

Chief Executive's statement Archant enjoyed exceptional growth during 2004, driven by the acquisition of the London regional business of Independent News and Media (INM) at the end of 2003 and strong organic growth across the business. Turnover grew 17.4 per cent to £185.6m and Group operating profit increased 20.7 per cent to £32.7m. Aided by the London acquisition and an increase in margins,

Investment

Much of the Company's success over the past 12 months is the result of its continued investment in proven, existing businesses, developing new opportunities and improving infrastructure.

The largest investment of late has been the acquisition of 27 London regional titles from INM. The purchase doubled the size of Archant's London business and, following the acquisition, we reorganised our regional newspaper business to create focused management teams in London, Hertfordshire, the South West and Scotland.

As anticipated, the INM acquisition was subject to a complex regulatory process, beginning with an examination by the Office of Fair Trading, and subsequent referral to the Competition Commission.

Consequently, Archant was restricted in the extent to which it could integrate and manage the INM business during the Competition Commission enquiry. These restrictions were removed in September when, as expected, the purchase received regulatory clearance. Since then we have moved forward rapidly with the integration of the businesses. This has included relocating people into a purpose-built office in Ilford, the consequent closure of the main Dagenham office and the merging of operations.

The staff of both divisions – the acquired INM titles and Archant's existing London business – had to cope with a great deal of uncertainty during the clearance process. Despite the difficult circumstances, those staff who were affected showed extraordinary commitment and produced an exceptional performance during the year. The integration will be completed during 2005, creating a platform for further development within London and the surrounding region.

The Group's major print facilities have been operating at capacity for several years. The £12.5m investment in the latest printing technology – announced in 2003 – progressed well in 2004. Two new printing towers and a finishing line have now been installed at the Thorpe facility in Norwich. The first newspapers were produced on the new equipment early in 2005, enabling the original equipment to be taken out of service for major refurbishment. When this work is completed the whole plant will incorporate the latest level of technology, thereby increasing its projected

profit from newspapers increased by 18.6 per cent to £35.1m. We expect to see further benefit from the London acquisition and other investments in 2005.

Magazines continued to grow rapidly, with profit up from £2.0m to £3.3m. While the magazine portfolio has yet to reach maturity, margins have increased to 11.0 per cent as the business develops scale.



John Fry, Chief Executive

life. The printing of a number of newspapers previously outsourced will soon be brought in-house and will benefit from increased colour content and reduced operating costs.

Following the reorganisation of Archant's information systems (IS) to create a Group-wide IS organisation, we have instigated a programme of systems renewal, beginning with finance. The next stage includes the implementation of a Group-wide human resources system and a new advertising sales and invoicing system. All of the new systems have been sourced from external vendors.

Newspapers and print

The Group's newspaper business had an excellent year, increasing margins as well as integrating the businesses acquired from INM.

At Archant Norfolk the *Evening News* and the *Eastern Daily Press (EDP)* have benefited from the innovative use of weekend supplements and specialist editorial sections. In consequence, Friday generates one of the highest circulation figures of the week for both titles and, in contrast to many other regional morning titles, Saturday's issue of the *EDP* sells more than any other day.

Archant Suffolk recorded record profits and margins, with much of its revenue growth attributed to the development of existing titles – for example, the launch of *Star Weekly*, a supplement from the hard-hitting *Evening Star* aimed at the Ipswich estates and surrounding villages. The *East Anglian Daily Times* relaunched a west edition of the paper and a new version of *The Advertiser* was launched into Stowmarket.

Archant Anglia also had a successful year, with record revenues. A new free newspaper, the *Fenland Post*, and an accompanying property magazine, *Homes & Property Post*, were launched in Cambridgeshire.

The cost reductions resulting from the merger of Archant Devon and Archant Somerset to form Archant South West helped their profits rise 48 per cent in 2004.

In September there were major changes in North East Scotland, when the Group's last three broadsheet newspapers were converted to compact format.

Like those of our competitors, our papers are exposed to decline in circulations, the effect being more pronounced in the case of daily evening titles. However, we are addressing the challenge this presents on a number of fronts. You will read elsewhere in this document about the work we have undertaken on new titles and web sites that complement and piggy-back off our strong newspaper brands, and the continuing evolution or relaunch of well-established titles.

Whilst it would be unduly optimistic to suppose that the national trend will reverse, on the whole our circulations are holding up well against the trend.

The steps we are taking are intended to ensure that we retain, or even improve, our "share of voice" in an increasingly diverse spectrum of media and that, across a range of well-targeted complementary titles, we sustain our audience. Our ability to preserve revenues through aiming specific titles in our portfolio to more clearly defined audiences, thus enabling advertisers to better target their spend, will stand us in good stead for the future, as will the increasing strength of our magazine businesses.

Magazines and contract publishing

Archant Life, Archant's thriving county magazine business, is a notable success story and, following a very busy 2004, it now has a total of 21 titles.

In addition to acquiring two new titles – *Brighton & Hove Life* and *Dorset* magazine – the business launched new county magazines in Oxfordshire, the Lake District, the Peak District and Cornwall, as well as new urban titles in Exeter and Plymouth.

Archant Life saw strong growth in the north of England, where it launched *Pure Interiors*, a spin-off from the local county Life titles, focussing exclusively on interior design.

French Property News also enjoyed healthy growth during 2004, helped in no small part by the five annual French property shows that the title hosts in London and around the UK.

Archant Specialist developed its photography portfolio with the launch of an improved *Photography Monthly*. Since the relaunch, the number of copies sold has grown by 28 per cent year-on-year, making it the fastest growing title in the photographic sector.

Share buy-back

As anticipated, a number of employees and former employees used the share buy-back as an opportunity to realise their investment in the Company. Of those shareholders who decided to sell out completely in the buy-back more than half had fewer than 250 shares and former and current employees received around £8.5m from the share buy-back.

Archant has benefited hugely from employee share ownership aligning the interests of employees and shareholders. As a consequence of encouraging employee share involvement, Archant is able to boast one of the highest employee share ownership rates of any company in the UK.

Conclusion

Despite a softening of the market towards the end of the year, Archant has once again demonstrated that its unique combination of innovation and a strong core business makes for a very successful mix. The Company's excellent financial results speak for themselves.