The Bermuda Press (Holdings) Limited

ANNUAL REPORT 2016

The Bermuda Press (Holdings) Limited

ANNUAL REPORT 2016

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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 2016

Report to Shareholders

Your Company was founded in 1828 and is one of Bermuda's largest and oldest publically traded companies. As the only remaining newspaper in Bermuda it is the responsibility of The Royal Gazette and its journalists to report the news. It is also important that, as a company, we weigh in on the social issues that affect both the wellbeing of your Company and Bermuda.

The success of a modern economy, founded on the principles of capitalism, relies on economic expansion. One of the challenges Bermuda must overcome is the impact of a declining population on economic growth. A declining birth rate and ageing population combined with the former government's policies on term limits for expatriates and an exodus of residents struggling since 2008 to find employment, while affording Bermuda's high cost of living, means that Bermudians must accept the reality --- as in virtually all First World economies --- that future economic growth will rely significantly on immigration.

The "Pathways to Status" legislation was the Government's attempt to address outdated immigration policies that exist and to chart a course that stabilised and increased the residential population. The majority of the population supported the legislation, and it provided a sensible and pragmatic approach to the problem of a declining population, while acknowledging the rights of individuals who had resided in Bermuda for long periods of time, including the children born and raised in Bermuda. Unfortunately, the legislative process was brought to a halt by a political protest and the democratically elected government was illegally barred from entering Parliament by a minority group of protesters.

A democratically elected government must be able to advance its agenda and a vocal or disruptive minority should not be allowed to hinder progress. The silent majority must be represented by the Government. The ability for Bermuda to be economically successful relies on the Government taking immediate action to maintain and ultimately increase the population of Bermuda, along with maintaining stability, both politically and economically. Bermudians must find a peaceful and lawful way to resolving our differences. Our future depends on it.

Financial Performance

In 2016, revenues declined to $26,617,000 compared with $27,213,000 in the previous year. Net profit for your Company increased to $1,264,000 in 2016 from $514,000 in 2015.

The net income improvement is primarily related to the significant cost savings during 2016 as a result of the print division's consolidation of operations. The revenue decline can be attributed to the sales of print advertising in the group's publishing operations.

In 2016, the Board was pleased to reinstate the dividend to shareholders. The rationalisation and profitability of the Group's subsidiaries will be the primary focus of your Board in the coming year. Your Board will continue to review your Company's performance and the ability to increase dividend payments to shareholders.

Significant Milestones

During the past 12 months, management focused on consolidation and maximising efficiencies within operations. Many of the changes that occurred during the year were behind the scenes. For several years, the Board and management have focused on cost reductions in the operations because of difficult economic conditions. A lot of time was spent this year ensuring the operations had successfully integrated the restructuring efforts of the past several years. As a result, your Company slowed its rate of change to allow the previous changes to set in. During 2016, some of the key areas focused on by management were:

- Introducing training programmes as part of the human resource strategy to obtain an Investors In People certification
- Carefully reviewing the print operations financial performance and expanding the operations to include sign printing

- The Royal Gazette launched a responsive mobile website to improve the mobile browsing experience for readers
- Redesigning the eMoo website with improved functionality and monetisation opportunities
- Enhancing marketing of our products, with specific objectives including increasing home delivery at The Royal Gazette, and increasing sales at the Stationery Store retail operations and the commercial supply and equipment of Office Solutions
- Implementation of a new advertising booking and customer relationship management system
- Refocusing operations, after a period of consolidation and cost reduction, to a customer service and revenue growth model

The Road Ahead

Last year, I noted that the economy had shown signs of improvement, with several quarters of positive GDP growth. At the time of writing this report, the latest statistics available for the 12 months to 30 September 2016 showed that GDP had declined by 0.5% and that inflation-adjusted GDP had fallen by 2.2%. In addition to the decline in GDP, the employment statistics issued in June 2016 noted a decline in the number of jobs in Bermuda for the seventh straight year.

The performance of your Company is tied directly to the performance of the local economy. More than $23 million of our annual revenue is tied to consumer spending. Leading indicators have shown an improvement in consumer confidence and should ultimately result in increased consumer spending.

