The Bermuda Press (Holdings) Limited

ANNUAL **REPORT** | 2017

Incorporated in Bermuda
A public company quoted on the Bermuda Stock Exchange (BPH.BH) with over 600 shareholders.

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The Bermuda Press (Holdings) Limited

ANNUAL **REPORT** | 2017

Contents

Report to Shareholders	2
Directors	7
Financial Facts	8
Financial Statements	9
Independent Auditor's Report	10
Consolidated Balance Sheet	17
Consolidated Statement of Comprehensive Income	18
Consolidated Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	20
Consolidated Notes to the Financial Statements	21
Companies of The Bermuda Press (Holdings) Limited	39

The Bermuda Press (Holdings) Limited

ANNUAL **REPORT** | 2017

Report to Shareholders

Your Company marked a historically significant anniversary in early 2018. For the very first editions of what was then called The Royal Gazette, Bermuda Commercial and General Advertiser were published 190 years ago, in January 1828.

Today, of course, we continue to publish both print and online as well, while demonstrating an unwavering commitment to journalistic excellence and integrity.

In this Digital Age, during which there have been such a proliferation of information sources, it's worth remembering our emphasis on high-quality journalism provides readers with the context, perspective and insight that allows them to paint a complete picture of events.

The alternative, of course, is to look at events in isolation and fail to see how they connect – a shortcoming of too many online news sites that are more fixated on the next breaking story rather than how that report may fit into the bigger story of a community's continuing development and growth. It is for this reason, more than any other, that bestselling American novelist and former newsman Michael Connelly famously remarked: "A newspaper is the centre of a community. It's one of the tent poles of the community, and that's not going to be replaced by websites and blogs."

This persistent dedication to delivering in-depth journalism, acting as a tent pole of the Bermuda community, is reflected in readership numbers which, between the print and online editions

of our publications, have never been higher in your Company's almost 200-year history.

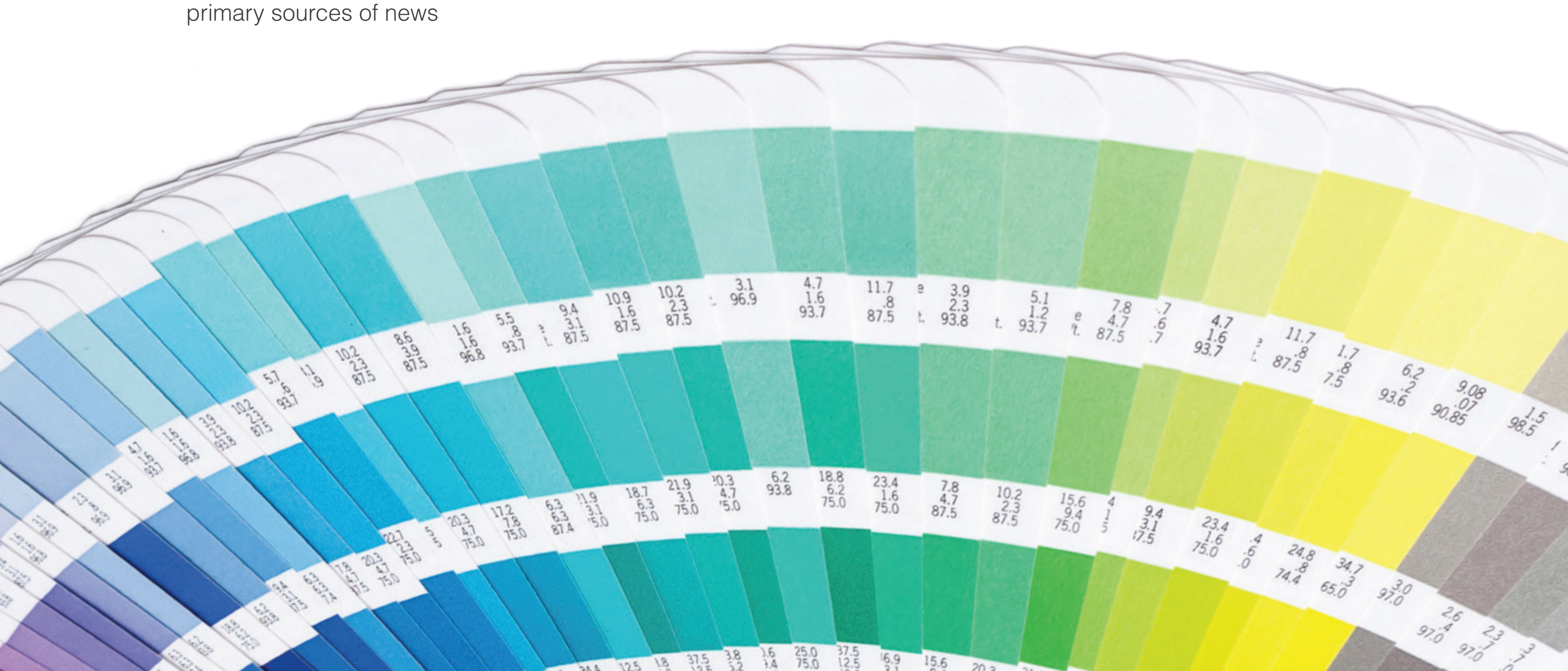
It's certainly true to say the Digital Age has brought with it many challenges and difficulties for newspaper publishers. However, there have also been some new opportunities and new sources of readership and advertising revenues that we have been able to pursue precisely because our long-established reputation for high journalistic standards precedes us.

For instance, international interest in Bermuda was heightened in 2017 when one of the world's premier sporting events, the 35th America's Cup sailing championship, was held on the island.

Your Company's print and internet publications became primary sources of news and other information about the America's Cup, both locally and around the world.

Indeed, it's worth noting that the direct, indirect and induced effects of this sensibly budgeted and well-executed, five-week event on Bermuda's overall economy have been thoroughly documented and validated. And its success underscores the potential value to Bermuda of hosting further such high-end events in the future.

To this end, that Bermuda has secured three stops on the International Triathlon Union World Triathlon Series in 2018, 2019 and 2020 — a proposal crafted by a bid team headed by Flora Duffy, Bermuda's very own world champion in the event – is encouraging and will benefit both your Company as well as the wider community.



It's to be hoped a new Bermuda government elected to office in July 2017, in part on a mandate of economic growth and development, will look to add other such blue-chip sporting events that lend themselves to our size, location and amenities to the island's calendar of upcoming events. Diversification, sustainability and responsiveness to new niche markets such as sports-event tourism are vital to re-establishing the hospitality industry as a viable and resilient second pillar of Bermuda's economy.

Financial Performance

In 2017, your Company's total revenue increased to $26,648,000 as compared with $26,617,000 in the previous year. However, net profits decreased to $1,210,000 in 2017 from $1,264,000 in 2016. Unfortunately last year's marginal revenue increase was easily offset by increases in expenses.

A significant portion of the increased expenses were a result of the staff changes, progressive payroll tax and the increases in health insurance premiums in March 2017. Reductions to administrative costs and materials as a result of continuing cost-cutting efforts and improved efficiencies, helped to offset these increases in payroll expenses.

Throughout 2017 the Board continued to declare and pay a $0.05 quarterly dividend to shareholders. The Board reviews the dividend policy each quarter and is pleased to announce that in March 2018 the dividend will increase to $0.07 per for the quarter ended March 31, 2018.

