ARCHANT REGIONAL LIMITED

Registered Number: 19300

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2004

ARCHANT REGIONAL LIMITED

DIRECTORS

J A Fry
A D Jeakings
N G F Websper
I A Davies
B R Dennis
W H Fulton
S J Gulliford
B G McCarthy
S A McCreery
R Nicholls
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 2004

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2004.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £16,190,572 (2003: £19,354,797). Interim dividends of £30,000,000 (2003 : £60,000,000) were paid in the year. The directors do not recommend the payment of a final dividend (2003: £nil).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company's principal activity is the publishing of all newspapers (and associated magazines) owned by the Archant group.

Clearance for the acquisition of 27 titles in London and Kent from Independent News & Media was finally granted by the Competition Commission on 22 September 2004. The Company has now integrated these titles with the Company's other London titles and London business units.

The directors will continue to seek improvement and development of the Company's publications in 2005.

EVENTS SINCE THE BALANCE SHEET DATE

In March 2005, a fellow subsidiary acquired Highbury Local Publications Limited from Highbury House Communications plc. On 1 April 2005, the Property Mart series of titles published by Highbury Local Publications were sold to the Company at market value of £2,900,000. These titles have been integrated into the Company's London business unit.

SHARE CAPITAL

On 19 May 2004, the Company increased its authorised share capital by the creation of 5,872,446 cumulative preference shares of £10 each.

On 31 December 2004, the company issued 5,872,446 cumulative preference shares to the ultimate parent undertaking at par, by capitalising an inter company loan balance.

ARCHANT REGIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

DIRECTORS

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

N G F Websper	
I A Davies	
B R Dennis	
W H Fulton	
S J Gulliford	
A J Halsey	retired 30 January 2004
B G McCarthy	appointed 5 January 2004
S A McCreery	appointed 5 May 2004
R Nicholls	
P W Swallow	
E Testa	
J A Fry	
A D Jeakings	

None of the directors at 31 December 2004 had an interest in the share capital of the company at any time during the year.

Mr J A Fry, Mr A D Jeakings and Mr N G F Websper are all directors of the holding company and have declared their interests in the shares of the holding company in that company's financial statements.

The other directors at 31 December 2004 had the following interests in the shares of the holding company:

	December 31, 2003	December 31, 2004
Ordinary shares of 20p each		
I A Davies	33,712	36,052
B R Dennis	3,049	3,464
W H Fulton	3,000	3,000
S J Gulliford	-	-
B G McCarthy	-	3,000
S A McCreery	-	3,000
R Nicholls	10,664	9,121
P W Swallow	4,167	4,207
E Testa	13,586	138

ARCHANT REGIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period 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; 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 confirm that the financial statements comply with the above requirements.

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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the company made charitable contributions totalling £15,521 (2003: £18,696).

EMPLOYEE INVOLVEMENT

During 2004 the Company continued to provide employees with information about the Group and encourage staff involvement. In addition to local initiatives, methods of communication have included the Group's bi-monthly in-house magazine, Network, which is supported by an on-line news service, which is updated at least weekly, and is now made available via Archant's intranet which was launched in May 2004.

During the course of 2004 John Fry and Nigel Websper undertook a series of presentations 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 2004 the Group made a second invitation to eligible employees under the Archant Share Incentive Plan (SIP). Under the SIP, eligible employees are invited from time to time to apply to purchase a number of shares in the holding company determined by the board of Archant Limited and further shares may be appropriated to them, either conditionally on them agreeing to acquire shares and/or unconditionally as free shares.

EMPLOYEE INVOLVEMENT (continued)

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 division.

Such recognition provides for an annual joint review by management and the relevant union of pay, hours and holidays of staff in the relevant bargaining unit.

Schemes exist to enable employees to present and benefit from suggestions. There is a network of employee consultative forums and staff-elected representatives are provided with information and consulted on, and encouraged to raise issues concerning, such matters as the performance of the business, employment practices and other matters likely to affect employees. 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.

The Group holds an annual awards evening to recognise the achievements and successes of its employees.

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 employees and applicants for employment 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 will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under section 386 Companies Act 1985.

