

2007 was a good year for Archant as we saw a return to profit growth for the group as a whole and for newspapers and print in particular

JOHN FRY, CHIEF EXECUTIVE

REVENUES AND PROFITS FROM ONGOING operations grew by 3.0% and 3.6% in the year respectively. The sale of our Scottish newspaper operation to Johnston Press in April helped to reduce net debt from £54.8m to £36.9m by the year end. Magazines and contract publishing continued to grow strongly, reaching £7.1m of operating profit, up 16.1% on the prior year.

The group's newspaper digital activities, while still small in revenue terms, nearly doubled their turnover from £1.1m to £2.1m, primarily due to increased revenue from the recently launched classified sites and new revenues from banner advertising on our content sites. We expect digital revenues to grow further in 2008.

Newspapers and print

Following two difficult years for advertising, we entered 2007 with declining newspaper advertising revenues and pressure for cost reductions to mitigate the consequent fall in profits. I am glad to report that revenues recovered, up 1.2% on the year for ongoing operations, enabling us to report increased revenue and profit in newspapers and print for the first time since 2004. The falls in recruitment advertising experienced in 2005/6 came to an end during the year and this, together with a buoyant property sector and growth in local retail advertising, were the drivers of improved performance. Towards the end of the year we started to see the impact of the slowdown in the UK economy, with a reduction in advertising expenditure by estate agents and motor dealers. While new property advertising remains buoyant, advertising volumes from estate agents have declined resulting in a reversal of the growth trend seen in the last two years. There has been some recovery in January 2008 but volume continued to lag last year.

Due to concern that our newspaper operations in Scotland lacked the scale necessary to develop a successful newspaper business, a decision was made to sell our Scottish titles. Johnston Press was a natural buyer due to its other newspaper operations within Scotland. We would like to thank all our colleagues in Scotland for all their hard work during our period of

ownership and send our best wishes for the future. During the year Regional acquired *Agenda* and also *Property Plus* in the Cambridge property market.

Further expansion of the Thorpe Print Centre in Norwich has been initiated. We are increasing the facility from six printing towers and three folders to 10 towers and four folders, primarily by adding equipment of the same type as already installed at Thorpe, made available by The Guardian's decision to change the size of its publications. This expansion will enable the Group to print all of its newspapers in full colour and at a lower cost than currently. Following completion of the expansion at Thorpe in 2009, we intend to close the Ipswich print facility.

There has been an increased demand for stapled newspapers as the market moves to more free pick-ups. In response to this trend, on-line stitchers have been installed at Thorpe, enabling the production of stapled newspapers at high speed. An increase of 2.9% in newsprint costs was mitigated by changing to lighter paper.

Recovery from a fire earlier in the year affecting two towers at Thorpe is now complete. That no publications were lost and that there were no injuries in consequence is a credit to all those involved in contingency planning and in its execution.

Magazines and contract publishing

Our magazine operations had a good year, growing revenue and profit against a negative trend in consumer magazines. As the business has matured, margins have increased with profits reaching £7.1m. Particularly pleasing was the strong organic revenue growth in *Life* of nearly 10%. After six years of rapid growth we are firmly established as the market leader in local magazines across England and continue to believe that more expansion is possible within this sector.

During the year *Life* acquired *West Essex Life* and *Living Edge* magazines, based respectively in north west Essex and southern Manchester, and *WeddingLink*, a publishing and exhibition business located in Cheshire. *Life* now has 56 titles and a strong market leading position which we



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plan to continue to develop. *Life* has also moved to new offices in West Kensington in London, consolidating activities from the Highbury and Metropolis acquisitions.

Specialist magazines produced mixed results with some strong performances being balanced by issues in other sectors. Our contract publishing business, Archant Dialogue, had a particularly strong year as it developed new business with existing clients, in particular Harley-Davidson, and gained new ones such as Ascot Racecourse and Young's Seafood.

Web development

The rapid pace of development established in 2006 continued, with the launch of new classified sites jobs24 and drive24. jobs24 performed particularly well, gaining significant viewer and advertiser acceptance in the first month after launch. Nearly all our print customers are also opting to advertise digitally and we are now gaining new 'digital only' recruitment advertising revenues. Our initial focus after launch has been to fill our classified sites with local content more relevant to readers than our major competitors. drive24, launched in the summer, has grown rapidly but we do not expect to be able to claim leadership until later in 2008. As the sites fill with content we have seen growth in audience with, on average, 136,000 unique visitors per month in aggregate to homes24, jobs24 and drive24 in 2007 and 112,000 unique visits to jobs24 and 93,000 to homes24 in January 2008. As we move forward, our focus is on developing our audience and turning this into revenue.

On-line revenues from newspaper activities almost doubled during the year to £2.1million and web audience grew by 53% to a monthly average of 1.25 million unique visitors during the year. We expect to see further growth in 2008, which began strongly in January with nearly 1.7 million unique visitors and revenues of £313,000.

While our websites are only producing a small proportion of overall revenue they are growing rapidly and are clearly valued by our advertisers.