Despite improving consumer confidence, Bermuda's economy remains fragile. The influx of short-term residents as a result of the America's Cup has had a positive impact on several sectors of the economy, the most notable being real estate and food stores. Additionally, the construction industry has seen improved spending on building materials. These positive indicators are heavily influenced by the residential population, and the likelihood that a number of residents will depart after the final America's Cup race is cause for concern.

Positive results in tourism arrival numbers are a welcome change. Bermuda's economy has relied too heavily on international business as the primary driver of its economy and must diversify the economy. Continued positive trends in tourism will lead to increased confidence from investors and, ultimately, new capital investment in new hotels and activities targeting tourists.

In addition to economic factors that affect your Company, the considerable changes in the media industry and the public perceptions of media continue to affect your Company. Social media has allowed an opinion to anyone with a computer and the ability to share information. Where does the line get drawn between freedom of speech and responsibility?

Media outlets must uphold the highest standards of journalism. The Royal Gazette understands and takes its responsibility to report the news seriously. Our role as an independent news organisation in Bermuda has never been more important. The Royal Gazette has often been accused of being biased towards one political party or another. The truth is that The Royal Gazette goes to great efforts to ensure it is not biased towards anyone. Its responsibility is to report the news, not make news or to manage public relations of a political party, and it must do so while upholding the highest standards of journalism.

The role of a journalist to be fair and unbiased is a requirement to enable the public to trust a newspaper. The recent global headlines regarding "Fake News" and the impact of propaganda and fabricated news stories had on the 2016 US election are reinforcing the need for responsible journalism. The public need a trusted source for reliable news and information.

Damian Collins, the chairman of the Culture, Media and Sport Committee in the UK, said the rise of propaganda and fabrications is "a threat to democracy and undermines confidence in the media in general". In January 2017, MP's in the UK announced that they would be launching a parliamentary inquiry into what they have called the "growing phenomenon of fake news".

At some point in the next 12 months, a General Election will be called and the electorate must carefully consider the sources and reliability of information they read. The Royal Gazette will be fair and balanced and report the facts without taking sides. As I mentioned, The Royal Gazette has a social responsibility to Bermuda and we take this role seriously.

Governance and 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, and financial and ethical behaviour. The directors' objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interest of all shareholders, while ensuring your Company is properly managed.

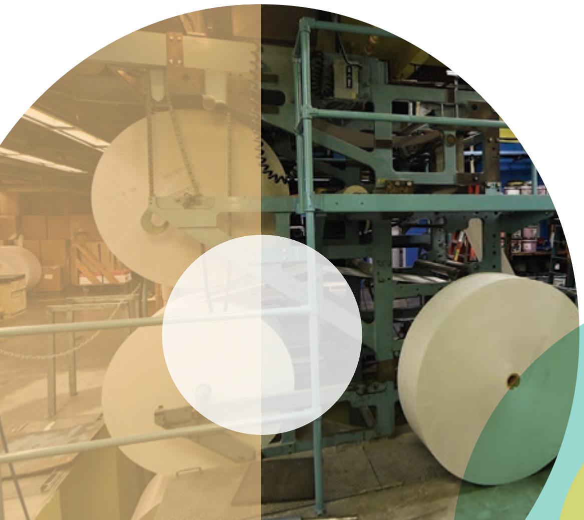
As a listed issuer on the Bermuda Stock Exchange, your Company maintains 80/20 ownership (Bermudian to foreign) and is proud to be widely held by more than 600 shareholders who represent a broad cross-section of the community.

In keeping with best practices, the Board of Directors has restructured both directors' and the CEO's compensation plans to include compensation in the form of company shares. At present, the numbers of shares required under the compensation plans have been met by repurchasing shares from existing shareholders. In future periods, we expect the need to issue shares from your 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 269,086 shares at 30 September 2016. 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 $7.10. As previously noted, the Board reinstated the dividend last year and will continue to review the ability of your Company to pay dividends in future periods.

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



Your Company

I would like to acknowledge the significant contribution of my fellow Board members. In particular I would like to thank Greg Haycock, who retired from the Board in January 2017 and who was replaced as a director by the CEO, Jonathan Howes. Greg originally joined the Board in 1977 and has been involved with your Company for 40 years. His advice and good counsel have been instrumental to the success and direction of the organisation, and we thank Greg for his dedication and service.

