

# CHIEF EXECUTIVE'S REPORT

The metamorphosis to Archant emphasises our further development during 2001 as a media group of scale in the UK.

It was a year of solid progress with some excellent county magazine acquisitions and the launch of *Photography Monthly* considerably adding to our growing magazine portfolio.

Your Group now publishes in excess of 100 titles which include the country's top selling regional daily newspaper, the *Eastern Daily Press*, the top selling weekly paid for series – the *Recorder* in Romford, Ilford and Newham – and the top selling county magazines in Cheshire, Lancashire, and Yorkshire.

Against a background of increasing costs, newsprint rising

by 12% in the year and a marked slowdown in like-for-like revenue growth, from 7% ahead in the first quarter of the year to 2.5% in the last, operating profits increased by 8% to £26.1m – another record year.

Recruitment advertising in our newspapers is particularly sensitive to the economic cycle and fell from growth of 20% for the first quarter to a decrease of 2% in the last quarter. In spite of this, a strong performance, particularly from property and display advertising in the second half, helped us to record overall growth in newspaper advertising revenues for the year of 4.6%.

These results reflect a year when local and regional newspaper revenues have maintained in the face of savage falls elsewhere in the media, and in particular TV and radio.

They are a great credit to our teams of people throughout the company, and in April we were proud to be declared the 26th fastest growing unquoted company in the country in terms of profit in the *Sunday Times* PwC Profit Track 100. The results are measured by taking a three-year view and this is the highest position we have achieved.

Underpinning our financial performance, good circulation performances were achieved by a number of our paid-for newspapers. Notable were the *Romford Recorder*, voted Newspaper of the Year in our in-house awards, which showed a 6.6% gain year-on-year for the July-Dec period and the relaunched *Evening News* in Norwich which halted a slide with an improvement of 7% to end the year within 100 copies of the previous year. Proof, if we needed it, that editorial excellence is the key!

In magazines the growth in copy sales was even more notable. *Cheshire Life*, *Lancashire Life* and *Yorkshire Life* achieved an aggregate gain year-on-year of 12% to 54,662 copies per month and in the specialist area, new launch *Photography Monthly* exceeded our expectations.

Our drive to improve efficiency continues and we see this coming from benchmarking of processes across the business under the Avanti initiative which was launched in 2001 and the benefits of which will begin to flow during 2002.

But Avanti is more than just a benchmarking exercise and will lead the way for us as we use technology to bring our customers closer to us, for example with facilities for approval of advertisement visuals over the internet.

During the year we took the decision not to pursue further the business of commercial service provision on the internet – the development of web sites for outside customers. It is an extremely fragmented market and we judged that we could better focus on internet presence for our own titles. Good progress has been made with our brands on the internet and though still loss-making (our investment in 2001 was £1.5m), we expect losses to reduce in 2002.

Two print contracts were lost during the year when EMAP withdrew to print at Peterborough. It will take time to replace these but we are well under way. We brought a further six of our own publications in-house and won a

contract to print a weekly property magazine for the Cambridge daily paper.

Elsewhere, revenues grew in both leaflet distribution and events as we added to the media services our customers enjoy – which now range from newspapers to magazines, awards events, exhibitions and the internet.

We remain confident in our strategy of growing our newspaper, magazine and new media interests in regional, local and specialist markets, and we are increasing our launch capacity. There is risk attached, but the risk can be quantified, and the creative forces at work in the company will be given greater support in pursuit of this goal.

The Archant values of innovation, openness, quality and commitment are the rules by which we are measuring our actions, and the unification of the Group under the Archant banner puts us in a stronger position than ever before to capitalise on our combined strength and experience. Our aim is to successfully invest up to 15% of our operating profits in launch activities.

To ensure we succeed, we are determined to give our people the training and the tools they need to do the job – our people are at the heart of everything we do.

A major initiative in 2001 was the introduction of a formal succession planning and management development programme for the senior people in the business. It has resulted in a step change in our attitude to growing leaders across the company, and a comprehensive development plan kicks off in 2002 under the Archant banner.

Another initiative, a 'marketing university', was launched by Archant Norfolk – open to all, and a range of training courses have been expanded to become available to people across the whole business.

Finally, it was gratifying to see our company magazine *Network* win another clutch of prestigious awards against national competition, including the Communicators in Business Award of Excellence for internal newspapers.

Good communication is at the heart of Archant, it is the key to our success.

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Peter Strong Chief Executive