In the 2016 Annual Report we noted the rationalisation and profitability of the Group's subsidiaries would be the primary focus of your Board 2017. The completion of the 2018 budgets highlighted that difficult decisions have to be made in the operating companies that are loss-making, as the Board will not continue to fund such operations at the expense of shareholders.

During 2018 we will continue to review your Company's performance and the ability to further increase the dividend payments to shareholders.

Significant Milestones

During the past 12 months your Company continued to reap the benefits of its 2014 consolidation with MediaHouse, which has resulted in greater operating efficiencies and economies of scale in the local print industry.

That amalgamation was made in the best interests of shareholders as well as employees, offering the best solution to maintaining the industry in a shrinking market and to preserving as many Bermudian jobs as possible, rather than risk losing them altogether. Last year, for instance, there was a further expansion of sign printing at Bermuda Press and Bermuda Press Digital after your Company successfully entered that field in 2016.

And in the publications area in 2017, aside from the aforementioned world-class America's Cup coverage produced by our journalists, we witnessed the launch of a new RG Mags website. Hosting online editions of RG Magazine and other publications produced by your Company, this site's combination of print and unique digital content is intended to inform, illuminate and entertain in a sophisticated but highly accessible manner.

The Road Ahead

For too long, Bermuda has relied on a two-pillar economy and failed to take bold steps to expand into new industries. Rapid expansion in the international business sector and exceptional GDP growth year after year allowed Bermuda to become complacent. External risk factors are now greater than ever and threaten the future success of Bermuda's international and tourism industries. The time for bold action by both the Government and the private sector is now.

Whether it be new immigration policies, the Hamilton waterfront redevelopment, tourism infrastructure improvements at destinations such as Horseshoe Bay, or expansion into emerging technologies, Bermuda must rid itself of the "No-first" mentality when discussing change. It is time to be daring, to take risks, to be supportive and collaborative in politics, and to adapt a can-do approach. Change and competition are healthy and should be celebrated, not shunned.

The recent Census has shown that Bermuda's population is both shrinking and ageing. No company or country can grow with a declining client base and population. Long-term economic growth is primarily driven by, among other things, increases in population and investment. Bermuda must show improvement in both of these areas before the island's economy can be said to be on a healthy upswing after a decade of decline and stagnation.

Consequently, the Board welcomes and supports government plans to address the question of immigration reform as well as to relax the 60:40 ownership rule for local companies.

Genuine reform in both areas would encourage long-term residents to remain on the island, boosting the size of the resident population and the workforce, as well as to invest in the local economy. Additionally, any such steps would inevitably boost confidence in the recently elected government on the part of Bermuda's diminished business community.

The reality is that in the absence of healthy economic growth, your Company, like so many other local firms, is struggling to remain profitable and competitive as a result of the increases in duty rates, health insurance premiums and employment taxes.

In addition to the increasing labour and tax costs we have faced, raw materials required for printed products are increasing at a time when clients have a number of options available to them in terms of digital products as opposed to the print variety, and as readers continue to switch to free online content.

Given these new realities, your Company will continue to simplify its business model in the months and years ahead, keeping management focused on the core product lines and strategically planning for an increasingly digital future.

This means continuing to reorganise the businesses we operate – and to stop doing what no longer works – when it comes to everything from our publications to our commercial property lease renewals.

Governance and Your Board

The Board of The Bermuda Press (Holdings) Limited endorses good corporate governance practices and oversees an organisation-wide commitment to the highest standards of legislative compliance, as well as financial and ethical behaviour.

The Board's objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interest of all shareholders, while ensuring the Company is properly managed.

As a listed issuer on the Bermuda Stock Exchange, your company is proud to be held widely by more than 600 shareholders from a broad cross-section of the community.

In keeping with best practices, the Board of Directors' remuneration includes compensation in the form of company shares. At present, the numbers of shares required under the compensation plan have been met by repurchasing shares from existing shareholders. In future periods, we will continue to repurchase shares from existing shareholders to minimise the need to issue shares from the Company's authorised capital.

As part of our annual report, the Company is required to make certain public disclosures. We confirm that the total interests of all directors and officers of the Company in the shares of the Company amounted to 96,885 shares at September 30, 2017.

We also confirm that no rights to subscribe to shares in the Company have been granted to or exercised by any director or officer, and that the Company has no service or consulting contracts with any of its directors.

Finally, we confirm that there were no significant contracts in existence during or at the end of the financial year in which a director of the Company is or was materially interested, either directly or indirectly.

At the time of this report, our shares last traded on the Bermuda Stock Exchange at $6.15.

Your Board is confident the Company is correctly positioned to take advantage of any future improvements in the local economy.

Your Company

I would be remiss if I did not also acknowledge the contributions of the CEO, Jonathan Howes. Jonathan continuously strives to improve the performance of your Company and is dedicated to its continuing success.

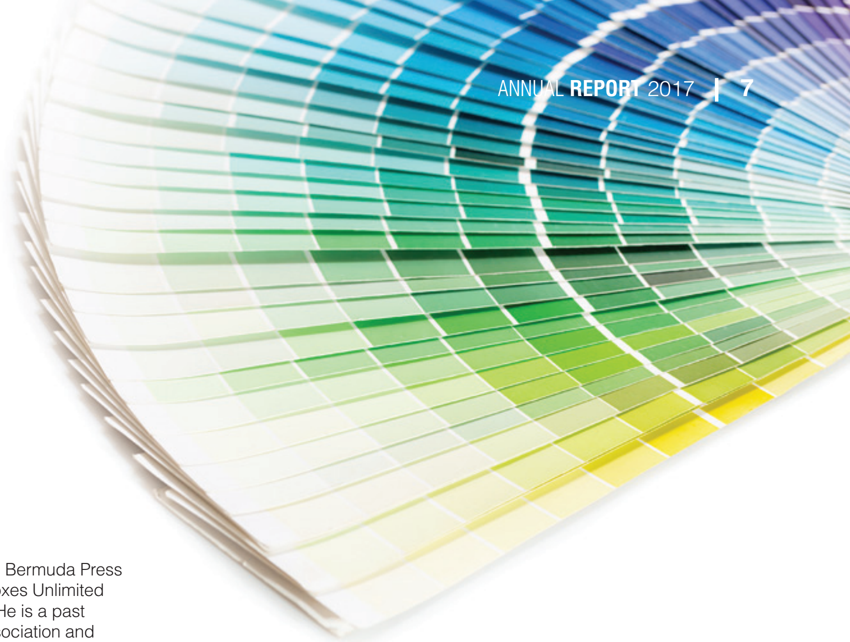
The Board would also like to thank Derek Winch, who will be departing in May 2018. Derek has served tirelessly as the Chief Financial Officer for the past three years and has chosen to depart to pursue a new opportunity. Derek's energy and counsel during his tenure will be sorely missed and we wish him every success in his future endeavours. The Company has begun the search for a replacement and will make a formal announcement once the new CFO is hired.

Although it has been highlighted previously, the Board continues to be proud of our management and staff and salutes their ongoing efforts to ensure your Company is successful in this difficult economic climate. It is well understood now that restructuring, greater efficiencies and "doing more with less" are critical to our future prospects. Our employees recognise the compelling need for your Company to adapt, adjust and find new opportunities for growth in the coming years.

We also appreciate our business relationships with readers, customers, suppliers and tenants.

