Chairman's statement

The impact of digital media on our traditional business has grown rapidly since broadband became mainstream and the economic downturn, which started in 2008, has served to accelerate that pace of change.

RICHARD JEWSON, CHAIRMAN

YOUR GROUP HAS faced the challenges presented by diversifying and repositioning its portfolio of media assets, by pursuing efficiencies and by accelerating its business development activities to take advantage of the opportunities created.

Absent further serious falls in the GDP, we believe that we have established a platform from which the Group can resume growth when market conditions improve. Digital revenue has grown throughout this difficult period, and we fully expect this to continue, as new initiatives are introduced and bear fruit.

Strategy

We remain resolutely customer focused in all our activities: serving local communities or communities of interest. We deliver captivating and relevant content through multiple media channels, thereby providing our advertising customers with a range of media options to help them achieve their objectives. We constantly review and improve our existing portfolio of products. Increasingly we will achieve this through a combination of joint venturing with specialist and niche businesses as well as in-house development, particularly in the digital arena. In so doing we seek to protect and develop our existing business and grow shareholder value.

Results

Group operating profit at £8.2m was up 157% (2009: £3.2m) after an impairment charge against the carrying value of certain titles of £0.5m (2009: £12.4m) and exceptional costs of £1.5m (2009: Credit £5.4m comprising exceptional income of £10.0m from pension scheme restructuring and £4.6m of exceptional costs).

Total turnover for the Group was down 1.9% at £139.3m (2009: £142.0m) and the operating profit before amortisation and exceptional items fell 2.4% to £14.8m (2009: £15.1m). Operating profits in the magazine division were up 8.1% at £5.6m (2009: £5.2m), but newspapers were down 13.3% at £9.3m (2009: £10.7m). Digital revenues increased by 14.2% to £5.4m.

Total operating costs were reduced by 1.9% to £124.5m (2009: £126.9m) through savings from efficiency initiatives.

Operating cash flow remained strong at £13.7m (2009: £14.3m) and net debt at the end of the year was further reduced at £23.3m (2009: £27.5m). The Board remains confident that the available facilities, totalling £49.0m, provide the Group with sufficient working capital and headroom to pursue its current strategies.

Adjusted earnings per share, the measure of underlying performance, fell 1.1% to 64.0p (2009: 64.7p).

Shareholders and dividends

In March 2010 we paid a first interim dividend for 2010 in lieu of a 2009 final dividend due to the impending increase in rates of personal taxation. For 2011 we are reverting to the normal pattern and a final dividend of 13.7p (2009: 13.7p) will be proposed to the AGM to be paid on 19 April 2011. If approved, together with the second interim paid in relation to 2010 of 6.4p, the total dividend relating to 2010 will remain at 20.1p (2009: 20.1p per share).

The Board fully understands the importance that shareholders attach to the level of the dividend but has to balance short and longer term benefits of shareholders against the needs of the business and the economic conditions it foresees. The Board looks forward to being able to grow the dividend as trading performance and confidence in the outlook for the economy justify.

Following a low of 15,300 shares traded in 2009 on the Matched Bargain Facility, some 53,000 were traded in the year in the price range £4.75 to £5.25; stronger than those of its nearest comparators but the sector continued to underperform markets generally.

Our programme of meetings with shareholders continued during the year and we are grateful for the continued support and understanding of shareholders through these changing and challenging times. The AGM this year will be held at

The Conference Centre at the John Innes Centre in Norwich. In addition to routine business, we are bringing proposals for a revised Long-Term Incentive Plan, to extend the life of the current all employee Share Incentive Plan and to renew powers for the Board to offer non-shareholding senior managers an opportunity to subscribe for shares in Archant. The Board looks forward to welcoming as many shareholders as possible to the AGM.

Highlights

Very considerable progress has been made in repositioning our business to take advantage of the opportunities presented by the new technologies. The full implementation of our industry-leading content management system through all newspaper newsrooms and

the associated necessary cultural change has been fundamental.

We have made a number of important new senior management appointments during the year to strengthen the executive management team, and to accelerate the rate of change and development across the business. The Chief Executive's report discusses a number of these developments, but we have developed our Cambridge strategy with the launch of *Cambridge First* and purchase of *Explorer*, launched a series of glossy hyper-local coastal magazines and relaunched Life county titles in the Midlands. In the digital space we have invested in a group buying business, Tickles (*www.tickles.co.uk*), and relaunched *jobs24* on an upgraded platform. We are expanding our successful weddings portfolio with new products and into new areas of the country.

We celebrated 125 years of *The Star* in Ipswich and 140 Years of the *Eastern Daily Press*, and are delighted to be able to report that the two Norfolk daily titles and half the paid-for weekly titles outside London achieved circulation growth in the second half of 2010 as compared to 2009. Additionally, three Life titles in Lancashire, Yorkshire and Cheshire achieved their tenth consecutive year of combined circulation growth. Dialogue made further progress with client wins of the Army Cadet Force, the British Parachute Association and an innovative *Burghley Life* publication for the Land Rover Burghley Horse Trials. Specialist launched a number of new titles, notably *Turning Pro* in the photography market and *Clay Shooting*.

We have continued to implement efficiencies and during the year we centralised advertising production in Norwich. This February, following a review of our print activities and with significant increases in the price of newsprint, we announced a consultation with our employees at Thorpe over a proposal to outsource the printing of some of our titles to a third-party printer.

Staff and Board

The Board pays tribute to the management and staff throughout the Group for their continued determination and enthusiasm through what have been, and continue to be, challenging and uncertain times. We continue to receive many industry awards – recently at EDF Energy East of England Media Awards 2010, the *Eastern Daily Press* won the Daily Newspaper of the Year award and *www.edp24.co.uk* won Website of the Year.

June de Moller will not seek re-election to the Board at the AGM after 12 eventful years. We have greatly valued her contribution over this time and wish her well for the future.

Outlook

We expect no early relief to the 'hard pounding' of the last few years. Whilst there will be an upturn in economic activity and demand for advertising at some point, it is unlikely, at best, to arrive before the end of this year. Some commentators expect a 'double dip' recession which would delay it further. Meanwhile we expect an increase in newsprint prices of approximately 20% and face the full impact of the cuts in government expenditure.

Whilst the recession has accelerated the rate of change in media, we are significantly better positioned to take advantage of this through the appointments we have made and the improvements in our own technology. We will continue to develop new revenue streams, through the introduction of new products and services for the benefit of our readers and advertisers.