

As predicted at the 2007 AGM, and in the interim statement, trading continued to improve slightly in the second half of 2007

RICHARD JEWSON, CHAIRMAN

Results

Operating profit before amortisation and exceptional items increased by 3.4% to £30.5m (2006: £29.5m), overall up £1.0m. Adjusted earnings per share were up 5.2% at 140.0p (2006: 133.1p).

A key feature within the profit and loss account was the resumption of growth in newspaper ongoing operations, with revenue up 1.2% to £135.7m (2006: down 5.9%) and profit up 0.9% to £23.8m. There was continued excellent progress in magazines and contract publishing, with turnover growth of 10.3% to £55.1m and operating profit up 16.1% to £7.1m. Exceptional items reduced from £1.3m to £0.9m, reflecting lower restructuring costs.

During the year share prices of peer companies have declined significantly – some 50% on average from their high point in the year – as the sector has fallen from favour with the stock market. Additionally a number of proposed transactions within the regional publishing sector failed to complete. Profit multiples, one traditional indicator of newspaper values, have reduced and the carrying value of certain of our acquired newspaper intangible assets is no longer supported by the consequent valuation despite an improved performance of the titles affected. Following a review of carrying values in accordance with FRS 10, an impairment charge of £30.0m has been made in the 2007 financial statements. The impairment charge reduces the carrying value of the Group's newspaper titles on the balance sheet, but has no cash impact. The matter is considered in more detail in the Financial review.

Profits pre-impairment and pre-tax were up 33.2% in the year at £21.9m (2006: £16.4m). After impairment, the

Group recorded a loss before taxation of £8.1m (2006: profit £16.4m).

The pre-impairment tax rate decreased to 34.5% at £7.6m, (2006: 53.1% at £8.7m) as a consequence of a reduction in the rate of corporation tax from 30% to 28% from April 2008 and adjustments in deferred tax provisions.

Dividend

The board is recommending a final dividend of 27.4p (2006: 25.7p) per ordinary share. This makes a total for 2007 of 40.1p (2006: 38.1p), an increase of 5.2% cent. In considering the level of dividend the Board has to balance the short-term benefits to shareholders of payment with their longer-term interests to repay debt and to fund the continued growth of the business.

Highlights

Detailed reports follow from the Chief Executive and the Finance Director but I would draw attention to some of the features of an active year.

Following the launch in 2006 of homes24, the overriding objective for 2007 was to launch the remaining digital classified sites and to increase the content of, and thereby the number of people visiting, the branded websites. jobs24 was launched in January 2007 and drive24 followed in June 2007. Both sites have established themselves strongly in their local markets, attracting an average audience of 136,000 unique visitors per month in the period. jobs24 created over £1.0m of new revenue in its first year and, within six months of its launch, drive24 already had more than 300 local motor dealers loading content directly to the site. A further initiative of selling banner and skyscraper on-line advertisements to local companies has proved to be a new source of on-line revenues. Total digital revenue doubled over the prior year.

Regional's newspaper revenues saw growth in the year but a weakening in the last quarter. Turnover from ongoing operations (including print) was up 1.2%, and ongoing profits were up 0.9% reflecting some recovery in advertising markets generally.

Total recruitment advertising revenue was up 2.7%, strengthening in the second half. Property had a strong year, up

5.8%, although revenue slowed in the last quarter. Motors were down 11.4%, suffering from increased competition.

Total magazine turnover was up 10.3%, of which 2.4% came from acquisitions in the year and with strong organic growth from the established Life business. Operating profits from ongoing operations were up 10.8%, reflecting integration of acquisitions, strong performances from Life and Dialogue and the Life business continuing to mature. Overall, magazine operating profit, including acquisitions in the year, increased 16.1% to £7.1m with Life increasing its operating profit by 25.0%.

Staff and Board

The Board pays tribute to the management and staff of the business who have continued to make progress in difficult and changing markets. We are delighted to have appointed Johnny Hustler to the Group Board with effect from 1 January 2008. He is an enthusiastic colleague with notable marketing skills and his success in leading the development of our Life business is self-evident. We have restructured the management of Archant Regional bringing Norfolk under the direction of Stephan Phillips and combining Suffolk with Herts & Cambs under the direction of Stuart McCreery. Peter Swallow, formerly Managing Director of Suffolk, has taken on the role of Director of Digital Development.

As usual, we are able to take pride in the number of awards won by our staff and publications, including the *Evening Star* being 'Newspaper of the Year' and the Hertfordshire *Comet* 'Best free newspaper of the year' in the UK Press Gazette Regional Press awards. The *Wymondham and Attleborough Mercury* won a Gold Award at the Newspaper Society weekly awards and we swept the board with 11 awards at the EDF Energy East of England Media Awards. Our own awards ceremony had a revised format in 2007, with nominations judged in a number of categories within the business units, and the winners competing for overall awards at a very successful ceremony in January 2008.

Archant's Share Incentive Plan, which was shortlisted at the ICSA Company Secretary Awards for Most Innovative



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Employee Share Plan, saw more than 1,600 employees (82% of those eligible) participate in 2007, with 66% choosing to invest their own money to acquire Partnership shares.

Pensions

There is a detailed note regarding our pension fund in the financial statements. The FRS 17 deficit, at £6.2m net of tax (£8.6m gross), has reduced from the position at 1 January 2007 of £12.3m net of tax (£17.5m gross).

We continue to monitor the pension position carefully and we await the result of a full triennial valuation of the defined benefit scheme conducted as at 1 January 2008. Active membership of this scheme continues to decline, so reducing the rate of growth of liabilities. An additional £0.75m contribution was made by the Company in 2007 to meet past service liabilities but no discretionary pension increase was awarded. We expect

to meet our commitments in full, while being cautious regarding increasing long-term liabilities through exercising restraint over discretionary areas.

Shareholders

We continue our programme of communication with shareholders, which we greatly value. The matched bargain facility continues to operate effectively, with some 177,000 shares traded during the year. The fall in the price at which shares have been traded reflects the underperformance of the media sector on the stock exchange.

The Annual General Meeting will again be held at The Assembly House in central Norwich.

Outlook

Although economists are divided as to the likely extent of any downturn, we anticipate uncertainty through 2008. Advertising revenues, which had

improved year-on-year in the second and third quarters of 2007, declined in the fourth quarter. Following a period of rapid house price growth there is clear evidence that the housing market has slowed.

There are signs of both a cyclical and structural decline in the motors advertising market and other advertising categories are showing moderate growth, though signs of nervousness are evident.

Despite these uncertainties our local magazine business continues to grow and, while not immune to the economic environment, has considerable momentum. We are building value in our digital brands by developing leading positions in our local markets. We expect further digital revenue growth in the year.

With these challenges ahead we will continue to build upon the successful launches of our on-line activities, grow our Life portfolio and focus our efforts and skills on improving the performance of all our businesses.