By order of the Board,

JO Ellison
Secretary
17 October 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCHANT REGIONAL LIMITED

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 29. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom Auditing Standards 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 judgements 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 of the state of affairs of the company as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Cambridge
17 October 2005

ARCHANT REGIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
TURNOVER			
Continuing operations	2	151,829,320	129,550,695
Other operating income		1,962,531	1,904,452
Operating costs	3	(133,070,985)	(107,308,016)
OPERATING PROFIT			
Continuing operations	3, 4	20,720,866	24,147,131
Other income	7	18,234,949	6,397,455
Amounts written off investments	13	-	(14,952)
Interest payable	8	(21,047,556)	(6,285,074)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		17,908,259	24,244,560
Tax on profit on ordinary activities	9	(1,717,687)	(4,889,763)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		16,190,572	19,354,797
DIVIDENDS	10	(30,000,000)	(60,000,000)
RETAINED (LOSS) FOR THE FINANCIAL YEAR	21	(13,809,428)	(40,645,203)

The profit for the financial year and the corresponding year includes all recognised gains and losses in the year.

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

The notes on pages 10 to 26 form part of these financial statements.

ARCHANT REGIONAL LIMITED

BALANCE SHEET - 31 DECEMBER 2004

	Note	2004		2003	
		£	£	£	£
FIXED ASSETS					
Intangible fixed assets	11		290,396,862		301,979,782
Tangible assets	12		4,624,372		4,718,484
Investments	13		73,678,948		73,678,948
			368,700,182		380,377,214
CURRENT ASSETS					
Stocks	14	132,682		177,979	
Debtors					
Amounts falling due in less than one year	15	29,811,211		17,633,267	
Amounts falling due in more than one year	15	65,289,627		6,186,996	
Cash at bank and in hand		2,444,921		9,368,843	
		97,678,441		33,367,085	
CREDITORS:					
Amounts falling due within one year	16	19,391,512		22,328,111	
NET CURRENT ASSETS			78,286,929		11,038,974
TOTAL ASSETS LESS CURRENT LIABILITIES			446,987,111		391,416,188
CREDITORS :					
Amounts falling due in more than one year	17		320,922,112		311,312,095
Provisions for liabilities and charges	18		2,495,691		1,449,817
NET ASSETS			123,569,308		78,654,276
CAPITAL AND RESERVES					
Called up share capital	20		62,044,586		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		53,806,118		67,615,546
EQUITY SHAREHOLDERS' FUNDS	21		123,569,308		78,654,276

Approved by the Board on 17 October 2005.

A D Jeakings

The notes on pages 10 to 26 form part of these financial statements.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 ACCOUNTING POLICIES

Accounting convention
The financial statements are prepared under the historical cost convention and are drawn up in accordance with applicable Accounting Standards.

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.

In the opinion of the directors, newspaper titles have an indefinite economic life and are not, therefore, subject to annual amortisation.The carrying values of these assets are reviewed annually and provision made for any impairment in the carrying value if required.

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.

(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 up 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 company has been granted twenty year trademark licences by subsidiary undertakings. The trademark licences commenced in September 2003, and are being amortised over twenty years 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.

(d) Film copyright
The company owns the copyright and physical material of two films. The carrying value is matched by interest free loans, secured on the films and repayable out of film receipts up to 14 December 2013.

Stocks
Stocks are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

Pensions
The company participates in a defined-benefit pension scheme operated by the parent undertaking. In addition it operates the W B Frampton & Sons Limited Retirement Benefits Scheme, which is also a defined-benefits scheme. The two schemes require 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.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 ACCOUNTING POLICIES (continued)

Pensions (continued)

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 managers 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 held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. 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 the profit and loss account as incurred.

Deferred taxation

Full provision for deferred taxation is made in respect of all timing differences between the treatment of certain items in the financial statements and their treatment for taxation purposes at the balance sheet date. The provision is calculated without discounting. Deferred taxation assets are recognised to the extent that, based on available evidence, it is more likely than not that suitable taxable profits will arise from which the asset may be recovered.

Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposal of 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.

Group accounts

The company is not required to prepare group financial statements, as at 31 December 2004 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.

2 TURNOVER

Turnover which is stated net of VAT, represents amounts invoiced to third parties, and is attributable to the continuing activity of the publishing of newspapers. All sales arose within the United Kingdom.

All segments of the business have continued throughout 2004.

