

“Archant achieved growth in 2003 by focusing on innovation, by investing in its new and existing businesses, and by working diligently to unearth acquisition opportunities”

Chief Executive's report

Performance

The Group performed strongly during 2003 as revenue growth increased to 8.0 per cent from 1.6 per cent in 2002. Revenue was underpinned by the continuing growth in regional advertising, which has not been subject to the decline experienced in other advertising sectors. Property was especially buoyant, more than making up for a modest decline in recruitment. The south-east, which had been a drag on results during 2002, began to show signs of recovery towards the end of the year.

Magazines continued to grow rapidly, with revenue up 32.4 per cent at £25.5m. Investment in magazines continues and profits grew by 356 per cent to £2m as the business began to mature.

Overall operating profits before amortisation, impairment and exceptional items increased by 6.1 per cent to £29.4m. Profit before tax increased by 13.9 per cent to £27.8m as the result of considerable efforts to reduce below-the-line exceptional costs.

Innovation

Revenue growth in 2003 was driven by a significant increase in the number of business innovations. Archant Central Scotland enhanced its portfolio of newspapers to create the *Extra* series, for instance,

producing greater opportunities for advertising sales across titles. Similarly, the *Herald* titles in Harlow and Hoddesdon were relaunched with a new editorial and sales team, improved local content and distribution, and increased pagination. A new office was opened in Harlow to place the publications at the centre of their communities.

The Group also added significantly to the number of titles it publishes. Newspaper launches included *The News* and the *Wood & Vale* in North London and the *Biggleswade Comet*. In magazines, Archant Suffolk successfully introduced its own edition of *Let's Talk!* and trialled *ea*, a new men's quarterly. Archant Norfolk launched *Norfolk Afloat*, a bi-monthly aimed at boating enthusiasts, and *Jumbo*, a weekly free ads newspaper.

As well as launching new publications, the Group has been active in improving customer service. Archant Hertfordshire introduced new web-based technology that enables estate agents to make up their own display ads on-line, at once cutting design studio costs and delivering greater control to the customer.

Awards

Archant newspapers displayed their commitment not only to innovation and growth, but also to quality, which was reflected in a string of national awards. In the Newspaper Society awards, the *Ham & High* was Weekly Paid Newspaper of the Year, the *North Somerset Times* was named Free Weekly Community Newspaper of the Year, and the media pack produced jointly by Archant Hertfordshire and Archant North London won the Best Advertising Sales Support Material award.

Many individuals were also recognised for their exceptional work. Among them, at the *Press Gazette* Regional Newspaper awards, was the *Evening News'* Stacia Briggs, who was named Columnist of the Year, and Steve Mellen of the *East Anglian Daily Times* for Sports Journalist of the Year. At the Newspaper Society awards, *Weston & Somerset Mercury* reporter Kelly Crane was named Best News Journalist (Paid-For Weeklies) and the same paper's Managing Editor, Judi Kisiel, received a special Innovative Person of the Year award. Other award winners included the *Eastern Daily Press'* Alex Gore,





named Norwich Union Health Consumer Journalist of the Year, and Simon Finlay, who was named Fuji Regional Photographer of the Year at the Picture Editors' awards.

Development

Archant achieved growth during 2003 by focusing on innovation, by investing in its new and existing businesses, and by working diligently to unearth acquisition opportunities. Such activity produced the opportunity to acquire 27 titles from Independent News and Media (INM). The purchases were completed by the end of 2003 and are expected to add to earnings per share in 2004. The newly acquired titles are adjacent to our existing London titles, giving us a strong base from which to develop our business. The INM deals move Archant from sixth to fifth place among regional newspaper companies in the UK, and double the size of Archant's London business.

Archant Life continued its expansion of county *Life* magazines with the acquisition of *Devon Life* and added *French Property News* to its growing portfolio of country titles.

The investments we have made in our newspaper businesses are another demonstration of our confidence in the sector. In Ilford, for instance, we are building a new office to house the East London & Essex newspaper business. The work is well under way, and it is exciting to look forward to the day in June when the new offices will be alive with activity.

Following a review of newspaper printing we have decided to expand our capacity at the Thorpe Print Centre by 50 per cent, with the addition of two print towers and a new finishing line. The existing equipment, which is now nearly 10 years old, is being refurbished to take advantage of the latest technology. Altogether, this project will cost £12.6m and will be live by the beginning of 2005. The new facilities will improve the quality of our newspapers through increased colour availability and will enable us to print more Archant publications in-house.

Pensions

Last year we committed ourselves to measures that would return the Group's pension funds to a fully funded position over time. To enable us to retain the final-salary pension scheme for existing members both Company and individual contributions have had to increase. In addition, funds are being provided by the Company to reduce the deficit.

Pensions offered to money-purchase members, meanwhile, were improved by contracting-in to the Second State Pension. Again, both the Company and members have had to make additional contributions. Rules regarding early retirement were amended, and it was decided that future discretionary pension increases could be funded directly by the Company to avoid an impact on the funds. In total, the Group's cash pension costs have increased by more than 50 per cent during the past two years. Having completed these changes, we believe that the long-term health of the fund is now assured.

Share Incentive Plan

Following modifications to the law which meant the demise of the Group's Profit Sharing Scheme, the Group launched a new plan during 2003. The cost to the Company is about the same as in the previous plan and, although the structure has had to change significantly, the new plan delivers similar benefits to participants. It is worth mentioning another award here: the team responsible for the new plan did such a good job of structuring it and communicating its benefits to employees that the Proshare organisation shortlisted it for no less than three prestigious national awards and awarded it two commendations.

Prospects

We remain cautious in our outlook for 2004. While there are signs of increased economic growth, this is balanced by the danger of the property market going into reverse, with a negative impact on consumer confidence and spending. Overall, we expect moderate growth in newspapers and a further improvement in magazine profitability.