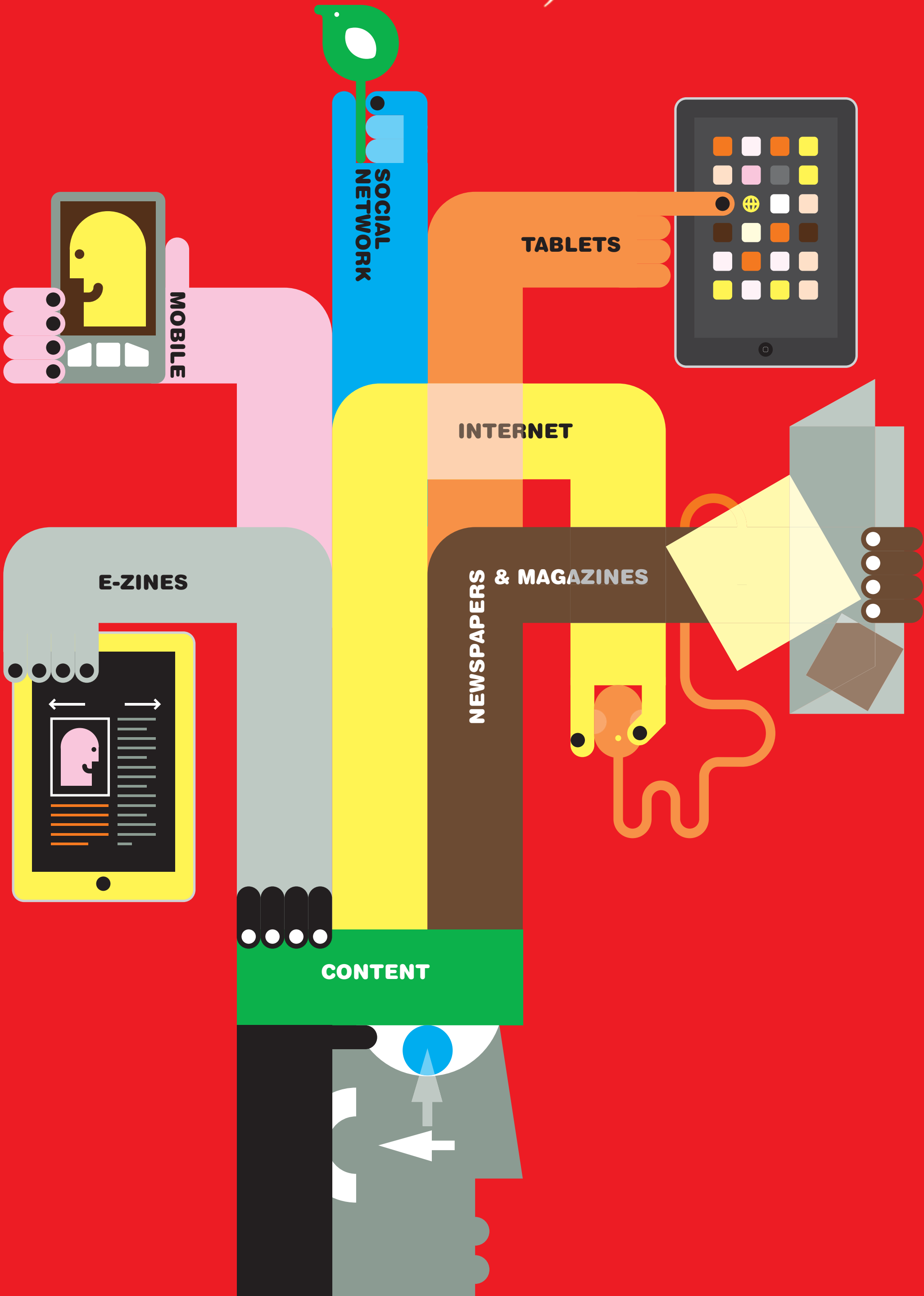
ARCHANT } INTERIM STATEMENT 2011



Archant Limited
Interim statement
2011

Directors

RW Jewson	*Chairman*
PJC Troughton	*Vice-Chairman*
SC Copeman	
JAE Hustler	
AD Jeakings	*Chief Executive*
BG McCarthy	*Finance Director*
MJ Walsh	
REJ Wyatt	

Company secretary
JO Ellison

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Chairman's statement

Richard Jewson, Chairman

THE "HARD POUNDING" to which I referred in my statement accompanying the 2010 Annual Report continues with few signs of economic recovery, particularly from the consumer economy on which we depend.