ARCHANT REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

3 OPERATING PROFIT

	2004 £	2003 £
Turnover		
Newspaper publishing	151,829,320	129,550,695
Other operating income	1,962,531	1,904,452
Operating costs		
Other external charges	32,207,864	26,973,838
Staff costs (Note 5)	52,239,340	46,188,275
Depreciation of owned assets	1,841,449	2,038,893
Depreciation of leased assets	39,088	74,962
Amortisation of intangible assets	12,080,000	4,004,603
Other operating charges	34,663,244	28,027,445
	133,070,985	107,308,016
Operating profit	20,720,866	24,147,131

4 OPERATING PROFIT

	2004 £	2003 £
Operating profit is stated after charging:		
Auditors' remuneration in respect of audit services	84,500	67,000
non-audit services	33,132	43,320
Operating lease rentals:		
plant and machinery	1,912,044	1,561,784
land and buildings	1,981,078	1,631,742

5 EMPLOYEES

	2004 £	2003 £
Staff costs during the year:		
Wages and salaries	44,026,707	38,742,897
Social security costs	3,985,008	3,258,609
Other pension costs	3,571,830	3,459,708
Parent company staff share scheme	655,795	727,061
	52,239,340	46,188,275

	Number	Number
The average number of employees during the year was:		
Production and distribution	486	436
Sales and editorial	1,835	1,547
Management and administration	302	366
	2,623	2,349

6 DIRECTORS' REMUNERATION

	2004 £	2003 £
Salaries	519,727	433,937
Fees	24,629	24,817
Performance related bonuses	185,336	109,557
Other benefits	68,402	55,042
Pension contributions to parent company		
defined benefit scheme	72,539	95,990
defined contribution scheme	12,974	-
Company contributions to personal pension schemes	20,500	19,200
	904,107	738,543
Number of directors in defined benefit scheme	3	4
Number of directors in defined contribution scheme	2	-
Number of directors in personal pension scheme	1	1
The emoluments of the highest paid director were:		
aggregate emoluments	171,457	137,956
contributions to parent company defined benefit scheme	27,344	28,920

7 OTHER INCOME

	2004 £	2003 £
Intra group dividends	18,229,627	6,393,181
Bank interest	4,806	574
Other interest received	516	3,700
	18,234,949	6,397,455

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Interest paid to group undertakings	21,044,507	6,279,509
Bank loans and overdrafts	-	55
Finance charges payable under finance leases	3,049	5,439
Other interest paid	-	71
	21,047,556	6,285,074

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £	2003 £
UK corporation tax		
Current	2,598,288	7,454,572
Prior year	(466,362)	53,422
	2,131,926	7,507,994
Deferred taxation		
Origination and reversal of timing differences	(144,955)	(186,891)
Crystallised chargeable gain	-	(2,483,512)
Adjustments in respect of prior years	(269,284)	52,172
	(414,239)	(2,618,231)
Tax on profit on ordinary activities	1,717,687	4,889,763

Factors affecting current tax charge

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax of 30% (2003: 30%) to the profit before tax are as follows:

	2004 £	2003 £
Profit on ordinary activities before tax	17,908,259	24,244,560
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK	5,372,478	7,273,368
Expenses not deductible for tax purposes	973,802	118,922
Non qualifying amortisation of intangible assets	2,005,499	-
Non taxable income	(5,468,888)	(1,917,954)
Tax deduction in respect of intangible assets	(753,258)	(688,800)
Decelerated capital allowances	384,094	96,896
Other short term timing differences	84,561	88,628
Crystallised chargeable gain	-	2,483,512
Tax overprovided in prior years	(466,362)	53,422
Total current tax above	2,131,926	7,507,994

The provision for deferred taxation, the amounts unprovided, and the movements in the provision are detailed in Note 18.

