Registered Number: 19300

ARCHANT REGIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2008

17/10/09 001

ARCHANT REGIONAL LIMITED

DIRECTORS

A D Jeakings
J A E Hustler
B G McCarthy
S A McCreery
S J Phillips
P W Swallow
E Testa

SECRETARY

J O Ellison

AUDITORS

Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

BANKERS

Barclays Bank PLC
St Stephens Branch
Red Lion Street
Norwich
NR1 3QH

REGISTERED OFFICE

Prospect House
Rouen Road
Norwich
NR1 1RE

ARCHANT REGIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2008.

RESULTS AND DIVIDENDS

The loss for the year, after impairment charges, taxation and preference dividends, amounted to £23,487,124 (2007: loss £17,701,549).

Preference dividends of £6,365,532 (2007: £6,207,755) were paid during the year.

Interim ordinary dividends of £nil (2007: £nil) were paid in the year. The directors do not recommend the payment of a final dividend (2007: £nil).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is a wholly-owned subsidiary of Archant Limited, and operates as the publishing company in the group's newspapers division.

The company's principal activity is to publish all newspaper titles (and their associated magazines), owned by the Archant group. There have not been any significant changes in the company's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activity in the next year.

Impairment reviews of the carrying values of the Group's newspaper titles indicated that an impairment charge of £32.915m was required to reduce the carrying values of the Group's London and Hertfordshire newspaper titles, which are owned by certain subsidiaries of the company. In consequence, the company has impaired the trade mark licences relating to those titles by £11.0m, and also impaired the carrying values of its investments in the subsidiaries concerned by £11.3m.

ARCHANT REGIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

The company's key financial and other performance indicators during the year were:

	2008 £	2007 £	Change %
Turnover	119,076,050	136,222,974	-12.59%
Operating costs excluding amortisation of intangible assets and restructuring costs			
Printing and production	29,373,137	34,155,449	-14.00%
Employment costs	42,473,869	46,422,974	-8.51%
Other operating costs less other operating income	31,575,401	32,281,184	-2.19%
Total operating costs excl amortisation of intangibles, impairment and restructuring costs	103,422,407	112,859,607	-8.36%
Operating profit before amortisation of intangibles, impairment and restructuring costs	15,653,643	23,363,367	-33.00%
Amortisation of intangibles	(11,167,710)	(13,343,076)	-16.30%
Impairment	(22,297,201)	(29,950,000)	
Restructuring costs	(1,337,578)	(589,743)	126.81%
Operating loss	(19,148,846)	(20,519,452)	-6.68%
Loss after tax	(23,487,124)	(17,701,549)	32.68%
Shareholders' funds	36,194,938	59,682,062	-39.35%
Average number of employees	1,701	1,888	-9.90%

Trading conditions for UK regional newspapers were extremely difficult in 2008, with cyclical downturn and structural changes within the sector compounded by a recession in the wider economy. The company has sought to reduce its cost base through efficiency savings, standardisation of procedures and restructuring to mitigate the decline in revenues.

Like-for-like advertising revenues (i.e. excluding the Scottish titles sold in April 2007) fell by 15.0% compared to 2007. Advertising revenues fell in all major categories, with the second half of the year substantially worse than the first. Recruitment revenues fell by 16.4% as the rate of unemployment increased and employers' confidence fell. Property revenues fell by 30.9% reflecting the difficult property market.

Newspaper circulation revenues fell by 2.8% as certain titles were converted from paid-for to free, and with price increases mitigating circulation declines.

Revenue from on-line activities increased by 45.5% to £3.3m, mainly driven by jobs24 and banner advertising sales. The key non-financial measures of on-line activity - unique visitors and page impressions - increased by 43.5% and 39.4% respectively with more than 1.8 million people visiting the company's websites every month.

ARCHANT REGIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

Overall operating costs excluding amortisation of intangibles, impairment and restructuring costs were down £9,437,201 (8.36%). Excluding the Scottish titles sold in April 2007, operating costs were down by £6,935,696 (6.02%).

Operating profit before restructuring costs, amortisation of intangibles and impairment fell by £7,709,723 (33.00%).

The charge for amortisation of intangible fixed assets fell by £2,175,366, due to the impact of the 2007 impairment charge on the amortisation charge for 2008. As disclosed above, the company has impaired the carrying values of its trade mark licences and investments in subsidiaries by £22.297m (2007: £29.95m) in aggregate.

Restructuring costs were higher by £747,835 (126.8%) as the company sought to reduce costs to mitigate the impact of the decline in revenues.

The Company's tax charge of £1,239,313 is £2,797,045 (69.30%) lower than last year, reflecting the lower level of operating profits before restructuring costs, amortisation and impairment, and tax credits from prior years.

The net assets of the company at 1 January 2008 were £59,682,062. The loss for the year of £23,487,124 has been transferred to reserves, giving net assets at 31 December 2008 of £36,194,937. Subject to the impairment charges against the carrying values of intangible fixed assets and fixed asset investments, the balance sheet on page 11 of the financial statements shows that the company's financial position at the year end is, in both net assets and cash terms, consistent with the preceding year. Details of amounts owed to the ultimate parent company are shown in Note 18.

There are no significant events since the balance sheet date requiring disclosure in these financial statements.

Trading conditions for the regional press remain challenging, with both cyclical downturn and structural changes impacting the sector and a recession in the wider economy. The first half of 2009 has seen a continuing significant economic downturn and regional publishers have experienced significantly weakening trading conditions. The depth and duration of the downturn is as yet unclear. There are signs that the recession may have bottomed out, but the company expects the difficult trading conditions to continue into 2010.

The company's capable management team will actively seek efficiencies and cost reductions to mitigate the impact of the economic downturn and focus efforts on developing our on-line businesses. The company has a strong balance sheet and market-leading brands, and is well positioned to weather the economic storm.

ARCHANT REGIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW (continued)

Principal risks and uncertainties

The bank facilities of the Archant group are managed centrally. The main risks that the Group faces from its treasury activities are liquidity risk and interest rate risk. The Group's treasury objective is to minimise borrowing costs and maximise returns on funds subject to short-term liquidity requirements.

Liquidity risk results from having insufficient financial resources to meet day-to-day fluctuations in working capital and cash flow. Ultimate responsibility for the Group's liquidity risk management rests with the Board of the parent company. The Group manages liquidity risk by maintaining adequate reserves, by regularly monitoring forecast and actual cash flows and by maintaining a mixture of long-term and short-term committed facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions.