We are continuing to invest in our core businesses and in new business development. We have made significant changes in the structure of Archant, made a number of senior appointments, each of whom brings new skills to the business and have increased our investment in developing our existing staff.

These actions will ensure that we capitalise on opportunities to exploit new revenue streams and develop our skills in the digital arena whilst ensuring that we are operating as efficiently as possible.

Performance of the business has been adversely impacted by reductions in newspaper print advertising, driven principally by economic factors, government cutbacks and steep increases in input prices. Total revenue in the period declined £2.8m (4.0%) to £67.3m. Operating profit before amortisation of intangible assets and exceptional items at £2.6m was down £4.4m. Operating costs increased by £1.6m including £1.1m for newsprint, and whole period costs for the KOS acquisition. Actual comparable year on year costs were down 0.9%. Total operating loss in 2011 was £1.1m reflecting an increased amortisation charge and increased exceptional items, which comprise restructuring costs of £1.4m.

Cash generated from operations at £5.1m was at the same level as last year. Net debt of £22.3m was down from £23.3m at the end of 2010. The pension scheme deficit, measured on a post tax FRS 17 basis, has remained broadly static at £11.8m having been £11.5m at the end of 2010. We await the conclusion of the 1 January 2011 triennial valuation.

We are conscious that the dividend has been held since 2009 and also of the importance placed by shareholders on the resumption of dividend growth. However we remain cautious regarding the trading environment and the need to manage our cash resources very carefully. We have therefore concluded that we should hold the 2011 interim dividend at the same level as the second interim dividend for 2010, 6.4p per share, and will review the final position when the full year results are known.

Newspaper and printing turnover, excluding acquisitions, was down 7.2% at £44.9m due principally to reductions in print advertising revenues which fell 13.2%. In line with industry trends, reflecting continued lack of economic confidence and the structural changes in advertising markets, recruitment advertising revenues were down 32.5%, classified advertising down 15.1% and local display advertising down 9.6%.

The continuing success of our strategy to grow paid-for circulation volumes is evidenced by the growth in circulation revenues (up 1.0%) and, notably, three of our four daily titles and almost all of our paid-for weekly titles outside London achieving paid circulation volume growth in the first half year. Operating costs decreased 2.7% despite an increase in excess of 25% in the average price per tonne of newsprint and inflation in excess of 5% year on year as measured by the increase in RPI. The number of employees engaged in our newspaper business has reduced by 9.9% in the period. No salary increases have been made under the 2011 pay round and no award made under the Share Incentive Plan.

During the period we have substantially completed a reorganisation of our Norfolk newsroom, the outsourcing of printing of our weekly newspapers published outside Norfolk and Suffolk and the consolidation of our advertising design and production into Norwich. These and other projects will reduce costs in the second half of the year as well as contributing to an improvement in the quality of our publications.

Within newspapers we have created a new newspaper division, Archant Anglia, bringing together Norfolk, Suffolk, Herts and Cambs under one Managing Director, Johnny Hustler. This will facilitate the consistent and rapid implementation of new initiatives whilst reducing costs. We have also brought all our London newspapers and magazines under one Managing Director, Enzo Testa, to enable greater leverage of our London media assets. Miller Hogg has been appointed Managing Director of Archant Lifestyle, encompassing separately the businesses of Life, Specialist and Dialogue.

Magazine revenues increased 2.8% to £22.3m with property advertising revenues up 11.9% and subscriptions revenue up 1.4%. Operating costs increased 3.9% after absorbing magazine paper and print costs in excess of 10%.

We continue to make progress within our digital offerings. Unique visitors have grown by more than a third, to an average of 3.6m per month, in part attributed to the increasing use of social media, including Facebook and Twitter, as part of our media mix. Total digital revenues grew 3.3% to £3.1m with digital display revenues increasing 10.9%. Improvements in digital revenues were offset by a reduction in digital classified revenues principally driven by a fall in online recruitment advertising revenues following, but to a lesser extent than, that

experienced in the printed medium.