Most of all, we value and acknowledge the support of our shareholders and your faith in the Company's future, which we most heartily share.

Stephen W. Thomson,
Chairman



Directors

Stephen W. Thomson
CHAIRMAN AND DIRECTOR

Stephen W. Thomson is the Chairman of The Bermuda Press (Holdings) Limited. He is President of Mailboxes Unlimited Ltd. and Just Shirts Group of Dry Cleaners. He is a past V.P. of The Bermuda Amateur Swimming Association and past board member of The Bermuda Olympic Association's Technical Committee. He currently sits on the board of Trinity College School, an independent school in Ontario, Canada and The Pillsbury Institute's board at Cornell University in Ithaca, New York.

Stephen R. Davidson
DEPUTY CHAIRMAN

Stephen R. Davidson is an officer of QuoVadis, a provider of managed datacenter and online identity services with operations in Bermuda and Europe. He also sits on the board of the Bermuda End-to-End Charitable Trust. He is a graduate of Dartmouth College and Georgetown University.

Gavin R. Arton
DIRECTOR

Gavin R. Arton is Chairman of BF&M Limited, a Director of Ascendant Group Limited, Bermuda Commercial Bank Ltd., Watlington Waterworks Ltd. and a number of international companies. He is Chairman of P.A.L.S., Bermuda's cancer care charity, previously Senior Vice President of XL Capital Ltd. and a Fellow of the Institute of Directors.

Dudley R. Cottingham
DIRECTOR

Dudley R. Cottingham is a Managing Director of Arthur Morris & Company Limited. He is a Fellow of the Institute of Chartered Accountants in England & Wales, a Certified Professional Accountant of Bermuda and a Fellow of the Institute of Directors.

Jonathan Howes
DIRECTOR

Jonathan P. Howes is the CEO of The Bermuda Press (Holdings) Limited. He is a graduate from of the University of Cape Breton (Bachelors of Business Administration) and was admitted to Chartered Professional Accountants of Bermuda as a CPA in 2000. He has worked in both local and international companies in Bermuda since 1999. He currently serves on the Boards of the Bermuda Chamber of Commerce and the Chartered Professional Accountants of Bermuda.

Carl H. Paiva, J.P.
DIRECTOR

Carl H. Paiva, J.P., was Chief Executive Officer and majority owner of C Travel Ltd. He earned his degree in English Literature and Art History from King's College, Pennsylvania. Presently he is splitting his time between New York City and Bermuda and is involved in the Broadway scene as a producer and investor.

Muriel Richardson
DIRECTOR

Muriel Richardson recently retired as General Manager from the award-winning Rosedon Hotel. She is the immediate past Chair of the Bermuda Hospitality Institute, past President and Chair of the Bermuda Hotel Association, and a former Director of the Caribbean Hotel and Tourism Association. She has also served on many government boards and currently works as a consultant to the Hospitality Industry.

Christopher E. Swan
DIRECTOR

Christopher E. Swan is Senior Partner of Barristers & Attorneys-at-Law Christopher E. Swan & Co. He is an active cricketer and football coach.

Chiara T. Nannini
DIRECTOR

Chiara T. Nannini is an Associate Attorney in the Corporate department of Conyers Dill & Pearman Limited. Chiara holds a Bachelor of Arts from the University of Virginia (Political Science and Italian), Bachelor of Laws (Hons) from the London School of Economics and Political Science and a Postgraduate Diploma in Professional Legal Skills from City University, Bar Professional Training Course. She is admitted to the Bar of Bermuda, British Virgin Islands (Eastern Caribbean Court) and England & Wales.

Financial Facts

(Amounts in thousands of dollars, except per share data)	2017	2016	2015	2014	2013
Operating revenue	26,648	26,617	27,213	25,291	25,150
Operating expenses	25,383	25,259	26,557	24,297	24,139
Operating profit	1,265	1,358	656	994	1,011
Finance income	27	18	15	14	16
Finance costs	(82)	(113)	(157)	(103)	(102)
Gain (loss) on disposal and impairment of assets	-	1	-	-	(3)
Profit for the year	1,210	1,264	514	905	922
Profit attributable to: Equity holders of the company	777	824	33	548	549
Non-controlling interests	433	440	481	357	373
Current assets	10,191	9,833	9,653	9,580	7,683
Available-for-sale financial assets	141	131	121	131	135
Investment in leases	1,312	1,197	1,379	1,375	1,222
Property, plant and equipment	4,602	4,910	5,345	5,876	6,188
Investment properties	14,230	14,715	15,324	15,967	16,521
Goodwill	4,718	4,718	4,718	4,718	2,791
	35,194	35,504	36,540	37,647	34,540
Current liabilities	4,298	4,751	6,079	7,226	5,216
Borrowings	359	741	1,108	1,461	606
Equity attributable to owners of the parent	28,297	27,805	27,186	26,874	26,659
Non-controlling interest	2,240	2,207	2,167	2,086	2,059
	35,194	35,504	36,540	37,647	34,540
Additions to goodwill	-	-	-	1,927	-
Additions to capital assets	880	740	583	786	822
Cash dividends paid	286	141	-	552	552
Number of issued ordinary shares	1,428,550	1,429,556	1,430,245	1,395,920	1,378,699
Profit attributable to equity holders of the company per share	0.54	0.58	0.02	0.40	0.40
Cash dividend paid per share	0.20	0.10	-	0.40	0.40
Shareholders' equity per share	19.81	19.45	19.01	19.25	19.33
Profit attributable to equity holders of the company as a percentage of revenue	2.9%	3.1%	0.1%	2.2%	2.2%
Profit attributable to equity holders of the company as a percentage of shareholders' equity	2.7%	3.0%	0.1%	2.0%	2.0%

The Bermuda Press (Holdings) Limited

FINANCIAL **STATEMENTS**

September 30th, 2017

Independent auditor's report

To the Shareholders of The Bermuda Press (Holdings) Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Bermuda Press (Holdings) Limited (the 'Company') and its subsidiaries (together 'the Group') as at September 30, 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bermuda Press (Holdings) Limited consolidated financial statements comprise:

- the consolidated balance sheet as at September 30, 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

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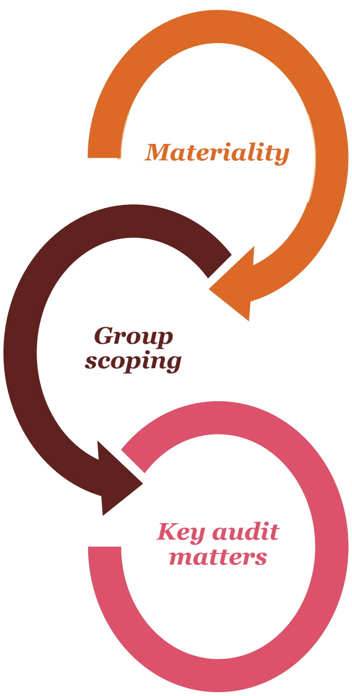
Our audit approach

- ***Overview***



Materiality

- Overall group materiality: $262,000 which represents 1% of total revenues.