10 DIVIDENDS

	2004	2003
	£	£
Equity dividends on ordinary shares		
First interim	30,000,000	10,000,000
Second interim	-	50,000,000
	30,000,000	60,000,000

11 INTANGIBLE FIXED ASSETS

	Film copyright	Trademark licences	Newspaper titles	Total
	£	£	£	£
Cost				
At 1 January 2004	4,099,897	241,600,000	62,771,510	308,471,407
Additions	-	-	497,080	497,080
At 31 December 2004	4,099,897	241,600,000	63,268,590	308,968,487
Amortisation				
At 1 January 2004	2,487,022	4,004,603	-	6,491,625
Amortisation in the year	-	12,080,000	-	12,080,000
At 31 December 2004	2,487,022	16,084,603	-	18,571,625
Net book value				
At 31 December 2004	1,612,875	225,515,397	63,268,590	290,396,862
At 31 December 2003	1,612,875	237,595,397	62,771,510	301,979,782

12 TANGIBLE FIXED ASSETS

	Assets in course of construction £	Leasehold improvements £	Motor vehicles £	Plant, machinery and equipment £	Total £
Cost					
At 1 January 2004	599,766	311,902	415,812	25,522,067	26,849,547
Additions	2,020,374	49,153	-	2,155,125	4,224,652
Intra group transfers	(2,620,140)	-	-	227,391	(2,392,749)
Disposals	-	(145,179)	(202,626)	(10,147,143)	(10,494,948)
At 31 December 2004	-	215,876	213,186	17,757,440	18,186,502
Depreciation					
At 1 January 2004	-	199,759	315,356	21,615,948	22,131,063
Charge for year	-	89,802	37,578	1,753,157	1,880,537
Disposals	-	(145,179)	(170,578)	(10,133,713)	(10,449,470)
At 31 December 2004	-	144,382	182,356	13,235,392	13,562,130
Net book amount					
At 31 December 2004	-	71,494	30,830	4,522,048	4,624,372
At 31 December 2003	599,766	112,143	100,456	3,906,119	4,718,484

Assets acquired under finance leases included above comprise:

	2004 £	2003 £
Cost	168,964	219,832
Depreciation	(140,034)	(121,865)
Net book amount	28,930	97,967

13 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £	Total £
Cost:		
At 1 January 2004 and 31 December 2004	73,678,948	73,678,948
Amounts provided:		
At 1 January 2004 and 31 December 2004	-	-
Net book value:		
At 31 December 2004	73,678,948	73,678,948
At 31 December 2003	73,678,948	73,678,948

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 REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

14 STOCKS

	2004 £	2003 £
Goods for resale	73,402	99,211
Raw materials and consumables	59,280	78,768
	132,682	177,979

15 DEBTORS

	2004 £	2003 £
Trade debtors	14,091,159	11,906,667
Amounts due from group companies	12,665,701	2,873,938
Other debtors	777,741	582,238
Prepayments and accrued income	1,357,112	1,765,165
Deferred tax asset (Note 18)	919,498	505,259
	29,811,211	17,633,267
Due in over one year:		
Amounts due from group companies	65,285,962	6,183,331
Other debtors	3,665	3,665
	65,289,627	6,186,996
Total debtors	95,100,838	23,820,263

16 CREDITORS: Amounts falling due within one year

	2004 £	2003 £
Trade creditors	4,342,030	3,390,922
Corporation tax	818,277	5,096,206
Other taxation and social security payable	3,233,166	3,807,017
Other creditors	1,142,180	749,157
Accruals and deferred income	5,890,934	4,062,718
Contingent consideration on acquisition	-	5,000,000
Obligations under finance leases and hire purchase contracts (note 19)	51,974	57,210
Amounts due to group companies	3,731,459	50,582
Payments on account	181,492	114,299
	19,391,512	22,328,111

17 CREDITORS: Amounts falling due in more than one year

	2004	2003
	£	£
Loans due to group companies	248,124,940	303,600,000
Other amounts due to group companies	71,184,297	6,038,572
Obligations under finance leases and hire purchase contracts (note 19)	-	60,648
Loans for film finance	1,612,875	1,612,875
	320,922,112	311,312,095

The loans due to group companies comprise two unsecured loans, the first of which, in the amount of £241,600,000, 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, 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.

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.