I would be remiss if I did not acknowledge the contributions by the CEO and CFO. Jonathan and Derek continuously strive to improve the performance of your Company. They are both dedicated and committed to the Company.

The Board is proud of our management and staff and salutes their continued efforts to ensure your Company is successful. It is well understood that change, growth and "doing more with less" are critical to our future success, and our thanks and respect are extended to each and every employee as we move forward in these challenging times. We also appreciate our business relationships with readers, customers, suppliers and tenants. Most of all, we appreciate the support of our shareholders and your faith in your 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, Deputy Chairman 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.

Gregory D. Haycock FCPA, FCA, JP
DIRECTOR

Gregory D. Haycock, F.C.P.A., F.C.A., J.P., is a Retired Senior Partner of KPMG, Bermuda and the KPMG European Board. He has served on the Boards of the Bermuda Monetary Authority and as a Chairman of the Bermuda International Business Association and is currently Chairman of several international companies in Bermuda.

Carl H. Paiva, JP
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)	**2016**	**2015**	**2014**	2013	2012
Operating revenue	26,617	27,213	25,291	25,150	25,670
Operating expenses	25,259	26,557	24,297	24,139	25,995
Operating profit (loss)	1,358	656	994	1,011	(325)
Finance income	18	15	14	16	5
Finance costs	(113)	(157)	(103)	(102)	(91)
Gain (loss) on disposal and impairment of assets	1	-	-	(3)	(27)
Profit (loss) for the year	1,264	514	905	922	(438)
Profit (loss) attributable to:					
Equity holders of the company	824	33	548	549	(793)
Non-controlling interests	440	481	357	373	355
Current assets	9,833	9,653	9,580	7,683	7,676
Available-for-sale financial assets	131	121	131	135	137
Investment in leases	1,197	1,379	1,375	1,222	1,237
Property, plant and equipment	4,910	5,345	5,876	6,188	6,709
Investment properties	14,715	15,324	15,967	16,521	16,986
Goodwill	4,718	4,718	4,718	2,791	2,985
	35,504	36,540	37,647	34,540	35,730
Current liabilities	4,751	6,079	7,226	5,216	5,710
Borrowings	741	1,108	1,461	606	1,156
Equity attributable to owners of the parent	27,805	27,186	26,874	26,659	26,678
Minority interest	2,207	2,167	2,086	2,059	2,186
	35,504	36,540	34,647	34,540	35,730
Additions to goodwill	-	-	1,927	-	2,791
Additions to capital assets	740	583	786	822	1,976
Cash dividends paid	141	-	552	552	552
Number of issued ordinary shares	1,429,556	1,430,245	1,395,920	1,378,699	1,380,245
Profit (loss) attributable to equity holders of the company per share	0.58	0.02	0.40	0.40	(0.57)
Cash dividend paid per share	0.10	-	0.40	0.40	0.40
Shareholders' equity per share	19.45	19.01	19.25	19.33	19.33
Profit (loss) attributable to equity holders of the company as a percentage of revenue	3.1%	0.1%	2.2%	2.2%	(3.1%)
Profit (loss) attributable to equity holders of the company as a percentage of shareholders' equity	3.0%	0.1%	2.0%	2.0%	(3.0%)

The Bermuda Press (Holdings) Limited

Financial Statements

September 30th, 2016

pwc

January 20, 2017

Independent Auditor's Report

To the Shareholders of
The Bermuda Press (Holdings) Limited

We have audited the accompanying consolidated financial statements of The Bermuda Press (Holdings) Limited and its subsidiaries, which comprise the consolidated balance sheet as at September 30, 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Bermuda Press (Holdings) Limited and its subsidiaries as at September 30, 2016 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

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Consolidated Balance Sheet

As at September 30, 2016

(Amounts in thousands of dollars)