Group scoping

- We performed full scope audits on the key operating subsidiaries, being The Bermuda Press Limited, Island Press Limited, Office Solutions Limited, E-Moo (Bermuda) Limited, Bermuda Directories Limited, Crown House Properties Limited and The Royal Gazette Limited.
- The audit engagement team was the auditor for both the Company and the subsidiaries.
- Audit coverage: 100% of consolidated revenues

Key audit matter

- Goodwill impairment assessment

Audit Scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	$262,000
How we determined it	1% of total revenues
Rationale for the materiality benchmark applied	We chose total revenues as the benchmark based on our analysis of the common information needs of users of the consolidated financial statements and because, in our view, it is a stable benchmark in comparison to net income in recent years. We chose 1% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $13,100 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the Key audit matter
Goodwill impairment assessment *See notes 2(c) and 9 of the consolidated financial statements for detail of goodwill balance.*	
Goodwill at September 30, 2017 totalled $4,718,000 arising on acquisitions made by the group since 2011. We focused on this area because it is a management estimate, and as both the commercial printing and publishing and retail cash generating units ("CGUs") to which this goodwill is allocated have incurred losses in recent years. Management prepared discounted future cash flow forecasts in order to assess whether an impairment charge should be recorded to goodwill in respect of each CGU. The most significant judgements and assumptions relate to: • projected revenue and expense growth/contraction; • discount rate; • projected levels of capital expenditure to maintain assets in their current condition and use; and • allocation of overheads. Management concluded that no goodwill impairment charge should be recorded.	We evaluated management's cashflow forecasts for both CGUs and the process by which they were developed. We tested the mathematical calculations for accuracy and checked for internal consistency. We compared previous forecasts to actual results to assess the performance of the business and the accuracy of management's forecasting. We assessed management's judgements and assumptions supporting no goodwill impairment was required as follows: • Projected revenue and expense growth/contraction was compared to historic trends and externally available information including current and recent Bermuda inflation rates; • The discount rate used by management of 9.9% was compared to both the Group's internal weighted average cost of capital and to our assessment of the rate of return required by an external investor based on market data; • The projected levels of capital expenditure to maintain the CGUs' property, plant and equipment in its current condition and use over the forecast period was compared against management's capital expenditure budgets and historic actual capital expenditure; and • We tested the allocation of overheads to CGUs against both historic internal allocations to the CGUs and also through evaluating the supporting methodology for the costs included within the forecast allocations. We did not identify any exceptions or contradictory information in these procedures that would result in a goodwill impairment charge being required.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group including the nature of operations of its components, the accounting processes and controls, and the industry in which the components of the Group operate.

The Bermuda Press (Holdings) Limited is the parent of a group of entities. The Group is structured into three segments (see Note 23 to the consolidated financial statements) and is a consolidation of 12 separate legal entities (see Note 1 to the consolidated financial statements). In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group engagement team. This consisted of full scope audits on The Bermuda Press (Holdings) Limited, The Bermuda Press Limited, Island Press Limited, Office Solutions Limited, E-Moo (Bermuda) Limited, Bermuda Directories Limited, Crown House Properties Limited and The Royal Gazette Limited, as these components are individually financially significant to the Group. We performed audit procedures over individually significant balances within the following companies: Engravers Limited, Chameleon Print Express Limited and Atlantic Print Services Limited. The Group engagement team performed analytical procedures over BP Media Limited and Industrial Electronic Controls Limited as these components were determined to be financially inconsequential.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's audit report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Darren Greenway.

PricewaterhouseCoopers Ltd.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants
Hamilton
Bermuda

December 21, 2017

Consolidated Balance Sheet

As at September 30, 2017

(Amounts in thousands of dollars)

	Notes	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents		2,900	1,758
Trade and other receivables	3	4,762	5,121
Inventories	4	2,529	2,954
		10,191	9,833
Non-current assets			
Available-for-sale financial assets	5	141	131
Investment in leases	6	1,312	1,197
Property, plant and equipment	7	4,602	4,910
Investment properties	8	14,230	14,715
Goodwill	9	4,718	4,718
Total assets		35,194	35,504
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	10	3,841	4,270
Borrowings	11	386	410
Dividends payable	19	71	71
		4,298	4,751
Non-current liabilities			
Borrowings	11	359	741
Total liabilities		4,657	5,492
Equity attributable to owners of the parent			
Share capital	18	3,429	3,431
Share premium	18	1,674	1,681
Other reserves	20	6,700	6,700
Other comprehensive income		75	65
Retained earnings		16,419	15,928
		28,297	27,805
Non-controlling interest		2,240	2,207
Total equity		30,537	30,012
Total liabilities and equity		35,194	35,504

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2017

(Amounts in thousands of dollars, except per share data)

	Notes	2017	2016
Operating revenue			
Publishing and retail	23	18,784	18,838
Commercial printing	23	4,535	4,573
Rental		3,116	3,019
Other	6	213	187
		26,648	26,617
Operating expenses			
Payroll and employee benefits	16	14,582	14,109
Materials, merchandise and supplies		4,784	4,854
Administrative expenses	17	4,344	4,517
Depreciation and amortization	7,8	1,673	1,779
		25,383	25,259
Operating profit		1,265	1,358
Finance income	5	27	18
Finance costs	11	(82)	(113)
Gain on sale of assets		-	1
Profit for the year		1,210	1,264
Profit attributable to:			
Equity holders of the company		777	824
Non-controlling interests		433	440
		1,210	1,264
Other comprehensive income for the year			
Changes in fair value of available-for-sale financial assets	5	10	10
Total comprehensive income for the year		1,220	1,274
Comprehensive income attributable to:			
Equity holders of the company		787	834
Non-controlling interests		433	440
		1,220	1,274
Earnings per share:			
Basic and diluted	19	0.54	0.58

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended September 30, 2017

(Amounts in thousands of dollars)

Attributable to equity holders of the company

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Other comprehensive income	Total	Non-controlling interests	Total equity
Balance as of September 30, 2015		3,433	1,682	6,700	15,316	55	27,186	2,167	29,353
Profit for the year		-	-	-	824	-	824	440	1,264
Other comprehensive income	5	-	-	-	-	10	10	-	10
Total comprehensive income		-	-	-	824	10	834	440	1,274
Purchase of treasury shares	18	(2)	(1)	-	-	-	(3)	-	(3)
Dividends	19	-	-	-	(212)	-	(212)	(400)	(612)
Balance as of September 30, 2016		3,431	1,681	6,700	15,928	65	27,805	2,207	30,012
Profit for the year		-	-	-	777	-	777	433	1,210
Other comprehensive income	5	-	-	-	-	10	10	-	10
Total comprehensive income		-	-	-	777	10	787	433	1,220
Purchase of treasury shares	18	(36)	(84)	-	-	-	(120)	-	(120)
Issuance of treasury shares	18	34	77	-	-	-	111	-	111
Dividends	19	-	-	-	(286)	-	(286)	(400)	(686)
Balance as of September 30, 2017		3,429	1,674	6,700	16,419	75	28,297	2,240	30,537

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended September 30, 2017

(Amounts in thousands of dollars)

