

Chief Executive's report



Performance

During 2002, the Group performed well in an uncertain environment for media businesses. While there was a beneficial reduction in the cost of newsprint over the year, it was a difficult time for advertising, with many national publishers suffering year-on-year decreases in advertising revenue. Fortunately, advertising in the regional press held up somewhat better, with the retail and property sectors being relatively buoyant.

Improved performance in many Archant businesses also meant that, after a difficult first half, in which revenue fell by 1.0 per cent, there was a recovery in the second half, producing 3.7 per cent revenue growth against the same period last year. This strong, group-wide performance meant that Archant enjoyed another record year, with operating profits before amortisation, impairment and exceptional items increasing by 5.8 per cent to £27.7 million.

Driving the growth of the Group in 2002 was a variety of factors, but foremost among them was a high degree of innovation and enterprise, many examples of which you will find in the pages which follow.

Developments

In magazines, Archant Life launched one new title, *Cambridgeshire Life*, and acquired six more. We now publish 16 county magazines, from Lancashire to Kent,

with the developed titles delivering excellent growth and high margins. As the portfolio matures we expect the growth trend to continue.

At Archant Specialist, our photography portfolio is going from strength to strength. From its launch in 2001, *Photography Monthly* has established itself in second place in the national market with an ABC of 32,000, and the launch during the year of *Total Digital Photography* means that Archant Specialist now has eight photography titles. This provides major photography manufacturers and retailers with advertising and marketing solutions across both amateur and professional sectors. Across the Group, magazines are now making a significant contribution to profits, having grown revenue by 16.9 per cent in 2002.

The same entrepreneurial spirit was evident in our longer-established newspaper businesses. There are abundant examples, with highlights including the launch in Suffolk of *Star Free Ads Plus*, the launch of *Let's Talk* in Norfolk, the high-profile relaunch of the *Barking and Dagenham Recorder*, and the launch in Cambridgeshire of *Ads Weekly/Jobs Weekly*. Together, these helped Archant achieve a small growth in advertising revenues during the year.

The research and development work was also completed during 2002 for the new *Wood & Vale*

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John Fry Chief Executive

weekly in North London, which was launched successfully in January 2003.

Awards

The icing on the cake for Archant newspapers was a clutch of national awards. At the Press Gazette awards the *Evening Star* (Suffolk) was named Britain's Evening Newspaper of the Year, the *Eastern Daily Press* took the Front Page of the Year title, while *The Comet* (Hertfordshire) was runner-up as Free Newspaper of the Year. Archant Devon's www.countrysmallholding.com won the Best Niche Publication Website title at the Newspaper Society awards. The *EDP*, together with Howard's estate agency, took the Best Alternative Revenue Stream title and, at the National Distribution awards, Archant Anglia was judged to have the Best Distribution Operation.

Strategy

In 2002, shareholders approved a change in the name of the Group from Eastern Counties Newspapers Group to Archant. The new name has proved a big success, bringing together the diverse businesses within the Group and creating a single identity. This has encouraged a sense of belonging to one company and increased job mobility within the Group. In the first six months of the year the focus was on internal implementation, switching in the second half to the development of the new Archant brand in the wider world.

To continue the growth and development of Archant, the Board has agreed a strategy which includes investment in new launches and extensions of existing products, as well as acquisitions of targeted

companies. Shareholders facilitated this strategy by overwhelmingly supporting a change in the Company's Articles of Association increasing the Company's borrowing powers.

Our strategy of investing in growing our regional, local and specialist publishing interests will, we believe, deliver excellent value to Archant shareholders. Investment can, and will, take a variety of forms – from new and refurbished offices to new technology, and from new launches and acquisitions to staff training. But the target is always the same: producing high-quality publications that meet the needs of our readers and advertisers.

Pensions

In common with other UK companies, Archant has experienced a deterioration in the funding position of its pension schemes. This has necessitated a number of significant measures to limit the exposure of the funds, while keeping the final salary scheme for existing members. These measures, which include the making of a substantial contribution by the Company, are expected to return the funds to a fully funded position over time. Members of the defined contribution scheme will be provided with an additional pension by "contracting in" to the state second pension.

Prospects

On entering 2003 we do have some concern that softness in the economy will have an impact on the business by the year-end, particularly if some of the negative trends experienced in London spread elsewhere. So far, however, this is not the case, with revenues and profits continuing to grow in both newspapers and magazines. ▼