	Notes	2016	2015
ASSETS			
Current assets			
Cash and cash equivalents		1,758	1,615
Trade and other receivables	3	5,121	5,280
Inventories	4	2,954	2,758
		9,833	9,653
Non-current assets			
Available-for-sale financial assets	5	131	121
Investment in leases	6	1,197	1,379
Property, plant and equipment	7	4,910	5,345
Investment properties	8	14,715	15,324
Goodwill	9	4,718	4,718
Total assets		35,504	36,540
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	10	4,270	4,482
Borrowings	11	410	1,597
Dividends payable	19	71	-
		4,751	6,079
Non-current liabilities			
Borrowings	11	741	1,108
Total liabilities		5,492	7,187
Equity attributable to owners of the parent			
Share capital	18	3,431	3,433
Share premium	18	1,681	1,682
Other reserves	20	6,700	6,700
Other comprehensive income		65	55
Retained earnings		15,928	15,316
		27,805	27,186
Non-controlling interest		2,207	2,167
Total equity		30,012	29,353
Total liabilities and equity		35,504	36,540

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

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2016

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

	Notes	2016	2015
Operating revenue			
Publishing and retail	24	18,838	19,626
Commercial printing	24	4,573	4,480
Rental		3,019	2,948
Other	6	187	159
		26,617	27,213
Operating expenses			
Payroll and employee benefits	16	14,109	14,934
Materials, merchandise and supplies		4,854	5,560
Administrative expenses	17	4,517	4,306
Depreciation and amortization	7,8	1,779	1,757
		25,259	26,557
Operating profit		1,358	656
Finance income	5	18	15
Finance costs	11	(113)	(157)
Gain on sale of assets		1	-
Profit for the year		1,264	514
Profit attributable to:			
Equity holders of the company		824	33
Non-controlling interests		440	481
		1,264	514
Other comprehensive income (loss) for the year			
Changes in fair value of available-for-sale financial assets	5	10	(10)
Total comprehensive income for the year		1,274	504
Comprehensive income attributable to:			
Equity holders of the company		834	23
Non-controlling interests		440	481
		1,274	504
Earnings per share:			
Basic and diluted	19	0.58	0.02

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

Consolidated Statement of Changes in Equity

For the year ended September 30, 2016

(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, 2014		3,350	1,649	6,700	15,110	65	26,874	2,086	28,960
Profit for the year		-	-	-	33	-	33	481	514
Other comprehensive loss	5	-	-	-	-	(10)	(10)	-	(10)
Total comprehensive income		-	-	-	33	(10)	23	481	504
Sale of treasury shares	18	(83)	(33)	-	173	-	289	-	289
Dividends	19	-	-	-	-	-	-	(400)	(400)
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

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

Consolidated Statement of Cash Flows

For the year ended September 30, 2016

(Amounts in thousands of dollars)

	Notes	2016	2015
Cash flows from operating activities			
Profit for year		1,264	514
Adjustments for:			
Depreciation and amortization	7,8	1,779	1,757
Finance costs		113	157
Finance income		(18)	(15)
Interest paid		(113)	(157)
Investment income received		14	11
Changes in non-cash working capital:			
Trade and other receivables		110	(225)
Inventories		(196)	130
Accounts payable and accrued liabilities		(212)	(518)
Cash generated from operating activities		2,741	1,654
Cash flows used for investing activities			
Additions to property, plant and equipment	7,8	(740)	(583)
Acquisition of subsidiary, net of cash acquired		-	(565)
Dividends received on available-for-sale financial assets	5	4	4
Net movement in investments in leases		231	21
Proceeds on property, plant and equipment		5	-
Net cash used for investing activities		(500)	(1,123)
Cash flows used for financing activities			
Purchase of treasury shares	18	(3)	-
Proceeds from sale of treasury shares	18	-	289
Repayment of borrowings	11	(350)	(335)
Dividends paid to company's shareholders	19	(141)	-
Dividends paid to non-controlling interests	19	(400)	(400)
Net cash used for financing activities		(894)	(446)
Increase in cash and cash equivalents		1,347	85
Cash and cash equivalents at beginning of year		371	286
Cash and cash equivalents at end of year		1,718	371
Cash and cash equivalents comprises:			
Cash and cash equivalents at bank		1,758	1,615
Bank overdraft		(40)	(1,244)
		1,718	371

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

Consolidated Notes to Financial Statements

Consolidated Notes to Financial Statements September 30, 2016

(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, 2016 %	September 30, 2015 %
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 January 18, 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 yet to assess the full impact of IFRS 15 and intends to adopt the standard no later than the accounting period beginning on October 1, 2018.