	Notes	2017	2016
Cash flows from operating activities			
Profit for year		1,210	1,264
Adjustments for:			
Depreciation and amortization	7,8	1,673	1,779
Finance costs		82	113
Finance income		(27)	(18)
Issuance of treasury shares		111	-
Interest paid		(82)	(113)
Investment income received		22	14
Changes in non-cash working capital:			
Trade and other receivables		359	110
Inventories		425	(196)
Accounts payable and accrued liabilities		(429)	(212)
Cash generated from operating activities		3,344	2,741
Cash flows used for investing activities			
Additions to property, plant and equipment	7,8	(880)	(740)
Dividends received on available-for-sale financial assets	5	5	4
Net movement in investments in leases		(115)	231
Proceeds on property, plant and equipment		-	5
Net cash used for investing activities		(990)	(500)
Cash flows used for financing activities			
Purchase of treasury shares	18	(120)	(3)
Repayment of borrowings	11	(366)	(350)
Dividends paid to company's shareholders	19	(286)	(141)
Dividends paid to non-controlling interests	19	(400)	(400)
Net cash used for financing activities		(1,172)	(894)
Increase in cash and cash equivalents		1,182	1,347
Cash and cash equivalents at beginning of year		1,718	371
Cash and cash equivalents at end of year		2,900	1,718
Cash and cash equivalents comprises:			
Cash and cash equivalents at bank		2,900	1,758
Bank overdraft		-	(40)
		2,900	1,718

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Notes to Financial Statements

Consolidated Notes to Financial Statements for the Year Ended September 30, 2017

(Amounts in thousands of dollars)

1. The Company and its regulatory framework

The Bermuda Press (Holdings) Limited (the "Company") was incorporated under the laws of Bermuda with limited liability and its principal business activities include publishing newspapers, magazines and directories, online classified advertising, commercial printing, sale of office supplies and equipment and real estate holdings.

The Company is listed on the Bermuda Stock Exchange and is domiciled in Bermuda. The registered office is located at 2 Par-la-Ville Road, Hamilton, Bermuda.

The Company's subsidiaries with ownership percentages are listed below:

	September 30, 2017 %	September 30, 2016 %
The Royal Gazette Limited	100	100
Office Solutions Limited	100	100
BP Media Limited	100	100
The Bermuda Press Limited	100	100
Engravers Limited	100	100
Chameleon Print Express Limited	100	100
E-Moo (Bermuda) Limited	100	100
Crown House Properties Limited	80	80
Bermuda Directories Limited	100	100
Atlantic Print Services Limited	100	100
Island Press Limited	100	100
Industrial Electronic Controls Limited	100	100

These financial statements were approved by the Directors on December 21, 2017.

2. Basis of preparation and significant accounting policies

(a) Basis of preparation:

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) Interpretations applicable to companies reporting under IFRS.

The consolidated financial statements are presented in Bermuda dollars ($), which is the functional currency of the Company. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets.

(b) New and amended standards adopted by the Company

There were no new or amended standards applicable to, and adopted by, the Company in the year which had a significant impact on the consolidated financial statements.

New standards and interpretations not yet adopted

IFRS 15, 'Revenue from contracts with customers', was issued in May 2014 by the IASB and FASB, a converged standard on revenue recognition. The standard will be effective for reporting periods beginning on or after January 1, 2018, and will allow early adoption. The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS15 and intends to adopt the standard no later than the accounting period beginning on October 1, 2018.

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

IFRS 16, 'Leases' was issued in January 2016 and is effective for reporting periods beginning on or after January 1, 2019 and will replace IAS 17 Leases. Earlier application is permitted, but only in conjunction with IFRS 15. Under the previous guidance in IAS 17, a lessee had to make a distinction between a finance lease and an operating lease. IFRS 16 requires the lessee to recognise almost all lease contracts on the balance sheet; the only optional exemptions are for certain short-term leases and leases of low value assets. The Company intends to adopt the standard no later than the accounting period beginning on October 1, 2019.

(c) Critical estimates and judgments

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as at the date of the financial statements and the revenue and expenses during the reporting period. Actual amounts could differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year of the revision and future years, where applicable. Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

(ii) Net realizable value of inventories

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period, to the extent that such events confirm conditions existing at the end of the period. Estimates of net realizable value also take into consideration the purpose for which the inventory is held.

(iii) Residual value and expected useful life of property, plant and equipment

The residual value and the expected useful life of an asset are reviewed at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the Company and its subsidiaries. The recoverable amount of property, plant and equipment is dependent upon management's internal assessment of future cash flows from the individual asset or from the cash-generating units to which the asset belongs.

(iv) Estimated impairment of goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level.

The CGUs to which goodwill is allocated are:
- Publishing and retail (consisting of the Company's subsidiaries The Royal Gazette Limited, E-Moo (Bermuda) Limited and Bermuda Directories Limited), to which goodwill of $2,988 is allocated; and
- Commercial printing, to which goodwill of $1,730 is allocated.

Determining whether goodwill is impaired requires an estimation of the recoverable value on a value in use basis, of the CGU to which the goodwill has been allocated. The CGU value in use is determined using discounted cash flow techniques, based on financial projections over a period of five years with a terminal value at the end of the five-year period and with underlying key assumptions and inputs being the expected future cash flows and the discount rate applied. The discount rate selected was estimated considering the risks associated with the

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

expected future cash flows and considering the rate of return that investors would require. The expected future cash flows were estimated based on financial budgets and forecasts approved by management (nil terminal growth rate was applied) and consideration of historical financial information.

Tangible and finite-lived intangible assets are deducted from the estimated value in use and the residual value is compared to the carrying value of goodwill. If the residual value is less than the carrying value of goodwill, an impairment charge is recognized in the period to reduce the carrying value to its recoverable amount.

The following are key assumptions used in the impairment assessment for both CGUs:

Projected revenue and expense contraction/growth:	3% contraction to 2% growth
Discount rate applied in cash flow projections	9.9%

An increase in the discount rate of 10.1% would not result in an impairment charge to goodwill.

(d) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Company also assesses existence of control where it does not have more than 50% of voting power, but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Company's voting rights relative to the size and dispersion of holdings of other shareholdings, give the Company the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control commences until the date that control ceases.

The consolidated financial statements include the financial statements of the Company and its subsidiaries: The Royal Gazette Limited, Office Solutions Limited, BP Media Limited, The Bermuda Press Limited, Engravers Limited, Chameleon Print Express Limited, E-Moo (Bermuda) Limited, Crown House Properties Limited, Bermuda Directories Limited, Atlantic Print Services Limited, Island Press Limited and Industrial Electronic Controls Limited.

(ii) Transactions eliminated on consolidation

Intra-group transactions, balances and income and expenses are eliminated in preparing the consolidated financial statements. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

(iii) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the value in use. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(e) Financial instruments

(i) Classification

Financial assets are classified in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired and is determined upon initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'cash and cash equivalents', 'trade and other receivables' and 'investment in leases' in the balance sheet.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Company's available-for-sale financial assets comprise equity securities.

(ii) Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date, defined as the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the consolidated statement of comprehensive income as finance income or finance costs.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of comprehensive income as part of finance income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive income as part of finance income when the Company's right to receive payments is established.

(f) Impairment of financial assets

(i) Assets carried at amortized cost

The Company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

(ii) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. If, in a subsequent period, the fair value of a financial instrument classified as available for sale increases and the increase can be objectively related to an event

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

occurring after the impairment loss was recognized in profit or loss, the impairment loss is not reversed through the consolidated statement of comprehensive income.

(g) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, deposits held at call with banks, short-term highly liquid investments with original maturities of three months or less. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities. For the purposes of the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts.

(h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value in the balance sheet. Fair value changes on available-for-sale financial assets are recognized directly in equity, through other comprehensive income.

