

Chairman's statement

The 'extreme caution' regarding the economic outlook which I previously expressed was fully justified.

RICHARD JEWSON, CHAIRMAN

Results

2009 was a most challenging year with significant declines in all advertising categories. The new management team proved well up to the task, taking swift and decisive steps to reduce the cost base and launching a number of new business initiatives.

Turnover for the Group fell 19% to £142.0m (2008: £175.1m) and operating profit before amortisation, impairment and exceptional items fell 32% to £15.1m (2008: £22.2m). Operating profit before amortisation, impairment and exceptional items doubled in the second half year, compared to the first half, reflecting the reduced cost base and some signs of improvement in trading conditions, and was up 11% against the second half of 2008.

Operating cash flow remained strongly positive at £14.3m (2008: £26.4m) and net debt at the end of the year fell to £27.5m (2008: £34.6m). The Group completed the refinancing of its bank facilities in December 2009 with a term revolving advances facility of £45.0m, expiring in April 2013, together with a £5.0m overdraft facility, both secured by a floating charge over property and assets of the Group. The Board is confident that this facility provides the Group with sufficient working capital and headroom to pursue its current strategies.

Adjusted EPS, the measure of underlying performance, at 64.7p per share was down 38% from 105.1p per share in 2008.

Dividends and shareholders

Mindful of the increase in rates of personal taxation for higher earners after 5 April 2010, the Board concluded that it was generally in the interests of shareholders to pay a first interim dividend on account of 2010 in March 2010 in lieu of a final dividend normally proposed at the Annual General Meeting in April.

The rate of the first interim dividend for 2010 declared to be paid on 18 March is 13.7p (2008 final: 13.7p), which if taken with the 2009 interim of 6.4p, paid in October 2009, gives a total of 20.1p (2008: 26.4p), representing a 24% reduction in overall dividend.

The Board remains acutely conscious of the importance of the dividend to shareholders, but has also to balance short and longer term benefits to shareholders against the economic conditions. We intend to resume growth in dividends as the Group's performance and prospects justify this.

Trading on the Matched Bargain Facility was significantly down in the year, with only some 15,300 shares being traded, compared to over 150,000 in 2008, in the range of £3.50 to £5.00 per share. The share price moved broadly in line with our peer group but the sector continued to underperform markets generally.

We continue to meet with shareholders regularly and are grateful for their continued support through these difficult times. The Annual General Meeting this year will be held at the Assembly House in Norwich and the Board looks forward to welcoming as many of you as possible.

Highlights

With advertising revenues in all categories under severe pressure from the economic downturn, key focuses for the year have been the conservation of cash, restructuring the business to bring the overheads into line with the reduced scale, and positioning the Group for growth and development as the economy recovers.

Within Archant Regional, a significant investment programme of editorial training and cultural change has been initiated to manage the way content is created and delivered to our readers through different media channels. To support this we initiated investment of over £2.0m in the design and implementation of a new, integrated print and on-line content management system. This development entails the introduction of new workflow structures and processes and is accompanied by significant levels of training for our editorial staff.

We have restructured the management of Archant Life from a geographical to a functional basis enabling a consistency

of approach and a rapid adoption of best practice.

During the year we have significantly increased the rate of progress in both on-line and mobile technology. This will help ensure that the Group is well positioned to capitalise on and develop emerging services and revenue streams.

Pensions

In the second half year we concluded consultation with members and trustees regarding proposed changes to the benefit structure of the defined benefit section of the Archant Pension & Life Assurance Scheme. The changes, which capped the level of pensionable salary, whilst allowing accrual of additional years of service, were implemented on 1 December 2009 and will have the effect of reducing the rate of growth of future liabilities whilst enabling members to build a fund of money purchase "top up" benefits on future salary increments above their capped pensionable salary.

The changes will also reduce the Company's future contribution rate to the defined benefit section and released the provision contained in the valuation for inflationary increases on accrued benefits. In consequence there was a £10.0m exceptional curtailment gain in the 2009 profit and loss account. This contributed substantially to the reduction in the FRS 17 deficit at the year end which was £20.5m gross (£14.7m net), down £15.4m against the pre-tax level last year of £35.9m.

Staff & Board

Throughout the Group there has been an enthusiasm to adapt to new ways of working, new technologies, and the changing expectations of our customers. The Board pays tribute to the management and staff who have responded magnificently to the challenges they have faced, and thanks them for their continued efforts.

As the Group has responded to the difficult trading conditions, there has been an understanding and acceptance of the inevitable job losses, changes to working practices, alteration to pension benefit structure and salary freeze that was implemented during 2009. Additionally no offer was made under the Archant Share Incentive Plan in the year. It is to the credit of all that they have responded



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so positively and continued to publish so many award-winning titles during the year.

As testament to the quality of product published by our staff, in January 2010 we gained 10 out of 16 EDF Energy East of England Media awards including the *East Anglian Daily Times* as Daily Newspaper of the Year, *Hunts Post* as Weekly of the Year and *Pinkun.com* as Website of the Year. There has also been an array of individual awards for feature writing, photography and community and environmental campaigns.

Following the resignation from the Board of Philip Graf, I am delighted to confirm that Mike Walsh joined the Board on 16 February 2010 as a Non-Executive Director and will be standing for election

at the forthcoming Annual General Meeting. Mike has extensive experience in the media sector, as a former main board director of Ogilvy & Mather Plc. He is Chairman of the United Kingdom’s Disasters Emergency Committee. I hope that shareholders will take the opportunity to meet him at the Annual General Meeting.

Outlook

Your Board remains cautious about the prospects for the economy which is fragile and unbalanced. It will take time for these imbalances to correct and confidence for renewed growth to develop. Whatever government is in power after the general election will require great skill and some

good fortune to finesse the inevitable reductions in public debt without damaging the overall economy.

But the Group is in good shape: well managed with lower costs and a flexible structure. The year has started strongly with year-on-year advertising growth and absent the ‘double dip’ collapse, which some fear, we can look forward to good progress. We are actively recruiting new talent to further the increase in pace of business development. We shall continue to strive for efficiencies, to husband our cash and to match our offerings to the changing expectations of our customers. We see the changes taking place in the media world as providing opportunities rather than being something to fear.