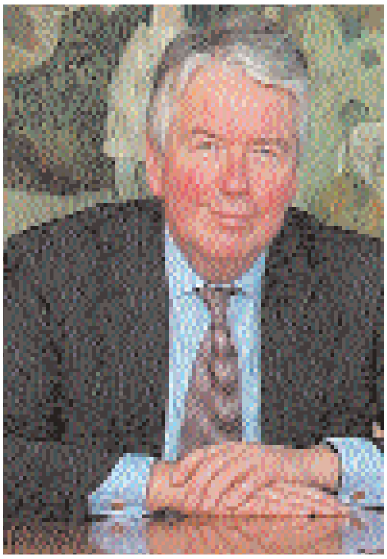
# Chairman's statement 2005

As was envisaged when shareholders were sent the 2005 interim statement, the trading environment continued to tighten in the second half of 2005. Operating profit for the year before amortisation, impairment and exceptional items fell by 12.3 per cent to £31.6m (2004: £36.0m). Adjusted earnings per share were down 13.4 per cent at 147.6p (2004: 170.5p).

Pre-tax profits were down 29.4 per cent at £22.4m (2004: £31.7m). Key features of the profit and loss account are the 20.0 per cent fall in profits of the newspaper and printing businesses to £27.9m (2004: £34.9m), continued progress in magazines and contract publishing, an increase in interest costs following the share buy-back to £3.7m (2004: £800k) and an increase in the effective tax rate from 19.8 per cent to 25.7 per cent.

Operating cash flow remained strong at £33.6m (2004: £41.9m), being 126 per cent of operating profit.

It should be noted that the 2004 comparatives in this report have been restated to reflect the implementation of a number of new accounting standards. This is explained in more detail in the accompanying Financial review.


Richard Jewson, Chairman

**Dividend**

The Board is recommending a final dividend of 25.0p (2004: 25.0p) per ordinary share. This makes a total for 2005 of 37.4p (2004: 36.8p), an increase of 1.6 per cent. In considering the level of dividend, the Board has to balance the short term benefits of income to shareholders with serving their longer term interests by managing debt and funding the continued growth of the business.

**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.

The structure of the regional press industry is changing. During the year, for example, Johnston Press expanded by making significant investments in Scotland, Northern Ireland and the Republic of Ireland and Daily Mail and General Trust announced its intention to sell Northcliffe, its regional press division, a decision which it reversed in 2006.

Recruitment and motor advertising slowed during the year, with property less affected. Some of this downturn, particularly in recruitment, reflects migration to the web, but generally the industry is suffering from weaker economic growth and consumer spending.

During the year we re-launched the *Evening News* in Norwich to reflect a modern city and to increase its appeal to younger readers. We have reorganised publications in a number of areas, including converting some publications from paid to free to grow audiences and better serve advertisers. A series of efficiency projects, particularly in back-office functions, are being implemented. In 2005 our titles achieved their best ever showing at the Newspaper Society Weekly Newspaper Awards, winning nine categories and having 12 other finalists. We have continued to develop our web offerings and it is very satisfactory that, in 2005, edp24.co.uk was, for the third time in five years, named the Regional Press Awards' Website of the Year.

The £2.8m refurbishment of Prospect House is now under way and the Hertfordshire and Cambridgeshire teams have been brought together in a new Stevenage office. The refurbished Thorpe press is now fully operational, enabling greater colour content in our newspapers, and we have successfully transferred a number of our publications to it.

We made a number of magazine acquisitions during the year which have extended and consolidated our magazine interests in both Specialist and Life. Since the year end we have acquired five free lifestyle magazines in London from Metropolis Publishing, significantly consolidating our position in the most affluent areas of the London market. We now have a strong position in London, particularly in relation to property advertising.

**Staff and the Board**

This has been a particularly challenging year for our staff and the Board is grateful to them for the way in which they have responded to difficult markets. A number of senior appointments have been made which reinforce our financial and technical management. The Archant Academy was launched at the start of the year, providing further focus and depth to our group-wide training programmes.

Anita Frew left the Board during the year and we thank her for the contribution she has made. Since last year's Annual General Meeting we are pleased to have welcomed Richard Wyatt, Chairman of Panmure Gordon, and Philip Graf, previously Chief Executive of Trinity Mirror, to the Board. Their brief biographical details are on page 12 and each of them will be standing for election at the Annual General Meeting.

With a young family based at his home in Bath, Nigel Websper, managing director of Archant Regional, decided that being headquartered in Norwich was incompatible with family life and left the Group in February 2006. Nigel, who joined the board of the parent company in 1999, served the Group with distinction for 25 years and we wish him every success.

Geoffrey Copeman will retire from the Board on his 70th birthday in August, after 35 years as a director of the Group's parent company. He joined the firm in 1961 and was Group Chief Executive from 1982 to 1996. The Board has greatly benefited from his extensive experience and knowledge of the industry – Geoffrey was President of the Newspaper Society in 1995, being awarded its President's Medal in 2000, and in 2001 he was made a CBE for Services to the Newspaper Industry. We wish him a long and happy retirement.

The long term incentive plan approved by shareholders in 2001 has all but run its course and proposals for a replacement scheme are set out in a letter to shareholders. We believe that the scheme has contributed to the success of the Group by creating alignment of interest between executives and shareholders and by providing performance-based incentives in line with good practice. The value of shares delivered to senior executives under the scheme is equivalent to about one per cent of the value created for shareholders over the same period.

**Pensions**

There is a detailed note regarding our pension funds in the financial statements. The triennial actuarial valuation shows a modest deficit. In 2005 we made a discretionary increase to pre-1997 pensions in payment of two per cent and paid the capital cost of this, £621k, into the fund. We have, of course, fully reflected the requirements of FRS 17 in preparing the accompanying financial statements.

**Shareholders**

We have maintained our programme of communication with shareholders, which we greatly value. The internal share market continues to operate, some 78,000 shares having been traded during the year via the matched bargain facility.

We have reviewed the company's Articles of Association during the year and a number of mainly technical changes which are being proposed to shareholders are explained in a letter to shareholders.

The Annual General Meeting this year will be held at the Assembly Rooms in central Norwich, as the room we have used for some years at the Print Centre has been converted into office space.

**Outlook**

I comment above on changes taking place in the structure of the regional press industry. Differing views are being taken of the prospects for the regional press and the opportunities and threats presented by the growth of broadband and digital platforms. It is unclear how much of the present downturn is cyclical and how much is structural but your Board remains confident of the prospects for the regional press and of the ability of our management to meet the challenges presented by technology and changes in the marketplace.

We expect the current weak trading conditions to continue for much of this year and that newsprint prices will increase by seven per cent in 2006. There will therefore be continuing focus on improving efficiency and the market positions of our publications.

We shall continue to seek opportunities for profitable investment in the areas we know well and in which we have proven expertise. In particular, we shall examine carefully any opportunities to consolidate and improve the overall quality of our newspaper portfolio which emerge from industry restructuring.

“Your Board remains confident of the prospects for the regional press and the ability of our management to meet the challenges presented by technology and changes in the marketplace”