(j) Investment in leases

Revenue from the sale of equipment under finance leases is recognized at the inception of the lease. Finance income is recognized over the life of each respective lease using the amortized cost method and is included in other revenue. Leases not qualifying as finance leases are accounted for as operating leases and related revenue is recognized rateably over the term of the lease.

When equipment leases are bundled with product maintenance contracts, revenue is first allocated considering the relative fair value of the lease and non-lease deliverables based upon the estimated relative fair values of each element. Lease deliverables generally include equipment, financing and executory costs, while non-lease deliverables generally consist of product maintenance contracts and supplies.

(k) Property, plant and equipment

Capital assets are carried at historical cost less depreciation. Depreciation is calculated on the straight-line method using rates based on the expected useful lives of the respective assets, as follows:

Buildings	15 – 50 years
Machinery	4 – 15 years
Vehicles	3 – 5 years
Fixtures and equipment	1 – 10 years

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(l) Investment properties

Investment property is carried at cost. Depreciation is calculated on the straight-line method using rates based on the expected useful lives of the respective assets. Buildings are depreciated by their identifiable components over 15 to 50 years.

(m) Impairment of long-lived assets

Assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. Any impairment loss would be determined as the excess of the carrying value of the assets over their fair value.

(n) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(o) Accrued employee and other post-retirement benefits

The Company makes contributions to administered pension plans on a defined contribution basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they accrue to employees.

Employee entitlements to paid leave are recognized when they accrue to employees. An accrual is made for the estimated liability for vacation leave, as a result of services rendered by employees up to the reporting date.

The Company has no obligations in respect of other post-retirement benefits for employees or pensioners. Any discretionary payments made by the Company in respect of such benefits are expensed in the period they are made.

(p) Deferred costs

Costs incurred directly relating to the publication of annual directories are deferred and recognized as expenses at the date of publication. Deferred production costs are included in trade and other receivables.

(q) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the net proceeds and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

(r) Revenue recognition

The Company's principal sources of revenue are advertising, circulation, job printing, retail sales, lease revenue and rental income. Advertising revenue, being amounts charged for space purchased in the Company's newspapers, magazines, websites and directories is recognized upon publication. Circulation revenue is recognized at the time of distribution net of an allowance for returned copies. Job printing revenue, being charges for printing services provided to third parties, is recognized upon delivery. Retail sales, being amounts charged for office supplies to third parties, are recognized upon delivery. Lease revenue for office equipment is recognized upon delivery as the leases are accounted for as finance leases. Rental income is recognized pro-rata over the term of the lease. Amounts received in advance are included in unearned income until the revenue is recognized in accordance with the policies noted above.

(s) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are declared by the Board of Directors (the "Board").

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

3. Trade and other receivables

	September 30, 2017	September 30, 2016
Trade receivables	3,163	3,232
Current portion of investment in leases (Note 6)	1,146	1,276
Prepaid insurance	110	112
Prepaid government taxes	30	50
Other prepaid assets	313	451
	4,762	5,121

Accounts receivable are presented net of allowances for estimated bad debts.
The movement in the allowance is as follows:

	September 30, 2017	September 30, 2016
Balance, beginning of the year	255	353
Write-offs	(60)	(122)
Recoveries	(42)	(44)
Additions	3	68
Balance, end of the year	156	255

The ageing of trade receivables is as follows:

	September 30, 2017	September 30, 2016
Current	1,817	2,126
30 days	593	503
60 days	315	310
90 days and over	594	548
	3,319	3,487
Allowance for doubtful accounts	(156)	(255)
	3,163	3,232

All receivables are due within 1 year of the financial year end.

4. Inventories

	September 30, 2017	September 30, 2016
Materials and supplies	1,013	964
Merchandise	1,627	2,124
Work-in-progress	34	10
Provision for obsolescence	(145)	(144)
	2,529	2,954

During the year, the Company expensed inventory totalling $4,657 (2016 - $4,356) as part of normal operations. Inventory written off during the year totalled $122 (2016 - $109) and is included in materials, merchandise and supplies on the consolidated statement of comprehensive income.

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

5. Available-for-sale financial assets

Available-for-sale financial assets comprise equity securities listed in Bermuda whose fair value is determined by reference to their quoted market price.

	September 30, 2017	September 30, 2016
Balance, beginning of the year	131	121
Increase in fair value	10	10
Balance, end of year	141	131

Changes in fair value in the amount of $10 (2016 – $10) have been reflected in other comprehensive income.

The Company has reviewed all assets held for evidence of impairment and has determined that no assets are impaired and there are no indicators of significant or prolonged decline in the value of the assets.

Dividend income during the year was $5 (2016 - $4) and was included in finance income.

6. Investment in leases

	September 30, 2017	September 30, 2016
Total investment in finance leases	2,637	2,619
Unearned finance income	(179)	(146)
	2,458	2,473
Less allowance for doubtful receivables	-	-
Current portion included in trade and other receivables (Note 3)	(1,146)	(1,276)
Long-term portion	1,312	1,197

Finance income arising from the investments in leases amounted to $120 (2016 - $108) and is included in other revenue. Upon completion of the lease the leased equipment can be purchased, renewed or returned at the expected fair value at that time. The unguaranteed residual values accruing to the benefit of the Company are $213 (2016 - $266).

The Company has entered into commercial property leases on its three buildings held for operating lease purposes which have been classified as investment properties on the consolidated balance sheet. These non-cancellable operating leases have remaining non-cancellable lease terms of between 0 and 5 years. Leases have renewal terms of between 0 and 10 years.

The following is a schedule by year of the future minimum lease payments to be received under finance leases and non-cancellable operating leases at September 30:

	2017 Finance leases	2017 Operating leases
2018	1,146	2,849
2019	804	2,279
2020	327	2,160
2021	152	258
2022 and later	29	93
	2,458	7,639

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

	2016 Finance leases	2016 Operating leases
2017	1,276	2,697
2018	732	2,487
2019	411	2,072
2020	54	2,151
2021 and later	-	331
	2,473	9,738

7. Property, plant and equipment

	Land	Buildings	Machinery	Vehicles	Fixtures and equipment	Total
Cost:						
September 30, 2015	393	3,998	14,682	350	4,333	23,756
Additions	-	57	297	4	350	708
Disposals	-	-	(21)	(50)	(236)	(307)
September 30, 2016	393	4,055	14,958	304	4,447	24,157
Additions	-	140	296	77	212	725
Disposals	-	-	(49)	(33)	(202)	(284)
September 30, 2017	393	4,195	15,205	348	4,457	24,598
Depreciation/impairment:						
September 30, 2015	-	2,620	11,778	282	3,731	18,411
Charge for the year	-	72	602	32	432	1,138
Depreciation on disposals	-	-	(21)	(50)	(231)	(302)
September 30, 2016	-	2,692	12,359	264	3,932	19,247
Charge for the year	-	122	543	24	344	1,033
Depreciation on disposals	-	-	(49)	(33)	(202)	(284)
September 30, 2017	-	2,814	12,853	255	4,074	19,996
Net book value:						
September 30, 2016	393	1,363	2,599	40	515	4,910
September 30, 2017	393	1,381	2,352	99	377	4,602

At September 30, 2017 the Company had $13,667 (2016 - $11,482) in fully depreciated assets that were still in use.