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation	Unfunded pensions	Dilapidations provisions	Total
	£	£	£	£
Balance at 1 January 2004	(505,259)	643,236	806,581	944,558
Inter group transfers	-	1,021,378	-	1,021,378
Receipt from landlords	-	-	15,944	15,944
Provided/(released) during the year	(414,239)	111,887	66,810	(235,542)
Utilised during the year	-	(170,145)	-	(170,145)
Transferred to debtors (Note 15)	919,498	-	-	919,498
Balance at 31 December 2004	-	1,606,356	889,335	2,495,691

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

The timing of the settlement of the obligations for dilapidations 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*	
	2004	2003	2004	2003
	£	£	£	£
Accelerated capital allowances	(91,977)	(95,567)	-	-
Short term timing differences	(827,521)	(409,692)	-	-
	(919,498)	(505,259)	-	-

19 *OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS*

	2004 £	2003 £
The maturity of these amounts is as follows:		
Amounts payable:		
Within one year	52,651	64,301
In two to five years	-	68,165
	52,651	132,466
Less finance charges allocated to future periods	(677)	(14,608)
	51,974	117,858
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 16)	51,974	57,210
Non current obligations (note 17)	-	60,648
	51,974	117,858

20 CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised		
18,251,000 ordinary shares of 20p each	3,650,200	3,650,200
5,872,446 cumulative preference shares of £10 each	58,724,460	-
	62,374,660	3,650,200
Allotted, called up and fully paid		
16,600,630 ordinary shares of 20p each	3,320,126	3,320,126
5,872,446 cumulative preference shares of £10 each	58,724,460	-
	62,044,586	3,320,126

On 19 May 2004, the company increased its authorised share capital by the creation of 5,872,446 cumulative preference shares of £10 each.

On 31 December 2004, the company issued 5,872,446 cumulative preference shares to the ultimate parent undertaking at par, by capitalising an inter company loan balance.

21 RECONCILIATION OF MOVEMENTS IN *SHAREHOLDERS' FUNDS*

	Share capital £	Share premium £	Special reserve £	*Profit* & loss account £	Shareholders' funds £
At 1 January 2003	3,320,126	5,368,804	2,349,800	108,260,749	119,299,479
(Loss) for the year	-	-	-	(40,645,203)	(40,645,203)
At 1 January 2004	3,320,126	5,368,804	2,349,800	67,615,546	78,654,276
Preference share issue	58,724,460	-	-	-	58,724,460
(Loss) for the year	-	-	-	(13,809,428)	(13,809,428)
At 31 December 2004	62,044,586	5,368,804	2,349,800	53,806,118	123,569,308

The special reserve was created on the cancellation of the 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.

The cumulative amount of goodwill written off at 31 December 2004, net of goodwill relating to newspaper titles disposed of, is £13,759,163 (2003: £13,759,163).

22 OPERATING LEASE RENTALS

The Company has annual commitments under operating leases as at 31 December 2004.
These are analysed by the date of the termination of the lease as follows:

	Land and buildings		*Other*	
	2004	2003	2004	2003
	£	£	£	£
Within one year	67,066	75,462	389,291	315,103
Between two and five years	420,346	375,254	1,128,568	1,350,621
After five years - external	876,845	516,633	-	-
After five years - intra group	980,995	867,900	-	-
	2,345,252	1,835,249	1,517,859	1,665,724

23 CAPITAL COMMITMENTS

	2004	2003
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	69,000	1,619,458

24 PENSION COMMITMENTS

Until 31 July 2003 the principal pension schemes operated by the Group ("the Principal Schemes") were the Archant Senior Management Pension Scheme ("the SMPS"), a defined benefit scheme, and the Archant Pension & Life Assurance Scheme ("the PLAS"), a hybrid scheme with a defined benefit section ("the PLAS DBS") and a defined contribution section ("the PLAS DCS").

On 1 August 2003 the assets and liabilities of the SMPS were transferred into the PLAS ("the Transfer"), creating a new senior management defined benefit section of the PLAS ("the PLAS SMS").

The Archant Senior Management Pension Scheme Trust was wound up on 23 March 2004.

The pension cost charged in the profit and loss account, excluding ex gratia pensions, was £3,571,830 (2003: £3,459,708).

The W B Frampton Limited Retirement Benefit Scheme is funded and of the defined benefit type - the principal asset of the scheme is a Deposit Administration insurance contract underwritten by Sun Life. The total pension cost of the company in the profit and loss account was £8,602 (2003: £nil).

