. ACCOUNTING POLICIES (CONTINUED)

2.6 TANGIBLE FIXED ASSETS (continued)

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	- 5 years
Fixtures and fittings	- 5 years

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 Profit and Loss Account.

2.7 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 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.

2.9 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.

2.10 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.

2.11 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, 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 debtors and creditors, 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

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

2. ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL INSTRUMENTS (continued)

rate of interest that is not a market rate or in the 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 Profit and Loss Account.

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 Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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 OPERATING LEASES

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

2.13 PENSIONS

Defined contribution pension plan

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

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

2. ACCOUNTING POLICIES (CONTINUED)

2.14 TAXATION

Tax is recognised in the Profit and Loss Account, 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 balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 balance sheet date.

2.15 EXCEPTIONAL ITEMS

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

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements have been made include:

Useful economic life of intangible assets

An estimate is made for the useful economic lives and residual values of intangible assets based on industry knowledge. This is particularly the case for goodwill, less so for radio licences and software. In making this assessment, management have taken into consideration the future project cashflows resulting from ownership of the goodwill purchased.

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

4. TURNOVER

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

	2018 £	2017 £
Advertising revenue	7,657,940	11,484,664
Circulation revenue	2,055,034	2,810,642
Miscellaneous revenue	359,632	681,536
	<u>10,072,606</u>	<u>14,976,842</u>

All turnover arose within the United Kingdom.

5. OPERATING LOSS

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation on tangible fixed assets	74,357	97,321
Amortisation on intangible fixed assets	170,500	101,437
Vehicle operating lease rentals	105,341	(2,470)
Property operating lease rentals	197,372	350,857
	<u> </u>	<u> </u>

6. AUDITORS' REMUNERATION

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	7,500	26,000
	<u> </u>	<u> </u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

7. EMPLOYEES

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

	2018 £	2017 £
Wages and salaries	4,924,086	7,215,156
Social security costs	419,708	637,919
Cost of defined contribution scheme	427,251	596,090
	<u>5,771,045</u>	<u>8,449,165</u>

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

	2018 No.	2017 No.
Executive and central services	12	11
Operations	44	52
Commercial	50	60
Editorial	99	99
Marketing and newspaper sales	25	15
	<u>230</u>	<u>237</u>

8. DIRECTORS' REMUNERATION

	2018 £	2017 £
Directors' emoluments	299,736	778,000
Company contributions to defined contribution pension schemes	21,325	30,000
	<u>321,061</u>	<u>808,000</u>

During the period retirement benefits were accruing to 2 directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £72,936 (2017 - £264,000).

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £	2017 £
Bank interest payable	-	169,859
	-	169,859
	-	169,859

10. TAXATION

	2018 £	2017 £
DEFERRED TAX		
Origination and reversal of timing differences	-	681,000
	-	681,000
	-	681,000

FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

The tax assessed for the period is the same as (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.75%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(811,520)	(183,199)
	(811,520)	(183,199)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.75%)	(154,189)	(36,182)
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,268	765
Capital allowances for period in excess of depreciation	74,484	-
Adjustments to brought forward values	(1,020)	-
Group relief surrendered	179,300	33,614
Change in deferred tax rates	(10,510)	113,606
Deferred tax asset not recognised	(89,333)	(111,803)
Reversal of deferred tax asset previously recognised	-	681,000
	-	681,000
	-	681,000

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

10. TAXATION (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The corporation tax rate is due to fall to 17% on 1 April 2020.

The Company has tax losses of £8,286,462 carried forward which can be used to offset future trading profits.

11. EXCEPTIONAL ITEMS

	2018 £	2017 £
Exceptional items	-	(160,713)
	<u>-</u>	<u>(160,713)</u>
	<u>-</u>	<u>(160,713)</u>

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

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

KM MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018

12. INTANGIBLE ASSETS

	Radio licences £	Computer software £	Goodwill £	Total £
COST				
At 2 July 2017	200,000	731,150	1,052,981	1,984,131
Additions	-	24,949	-	24,949
At 31 March 2018	<u>200,000</u>	<u>756,099</u>	<u>1,052,981</u>	<u>2,009,080</u>
AMORTISATION				
At 2 July 2017	-	657,438	168,477	825,915
Charge for the year	38,666	27,352	105,298	171,316
At 31 March 2018	<u>38,666</u>	<u>684,790</u>	<u>273,775</u>	<u>997,231</u>
NET BOOK VALUE				
At 31 March 2018	<u>161,334</u>	<u>71,309</u>	<u>779,206</u>	<u>1,011,849</u>
At 1 July 2017	<u>200,000</u>	<u>73,712</u>	<u>884,504</u>	<u>1,158,216</u>