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

8. Investment properties

The gross amount and accumulated depreciation of properties leased to third parties are as follows:

	September 30, 2017	September 30, 2016
Cost	24,379	24,224
Accumulated depreciation	(10,149)	(9,509)
Net book value	14,230	14,715

Changes in the Company's book value of investment property are summarized in the following table:

	September 30, 2017	September 30, 2016
Balance, beginning of the year	14,715	15,324
Additions	155	32
Depreciation	(640)	(641)
Balance, end of year	14,230	14,715

The fair value of the Company's investment properties is $25.3 million (2016 - $28.9 million). Fair value has been determined using discounted future cash flows for the Mills Creek, Roger Davidson and Crown House properties. The Company recognized $3,116 (2016 - $3,019) in rental income and $728 (2016 - $704) in operating expenses pertaining to its investment properties.

9. Goodwill

	September 30, 2017	September 30, 2016
Balance, beginning of year	4,718	4,718
Additions	-	-
Balance, end of year	4,718	4,718

10. Accounts payable and accrued liabilities

	September 30, 2017	September 30, 2016
Trade payables	438	821
Accrued liabilities	904	570
Accrued payroll liabilities	1,346	1,454
Unearned income	1,153	1,425
	3,841	4,270

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

11. Borrowings

	September 30, 2017	September 30, 2016
Current		
Bank overdraft	-	40
Third-party loan	386	370
	386	410
Non-current		
Third-party loan	359	741
Total Borrowings	745	1,151

(a) Bank overdraft

The Company has overdraft facilities totalling $1.625 million (2016 - $1.65 million) bearing interest at the bank's base rate plus 1.5% which are repayable on demand. The base rate at September 30 was 4.75% (2016 – 3.75%). The facility renews annually on March 31. Fair value approximates the carrying value as it is short term in nature.

(b) Third-party loan – The Bank of NT Butterfield & Sons Limited

The Company borrowed $1.85 million during the financial year ended September 30, 2014 in connection with the purchase of controlling interests in several entities. The interest rate on the loan is 1.5% plus the Bermuda Dollar base rate (totaling 6.25% as at September 30, 2017 and 5.25% at September 30, 2016). A mortgage against property at 32 Reid Street, Hamilton was issued as security. The total interest expense relating to this loan amounted to $55 (2016 - $71) during the year. The loan was repaid subsequent to the year end (see Note 24).

12. Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis by management.

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises primarily from credit given to customers and deposits with financial institutions. Balances arising from those activities are cash and cash equivalents, trade receivable and investment in leases. The maximum credit exposure to credit risk at the reporting date was:

	September 30, 2017	September 30, 2016
Trade receivables	3,179	3,232
Investment in leases	2,458	2,473
Cash and cash equivalents	2,900	1,758
	8,537	7,463

Exposure to credit risk on trade receivables and investment in leases is influenced by the creditworthiness of customers. The Company manages credit risk through the execution of its credit and collection policy whereby customers are analyzed for creditworthiness prior to being offered credit and then continually monitored based on their aging profile and previous financial difficulties. Management has established procedures to restrict access to credit if their accounts are not in good standing and may result in the suspension of credit and move to a prepayment basis.

Cash and cash equivalents are placed with counterparties who have minimal risk of credit default and are rated by Standard & Poor's with credit ratings of between BBB and A-.

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at a reasonable cost. The Company manages liquidity risk primarily by maintaining sufficient unused capacity within its overdraft facilities.

The following are the contractual maturities of financial liabilities, including interest payments as at the reporting date:

2017	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 - 2 Years**	**2 - 5 Years**	**More than 5 years**
Accounts payable and accrued liabilities	3,841	3,841	3,841	-	-	-
Borrowings	745	791	421	370	-	-
Dividends payable	71	71	71	-	-	-
	4,657	4,703	4,333	370	-	-

2016	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 - 2 Years**	**2 - 5 Years**	**More than 5 years**
Accounts payable and accrued liabilities	4,270	4,270	4,270	-	-	-
Borrowings	1,151	1,242	461	421	360	-
Dividends payable	71	71	71	-	-	-
	5,492	5,583	4,802	421	360	-

The Company has $1,625 in unutilised overdraft facilities as at 30 September 2017 (2016 - $1,610). Management has frameworks in place to monitor the Company's liquidity and ensure that banking covenants are complied with. The Company does not expect to encounter significant difficulties in meeting its financial liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on assets.

(i) Foreign currency risk

The Company incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the Bermuda dollar, primarily US Dollars. However, foreign currency risk is minimal, due to the fact that the Bermuda dollar is pegged to the US Dollar at a 1:1 rate.

(ii) Price risk

The Company is exposed to equity securities price risk because of investments held and classified as available for sale. The fair value is determined by reference to their quoted market prices. It is the Company's opinion that there are no unusual interest rate or credit risks associated with available-for-sale financial assets, although they are subject to market risk and general economic conditions which can affect the fair value of these financial assets. To identify market risk the Company reviews individual investment holdings for existence of evidence of impairment.

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

The Company has reviewed all available-for-sale financial assets held at September 30, 2017 and 2016 for evidence of impairment. The Company has determined that these assets held at September 30, 2017 and 2016 are not impaired and there are no indicators of significant or prolonged decline in the value of the assets. A 10% movement in fair values of the available-for-sale financial assets would impact other comprehensive income by an increase of $14 (2016 - $13) or decrease of $14 (2016 - $13). 10% was estimated by management as an appropriate threshold for sensitivity testing based on average price movements on the Bermuda Stock Exchange over a 12-month period.

(iii) Interest Rate risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's exposure to the risk of changes in market interest rates relates primarily to its floating-rate overdraft facilities and long-term floating-rate loan with The Bank of N.T Butterfield & Sons Limited (Note 11).

Interest rate sensitivity

A sensitivity analysis to interest rate risk is performed assuming the amount of liability for the bank overdraft and floating rate bank borrowings outstanding at the year-end was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Based on the analysis performed, the impact on profit would be an increase of $7 (2016 - $11) or decrease of $7 (2016 - $11).

13. Financial instruments by category

	September 30, 2017		September 30, 2016	
	Loans and receivables	**Available for sale**	**Loans and receivables**	**Available for sale**
Assets				
Cash and cash equivalents	2,900	-	1,758	-
Available-for-sale financial assets	-	141	-	131
Trade and other receivables (excluding prepayments)	4,325	-	4,508	-
Investment in leases, non-current	1,312	-	1,197	-
Total	8,537	141	7,463	131

	September 30, 2017 Liabilities at amortized cost	**September 30, 2016 Liabilities at amortized cost**
Liabilities		
Borrowings	745	1,151
Trade and other payables	3,841	4,270
Dividends payable	71	71
Total	4,657	5,492

14. Fair value of financial assets and liabilities

The carrying value reflected in the financial statements for cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities are assumed to approximate their fair values due to their short term nature. Available-for-sale financial assets are carried at fair value. Borrowings are carried at amortized cost with fair value approximating carrying value given variable interest rates. The cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realization or discounts on settlement.

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Financial instruments in Level 1 are traded in an active market and their fair value is based on quoted market prices at the balance sheet date.

The following table presents the Company's assets that are measured at fair value at September 30, 2017.

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	141	-	-	141
Total assets	141	-	-	141

The following table presents the Company's assets that are measured at fair value at September 30, 2016.

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	131	-	-	131
Total assets	131	-	-	131

15. Related parties

As disclosed in 2(d)(ii), intra-group transactions are eliminated on consolidation.

