Registered No. 4258108

Archant East London & Essex Limited

Report and Financial Statements

31 December 2009

Archant East London & Essex Limited

Registered No 4258108

DIRECTORS

B G McCarthy
A D Jeakings
J O Ellison

SECRETARY

J O Ellison

AUDITORS

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

REGISTERED OFFICE

Prospect House
Rouen Road
Norwich
NR1 1RE

Archant East London & Essex Limited Registered No. 4258108

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2009

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company is a wholly-owned subsidiary of Archant Limited

The company's principal activity is to own a portfolio of newspaper titles (and their associated magazines) The company has licensed Archant Regional Limited, the company's immediate parent company, to publish those titles for periods not exceeding twenty years

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

An impairment review of the carrying values of the company's newspaper titles was undertaken in accordance with FRS 10 The review indicated that an impairment charge of £3 3m (2008 £19 8m) 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 12 0% (2008 8 0%)

Subject to the foregoing, the balance sheet on page 8 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 by the ultimate parent company are shown on the face of the Balance Sheet

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

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £2,789,473 (2008 loss £15,035,951) An interim dividend of £nil (2008 £nil) has been paid The directors do not recommend the payment of a final dividend

DIRECTORS

The directors who held office during the year were as follows

J O Ellison
A D Jeakings
B G McCarthy

Archant East London & Essex Limited

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under the law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

Archant East London & Essex Limited

DIRECTORS' REPORT

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and its financial position are described in the Principal Activity and Review of Business on page 3

The Group has considerable financial resources available, together with long-term contracts with principal suppliers As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

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 the directors have continued to adopt the going concern basis in preparing the accompanying financial statements

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

J O Ellison
Secretary

19 July 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCHANT EAST LONDON & ESSEX

We have audited the financial statements of Archant East London & Essex Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 13 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of the loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Ian C Strachan (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
22 July 2010

Archant East London & Essex Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £	2008 £
TURNOVER			
Royalties receivable under trademark licences		191,875	269,545
Operating costs		(4,430,929)	(22,069,511)
OPERATING LOSS	2	(4,239,054)	(21,799,966)
Interest receivable	3	615,961	2,007,825
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,623,093)	(19,792,141)
Tax credit on loss on ordinary activities	4	833,620	4,756,190
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	9	(2,789,473)	(15,035,951)

All revenue and expenses included in the profit and loss account relate to continuing operations

The loss for the financial year includes all recognised gains and losses in the year

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

The notes on pages 9 to 13 form part of these financial statements

Archant East London & Essex Limited

BALANCE SHEET AT 31 DECEMBER 2009

	Notes	2009 £	2008 £
INTANGIBLE FIXED ASSETS			
Newspaper and magazine titles	5	14,310,182	18,741,111
CURRENT ASSETS			
Debtors	6	48,518,625	46,877,169
CURRENT LIABILITIES			
Corporation tax payable		-	-
NET CURRENT ASSETS		48,518,625	46,877,169
NET ASSETS		62,828,807	65,618,280
CAPITAL AND RESERVES			
Called up share capital	7	1,000	1,000
Share premium account	9	90,670,064	90,670,064
Profit and loss account	9	(27,842,257)	(25,052,784)
SHAREHOLDERS' FUNDS	9	62,828,807	65,618,280

These financial statements were approved by the Board of Directors on 19 July 2010 and are signed on their behalf by

B G McCarthy
Director

The notes on pages 9 to 13 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

1 **ACCOUNTING POLICIES**

(a) 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

(b) Newspaper titles

The company's newspaper titles have been acquired from fellow subsidiary companies and are stated at cost less accumulated amortisation

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

The carrying value of newspaper titles is 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 value may not be recoverable

(c) Magazine titles

The company's magazine titles have been acquired from fellow subsidiary companies and are stated at cost less accumulated amortisation

Magazine titles are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years

The carrying value of magazine titles is 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 value may not be recoverable

(d) 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 exception

- 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

2 OPERATING LOSS

	2009	2008
	£	£
Operating loss is stated after charging		
Amortisation of intangible fixed assets	1,104,506	2,269,511
Impairment of intangible fixed assets	3,326,423	19,800,000

3 INTEREST RECEIVABLE

	2009	2008
	£	£
Interest on inter company loan	615,961	2,007,825

4 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2009	2008
	£	£
UK corporation tax		
Current - group relief receivable	(482,414)	(72,205)
Deferred taxation		
Arising in current year	(351,206)	(4,767,171)
Adjustment arising on change in rate of corporation tax	-	83,186
	(351,206)	(4,683,985)
Tax on loss on ordinary activities	(833,620)	(4,756,190)