KM MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018

13. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Total £
COST OR VALUATION			
At 2 July 2017	436,744	6,181,932	6,618,676
Additions	504	68,616	69,120
At 31 March 2018	<u>437,248</u>	<u>6,250,548</u>	<u>6,687,796</u>
DEPRECIATION			
At 2 July 2017	433,465	5,838,506	6,271,971
Charge for the period on owned assets	1,486	76,190	77,676
At 31 March 2018	<u>434,951</u>	<u>5,914,696</u>	<u>6,349,647</u>
NET BOOK VALUE			
At 31 March 2018	<u>2,297</u>	<u>335,852</u>	<u>338,149</u>
At 1 July 2017	<u>3,279</u>	<u>343,426</u>	<u>346,705</u>

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

14. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
COST OR VALUATION	
At 2 July 2017	2
At 31 March 2018	<u>2</u>
NET BOOK VALUE	
At 31 March 2018	<u>2</u>
At 1 July 2017	<u>2</u>

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity Business support services
KM Direct Limited	Ordinary	100 %	Business support services
Kent On Line Limited	Ordinary	100 %	Dormant

The aggregate of the share capital and reserves as at 31 March 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves 1 July £
KM Direct Limited	1
Kent On Line Limited	1
	<u>2</u>

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

15. DEBTORS

	31 March 2018 £	1 July 2017 £
Trade debtors	1,696,035	1,538,006
Other debtors	29,815	108,479
Prepayments and accrued income	185,476	407,685
	<u>1,911,326</u>	<u>2,054,170</u>

16. CASH AND CASH EQUIVALENTS

	31 March 2018 £	1 July 2017 £
Cash at bank and in hand	135,399	228,967
	<u>135,399</u>	<u>228,967</u>

17. CREDITORS: Amounts falling due within one year

	31 March 2018 £	1 July 2017 £
Trade creditors	550,700	720,336
Amounts owed to group undertakings	3,350,289	2,770,490
Other taxation and social security	396,799	418,552
Other creditors	99,791	111,059
Accruals and deferred income	745,268	702,225
	<u>5,142,847</u>	<u>4,722,662</u>

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

18. FINANCIAL INSTRUMENTS

	31 March 2018 £	1 July 2017 £
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	135,399	228,967
Financial assets that are debt instruments measured at amortised cost	1,725,850	1,646,485
Financial assets that are equity instruments measured at cost less impairment	-	-
	1,861,249	1,875,452
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(4,646,793)	(4,304,110)

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 and amounts owed by group undertakings.

Financial assets that are equity instruments measured at cost less impairment comprise...

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals.

19. DEFERRED TAXATION

	2017 £
At beginning of year	681,000
Charged to profit or loss	(681,000)
AT END OF YEAR	-

20. SHARE CAPITAL

	31 March 2018 £	1 July 2017 £
Allotted, called up and fully paid		
1 (2017 - 1) Ordinary share of £1.00	1	1
	1	1

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

21. RESERVES

Profit and loss account

The profit and loss reserve includes all current and prior period retained profits and losses.

22. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £427,251 (2017 - £622,000). Contributions totalling £45,702 (2017 - £49,040) were payable to the fund at the balance sheet date and are included in creditors.

23. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 March 2018 £	1 July 2017 £
LAND AND BUILDINGS		
Not later than 1 year	133,317	33,000
Later than 1 year and not later than 5 years	326,197	356,000
Later than 5 years	86,164	585,000
	545,678	974,000
	<hr/> <hr/>	<hr/> <hr/>
	31 March 2018 £	1 July 2017 £
OTHER		
Not later than 1 year	225,517	2,000
Later than 1 year and not later than 5 years	170,505	509,000
	396,022	511,000
	<hr/> <hr/>	<hr/> <hr/>

24. RELATED PARTY TRANSACTIONS

The parent company, Iliffe Media Limited, prepares consolidated group accounts and accordingly, the company has taken advantage of the exemptions contained within FRS 102 paragraph 33.1A not to disclose transactions with group undertakings.

KM MEDIA GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

25. CONTROLLING PARTY

The immediate and ultimate parent undertaking is Iliffe Media Limited, a company incorporated in England and Wales, which holds 100% of the company's issued share capital.

The Company is exempt from preparing consolidated financial statements on the grounds that it is a wholly owned subsidiary of Iliffe Media Limited, which itself prepared consolidated financial statements. The financial statements therefore present information about the company as an individual undertaking and not about its group.