Business development remains an area of key emphasis. During the period we have made further launches of *Tickles*, our daily deals site, in London, Ipswich and Cambridge, adding to the existing business in Norfolk. We have also relaunched our *homes24* online property site working in partnership with Zoopla, one of the leading players in this field. We have launched *40Winks*, a group buying site for short breaks, and acquired PlanningFinder Limited, which will provide online access for users to interrogate public sector planning notices. We are in the process of relaunching *drive24*, our online car sales site, working in partnership with motors.co.uk which is one of the leaders in this field and is owned by the Daily Mail Group. Our weddings business continues to grow with the launch of new magazines, wedding shows and websites. Significant progress has been made in mobile publishing with smartphone traffic increasing nearly threefold and a number of new iPhone and iPad apps launched.

The inappropriate behaviours of some elements of the national press have recently been under the spotlight. Shareholders should be assured of the distinction between the national and regional press. Our publications remain deeply embedded in their local communities. The community values at the heart of what we are proud to do for our readers and advertisers are no better demonstrated than by the success of the *Evening News* in Norwich whose campaign to improve conditions for patients at the Norfolk & Norwich University Hospital was named national Campaign of the Year in the Regional Press Awards and the recent successful campaign of the *Eastern Daily Press* to reprieve from closure the RAF base at Marham.

The success of these campaigns, the many other awards achieved by our titles and the ways in which our staff continue to adapt to changing and new working practices speak volumes of the professionalism and ongoing commitment in these testing times; I pay tribute to them.

The economy remains fragile, and threats of sovereign debt default, and the government's spending cuts beginning to bite all add to the atmosphere of uncertainty and volatility in the UK economy. It is simply not possible to predict when an upturn may be seen, or indeed whether the UK economy will fall back into recession. But we continue to invest in the development of our people and new products whilst seeking to improve the efficiency of all our processes.

We are transforming our traditional businesses for the changing world and developing new businesses, taking full advantage of changes in technology. We are not waiting for the economy to improve to take action, and provided there is no further deterioration in our markets, we currently expect, as last year, better profits in the second half to achieve our forecast for this year and to achieve growth in profits in 2012.

Richard Jewson
26 July 2011

Group profit and loss account

	Notes	Unaudited 26 weeks to 2 July 2011 £000	Unaudited 26 weeks to 3 July 2010 £000	Audited Year to 31 Dec 2010 £000
Turnover				
Newspapers and printing – continuing operations		44,938	48,427	94,357
Newspapers and printing – acquisitions		78	-	-
Magazines and contract publishing – continuing operations		22,281	21,667	44,896
		67,297	70,094	139,253
Operating profit				
Newspapers and printing – continuing operations		2,172	6,201	9,249
Newspapers and printing – acquisitions		55	-	-
Magazines and contract publishing – continuing operations		1,431	1,618	5,642
		3,658	7,819	14,891
Less: Common costs		(1,082)	(784)	(139)
Operating profit before amortisation, impairment and exceptional items		2,576	7,035	14,752
Amortisation and impairment of goodwill and intangible assets		(2,300)	(2,166)	(5,117)
Exceptional items		(1,384)	(1,037)	(1,463)
Group operating (loss)/profit		(1,108)	3,832	8,172
Share of operating result in associate		-	(202)	(202)
Total operating (loss)/profit: Group and share of associate		(1,108)	3,630	7,970
Interest and dividends received		25	1	4
Interest payable		(834)	(931)	(1,813)
Other finance charges		(15)	(222)	(435)
(Loss)/profit on ordinary activities before taxation		(1,932)	2,478	5,726
Taxation	3	577	(1,229)	(1,271)
(Loss)/profit on ordinary activities after taxation		(1,355)	1,249	4,455
Minority interests		(28)	-	-
(Loss)/profit for the period attributable to members of the parent company		(1,383)	1,249	4,455
Dividends paid per ordinary share	4	13.7	13.7	20.1
(Loss)/earnings per ordinary share – basic		(9.8)	9.0	32.0
– continuing operations		(9.8)	9.0	32.0
– diluted		(9.8)	8.7	31.1
– adjusted	5	15.3	29.6	64.0