Factors affecting the tax charge

The tax assessed is higher than the loss on ordinary activities for the year multiplied by the effective standard rate of corporation tax in the UK of 28% (2008 - 28 5%) The differences are reconciled below

	2009	2008
Loss on ordinary activities before tax	(3,623,093)	(19,792,141)
Loss on ordinary activities multiplied by effective standard rate of corporation tax in the UK of 28% (200 - 28 5%)	(1,014,466)	(5,640,220)
Amortisation and impairment of ineligible intangible fixed assets	180,846	800,844
Timing differences on eligible intangible fixed assets	351,206	4,767,171
	(482,414)	(72,205)

Factors that may affect future tax charges

In his budget of 22 June 2010, the Chancellor of the Exchequer announced tax changes which will have a significant effect on the company's future tax position The budget proposed a decrease in the rate of UK corporation tax from 28% to 24% The reduction will be made in 1% steps over four years from 1 April 2011, which will be enacted annually

The above change to tax rates will impact the amount of future tax payments

Archant East London & Essex Limited

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

5 INTANGIBLE FIXED ASSETS

	Newspapers	Magazines	Total
	£	£	£
Newspaper and magazine titles at cost			
At 1 January 2009 and at 31 December 2009	71,558,428	1,623,000	73,181,428
Amortisation			
At 1 January 2009	53,466,265	974,052	54,440,317
Amortisation	1,064,244	40,262	1,104,506
Impairment	3,213,255	113,168	3,326,423
At 31 December 2009	57,743,764	1,127,482	58,871,246
Net book value			
At 31 December 2009	13,814,664	495,518	14,310,182
At 31 December 2008	18,092,163	648,948	18,741,111

An impairment review of the carrying values of the company's newspaper and magazine titles was undertaken in accordance with FRS 10 The review indicated that an impairment charge of £3 3m (2008 £19 8m) 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 12 0% (2008 8 0%)

6 DEBTORS

	2009	2008
	£	£
Amounts falling due in less than one year		
Balances due from group companies	461,421	269,546
Group relief receivable	482,414	72,205
Deferred tax asset (Note 8)	9,338,239	8,987,033
	10,282,074	9,328,784
Amounts falling due in more than one year		
Balances due from group companies	38,236,551	37,548,385
	48,518,625	46,877,169

7 SHARE CAPITAL

	2009	2008
	£	£
Allotted, called up and fully paid		
1,000 (2008 1,000) ordinary shares of £1 each	1,000	1,000

8 DEFERRED TAXATION

The deferred tax asset recognised in the financial statements and the amounts not recognised are as follows

	Recognised		*Not recognised*	
	2009	2008	2009	2008
	£	£	£	£
Decelerated capital allowances	(9,338,239)	(8,987,033)	-	-

The movements in the deferred tax asset are as follows	2009	2008
	£	£
At 1 January	(8,987,033)	(4,303,048)
Origination and reversal of timing differences	(351,206)	(4,767,171)
Adjustment arising on change in rate of corporation tax	-	83,186
At 31 December	(9,338,239)	(8,987,033)

9 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital	Share premium account	Profit and loss account	Total shareholders' funds
	£	£	£	£
At 31 December 2007	1,000	90,670,064	(10,016,833)	80,654,231
Loss for the year	-	-	(15,035,951)	-15,035,951
At 31 December 2008	1,000	90,670,064	(25,052,784)	65,618,280
Loss for the year	-	-	(2,789,473)	(2,789,473)
At 31 December 2009	1,000	90,670,064	(27,842,257)	62,828,807

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

10 CONTINGENT LIABILITY

The company, together with certain other companies in the Archant Group, has provided a floating charge over the undertaking, property, assets and rights of the company, and a cross guarantee to secure sums drawn by the Archant Group under the revolving credit facilities with The Royal Bank of Scotland plc Details of the RBS facility are contained in the Archant Limited Group financial statements

11 RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption in paragraph 3 of FRS 8 "Related Party Disclosures" not to disclose transactions with entities that are part of the Archant Limited group and its associates

12 STATEMENT OF CASH FLOWS

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

13 ULTIMATE PARENT UNDERTAKING

At 31 December 2009, the parent undertaking for which group financial statements are drawn up and of which the company was a member was Archant Limited, registered in England and Wales Copies of that company's financial statements can be obtained from The Registrar, Companies House, Crown Way, Maindy, Cardiff