Consolidated Notes to Financial Statements September 30, 2016
(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 is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16 and intends to adopt 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 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
- 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

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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:	2% contraction to 3% growth
Discount rate applied in cash flow projections:	9.9%

An increase in the discount rate of 6.4% 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 on transactions 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.

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(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.

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(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 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.

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(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. 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").

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(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.

3. Trade and other receivables

	September 30, 2016	September 30, 2015
Trade receivables	3,232	3,340
Current portion of investment in leases (Note 6)	1,276	1,325
Prepaid insurance	112	122
Prepaid government taxes	50	68
Other prepaid assets	451	425
	5,121	5,280

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

	September 30, 2016	September 30, 2015
Balance, beginning of the year	353	370
Write-offs	(122)	(34)
Recoveries	(44)	(46)
Additions	68	63
Balance, end of the year	255	353

The ageing of trade receivables is as follows:

	September 30, 2016	September 30, 2015
Current	2,126	2,301
30 days	503	586
60 days	310	394
90 days and over	548	412
	3,487	3,693
Allowance for doubtful accounts	(255)	(353)
	3,232	3,340

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

4. Inventories

	September 30, 2016	September 30, 2015
Materials and supplies	964	1,089
Merchandise	2,124	1,876
Work-in-progress	10	56
Provision for obsolescence	(144)	(263)
	2,954	2,758

During the year, the Company expensed inventory totalling $4,356 (2015 - $5,687) as part of normal operations. Inventory written off during the year totalled $109 (2015 - $123) and is included in materials, merchandise and supplies on the consolidated statement of comprehensive income.

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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, 2016	September 30, 2015
Balance, beginning of the year	121	131
Increase/(decrease) in fair value	10	(10)
Balance, end of year	131	121

Changes in fair value in the amount of $10 (2015 – ($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 $4 (2015 - $4) and was included in finance income.

6. Investment in leases

	September 30, 2016	September 30, 2015
Total investment in finance leases	2,619	2,840
Unearned finance income	(146)	(136)
	2,473	2,704
Less allowance for doubtful receivables	-	-
Current portion included in trade and other receivables (Note 3)	(1,276)	(1,325)
Long-term portion	1,197	1,379

Finance income arising from the investments in leases amounted to $108 (2015 - $104) 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 is $266 (2015 - $281).

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 1 and 10 years. Leases have renewal terms of between 0 and 6 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:

	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

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	2015 Finance leases	2015 Operating leases
2016	1,325	2,480
2017	898	2,137
2018	398	1,995
2019	69	2,072
2020 and later	14	2,482
	2,704	11,166

7. Property, plant and equipment

Cost:	**Land**	**Buildings**	**Machinery**	**Vehicles**	**Fixtures and equipment**	**Total**
September 30, 2014	393	3,899	14,250	350	4,803	23,695
Additions	-	99	432	-	52	583
Disposals	-	-	-	-	(522)	(522)
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
Depreciation/impairment:						
September 30, 2014	-	2,293	11,451	260	3,815	17,819
Charge for the year	-	327	327	22	438	1,114
Depreciation on disposals	-	-	-	-	(522)	(522)
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
Net book value:						
September 30, 2015	393	1,378	2,904	68	602	5,345
September 30, 2016	393	1,363	2,599	40	515	4,910

At September 30, 2016 the Company had $11,482 (2015 - $11,824) in fully depreciated assets that were still in use.

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8. Investment properties

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

	September 30, 2016	September 30, 2015
Cost	24,224	24,192
Accumulated depreciation	(9,509)	(8,868)
Net book value	14,715	15,324

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

	September 30, 2016	September 30, 2015
Balance, beginning of year	15,324	15,967
Additions	32	-
Depreciation	(641)	(643)
Balance, end of year	14,715	15,324

The fair value of the Company's investment properties is $28.9 million (2015 - $28 million). Fair value has been determined using discounted future cash flows for the Mills Creek, Roger Davidson and Crown House properties. The Company recognized $3,019 (2015 - $2,948) in rental income and $704 (2015 - $566) in operating expenses pertaining to its investment properties.