Group statement of total recognised gains and losses

	Unaudited 26 weeks to 2 July 2011 £000	Unaudited 26 weeks to 3 July 2010 £000	Audited Year to 31 Dec 2010 £000
(Loss)/profit for the period excluding share of results in associate and minority interests	(1,355)	1,451	4,657
Share of operating result in associate	-	(202)	(202)
Minority interests	(28)	-	-
Actual return less expected return on pension scheme assets	386	(2,798)	7,393
Experience gains and losses arising on pension scheme liabilities	(493)	-	-
Effects of changes in assumptions underlying the present values of pension scheme liabilities	(594)	(4,445)	(3,587)
Deferred tax asset associated with movement on pension scheme deficits	186	2,028	(1,066)
Change in deferred tax asset on pension scheme deficit arising from a change in the rate of corporation tax	(158)	-	(158)
Total recognised gains and losses relating to the period	(2,056)	(3,966)	7,037

Group reconciliation of shareholders' funds

	Unaudited 26 weeks to 2 July 2011 £000	Unaudited 26 weeks to 3 July 2010 £000	Audited Year to 31 Dec 2010 £000
Total recognised gains and losses	(2,056)	(3,966)	7,037
Dividends	(1,902)	(1,909)	(2,766)
New share capital issued	-	300	327
Movement in own shares held	(499)	(450)	(665)
Total movements in the period	(4,457)	(6,025)	3,933
Shareholders' funds at the beginning of the period	57,060	53,127	53,127
Shareholders' funds at the end of the period	52,603	47,102	57,060

Consolidated balance sheet

	Unaudited 2 July 2011 £000	Unaudited 3 July 2010 £000	Audited 31 Dec 2010 £000
Fixed assets			
Intangible assets	**56,911**	61,749	59,059
Tangible assets	**33,667**	36,155	35,202
Investments	**43**	43	43
	90,621	97,947	94,304
Current assets			
Stocks	**1,285**	1,396	1,391
Debtors	**19,437**	20,684	19,586
Deferred tax	**5,681**	6,531	5,900
Cash and deposits at bank	**2,073**	500	1,779
	28,476	29,111	28,656
Creditors – amounts falling due within one year			
Bank loans and overdrafts	**1,925**	917	1,786
Trade and other creditors	**20,354**	18,516	18,860
Taxation	**5,514**	8,306	6,431
	27,793	27,739	27,077
Net current assets	**683**	1,372	1,579
Total assets less current liabilities	**91,304**	99,319	95,883
Creditors – amounts falling due after more than one year	**(24,050)**	(28,721)	(24,863)
Provisions for liabilities	**(2,811)**	(3,835)	(2,443)
Pension scheme liability	**(11,760)**	(19,661)	(11,517)
	52,683	47,102	57,060
Capital and reserves			
Called-up share capital	**2,872**	2,871	2,872
Share premium account	**2,616**	2,590	2,616
Revaluation reserve	**293**	301	293
Other reserves	**2,673**	3,387	3,172
Profit and loss account	**44,149**	37,953	48,107
Shareholders' funds	**52,603**	47,102	57,060
Minority interests	**80**	-	-
Total equity and reserves	**52,683**	**47,102**	**57,060**

Group statement of cash flows

	Notes	Unaudited 26 weeks to 2 July 2011 £000	Unaudited 26 weeks to 3 July 2010 £000	Audited Year to 31 Dec 2010 £000
Net cash flow from operating activities	6	**5,066**	5,009	13,725
Returns on investment and servicing of finance		**(736)**	(622)	(1,229)
Net taxation received/(paid)		**26**	(600)	(1,750)
Capital expenditure and financial investment		**(743)**	(1,092)	(2,429)
Acquisitions and disposals		**(101)**	(440)	(536)
Equity dividends paid		**(1,902)**	(1,909)	(2,766)
Net cash flow before financing		**1,610**	346	5,015
Financing		**(1,499)**	(4,149)	(8,407)
Increase/(decrease) in cash in the period		**111**	(3,803)	(3,392)

Reconciliation of net cash flow to movement in net debt

	Unaudited 26 weeks to 2 July 2011 £000	Unaudited 26 weeks to 3 July 2010 £000	Audited Year to 31 Dec 2010 £000
Movements in the period			
Increase/(decrease) in cash in the period	**111**	(3,803)	(3,392)
Cash flow from movement in loans	**1,000**	4,000	8,000
Loan issue costs	**45**	-	61
Cash outflow from lease financing	**-**	-	8
Changes in net debt resulting from cash flows	**1,156**	197	4,677
Amortisation of loan issue costs	**(188)**	(197)	(409)
Finance leases acquired with subsidiary undertaking	**-**	(8)	(8)
Movement in net debt	**968**	(8)	4,260
Net debt at 1 January	**(23,257)**	(27,517)	(27,517)
Net debt at the end of the period	**(22,289)**	(27,525)	(23,257)

Notes to the interim statement

1. Basis of preparation

The interim financial information has been prepared on the basis of the accounting policies set out in the Group's 2010 statutory financial statements.

