

"I am pleased to report that 2003 was another successful year for the Group"

Chairman's statement

Results

I am pleased to report that 2003 was another successful year for the Group. Operating profits before amortisation, impairment and exceptional items were up 6.1 per cent, at £29.4m (2002: £27.7m) on turnover up 8.0 per cent, at £158.0m (2002: £146.2m). Pre-tax profits were up 13.9 per cent, at £27.8m (2002: £24.4m), the increase being principally attributable to substantially increased profits in our magazine companies, Archant Life and Archant Specialist, and reduced exceptional costs. The effective rate of taxation on profits was 26.6 per cent (2002: 34.1 per cent). Adjusted earnings per share were up 13.0 per cent, at 139.5p (2002: 123.4p).

Operating cash flow of £31.9m was again excellent, at 118 per cent (2002: 143 per cent) of operating profit. Due principally to the impact of the consideration payable in respect of the titles acquired from Independent News and Media (INM), net borrowings were £12.1m at the year end (2002: £29.8m net funds).

Dividend

The Board is recommending a final dividend of 21.8p (2002: 18.6p) per ordinary share. This makes a total for 2003 of 31.5p (2002: 27.8p), an increase of 13.3 per cent. The proposed dividend reflects the Board's confidence in the prospects for the Group and a strong balance sheet.

Highlights

Detailed reports follow from the Chief Executive and the Finance Director, but I would like to draw attention to some of the features of an active year. Most significant was the acquisition from INM of 27 newspaper titles around London. The acquisitions were completed right at the end of the year. We are very confident that they will increase earnings in 2004 and greatly strengthen the Group.

Our innovation programme has involved a wide range of launches which, in total, have done better than planned. We continue to invest in infrastructure, most notably in a new office building at Ilford, and in the presses at Thorpe.

Our magazine activities, which are beginning to mature and contribute profits and cash to the Group,

were further reinforced in the year by the acquisition of *Devon Life* and of *French Property News*. We have comprehensively reviewed our IS strategies and will be developing a group-wide systems platform during the next three years.

We have again won a range of industry awards including the Newspaper Society Paid-for Weekly of the Year – *Ham & High* and the UK Press Gazette Web Site of the Year – www.EDP24.co.uk, as well as Proshare commendations for our new Share Incentive Plan.

Staff and Board

As the new management team put together by John Fry settles in, it becomes ever clearer that we have tremendous management and staff at all levels, to whom I pay tribute.

Roger Cadbury is to retire from the Board at the AGM. He has served the Group as a director since July 1993 and we have benefited ever since from his broad experience and good sense. He will be succeeded as Chairman of the Audit Committee by Peter Troughton.

Pensions

The steps which we took during 2003 to stabilise the position of our pension funds were difficult for pensioners, employees and the Company, and although under FRS 17 accounting the funds remain in deficit, we believe the measures have been effective. In 2003 the Company has contributed approximately £5m to the funds, compared to an average of £3m in 2000 and 2001. In 2004 we expect to contribute at about the same level as in 2003.

Community

Throughout the year our titles have continued to campaign for community issues. Many charities and other good causes have benefited from the generosity of our readers responding to our newspapers' campaigns.

Shareholders

Each year the Board considers carefully a wide range of issues affecting shareholders and this discussion is informed by direct contact. In 2003 we have increased the number of face to face meetings with shareholders, and I am always pleased to be contacted directly by individual shareholders who

Archant share price vs FTSE 250 over five years (from January 1999)



have comments or concerns to express. The great majority appreciate the success of the Group and view their investment as a long-term holding. This is demonstrated by the fact that nearly 90% of shares are in "family holdings".

One of the issues we have identified is the ease with which shareholders may buy or sell shares. The Company's Articles of Association permit shareholders to trade between themselves at any price they agree and, to assist shareholders in concluding such transactions, we are arranging with a firm of stockbrokers to operate a 'matched bargain' dealing process as an additional facility for shareholders seeking to buy or sell shares.

The Board hopes that the matched bargain process will accommodate the majority of transactions and, if this is the case, it will establish a price level at which the expectations of buyers and sellers can be met.

A graph of Archant's share price over five years relative to the FTSE 250 index (being the 250 companies immediately below the FTSE 100) is set out above.

The pricing models we use to determine the share price when a shareholder asks the Company to find

a buyer for their shares are regularly reviewed with professional advice and prices set for this purpose have proved acceptable to the Inland Revenue.

Some shareholders have made the point that the weight of their investment in the Company in their portfolio results in them encouraging the Board to remain prudent. You will know that this has indeed been the stance of the Board in the past, and the strategies by which we manage the business demonstrate that we can continue to grow at a satisfactory rate by reinvesting our cash flow. On the other hand, the most desirable acquisition opportunities arise rarely and may be of some scale. Generally, shareholders appreciate the progressive dividend policy we have been able to pursue, whilst supporting the retention of sufficient earnings in the business so that it can continue to grow well.

Governance

The Higgs Report has been published and its recommendations adopted by the Financial Reporting Council in the form of an amended Combined Code applicable to UK companies quoted on the London Stock Exchange in respect of financial years beginning on or after 1 November 2003 (the Revised Code).

Whilst aspects of the Revised Code are appropriate to larger private companies, your Board is of the view that many of the new provisions are less appropriate or readily adaptable to the circumstances of such companies than was the case with its predecessor.

Shareholders may rest assured, however, that the Board will continue to adhere to high standards of governance and risk management.

Outlook

Our plans are to achieve further growth in revenue and profits in 2004 and, so far, we are on track to do so. Most commentators predict a positive economic performance in the UK, and that a collapse of the residential property market may be avoided. If so, we expect the Group to produce a satisfactory performance. We shall continue to seek opportunities for profitable investment in the areas we know well and in which we have proven expertise.