9. Goodwill

	September 30, 2016	September 30, 2015
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, 2016	September 30, 2015
Trade payables	821	1,030
Accrued liabilities	570	480
Accrued payroll liabilities	1,454	1,579
Unearned income	1,425	1,393
	4,270	4,482

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11. Borrowings

	September 30, 2016	September 30, 2015
Current		
Bank overdraft	40	1,244
Third party loan	370	353
	410	1,597
Non-current		
Third party loan	741	1,108
Total Borrowings	1,151	2,705

(a) Bank overdraft

The Company has overdraft facilities totalling $1.65 million (2015 - $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 3.75% (2015 – 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 5.25% as at September 30, 2016 and 2015).
A mortgage against property at 32 Reid Street, Hamilton was issued as security. The total interest expense relating to this loan amounted to $71 (2015 - $86) during the year. Expected repayments of principal are as follows:

	$
2017	370
2018	390
2019	351
	1,111

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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 accounts receivable and investment in leases. The maximum credit exposure to credit risk at the reporting date was:

	September 30, 2016	September 30, 2015
Trade receivables	3,232	3,340
Investment in leases	2,473	2,704
Cash and cash equivalents	1,758	1,615
	7,463	7,659

Exposure to credit risk on trade receivables and investment in leases is influenced by the credit worthiness 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-.

(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:

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	-

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2015	Carrying amount	Contractual cash flows	Less than 1 year	1 - 2 Years	2 - 5 Years	More than 5 years
Accounts payable and accrued liabilities	4,482	4,482	4,482	-	-	-
Borrowings	2,705	2,859	1,665	421	773	-
	7,187	7,341	6,147	421	773	-

The Company has $1,610 in unutilised overdraft facilities as at 30 September 2016 (2015 - $406). 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.

The Company has reviewed all available-for-sale assets held at September 30, 2016 and 2015 for evidence of impairment. The Company has determined that these assets held at September 30, 2016 and 2015 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 $13 (2015 - $12) or decrease of $13 (2015 - $12). 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 NT 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 $11 (2015 - $14) or decrease of $11 (2015 - $14).

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13. Financial instruments by category

	September 30, 2016		September 30, 2015	
	Loans and receivables	Available for sale	Loans and receivables	Available for sale
Assets				
Cash and cash equivalents	1,758	-	1,615	-
Available-for-sale financial assets	-	131	-	121
Trade and other receivables (excluding prepayments)	4,508	-	4,665	-
Investment in leases, non-current	1,197	-	1,379	-
Total	7,463	131	7,659	121

	September 30, 2016 Liabilities at amortized cost	September 30, 2015 Liabilities at amortized cost
Liabilities		
Borrowings	1,151	2,705
Trade and other payables	4,270	4,482
Dividends payable	71	-
Total	5,492	7,187

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.

The following table 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.

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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

The following table presents the Company's assets that are measured at fair value at September 30, 2015.

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	121	-	-	121
Total assets	121	-	-	121

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, 2016	September 30, 2015
Salaries, directors fees and short-term benefits	710	662
Post-employment benefits	24	14
Other long-term benefits	32	25
	766	701

16. Payroll and employee benefit expenses

	September 30, 2016	September 30, 2015
Wages and salaries	11,366	12,239
Termination benefits	174	63
Pension contributions – defined contribution plan	710	746
Other long-term benefits and taxes	1,859	1,886
	14,109	14,934

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17. Administrative expenses

	September 30, 2016	September 30, 2015
Consultants and professional fees	660	745
Insurance	220	293
Taxes	137	153
Telecommunications and utilities	1,105	1,123
Other administrative expenses	2,395	1,992
	4,517	4,306

Included in other administrative expenses is $nil (2015 – ($303)) related to the release of a building reserve liability. The amount recognized is comprised of $nil (2015 – ($175)) from non-controlling interest and $nil (2015 – ($128)) from third party tenants.