The interim statement does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

The comparative financial information for the year ended 31 December 2010 is based on the statutory financial statements for that year, upon which the auditors issued an unqualified opinion. These financial statements will be delivered to the Registrar of Companies.

2. Acquisitions

In January 2011, the Group completed the acquisition of Local Vouchers Limited, the agreement for which was dated December 2010. The Group have also acquired *Today's Pilot* magazine in January 2011 and PlanningFinder Limited in March 2011. There are minority shareholders in both Local Vouchers Limited and PlanningFinder Limited.

3. Taxation

The taxation charge for the 26 weeks ended 2 July 2011 has been calculated based on an estimated effective rate for the year ended 31 December 2011 on profit before taxation (calculated before any pension adjustments required under FRS 17) of 52.2% (year ended 31 December 2010: 51.3% pre-impairment; 26 weeks ended 3 July 2010: 53.9%). The effective tax rate is highly sensitive to the adjustments for ineligible amortisation and other ineligible expenditure relative to the level of underlying profits.

At 2 July 2011, the UK government had substantively enacted a reduction in the main rate of corporation tax to 26% from 1 April 2011. Deferred tax has been restated accordingly in the interim statement.

The Finance Act 2011 enacted a further reduction in the main rate of corporation tax to 25% from 1 April 2012 and the UK government has proposed reducing the UK corporation tax rate by a further 1% per annum to 23% from 1 April 2014. These changes had not been substantively enacted at the balance sheet date and consequently their effects are not included in this interim statement. The effect of these proposed reductions would be to reduce the deferred tax asset by £656,000 and the deferred tax asset deducted from the pension scheme deficit by £476,000.

Further UK tax changes, which were also substantively enacted on 5 July 2011, are a reduction from 1 April 2012 in the rate of capital allowances applicable to plant and machinery and to integral features from 20% to 18% and from 10% to 8% respectively.

The above changes to the rates of corporation tax and capital allowances will impact the amount of the future cash tax payment to be made by the Group.

The effect on the Group of these proposed changes to the UK tax system will be reflected in the Group's financial statements as the proposals are substantively enacted.

Notes to the interim statement

4. Dividend

The proposed interim dividend of 6.4p (2010: 6.4p) will be paid on 5 October 2011 to shareholders on the register on 16 September 2011.

5. Adjusted earnings per share

The adjusted earnings per share for the 2011 interim results, for the year ended 31 December 2010 and for the 2010 interim results have all been calculated using the profits attributable to shareholders, adjusted to exclude amortisation and impairment of intangible fixed assets, the exceptional items shown on the face of the profit and loss account, and any deferred tax adjustments arising from the changes in rates of corporation tax, all adjusted for tax where appropriate.

6. Reconciliation of operating (loss)/profit to net cash flow from operating activities

	Unaudited 26 weeks to 2 July 2011 £000	Unaudited 26 weeks to 3 July 2010 £000	Audited Year to 31 Dec 2010 £000
Operating (loss)/profit	**(1,108)**	3,832	8,172
Depreciation, amortisation and impairment	**4,648**	4,654	9,837
(Profit)/loss on disposals	**(67)**	(3)	28
Working capital movements	**1,811**	(4,763)	(2,322)
Profit and loss charge/(credit) for share-based payment	**441**	441	(242)
Increase in provisions, less amounts utilised or released	**(74)**	729	(544)
Adjustment for FRS 17 pension funding	**(585)**	119	(1,204)
Cash flow from operating activities	**5,066**	5,009	13,725

7. Approval

The interim statement was approved by the board of directors on 26 July 2011.

Financial calendar

16 September 2011	"On Record" date for 2011 interim dividend
5 October 2011	Payment of the 2011 interim dividend
31 December 2011	Financial year end
17 April 2012	Annual General Meeting (provisional)

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