The Group has a £55.0m five-year revolving advances facility expiring in December 2009, two overdraft facilities totalling £10.0m which are repayable on demand and the Group parent company acts as guarantor for the Archant Employee Benefit Trust's £3.5m overdraft facility. All facilities fall due to be replaced during 2009, and the Group considers that it should be able to operate within the level of its current facilities. The Group is in discussion with its bankers about its future borrowing needs, and is conducting renewal negotiations. At this stage the Group has not sought any written commitment that the facilities will be renewed but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The Group parent company is currently reviewing refinancing options and as further described in the Directors' report, the directors of the company are of the opinion that the financial statements should be prepared on a going concern basis.

The company is funded in part by two loans from its ultimate parent company carrying interest at margins above the base rate and LIBOR respectively of Barclays Bank Plc from time to time. The company is also funded by preference shares issued to the ultimate parent company which pay dividends at a margin over LIBOR. As a result, the company is exposed to interest rate risk on the interest and dividends that it pays.

The company has no significant concentrations of credit risk. The company has implemented policies that require, where appropriate, credit checks on potential customers before sales commence.

The group negotiates prices for newsprint annually in advance to minimise the impact of price risk on the company's principal cost after employment costs.

Group risks are discussed in the group's Annual Report which does not form part of this Report.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the company's activities. Initiatives designed to minimise the company's impact on the environment include improving our energy use efficiency, minimising the consumption of water and the production of waste, and the recycling of newsprint, print cartridges and other waste where possible.

Employees

The average number of employees of the company fell by 9.90% from 1,888 to 1,701 as a result of various process and efficiency improvements and other cost savings.

ARCHANT REGIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

DIRECTORS

The names of the Directors who served during the year are set out below.

	Resigned	Appointed
I A Davies	29 October 2008	
J A Fry	1 November 2008	
W H Fulton	16 March 2009	
S J Gulliford	16 March 2009	
A D Jeakings		
B G McCarthy		
S A McCreery	16 March 2009	26 March 2009
S J Phillips	16 March 2009	26 March 2009
P W Swallow	16 March 2009	26 March 2009
E Testa	16 March 2009	26 March 2009

Mr J O Ellison and Mr J A E Hustler were appointed directors of the Company on 16 March 2009 and 26 March 2009 respectively. Mr J O Ellison resigned as a director of the Company on 26 March 2009.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing this report and the financial statements in accordance with applicable law and Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to :

- select suitable accounting policies and then apply them consistently ;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving this report are listed on page 2. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirm that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of this report of which the company's auditors are unaware: and
- they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

GOING CONCERN

The directors believe that the Company has adequate resources and, as set out in Note 1 on page 12 to the financial statements, will have available to it sufficient future funding to enable it to continue in operational existence for the foreseeable future. Accordingly the directors have continued to adopt the going concern basis in preparing the accompanying financial statements.

ARCHANT REGIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the company made charitable contributions totalling £7,191 (2007: £12,635).

EMPLOYEE INVOLVEMENT

The Company continued to provide employees with information about the Group throughout 2008 and to encourage staff involvement. In addition to local initiatives, methods of communication have included *Network* the Group's bi-monthly in-house magazine, which is made available in both printed and on-line versions. *Network* is supported by an on-line news service, which is updated at least weekly via Archant's intranet.

John Fry (the former Group chief executive) undertook a series of presentations during 2008, to which all employees were invited. Those attending were briefed on the Group's performance, new developments, the Group's plans and other matters of relevance to employees.

During 2008 the Group made a further invitation under the Archant Share Incentive Plan (SIP) to eligible employees.

In compliance with the relevant legislation, the Company has granted recognition to the National Union of Journalists in respect of relevant staff employed by the Company in its Archant Norfolk and Archant London divisions. Such recognition provides for an annual joint review by management and union of pay, hours and holidays of staff in the relevant bargaining unit.

The Group's Information and Consultation Framework Constitution aims to provide a means of informing and consulting with employees, through their elected representatives, on a regular basis so that their views can be taken into account in making decisions which may affect their interests. A training programme is offered to the staff-elected representatives.

Consultation also takes place on matters such as health and safety and pensions. Certain trustees of the Archant Group's pension schemes are employees of the Group nominated and elected by members of the relevant schemes.

A forum comprising human resources managers and other staff with related responsibilities meets regularly and has the promotion of best human resources practice around the Group as one of its goals.

Although it is recognised that such a policy can only be implemented within the constraints imposed by relevant legislation, it is the Company's policy that discrimination on such grounds as the gender, race, ethnic origin, sexual orientation, disability, nationality, age, marital status, or religious belief of applicants for employment and employees is not acceptable. As a result, the Company seeks to ensure that decisions on employment, including recruitment, training, development, promotion and pay, are based on the individual's ability to do the job and on his or her experience and skills. Accordingly, disabled people are dealt with in such respects on the same basis as able-bodied applicants and employees. If a person becomes disabled while an employee every practical effort is made to make such reasonable adjustments as may be necessary to enable the individual concerned to continue in employment with the Company.

AUDITORS

Ernst & Young LLP are deemed re-appointed as the company's auditor in accordance with section 487(2) Companies Act 2006.

By order of the Board,

JO Ellison
Secretary
28 September 2009

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCHANT REGIONAL LIMITED

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Cambridge
29 September 2009

ARCHANT REGIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
TURNOVER			
Continuing operations	2, 3	119,076,050	134,042,712
Discontinued operations	2, 3	-	2,180,262
		119,076,050	136,222,974
Other operating income	3	3,614,190	3,304,370
Operating costs	3	(107,036,597)	(116,163,978)
OPERATING PROFIT			
Continuing operations		15,653,643	23,088,406
Discontinued operations		-	274,961
Operating profit before amortisation, impairment and restructuring costs		15,653,643	23,363,367
Amortisation of intangible assets	12	(11,167,710)	(13,343,076)
Impairment of intangible assets	12	(10,997,201)	(11,200,000)
Impairment of fixed asset investments	14	(11,300,000)	(18,750,000)
Restructuring costs	3	(1,337,578)	(589,743)
Operating loss	3, 4	(19,148,846)	(20,519,452)
Continuing operations			
Profit on sale of intangible fixed assets	7	-	636,000
Discontinued operations			
Loss on sale of operations	8	-	(529,796)
Other income	9	13,871,500	26,937,880
Interest payable and similar charges	10	(16,970,465)	(20,189,823)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(22,247,811)	(13,665,191)
Tax on loss on ordinary activities	11	(1,239,313)	(4,036,358)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	21	(23,487,124)	(17,701,549)

There is no difference between the profits calculated on an historical cost basis and those presented above.