Key management includes directors and members of the executive committee. Key management personnel remuneration includes the following expenses:

	September 30, 2017	September 30, 2016
Salaries, directors fees and short-term benefits	920	710
Post-employment benefits	33	24
Other long-term benefits	38	32
	991	766

16. Payroll and employee benefit expenses

	September 30, 2017	September 30, 2016
Wages and salaries	11,792	11,366
Termination benefits	146	174
Pension contributions – defined contribution plan	721	710
Other long-term benefits and taxes	1,923	1,859
	14,582	14,109

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

17. Administrative expenses

	September 30, 2017	September 30, 2016
Consultants and professional fees	497	660
Insurance	229	220
Taxes	113	137
Telecommunications and utilities	1,133	1,105
Other administrative expenses	2,372	2,395
	4,344	4,517

18. Share capital

	Number of shares	Ordinary shares ($'000)	Share premium ($'000)	Total ($'000)
At October 1, 2015	1,430,245	3,433	1,682	5,115
Shares repurchased	(689)	(2)	(1)	(3)
At September 30, 2016	1,429,556	3,431	1,681	5,112
Shares reissued	13,799	34	77	111
Shares repurchased	(14,805)	(36)	(84)	(120)
At September 30, 2017	1,428,550	3,429	1,674	5,103

The Company has authorized 3,300,000 (2016 – 3,300,000) common shares of par value $2.40 each.

The Company acquired 14,805 of its own shares during the year (2016 – 689) and the total amount paid to acquire these shares was $120 (2016 - $3). The company issued 13,799 shares during the year with a value of $111 (2016 - $nil) to satisfy accrued liabilities. The Company held 1,695 (2016 – 689) of 'treasury shares' at September 30, 2017.

All shares issued by the Company were fully paid.

19. Earnings per share and dividends

Basic and diluted earnings per share has been calculated by dividing the consolidated net profit attributable to equity holders of the Company by the weighted average number of common shares in issue during the year.

	September 30, 2017	September 30, 2016
Profit attributable to common shareholders	777	824
Average number of common shares outstanding	1,429	1,430
Basic earnings per share	0.54	0.58

During the year the Company declared dividends of $286 (2016 - $212) to equity holders of the Company. This represents dividends declared of $0.20 per share (2016 - $0.15). There were no dilutive potential ordinary shares as at September 30, 2017 or 2016. Dividends payable were $71 at September 30, 2017 (2016 - $71).

During the year the Company's subsidiary, Crown House Properties Limited declared and paid dividends of $2,000 (2016 - $2,000) to which $400 (2016 - $400) was paid to non-controlling interests.

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

20. Other reserves

The Board has made appropriations of retained earnings as set out below. These represent amounts transferred from retained earnings balance on a resolution of the Board. These amounts will be released to unappropriated retained earnings when authorized by the Board.

(a) General reserve

This appropriation of $4.5 million was made to provide for future capital expenditures relating to long-term maintenance and improvements of the Company's buildings. No transfers were made in the current year or in the prior year.

(b) Reserve for self-insured risks

In 1994, in an endeavour to reduce the escalating costs of property insurance the Company decided to create a reserve for self-insured risks through an appropriation of retained earnings. In previous years, the Board approved transfers from retained earnings to increase this reserve which now stands at $2.2 million. No transfers were made in the current year or in the prior year.

21. Capital management

The Company's capital management objectives are to maintain financial flexibility in order to preserve its capacity to meet its financial commitments, to pay dividends and to meet its potential obligations resulting from internal growth and acquisitions. The Company defines capital as the total of the following balances:

	September 30, 2017	September 30, 2016
Equity attributable to owners of the parent	28,297	27,805
Borrowings	745	1,111
Cash and cash equivalents, net of bank overdraft	(2,900)	(1,718)
	26,142	27,198

The Company manages its capital in accordance with changes in operating conditions. In order to maintain or adjust its capital structure the Company may elect to adjust the amount of debt outstanding, adjust the amount of dividends paid to shareholders, return capital to its shareholders, repurchase and cancel its shares or issue new shares. The Company is currently meeting all its financial commitments and there have been no changes in the Company's approach to capital management during the period. The Company is not subject to any external capital requirements.

22. Commitments and contingencies

(a) Capital commitments:

There are no commitments for capital expenditure as of September 30, 2017 or 2016.

(b) Lease commitments:

There are no lease commitments as of September 30, 2017 (2016 - $148).

(c) Contingent liabilities:

There are no contingent liabilities to disclose as of September 30, 2017 or 2016.

23. Segmented information

The Company has identified its reportable segments based on the responsibility for the operations. Publishing and retail covers newspaper, online, magazine and directory publishing and the sale of stationery and office equipment. Commercial printing covers commercial and retail printing. The rental and other segment include property rentals, investment activities and other operations.

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

Sales of goods and services between segments occur on terms agreed between those responsible for the segments. There are no significant differences between segment amounts and consolidated totals other than those arising from inter-segment transactions. The accounting policies of the segments do not differ from those reported in Note 2.

2017	Publishing and retail $	Commercial Printing $	Rental and other $	Inter-segment eliminations $	Total $
Revenue from external customers	18,784	4,535	3,329	-	26,648
Revenue from internal customers	274	555	2,463	(3,292)	-
	19,058	5,090	5,792	(3,292)	26,648
Expenses	19,731	4,947	2,324	(3,292)	23,710
Depreciation and amortization	601	243	829		1,673
Interest expense	59	-	55	(32)	82
	20,391	5,190	3,208	(3,324)	25,465
Segment income (loss)	(1,333)	(100)	2,584	32	1,183
Finance income	22	-	37	(32)	27
Gain on sale of assets	-	-	-	-	-
Total income (loss)	(1,311)	(100)	2,621	-	1,210
Segment assets	8,902	1,468	28,770	(3,946)	35,194

2016	Publishing and retail $	Commercial Printing $	Rental and other $	Inter-segment eliminations $	Total $
Revenue from external customers	18,838	4,573	3,206	-	26,617
Revenue from internal customers	294	465	2,637	(3,396)	-
	19,132	5,038	5,843	(3,396)	26,617
Expenses	19,504	5,281	2,091	(3,396)	23,480
Depreciation and amortization	715	223	841	-	1,779
Interest expense	87	-	71	(45)	113
	20,306	5,504	3,003	(3,441)	25,372
Segment income (loss)	(1,174)	(466)	2,840	45	1,245
Finance income	14	-	49	(45)	18
Gain on sale of assets	1	-	-	-	1
Total income (loss)	(1,159)	(466)	2,889	-	1,264
Segment assets	10,102	1,342	27,934	(3,874)	35,504

Entity wide information

The breakdown of revenue, all of which is generated by customers in Bermuda, is disclosed on the face of the consolidated statement of comprehensive income and all of the Company's assets are located in Bermuda.

Consolidated Notes for the Year Ended September 30, 2017
(Amounts in thousands of dollars)

Non-controlling interests

As described in Note 1, non-controlling interests relate to 20% holding in Crown House Properties Limited. The assets, liabilities and results of Crown House Properties Limited are:

	2017	2016
Current assets	2,854	2,204
Non-current assets	8,692	9,024
Current liabilities	(478)	(326)
Non-current liabilities	-	-
Revenues	2,663	2,662
Net income/comprehensive income	2,165	2,193

24. Subsequent events

In November 2017, the Company repaid the remaining balance, including accrued interest, on the third party loan (see Note 11(b)).

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