The actuarial pension deficits of the Principal Schemes at 1 January 2002 are being amortised over the remaining service lives of the current members of the defined benefit sections of the PLAS in accordance with SSAP 24. As a result, the amount shown above as having been charged to the profit and loss account includes a charge of £499,458 (2003 - £499,458) in that respect.

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 3.0% of pensionable earnings in respect of insured death benefits, expenses and benefit guarantees.

Following the actuarial valuations at 1 January 2002, the Company significantly increased its contribution rates to both the PLAS DBS and the PLAS SMS, before reducing those rates as member contribution rates increased.

24 PENSION COMMITMENTS (continued)

Contribution rates for final salary pensions as a proportion of pensionable earnings were:

	PLAS DBS		PLAS SMS	
	Member	Company	Member	Company
To 31 August 2002	5.00%	11.00%	5.00%	24.40%
To 28 February 2003	5.00%	11.00%	5.00%	30.70%
To 30 June 2003	5.00%	17.10%	5.00%	30.70%
To 30 June 2004	6.00%	16.10%	6.00%	29.70%
From 1 July 2004	7.00%	15.10%	7.00%	28.70%

Contributions to the defined benefit sections are determined with the advice of independent actuaries, using the projected unit method. Contributions were determined on the basis of the most recent actuarial valuations which, for the SMPS and the PLAS, were carried out as at 1 January 2002 ("Valuations").

As well as those in respect of mortality rates, the assumptions adopted that have the most significant effect on the results of the Valuations were:

		PLAS	SMPS
Annual rate of increase in:			
Prices		2.50%	2.50%
Salaries		4.00%	4.50%
Pensions in payment		2.50%	2.50%
Investment return	– Pre-retirement	7.00%	7.00%
	– Post-retirement	5.25%	5.25%

At the time of the Valuation the assets of the Principal Schemes, which are held separately from those of the Group, were:

	PLAS	SMPS
Market value of the schemes' assets	£78,259,000	£15,183,000
Actuarial value as a proportion of accrued benefit	96.30%	85.30%

The Valuations showed deficits of £2,992,000 and £2,614,000 in the PLAS and the SMPS respectively, a combined deficit of £5,606,000 (such that, on a combined basis the Principal Schemes were 94.3% funded). In 2003 an actuarial funding review undertaken on the Principal Schemes as combined as a result of the Transfer ("the Combined Schemes") (and accordingly on a basis consistent with the Valuations) indicated that the combined deficit had increased to an estimated £35,000,000 (on which basis the Principal Schemes were 68.5% funded), reflecting generally deteriorating investment returns.

24 PENSION COMMITMENTS (continued)

In the light of the strategic review undertaken in 2003, a number of steps were taken to address the actuarial deficits identified in that review. Company and employee contribution rates were increased, enhanced discretionary early retirement terms were altered to give active members the right to take early retirement, but with reduction factors applied from normal retirement date to make the retirement cost-neutral to the Combined Schemes, and it was 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 no longer be provided for within the valuation but would be funded either by the Company or out of fund surpluses. Accordingly, the Company made a payment of £370,000 (2003 - Nil) into the PLAS to fund the increase of 1.5% (2003 - 0%) made during the year to the discretionary element of pensions in payment.

To address both the difference in the funding positions of the SMPS and the PLAS DBS at the time of the Transfer, and their underlying deficit, the Company paid an additional £1,000,000 of cash into the PLAS in 2004 (2003 - £1,000,000). These payments were made pending the outcome of valuations scheduled to be conducted as at 1 January 2005. Such valuations will enable an assessment to be made of the impact of the actions taken as a result of the strategic review in 2003.

The Group 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.

Pension disclosure under FRS 17

The pension cost figures used in these financial statements comply with the current pension cost accounting standard, SSAP 24. A new pension cost accounting standard, FRS 17, came into effect for accounting years ending on or after 22 June 2001. Under transitional arrangements for the implementation of FRS 17, the Group is required to disclose by way of a schedule the following information about the schemes and the figures that would have been shown under FRS 17 in the current balance sheet, as if the new accounting standard had been in force.

The schedule shows the combined results of the Group's benefit schemes in the UK. A full actuarial valuation was carried out for both of the Principal Schemes as at 1 January 2002, and on the other scheme as at 6 April 2004. These actuarial valuations have been updated to 31 December 2004 by an independent actuary.