The notes on pages 12 to 31 form part of these financial statements.

ARCHANT REGIONAL LIMITED

BALANCE SHEET - 31 DECEMBER 2008

	Note	2008	2007
		£	£
FIXED ASSETS			
Intangible fixed assets	12	153,214,632	175,379,543
Tangible assets	13	7,233,431	8,390,644
Investments	14	104,237,612	115,538,121
		264,685,675	299,308,308
CURRENT ASSETS			
Stocks	15	388,962	15,245
Debtors			
Amounts falling due in less than one year	16	12,011,903	16,405,712
Amounts falling due in more than one year	16	3,665	3,665
Cash at bank and in hand		1,587,028	780,246
		13,991,558	17,204,868
CREDITORS:			
Amounts falling due within one year	17	16,673,055	19,551,531
NET CURRENT LIABILITIES		(2,681,497)	(2,346,663)
TOTAL ASSETS LESS CURRENT LIABILITIES		262,004,178	296,961,645
CREDITORS :			
Amounts falling due in more than one year	18	223,862,275	235,462,275
Provisions for liabilities	19	1,946,966	1,817,308
NET ASSETS		36,194,937	59,682,062
CAPITAL AND RESERVES			
Called up share capital	20	3,320,126	3,320,126
Share premium account	21	5,368,804	5,368,804
Special reserve	21	2,349,800	2,349,800
Profit and loss account	21	25,156,208	48,643,332
SHAREHOLDERS' FUNDS	21	36,194,938	59,682,062

Approved by the Board on 28 September 2009.

B G McCarthy

The notes on pages 12 to 31 form part of these financial statements.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention and are drawn up in accordance with United Kingdom Generally Accepted Accounting Practice.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Principal Activities and Business Review on pages 3 to 5. The borrowing facilities of the Group and exposure to liquidity risk are also described in the Principal Activities and Business Review on page 6.

As highlighted, the Group meets its day to day working capital requirements through two overdraft facilities which are both repayable on demand, and a five-year revolving advances facility which expires in December 2009. The current economic conditions create uncertainty particularly over the level of demand for the Group's products and the availability of bank finance in the foreseeable future.

The Group's forecasts and projections show that the Group should be able to operate within the level of its current facilities. The Group is currently in discussion with its bankers about its future borrowing needs, and is conducting renewal negotiations. At this stage the Group has not sought any written commitment that the facilities will be renewed but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Group accounts

The company is not required to prepare group financial statements, as at 31 December 2008 it was a wholly owned subsidiary of Archant Limited who prepared group financial statements.The financial statements present information about the company as an individual undertaking and not about its group.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the costs or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Motor vehicles, equipment, furniture and fittings	-	3 to 6 years
Leasehold improvements	-	term of lease

Intangible fixed assets

(a) Newspaper titles

On the acquisition of a business, the cost of investment is allocated between net tangible assets, goodwill and newspaper titles on a fair value basis. The fair value of newspaper titles is assessed by the directors at the date of acquisition, supported by a comparative view of similar transactions within the newspaper industry.

Newspaper titles are amortised on a straight line basis over their estimated useful lives, subject to a maximum of 20 years.

The carrying values of newspaper titles are reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying values may not be recoverable.

Newspaper titles created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Newspaper titles acquired prior to 31 December 1997 were classified as goodwill and written off directly to reserves. Goodwill previously eliminated against reserves has not been re-instated on implementation of FRS 10.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES

(b) Magazine titles

Magazine titles acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Magazine titles are amortised on a straight line basis over their estimated useful lives subject to a maximum of 20 years.

The carrying values of magazine titles are reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying values may not be recoverable.

Magazine titles created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

(c) Trademark licences

The intellectual property in certain of the newspaper and magazine titles published by the company is owned by subsidiaries of the company. Those subsidiaries have granted trademark licences to the company, enabling the company to continue publishing the titles. The trademark licences are being amortised over the terms of the licences on a straight line basis.

The carrying values of trademark licences are reviewed for impairment at the end of the first full year following acquisition, and in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost includes all costs incurred in bringing each product to its present location and condition.

Raw materials, consumables and goods for resale are stated at purchase cost on a first-in, first-out basis.

Pensions

The company participates in the defined-benefit pension scheme operated by the parent undertaking. The scheme requires contributions to be made to separately administered funds. Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the participants' working lives. The pension cost is assessed in accordance with the advice of qualified actuaries.

The Group operates a defined-contribution scheme, which is open to eligible employees of the company. The company's contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Additionally, the company contributes to a number of individual personal pension plans for certain employees who are not participants in one of the Group's pension schemes.

The company also makes provision for the capital value of unfunded pensions to certain current and former employees in accordance with independent actuarial advice.

Leasing and hire purchase commitments

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over the shorter of their respective lease terms and the estimated useful lives of the assets. The capital elements of future obligations under the leases and hire purchases contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of tangible fixed assets, and gains on disposal of tangible fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

Turnover, which is stated net of trade discounts, value added tax and other sales related taxes, is recognised as follows:

Newspapers – advertising and circulation revenues are recognised on issue of the publication.

Magazines – advertising revenues are recognised on issue of the publication. Revenues from news-trade sales are recognised on issue of the publication, after allowance for returned copies.

Subscription revenues are recognised over the periods to which the subscriptions relate.

Exhibition and event revenues are recognised when the events have been completed.

Other revenues are recognised when the goods or services have been supplied or provided to the customer, and there is a contractual obligation for the customer to pay for those goods or services.

Variable rate non-redeemable cumulative preference shares

The component of the non-redeemable cumulative preference shares that exhibits characteristics of a liability is recognised as a liability in the balance sheet. The corresponding dividends on those shares are charged as interest expense in the income statement. On the issue of the non-redeemable cumulative preference shares, the fair value of the liability component is determined as the net present value of the right to receive dividends in perpetuity, and this amount is carried as a long-term liability.

As the preference shares have no right (after the payment of the preference dividends) to participate in the profits of the company and have no conversion rights to equity, no element of the issue proceeds falls to be classified as equity.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES

Group share-based payment transactions

Eligible employees of the company may receive part of their remuneration in the form of shares in the parent company ('equity-settled transactions').

