

Chairman's statement 2004 was a year of notable progress for the Group. Pre-tax profits were up 16.9 per cent at £32.4m (2003: £27.8m). Profit after tax was up 27.4 per cent at £26.0m (2003: £20.4m). Group operating profit increased by 20.7 per cent to £32.7m (2003: £27.1m). Key contributors to profit growth were the newspaper titles acquired from Independent News and Media (INM) at the end of 2003 and a significant increase in the profits of our magazine interests. The effective tax rate, of 20 per cent (2003: 26.6 per cent), has benefited from a significant reduction due to the release of tax overprovided in previous years.

Operating cash flow of £41.9m (2003: £32.0m), at 128 per cent of operating profit (2003: 118 per cent) was again excellent. After the £52.9m cost of the share buy-back, completed at the end of the year, net debt was £58.0m.



Richard Jewson, Chairman

Dividend

The Board is recommending a final dividend of 25.0p (2003: 21.8p) per ordinary share. This makes a total for 2004 of 36.8p (2003: 31.5p), an increase of 16.8 per cent. In considering the level of dividend, which reflects the need to balance the short-term benefit of income to shareholders with serving their longer-term interests by repaying the debt incurred through the share buy-back and funding the continued growth of the business, the Board has taken into account the significant increase in pre-tax profits.

Highlights

Detailed reports follow from the Chief Executive and the Finance Director, but I would draw attention to some of the features of an active year. Shareholders have been kept informed of the extended deliberations of the Competition Commission in respect of our acquisition of 27 newspaper titles around London from INM. This led to an unwelcome, if not unanticipated, delay in our ability actively to manage the business and to integrate it fully with our existing activities. Rapid progress has been made since clearance was given, the benefits of which will come through in 2005 and beyond.

The investment of £12.5m in the extension of our print capacity in Norwich has been successfully carried through, with much of the work having been undertaken during the year; and our team in East London now occupies a fine new office that we have had built at Ilford.

We have continued to make a wide range of innovations in new and existing publications throughout our newspaper and magazine divisions, including the purchases of *Dorset* magazine and *Brighton & Hove Life*.

We have again won a number of industry awards, including one for Luke David, a *Ham & High* reporter who was named Regional Press Reporter of the Year in the Press Gazette Awards. We were all delighted to be able to congratulate Peter Franzen, Editor of the *EDP*, for his OBE announced in the New Year Honours.

Staff and board

The results have been achieved by the combined excellent work of the 3,000 people we now employ. They are ably led by John Fry and the management team that he has continued to build throughout the Group. I congratulate them all on their achievements.

Roger Cadbury retired from the Board at the AGM after 11 years, and we thank him for his contribution. Peter Troughton has succeeded him as chairman of the audit committee.

Pensions

There is a full note regarding our pension funds in the financial statements. The steps that we took two years ago to stabilise the position of our funds were difficult for pensioners, employees and the Company, but have, we believe, been effective. The Board will shortly receive the triennial valuation and will carefully consider its implications, which are likely to remain burdensome.

Shareholders

In June a matched bargain facility was created to assist shareholders wishing to trade Archant shares.

The matched bargain facility has worked well for small- and medium-sized transactions but the Board decided to provide an additional opportunity for shareholders wishing to diversify their investment portfolio.

Towards the end of the year we therefore completed a buy-back of all the shares tendered, amounting to around 16 per cent of the equity, at a price of £20 per share and a total cost of £52.9m. We believe that this has met the wish of shareholders to liquefy at least part of their investment and to rebalance their portfolios.

The concept of the buy-back was well received by shareholders, attaining 99.9 per cent support at an Extraordinary General Meeting held on 8 December. All tendering shareholders were successful, the number of shares tendered falling short of the number the Company had indicated its willingness to repurchase. While nearly 40 per cent of shareholders took the opportunity to reduce the concentration of Archant shares in their portfolios, three quarters of Archant's shareholders retained an investment in the Company following the buy-back.

Our programme of communication with shareholders has been enhanced this year. We greatly value the contact and I do hope that all shareholders who have comments will make them known to me.

Governance

In my statement within the Company's 2003 Annual Report I alluded to certain changes to the rules of corporate governance applicable to companies quoted on the London Stock Exchange as contained within the Combined Code ("the Code"). There is, however, no equivalent for private companies.

Most private companies are either owner-managed or are held by the founders and, perhaps, a few of

their family members, and many such companies would regard any such controls as unnecessary or unduly burdensome.

The board of Archant does not adopt that view. The Board is aware of the benefit and comfort afforded to the Company's shareholders by knowing that the Board places a high value on good corporate governance. For many years the Board has, therefore, sought to ensure that it adheres to principles that enable it to deliver that comfort.

The Board does not, however, believe that adherence by the Company to the revised version of the Code as if the Company were quoted is necessary to deliver the degree of comfort it seeks. Furthermore, the Board believes that adherence to some aspects of the Code would (for reasons of cost, for example) be contrary to the interests of shareholders and wholly inappropriate to the circumstances of a private company like Archant. I anticipate, therefore, that this will be the last occasion on which we report our corporate governance by reference to the Code.

I should reassure shareholders, however, that this change in practice will in no way diminish the standards of governance adhered to within Archant and that we shall, of course, continue to report to shareholders on the subject of corporate governance. The Board remains as committed as ever to the need for good governance and to ensuring that shareholders are properly informed of the Board's stance and practices in that respect. Accordingly, it will continue to monitor developments in this area and review and modify the practices it applies in the light of such developments set against the background of the circumstances of the Company and the need to protect the interests of shareholders in that context.

Outlook

Our plans are to achieve further growth in revenue and profits this year. Overall, we expect the Group's profitability to increase as investments take effect and recently introduced titles mature.

Although there are signs of the housing market declining, most commentators expect a satisfactory economic performance in the UK in 2005, and that a collapse of the residential property market will be avoided. In such circumstances the Group should perform well.

We shall continue to seek opportunities for profitable investment in the areas we know well and in which we have proven expertise.

Since the year end we have been pleased to announce the acquisition of the Romsey magazine business. This has a range of leading publications that will give critical mass to our specialist magazine business.