It is not practicable to apportion the FRS 17 disclosures across the various subsidiary companies of the Group, and the disclosures given below are for the Group rather than the Company.

Assumptions

The major assumptions used by the actuary in updating valuations to 31 December were:

	2004	2003	2002
	%	%	%
Rate of increase in salaries	4.36	4.31	3.85
Rate of increase in deferred pensions	2.86	2.81	2.35
Rate of increase of pensions in payment	2.86	2.81	2.35
Discount rate	5.29	5.36	5.47
Inflation	2.86	2.81	2.35

24 PENSION COMMITMENTS (continued)

Assets/liabilities

The assets in the schemes and the expected rates of return at 31 December were:

	Expected long term rate of return 2004	Value 2004 £'000	Expected long term rate of return 2003	Value 2003 £'000	Expected long term rate of return 2002	Value 2002 £'000
Equities	7.0%	64,596	7.0%	61,425	7.0%	58,860
Bonds and gilts	5.0%	37,550	5.0%	28,725	5.0%	15,189
Other	5.0%	1,157	5.0%	2,687	5.0%	3,544
Total market value of assets		103,303		92,837		77,593
Present value of scheme liabilities		116,651		107,925		107,653
Shortfall in the schemes		(13,348)		(15,088)		(30,060)
Related deferred tax asset		4,004		4,526		9,018
		(9,344)		(10,562)		(21,042)

If the above pension shortfall was recognised in the financial statements, the Group's net assets and profit and loss reserve would be as follows:

	2004 £'000	2003 £'000
Balance sheet		
Net assets excluding pensions shortfall	103,888	135,457
Less pension prepayment	(787)	(593)
Pensions shortfall	(9,344)	(10,562)
Net assets including pensions shortfall	93,757	124,302
Reserves note		
Profit and loss reserve excluding pensions shortfall	92,852	124,767
Less pension prepayment	(787)	(593)
Pensions shortfall	(9,344)	(10,562)
Profit and loss reserve including pensions shortfall	82,721	113,612

Analysis of the amount charged to operating profit

	2004 £'000	2003 £'000
Service cost	2,700	2,924
Money Purchase contribution	1,787	1,602
Past service cost	407	11
Total operating charge	4,894	4,537

Analysis of net return on pension scheme

	2004 £'000	2003 £'000
Expected reurn on penison scheme assets	5,195	4,625
Interest on pension liabilities	(5,247)	(5,599)
Net return	(52)	(974)

24 PENSION COMMITMENTS (continued)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2004 £'000	2003 £'000
Actual return less expected return on assets	3,667	6,147
Experience gains and losses on liabilities	256	(259)
Changes in assumptions	(2,479)	9,847
Actuarial (loss) recognised in STRGL	1,444	15,735
Adjustment due to surplus cap	-	-
Net loss recognised	1,444	15,735

Movement in shortfall during the year

	2004 £'000	2003 £'000
Shortfall in scheme at beginning of year	(15,088)	(30,060)
Movement in year:		
current service cost	(4,486)	(4,526)
contributions	5,241	4,748
past service cost	(407)	(11)
net interest cost	(52)	(974)
Actuarial gain	1,444	15,735
	(13,348)	(15,088)

History of experience gains and losses

	2004 £'000	Percentage of scheme assets or liabilities %	2003 £'000	Percentage of scheme assets or liabilities %	Year to 2002 £'000	Percentage of scheme assets or liabilities %
Difference between expected and actual return on scheme assets	3,667	3.5	6,147	6.6	(19,457)	25.1
Experience gains and losses on scheme liabilities	256	0.2	(259)	0.2	(161)	0.1
Total amount recognised in statement of total recognised gains and losses	1,444	1.2	15,735	14.6	(24,044)	22.3

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 EVENTS SINCE THE BALANCE SHEET DATE

In March 2005, a fellow subsidiary acquired Highbury Local Publications Limited from Highbury House Communications plc. On 1 April 2005, the Property Mart series of titles published by Highbury Local Publications were sold to the Company at market value of £2,900,000. These titles have been integrated into the Company's London business unit.

27 ULTIMATE PARENT UNDERTAKING

At 31 December 2004, 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.

28 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.

29 CASH FLOW STATEMENT

The Company has taken advantage of the dispensation under FRS1 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.