Equity-settled transactions

The Group operates two schemes which may result in the transfer of Archant shares to employees of the company:

(a) Group Long Term Incentive Plan

The trustees of the 2002 Long Term Incentive Plan ('the 2002 LTIP') have made notional awards to senior executives, usually at the beginning of a three year plan cycle. At the end of the cycle (or earlier in certain circumstances) such trustees may make a final award in respect of some or all of the shares concerned. No interest in shares is created or passes to a participant until the making of a final award, which is discretionary and dependent upon the achievement of performance targets initially set at the commencement of the relevant plan cycle.

The trustees ('the Trustees') of the 2006 Long Term Incentive Plan ('the 2006 LTIP') have made, and may make, awards to senior executives, usually at the beginning of a three year plan cycle, over Archant shares. Such shares, the beneficial interest in which passes to the participant at the time of the award, are subject to restrictions which lift if certain conditions are fulfilled and/or certain circumstances arise. Those conditions include performance conditions generally measured over a three year plan cycle. If the conditions are met and/or the circumstances arise the restrictions lift and the shares vest in the participant absolutely.

The cost of such equity-settled transactions is measured by reference to the fair value of the shares concerned at the date of the notional or restricted award (being the price at which shares in the Company have most recently traded through the matched bargain facility). The cost is recognised over the period during which the performance conditions are to be fulfilled ('performance period'). The cumulative expense recognised for such equity-settled transactions at each reporting date reflects the proportion of the performance period which has elapsed and:

- in the case of the 2002 LTIP the number of shares the subject of notional awards
- in the case of the 2006 LTIP the number of shares the subject of restricted awards

which, at that reporting date, the directors of the company believe (based on the best available estimate) would:

- in the case of the 2002 LTIP, be the subject of a final award were the trustee to exercise its discretion to make such an award
- in the case of the 2006 LTIP, vest.

(b) Share Incentive Plan

The Group operates an HMRC approved Share Incentive Plan (SIP) under which eligible employees may be invited from time to time to apply to have a sum, the maximum amount of which is determined by the Board of Archant Limited, deducted from their pay to enable the SIP trustee ('the SIP Trustee') to purchase shares ('Partnership Shares) in Archant Limited on their behalf, and may be awarded further shares, either conditional on the purchase of Partnership Shares ('Matching Shares') and/or unconditionally ('Free shares').

The parent company funds the SIP Trustee to purchase shares at the time that the SIP Trustee needs to purchase shares to meet its commitment to hold Matching Shares and Free Shares on behalf of participants in accordance with the rules of the SIP (the Rules) and at other times during the year in anticipation of such commitments arising. The shares so acquired are valued by reference to the price most recently traded through the matched bargain facility. The value of matching and free shares awarded are recognised in the profit and loss account in the year that the award is made. The SIP Trustee also acquires, without cost, shares as a result of their forfeiture by SIP participants in accordance with the Rules.

2 *TURNOVER*

Turnover represents amounts invoiced to third parties, and is attributable to the continuing activity of the publishing of newspapers and their associated magazines. All sales arose within the United Kingdom.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

3 OPERATING LOSS

	2008 £ Total	2007 £ Continuing operations	2007 £ Disposals	2007 £ Total
Turnover				
Newspaper publishing	119,076,050	134,042,712	2,180,262	136,222,974
Other operating income	3,614,190	3,304,370	-	3,304,370
Operating costs				
Other external charges	29,373,137	33,782,061	373,388	34,155,449
Staff costs (Note 5)	42,473,869	45,552,974	870,000	46,422,974
Depreciation of owned assets	2,589,400	2,738,414	8,368	2,746,782
Other operating charges	32,600,191	32,185,227	653,545	32,838,772
	107,036,597	114,258,677	1,905,301	116,163,978
Operaing profit before restructuring costs, amortisation of intangible assets and impairment	15,653,643	23,088,406	274,961	23,363,367
Amortisation of intangible assets	11,167,710	13,343,076	-	13,343,076
Impairment of intangible assets	10,997,201	11,200,000	-	11,200,000
Impairment of fixed asset investments	11,300,000	18,750,000	-	18,750,000
Restructuring costs	1,337,578	589,743	-	589,743
Operating (loss)/profit	(19,148,846)	(20,794,413)	274,961	(20,519,452)

Other operating income comprises recharges of accounting, information systems and facilities costs borne by the company to other group companies.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

4 OPERATING LOSS

	2008 £	2007 £
Operating loss is stated after charging:		
Auditors' remuneration in respect of audit services	67,850	69,350
non-audit services	37,288	30,134
Operating lease rentals:		
plant and machinery	1,769,376	1,843,945
land and buildings	1,979,086	2,032,809

5 EMPLOYEES

	2008 £	2007 £
Staff costs during the year:		
Wages and salaries	36,748,515	39,454,072
Social security costs	3,400,725	3,688,549
Other pension costs	2,339,553	2,475,293
(Credit)/expense of share-based payments	(14,924)	805,060
	42,473,869	46,422,974

	Number	Number
The average number of employees during the year was:		
Production and distribution	246	281
Sales and editorial	1,156	1,290
Management and administration	299	317
	1,701	1,888

6 DIRECTORS' REMUNERATION

	2008 £	2007 £
Salaries	557,250	542,184
Fees	30,000	30,000
Performance related bonuses	91,484	81,498
Other benefits	64,491	61,905
Compensation for loss of office	-	84,151
Pension contributions to parent company:		
defined benefit scheme	108,290	75,028
defined contribution scheme	23,291	22,312
Company contributions to personal pension schemes	-	18,875
	874,806	915,953

Number of directors in:		
defined benefit pension scheme	3	3
defined contribution pension scheme	2	2
personal pension scheme	-	1
	5	6

The emoluments of the highest paid director were:		
aggregate emoluments	181,243	176,149
contributions to parent company defined benefit scheme	43,162	41,597

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

7 PROFIT ON SALE OF INTANGIBLE FIXED ASSETS	2008 £	2007 £
Capital profit on disposal of magazine title to fellow subsidiary undertaking	-	636,000

8 LOSS ON SALE OF OPERATIONS	2008 £	2007 £
Proceeds	-	10,706,000
Less disposal costs	-	(637,953)
Cost of acquisition of newspaper titles from subsidiary undertaking	-	(9,628,000)
Other net assets disposed	-	(969,843)
	-	(529,796)

9 OTHER INCOME	2008 £	2007 £
Intra group dividends	13,871,500	26,936,105
Bank and other interest received	-	1,775
	13,871,500	26,937,880