18. Share capital

	Number of shares	Ordinary shares ($'000)	Share premium ($'000)	Total ($'000)
At October 1, 2014	1,395,920	3,350	1,649	4,999
Shares reissued	34,325	83	33	116
At September 30, 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

The Company has authorized 3,300,000 (2015 – 3,300,000) common shares of par value $2.40 each.

The Company acquired 689 of its own shares during the year and the total amount paid to acquire these shares was $3. The shares were held as 'treasury shares'. During the prior year, the Company sold 34,325 of its own shares and the total proceeds received from the sale of these shares was $289. The shares were held as 'treasury shares'. The Company held 689 (2015 – nil) of 'treasury shares' at September 30, 2016.

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 profit attributable to equity holders of the Company by the weighted average number of common shares in issue during the year.

	September 30, 2016	September 30, 2015
Profit attributable to common shareholders	824	33
Average number of common shares outstanding	1,430	1,424
Basic earnings per share	0.58	0.02

Consolidated Notes to Financial Statements September 30, 2016
(Amounts in thousands of dollars)

During the year, the Company declared dividends of $212 (2015 - $nil) to equity holders of the Company. This represents a payment of $0.15 per share (2015 - $nil). There were no dilutive potential ordinary shares as at September 30, 2016 or 2015. Dividends payable were $71 at September 30, 2016 (2015 - $nil).

During the year, the Company's subsidiary, Crown House Properties Limited declared and paid dividends of $2,000 to which $400 (2015 - $400) was paid to non-controlling interests.

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, 2016	September 30, 2015
Equity attributable to owners of the parent	27,805	27,186
Borrowings	1,111	1,461
Cash and cash equivalents, net of bank overdraft	(1,718)	(371)
	27,198	28,276

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.

Consolidated Notes to Financial Statements September 30, 2016
(Amounts in thousands of dollars)

22. Commitments and contingencies

(a) Capital commitments:

There are no commitments for capital expenditure as of September 30, 2016 or 2015.

(b) Lease commitments:

The Company leases printing machinery under a cancellable operating lease. The future aggregate minimum lease payments under the operating lease is as follows:

	2016
No later than 1 year	111
Later than 1 year and no later than 5 years	37
Later than 5 years	-
	148

(c) Contingent liabilities:

There are no contingent liabilities to disclose as of September 30, 2016 or 2015.

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.

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.

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
Finance costs	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

Consolidated Notes to Financial Statements September 30, 2016
(Amounts in thousands of dollars)

2015	Publishing and retail (restated) $	Commercial Printing (restated) $	Rental and other $	Inter-segment eliminations $	Total $
Revenue from external customers	19,626	4,480	3,107	-	27,213
Revenue from internal customers	463	470	2,813	(3,746)	-
	20,089	4,950	5,920	(3,746)	27,213
Expenses	20,129	6,301	2,116	(3,746)	24,800
Depreciation and amortization	720	213	824	-	1,757
Finance costs	102	-	87	(32)	157
	20,951	6,514	3,027	(3,778)	26,714
Segment income (loss)	(862)	(1,564)	2,893	32	499
Finance income	11	-	36	(32)	15
Total income (loss)	(851)	(1,564)	2,929	-	514
Segment assets	10,432	1,359	28,614	(3,865)	36,540

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.

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:

	2016	2015
Current assets	2,204	1,792
Non-current assets	9,024	9,433
Current liabilities	(326)	(513)
Non-current liabilities	-	-
Revenues	2,662	2,547
Net income/comprehensive income	2,193	2,403

24. Comparative figures

In the current year management reclassified the financial information of Bermuda Directories Limited from the Commercial Printing to the Publishing and Retail categorization as this is considered to better represent the nature of this entity's activities and so provide more reliable and relevant information. As a result, revenue of $893 for the year ended September 30, 2015 was reclassified from Commercial printing to Publishing and retail. Segment loss for the year ended September 30, 2015 presented in Note 23 for Commercial printing increased by $138 and for Publishing and retail decreased by $138.
Further to the above, certain other comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

Notes

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Artcetera

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Printed in Bermuda by The Bermuda Press Ltd.