10 INTEREST PAYABLE AND SIMILAR CHARGES	2008 £	2007 £
Interest paid to group undertakings	10,604,933	13,982,068
Preference dividends paid	6,365,532	6,207,755
	16,970,465	20,189,823

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

11 TAX ON LOSS ON ORDINARY ACTIVITIES

	2008 £	2007 £
UK corporation tax		
Current	1,311,940	2,954,844
Prior year	(258,014)	142,219
	1,053,926	3,097,063
Deferred taxation		
Origination and reversal of timing differences	359,932	935,859
Adjustments in respect of prior years	(174,545)	13,799
Adjustment for change in rate of corporation tax	-	(10,363)
	185,387	939,295
Tax on loss on ordinary activities	1,239,313	4,036,358

Factors affecting current tax charge

The differences between the total current tax shown above and the amount calculated by applying the effective standard rate of UK corporation tax of 28.5% (2007: 30%) to the loss before tax are as follows:

	2008 £	2007 £
Loss on ordinary activities before tax	(22,247,811)	(13,665,191)
Loss on ordinary activities multiplied by effective standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(6,340,018)	(4,099,557)
Expenses not deductible for tax purposes	181,780	241,709
Dividends on preference shares not deductible for tax purposes	1,814,003	1,862,326
Non qualifying amortisation and impairment of intangible assets	6,316,394	7,362,923
Impairment of fixed asset investments	3,220,191	5,625,000
Non taxable income	(3,952,999)	(8,271,631)
Taxation of chargeable gains	5,130	510,181
Decelerated/(accelerated) capital allowances	157,143	(57,443)
Other short term timing differences	(89,684)	(218,664)
Tax (over)/underprovided in prior years	(258,014)	142,219
Total current tax above	1,053,926	3,097,063

The provision for deferred taxation, the amounts unprovided, and the movements in the provision are detailed in Note 19.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

12 INTANGIBLE FIXED ASSETS

	Film copyright	Trademark licences	Total
	£	£	£
Cost			
At 1 January 2008 and at 31 December 2008	4,099,897	236,077,000	240,176,897
Amortisation			
At 1 January 2008	2,487,022	62,310,332	64,797,354
Amortisation in the year	-	11,167,710	11,167,710
Impairment in the year	-	10,997,201	10,997,201
At 31 December 2008	2,487,022	84,475,243	86,962,265
Net book value			
At 31 December 2008	1,612,875	151,601,757	153,214,632
At 31 December 2007	1,612,875	173,766,668	175,379,543

Film copyright

The company owns the copyright and physical material of two films. Films are carried at estimated net realisable value, calculated as the minimum value of future royalties receivable. The carrying value is matched by interest-free loans, secured on the films and repayable out of film receipts up to 14 December 2013.

Impairment of trademark licences

An impairment review of the carrying values of the company's newspaper trade mark licences was undertaken in accordance with FRS 10. The review indicated that an impairment charge of £10,997,201 (2007: £11,200,000) was required, reducing the carrying value of the company's titles to the net present value of future cash flows to be derived from these assets discounted at 8.0%.

13 TANGIBLE FIXED ASSETS

	Leasehold improvements	Motor vehicles	Plant, machinery and equipment	Total
	£	£	£	£
Cost				
At 1 January 2008	3,774,100	41,735	15,014,048	18,829,883
Additions	80,425	-	1,416,111	1,496,536
Disposals	-	-	(5,714,901)	(5,714,901)
At 31 December 2008	3,854,525	41,735	10,715,258	14,611,518
Depreciation				
At 1 January 2008	511,070	29,410	9,898,759	10,439,239
Charge for year	409,269	11,199	2,168,932	2,589,400
Disposals	-	-	(5,650,552)	(5,650,552)
At 31 December 2008.	920,339	40,609	6,417,139	7,378,087
Net book amount				
At 31 December 2008	2,934,186	1,126	4,298,119	7,233,431
At 31 December 2007	3,263,030	12,325	5,115,289	8,390,644

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

14 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £	Total £
Cost:		
At 31 December 2007	134,288,121	134,288,121
Transfer from fellow group company	501	501
Transfer to fellow group company	(1,010)	(1,010)
At 31 December 2008	134,287,612	134,287,612
Amounts provided:		
At 31 December 2007 and at 31 December 2008	18,750,000	18,750,000
Amounts provided during the year	11,300,000	11,300,000
At 31 December 2008	30,050,000	30,050,000
Net book value:		
At 31 December 2008	104,237,612	104,237,612
At 31 December 2007	115,538,121	115,538,121

The company's subsidiary undertakings carried out impairment reviews of the carrying values of their respective newspaper titles in accordance with FRS 10. In consequence, the company has reviewed the carrying values of its investments in those subsidiaries. The review indicated that an impairment charge of £11.3m (2007: £18.75m) was required, reducing the carrying values of the investments to the net asset value of each company.

The company's principal subsidiary undertakings, all of which are wholly owned and incorporated in England are:

Company	*Activity*	*Holding*
Subsidiary undertakings		
Archant Norfolk Limited	Title holding company	100% ord. shares
Archant Suffolk Limited	Title holding company	100% ord. shares
Archant Anglia (East) Limited	Title holding company	100% ord. shares
Archant Anglia (West) Limited	Title holding company	100% ord. shares
Archant Hertfordshire Limited	Title holding company	100% ord. shares
Archant East London and Essex Limited	Title holding company	100% ord. shares
Archant North London Limited	Title holding company	100% ord. shares
Archant Devon Limited	Title holding company	100% ord. shares
Archant Somerset Limited	Title holding company	100% ord. shares
Archant Central Scotland Limited	Title holding company	100% ord. shares
Archant North East Scotland Limited	Title holding company	100% ord. shares
Archant Kent Limited	Dormant company	100% ord. shares
Life Publishing Limited	Dormant company	100% ord. shares

In the opinion of the directors the value of the investments is not less than their book value.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

15 STOCKS	2008 £	2007 £
Paper stock	317,422	-
Raw materials and consumables	71,540	15,245
	388,962	15,245

16 DEBTORS	2008 £	2007 £
Trade debtors	9,358,331	13,522,477
Amounts due from group companies	48,632	571,179
Other debtors	1,301,909	986,188
Prepayments and accrued income	1,303,031	1,325,868
	12,011,903	16,405,712
Due in over one year:		
Other debtors	3,665	3,665
Total debtors	12,015,568	16,409,377

17 CREDITORS: Amounts falling due within one year	2008 £	2007 £
Trade creditors	5,640,643	4,392,274
Corporation tax	3,148,646	3,226,408
Other taxation and social security payable	1,060,076	2,342,787
Other creditors	1,765,488	2,014,960
Accruals and deferred income	4,504,112	4,289,104
Amounts due to group companies	312,359	3,043,951
Subscriptions in advance	241,731	242,047
	16,673,055	19,551,531

18 CREDITORS: Amounts falling due in more than one year	2008 £	2007 £
Loans due to group companies	163,524,940	175,124,940
Variable rate non-redeemable cumulative preference shares	58,724,460	58,724,460
Loans for film finance	1,612,875	1,612,875
	223,862,275	235,462,275

Loans due to group companies

The loans due to group companies comprise two unsecured loans, the first of which, in the amount of £157,000,000 (2007: £168,600,000), carries interest at 1.5% above the base rate of Barclays Bank Plc, and is repayable at three months' notice. The second loan, in the sum of £6,524,940 (2007: £6,524,940), carries interest at LIBOR plus a margin of 2.94%, and is repayable at one month's notice. The parent undertaking has given assurance to the company that they will not request repayment of these loans within 12 months.

Variable rate non-redeemable cumulative preference shares

At both 31 December 2007 and 2008, there were 5,872,446 variable rate non-redeemable cumulative preference shares in issue. Each share has a nominal value of £10. The preference shares carry a dividend of LIBOR plus 4.79% per annum, payable half-yearly in arrears on 30 June and 31 December.

Loans for film finance

The loans for film finance are interest free and repayable out of film receipts prior to 14 December 2013. They are secured by charges on the copyright and physical material relating to two films owned by the company and shown under that heading in intangible fixed assets.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

19 PROVISIONS FOR LIABILITIES	Deferred taxation £	Unfunded pensions £	Dilapidations and onerous leases £	Total £
Balance at 1 January 2008	145,092	1,098,593	573,623	1,817,308
Payments against provisions	-	(136,115)	-	(136,115)
Provided during the year	185,387	84,817	72,552	342,756
Released during the year	-	(54,000)	-	(54,000)
Utilised during the year	-	-	(22,983)	(22,983)
Balance at 31 December 2008	330,479	993,295	623,192	1,946,966

The timing of the settlement of the unfunded pension liabilities is uncertain.

The timing of the settlement of the obligations for dilapidations and onerous leases is dependent on the termination of the various leases. If the leases run to expiry, and are not renewed, these obligations will be settled up to 2016.

Deferred taxation

Deferred tax provided in the financial statements and the amounts not provided are as follows:

	Provided		*Not provided*	
	2008 £	2007 £	2008 £	2007 £
Accelerated capital allowances	82,570	(232,149)	-	-
Short term timing differences	(618,750)	(489,418)	-	-
Chargeable gains	866,659	866,659	-	-
Losses carried forward	-	-	(26,243)	(26,243)
	330,479	145,092	(26,243)	(26,243)

The movements in the provision for deferred taxation are as follows:

	2008 £	2007 £
At 1 January	145,092	892,266
Arising during the year	359,932	935,859
Adjustment in respect of prior years	(174,545)	13,799
Adjustment for change in rate of corporation tax	-	(10,383)
Intra group transfer	-	(1,686,469)
At 31 December	330,479	145,092

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

20 CALLED UP SHARE CAPITAL

	2008 £	2007 £
Authorised		
18,251,000 ordinary shares of 20p each	3,650,200	3,650,200
Allotted, called up and fully paid		
16,600,630 ordinary shares of 20p each	3,320,126	3,320,126

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	Share premium £	Special reserve £	Profit & loss account £	Shareholders' funds £
At 1 January 2007	3,320,126	5,368,804	2,349,800	66,344,881	77,383,611
Loss for the year	-	-	-	(17,701,549)	(17,701,549)
At 1 January 2008	3,320,126	5,368,804	2,349,800	48,643,332	59,682,062
Loss for the year	-	-	-	(23,487,124)	(23,487,124)
At 31 December 2008	3,320,126	5,368,804	2,349,800	25,156,208	36,194,938

The special reserve was created on the cancellation of preference shares in 2001, to protect the creditors of the company at the date of cancellation. The reserve can be released to distributable reserves when all of the creditors of the company at the date of cancellation have been satisfied.

22 OPERATING LEASE RENTALS

The Company has annual commitments under operating leases as at 31 December 2008. These are analysed by the date of the termination of the lease as follows:

	Land and buildings		*Other*	
	2008 £	2007 £	2008 £	2007 £
Within one year	138,098	83,633	269,351	347,564
Between two and five years	577,117	543,625	985,179	1,554,463
After five years - external	356,130	453,070	-	-
After five years - intra group	960,371	979,671	-	-
	2,031,716	2,059,999	1,254,530	1,902,027

23 CAPITAL COMMITMENTS

	2008 £	2007 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	270,000	-

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

24 PENSION COMMITMENTS

The principal pension scheme operated by the Group is the Archant Pension & Life Assurance Scheme ("the PLAS"), a hybrid scheme with a defined benefit section ("the PLAS DBS") which includes a senior management section ("the PLAS SMS") and a defined contribution section ("the PLAS DCS").

The Company also pays ex gratia pensions on an unfunded basis to certain former employees and their dependents and, accordingly, provides for this liability in the financial statements. The provisions for unfunded pension liabilities have been made in accordance with actuarial advice. The principal elements of these unfunded pension liabilities are actuarially revalued every three years.

Defined contribution section
The Group provides retirement benefits to approximately 41% of current employees through the defined contribution scheme. For the PLAS DCS the pension cost represents contributions payable by the Group to this section, the Group matching members' contributions (which are permitted in the range of 2% to 7% of pensionable earnings) on a 1:1 basis except in the case of certain senior managers, where the employer's contribution is at enhanced multiples.

Additionally, the Group made payments to the PLAS DCS equal to 2.0% (2007: 2.0%) of pensionable earnings in respect of insured death benefits, expenses and benefit guarantees.

The pension cost of the Company for the PLAS DCS were:

	2008	2007
	£	£
Charged in the profit and loss account	1,157,000	1,275,000
December 2008 contributions paid in January	(130,000)	-
December 2007 contributions paid in January	157,000	(157,000)
December 2006 contributions paid in January	-	148,000
Contributions paid in the year	1,184,000	1,266,000

Defined benefit section
The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interest of the fund's beneficiaries. The manner of appointment of trustees to the fund is determined by the scheme's trust documentation. The group has a policy that at least one-third of all trustees should be nominated by members of the fund, including at least one member by current pensioners.

The Group provides retirement benefits to some of its former and approximately 13% of current employees through defined benefit schemes. The level of retirement benefit is based principally on pensionable salary earned in the last three years of employment.

The liabilities of the defined benefit scheme are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method. This amount is reflected in the deficit included in the Group balance sheet. The projected unit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The accumulated benefit obligation is an actuarial measure of the present value of benefits for service already rendered but differs from the projected unit method in that it includes no assumption for future salary increases. At the balance sheet date the accumulated benefit obligation was £110.4m (2007: £111.6m).

An alternative method of valuation to the projected unit method is a solvency basis, often estimated using the cost of buying out benefits at the balance sheet date with a suitable insurer. This amount represents the amount that would be required to settle the scheme liabilities at the balance sheet date rather than the Group continuing to fund the on-going liabilities of the scheme. The Group estimates the amount required to settle the scheme's liabilities at the balance sheet date is £110m (2007: £80m).

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

24 PENSION COMMITMENTS (continued)

The most recent actuarial valuation was carried out as at 1 January 2008 by an independent actuary for the trustees of the scheme. The financial assumptions adopted that have the most significant effect on the valuations were:

	%
Annual rate of increase in:	
Prices	3.1
Salaries	4.0
Pensions in payment	3.0
Investment return – Pre-retirement	6.5
– Post-retirement	5.3

At the time of the valuation the assets of the PLAS, which are held separately from those of the Group, were:

Scheme liabilities	£148,600,000
Market value of the scheme's assets	£140,600,000
Scheme deficit	£8,000,000
Actuarial value as a proportion of accrued	94.6%

Contributions to the PLAS DBS section are determined with the advice of independent actuaries, using the projected unit method. Contribution rates for final salary pensions as a percentage of pensionable earnings, which are determined on the basis of the most recent actuarial valuation, were:

	PLAS DBS		PLAS SMS	
	Member	Company	Member	Company
	%	%	%	%
From 1 July 2008	7.0	16.6	7.0	34.1
From 1 January 2009	7.0	17.3	7.0	41.8

To address the underlying deficit the parent company paid an additional £750,000 of cash into the PLAS in 2008 (2007: £750,000).

In 2003 the group decided that future increases to the discretionary element of pensions in payment (ie that for pre-April 1997 service other than, in respect of participants over state retirement age, the Guaranteed Minimum Pension element of any such pension) would be funded either by the parent company or out of fund surpluses. The parent company made no such payments during the year (2007: £nil).

Following the actuarial valuation as at 1 January 2008 the Group has agreed the following funding objectives with the Trustees:

1 To return the on-going funding level of the scheme to 100% of the projected past service liabilities within a period of 8 years from the valuation as at 1 January 2008.

2 To maintain funding at least at this level once the funding level of the scheme is 100% of the projected past service liabilities.

The Group and the trustees monitor the funding level on a quarterly basis. The next triennial valuation is due to be completed as at 1 January 2011. The deficit and regular contributions will be recalculated as part of this valuation.

The levels of contributions are based on the current service costs and the expected future cash flows of the defined benefit scheme. The Group estimates the present value of the duration of scheme liabilities on average fall due over 18 years.

The benefits payable by the scheme are expected to increase steadily over the next 30 to 35 years as active and deferred members reach retirement. After that the benefits payable should drop off markedly as mortality rates

On 16 January 2009 the parent company entered into a Deed of Guarantee ("the Guarantee") with the Trustees of the Pension & Life Assurance Scheme ("the Scheme") whereby the parent company guaranteed the punctual performance of all obligations under the Scheme of the Scheme's Participating Employers. Demands under the Guarantee are subject to a cap equal to the defaulting Participating Employer's share of the Scheme's deficit on the ongoing, scheme-specific funding basis, as calculated by the Scheme actuary. The Guarantee also indemnifies the Trustees against any loss or liability suffered if any payment obligation under the Guarantee is, or becomes, unenforceable. The Guarantee will remain in place until the Scheme becomes fully funded on the scheme-specific funding basis, as advised by the Scheme actuary. The Trustees undertook to take the Guarantee into consideration when setting the period of the Scheme's deficit recovery plan, following the 1 January 2008 Actuarial Valuation, and setting the Scheme's investment strategy.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

24 PENSION COMMITMENTS (continued)

Group pension disclosure under FRS 17

The Group is unable to identify the share of the underlying assets and liabilities for each participating subsidiary, and consequently each participating subsidiary accounts for their contributions to the defined benefit scheme as if it was a defined contribution scheme. As the Company is the principal participant in the Group defined benefit scheme, it is considered appropriate to present the Group disclosures under FRS 17. The disclosures given below are for the Group rather than the Company.

A full actuarial valuation was carried out for the PLAS as at 1 January 2008.

These actuarial valuations have been updated to 31 December 2008 by an independent actuary. The amounts shown at 31 December were measured in accordance with FRS 17.

Assumptions

The major assumptions used by the actuary in updating the valuations were:

	2008 %	2007 %	2006 %
Rate of increase in salaries	4.00	4.65	4.37
Rate of increase in deferred pensions	2.80	3.40	3.12
Rate of increase of pensions in payment for	2.80	3.40	3.12
Discount rate	5.76	5.85	5.12
Inflation	2.80	3.40	3.12
Expected long term rate of return			
Equities	6.40	7.00	7.00
Bonds and gilts	5.40	5.40	4.70
Other	2.00	5.50	5.00

An investigation of the scheme's mortality experience over the past three years was carried out as part of the actuarial valuation at 1 January 2008. The current assumed life expectations on retirement at age 65 are:

	2008 years	2007 years
Retiring today		
Males	22.1	17.6
Females	24.7	20.7
Retiring in 20 years		
Male	24.9	20.3
Female	26.6	23.3

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

24 PENSION COMMITMENTS (continued)

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.25%	Decrease by 4%
Rate of inflation	Increase by 0.25%	Increase by 2%
Rate of salary growth	Increase by 0.25%	Increase by 1%
Rate of mortality	Increase by 1 year	Increase by 2%

Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2008 £'000	2007 £'000
Present value of funded obligations	146,478	146,344
Fair value of scheme assets	(111,519)	(138,714)
	34,959	7,630
Present/book value of unfunded obligations	955	969
Deficit	35,914	8,599
Related deferred tax asset at 28% (2007: 28%)	(10,056)	(2,408)
Net liability	25,858	6,191

The unfunded obligations are in respect of the ex gratia pensions paid by the Group. The present value of these obligations has been calculated in accordance with FRS 17 by an independent actuary at 31 December 2007 and 31 December 2008. Book value was used at 31 December 2006 and in earlier years as a reasonable approximation of present value at those dates.

The amounts recognised in the profit and loss account are as follows:

	2008 £'000	2007 £'000
Current service cost - DBS	2,157	2,448
Current service cost - DCS	1,823	1,796
Current service cost – book value of unfunded obligations	-	64
Unfunded obligations – adjustment to present value	-	(75)
Interest on obligation	7,040	6,519
Expected return on scheme assets	(7,206)	(6,924)
Interest on unfunded obligations	85	-
	3,899	3,828
Actual return on scheme assets	(19,891)	5,824

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

24 PENSION COMMITMENTS (continued)

Changes in the present value of the scheme obligation are as follows:

	2008 £'000	2007 £'000
Opening scheme obligation – DBS and DCS	146,344	148,703
Opening scheme obligation – unfunded obligations at book value	969	1,128
Total opening scheme obligation	147,313	149,831
Service cost - DBS	2,157	2,448
Service cost - DCS	1,823	1,796
Service cost – unfunded obligations	-	64
Interest cost	7,125	6,519
Actuarial losses/(gains) - DBS	595	(9,413)
Actuarial losses/(gains) - unfunded obligations	37	(75)
Contributions by employees – DBS and DCS	1,856	1,902
Change in DC fund values	(4,956)	1,962
Benefits paid – DBS	(6,947)	(5,403)
Benefits paid - DCS	(1,434)	(2,170)
Benefits paid - unfunded obligations	(136)	(148)
Closing scheme obligation	147,433	147,313

The analysis of the actuarial losses and (gains) in the DBS is as follows:

	2008 £'000	2007 £'000
Experience (gains) and losses	(5,092)	-
Changes in assumptions:		
Discount rate	990	(12,755)
Inflation	(3,290)	1,381
Salary increases	(2,833)	1,961
Mortality	10,820	-
	595	(9,413)

Changes in the fair value of scheme assets are as follows:

	2008 £'000	2007 £'000
Opening fair value of scheme assets	138,714	132,324
Expected return	7,206	6,924
Actuarial gains and (losses)	(27,097)	(1,100)
Contributions by employer - DBS	2,354	2,479
Contributions by employer - DCS	1,823	1,796
Contributions by employer – unfunded obligations	136	148
Contributions by employees – DBS and DCS	1,856	1,902
Change in DC fund values	(4,956)	1,962
Benefits paid - DBS	(6,947)	(5,403)
Benefits paid - DCS	(1,434)	(2,170)
Benefits paid - unfunded obligations	(136)	(148)
Closing fair value of scheme assets	111,519	138,714

The group expects to contribute between £2,500,000 and £3,000,000 to its defined benefit pension scheme in 2009.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

24 PENSION COMMITMENTS (continued)

At 31 December 2008 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The fair value of the scheme assets as a percentage of the total scheme assets and target allocations are set out below:

	Planned 2009 %	2008 %	2007 %
Global equities	60	56	60
All stocks gilts	10	13	20
Corporate bonds	20	23	10
High yield bonds	10	8	10
	100	100	100

In conjunction with the trustees, the Group has periodically conducted asset-liability reviews for its major schemes. These studies are used to assist the trustees and the Group to determine the optimal long-term asset allocation with regard to the structure of liabilities within the scheme. The results of the study are used to assist the trustees in managing the volatility in the underlying investment performance and risk of a significant increase in the scheme deficit by providing information used to determine the pension schemes investment strategy.

The aim is to hold a globally diversified portfolio of equities, with a target of 60% of equities being held in UK companies and 40% in overseas equities.

Cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses (STRGL)

	2008 £'000	2007 £'000
Actual return less expected return on assets	(27,097)	(1,100)
Experience gains and losses on liabilities	5,055	-
Changes in assumptions	(5,687)	9,413
Net actuarial gain recognised in STRGL	(27,729)	8,313
At the beginning of the year	(6,865)	(15,178)
At the end of the year	(34,594)	(6,865)

Analysis of the movement in the balance sheet liability

	2008 £'000	2007 £'000
Shortfall in schemes at beginning of year as previously reported	(8,599)	(17,507)
Movements:		
Total expense recognised in the profit and loss account	(3,899)	(3,828)
Employer contributions – DBS and DCS	4,177	4,275
Employer contributions – unfunded obligations	136	148
Actuarial gains	(27,729)	8,313
Shortfall in schemes at end of year	(35,914)	(8,599)

Amounts for the current and previous four years are as follows:

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Present value of funded obligations	146,478	146,344	148,703	146,818	123,865
Present/book value of unfunded obligations	955	969	1,128	1,204	1,246
Total scheme obligations	147,433	147,313	149,831	148,022	125,111
Scheme assets	111,519	138,714	132,324	122,803	103,303
Deficit	(35,914)	(8,599)	(17,507)	(25,219)	(21,808)
Experience adjustments on pension scheme liabilities	5055	-	649	(2,916)	916
Experience adjustments on pension scheme assets	(27,097)	(1,100)	1,384	12,047	3,667

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

25 CONTINGENT LIABILITY

Certain companies in the Group, including the Company, have provided a cross guarantee, by way of a debenture, in relation to the overdraft facility with Barclays Bank Plc. Details of the overdraft facility are contained in the Archant Limited group financial statements.

In addition, certain of the companies in the Group, including the Company, have provided a cross guarantee in relation to the revolving credit facilities with The Royal Bank of Scotland plc. Details of the overdraft facility are also contained in the Archant Limited group financial statements.

26 ULTIMATE PARENT UNDERTAKING

At 31 December 2008, the parent undertaking for which group accounts are drawn up and of which the company was a member was Archant Limited, registered in England and Wales. Copies of that company's accounts can be obtained from The Registrar, Companies House, Crown Way, Maindy, Cardiff.

27 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions in FRS 8 from disclosing transactions with related parties that are part of the Archant Limited group.

28 CASH FLOW STATEMENT

The Company has taken advantage of the dispensation under FRS 1 Section 8 (c) not to publish a cash flow statement. The cash flow statement of the Group is published in the financial statements of Archant Limited.