The Accounts

19300

SECRETARY AND REGISTERED OFFICE

J O Ellison
Prospect House
Rouen Road
Norwich
NR1 1RE

AUDITORS

Ernst & Young
Norwich

Report of the Directors

The directors have pleasure in presenting their report and the audited accounts of the Group for the year ended 31 December 1999.

ACCOUNTS

The Group profit for the year after taxation and minority interests amounted to £20,271,000 compared to £14,090,000 for 1998.

Dividends have been paid or proposed as follows:

	£000	£000
6.45% cumulative preference shares		20
15.5% cumulative second preference shares		316
Ordinary shares		
Interim of 6.0 p paid on 4 October 1999	959	
Proposed final of 14.0p	2,255	3,214
		3,550

The ordinary dividends above are stated after taking account of the dividends waived by the ECNG Employee Benefit Trust and the ECNG Qualifying Exempt Share Ownership Trust.

The final ordinary dividend, if approved, will be paid on 12 May 2000 to ordinary shareholders whose names were on the register on 28 April 2000.

ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the Group is publishing newspapers.

The key factors affecting the Group's trading performance, and details of the acquisition and disposal, are highlighted in the Financial Review on pages 7 to 9.

The directors expect continued growth of the Group through both the development of the core businesses and strategic acquisitions.

DIRECTORS

The members of the Board who held office during the year are listed on page 24. Mrs J F de Moller was appointed to the Board on 12 May 1999.

The directors retiring by rotation in accordance with the Articles of Association are Mr R C Copeman, Mr R W Jewson and Mr P M Strong who, being eligible, offer themselves for re-election. Mrs J F de Moller also retires, and being eligible, offers herself for election.

The directors' interests in the shares of the Company are disclosed in Note 5 on page 40.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors

CORPORATE GOVERNANCE

The Board acknowledges its responsibilities to shareholders for good corporate governance and remains committed to maintaining high standards.

The Combined Code

Although not a listed company, and not therefore bound by the reporting requirements of the Combined Code (the Code), the Board recognises and endorses its Principles as "best practice" but excludes compliance with specific detailed provisions that are not deemed appropriate within the context of a private company. In all other material respects the Board considers that the Company has complied with the Code throughout the period to 31 December 1999.

The Board

The Board currently comprises the Chairman, Vice Chairman, five non-executive and four executive directors, and is responsible to the shareholders for the proper management of the Group. It meets regularly, setting and monitoring Group strategy, trading performance, ensuring adequate funding, reviewing investment opportunities and reporting to shareholders. A statement of the directors' responsibilities in respect of the accounts is set out above and a statement on going concern is given on page 28.

To discharge their duties the executive directors receive timely and appropriate information and there are agreed procedures for directors to take independent professional advice as required.

The Board has a formal schedule of matters reserved specifically to it for decision. The company secretary has responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

The Board has set up Audit, Remuneration, Pensions and Nominations Committees to deal with those specific aspects of the Group's affairs. Each Committee has agreed terms of reference which are reviewed periodically. Individual membership of the Committees is indicated, together with Directors' biographical details, on page 24. All directors are subject to re-election at least every three years.

Relations with Shareholders

Communication with shareholders is given a high priority and undertaken formally through the Annual Report and Accounts and Interim Statement.

The Board uses the Annual General Meeting to communicate directly with shareholders. Details of the resolutions to be proposed at the Annual General Meeting on 9 May 2000 are set out in the Notice of Annual General Meeting on page 61.

Internal Control

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. Internal control systems have been designed to meet the particular needs of the Group and the risks to which it is exposed and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The Combined Code introduced a requirement that the directors' review the effectiveness of the Group's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management. Guidance for directors Internal Control: Guidance for Directors on the Combined Code (the Turnbull Guidance) was published in September 1999. However, the directors have taken advantage of the London Stock Exchange's transitional rules and have continued to review and report upon internal financial control in accordance with the ICAEWS 1994 guidance Internal Control and Financial Reporting.

The Board has reviewed the guidance issued to directors and expects to have the procedures necessary to implement the Turnbull Guidance in place from 1 October 2000.

The key procedures, which the directors have established with a view to providing effective internal financial control, are as follows:

i) Establishment of an organisational structure which includes clearly defined lines of authority and responsibility, covering limits for authorisation of transactions, the segregation of duties and the production and review of management information to agreed time scales.

ii) A review of strategy and identification of major business risks faced by the Group which is undertaken annually.

iii) Detailed annual operating budgets for all operating units with approval required by both senior local management and Group Board.

iv) Four weekly management report and accounts, including balance sheets, from all operating units including comparison to budget and prior year with identification of key performance drivers and variance explanation.

v) Quarterly full year forecasts from all operating units with comparison to budget and explanation of variances.

Report of the Directors

vi) Formal, hierarchical, authorisation procedures for all investment and capital expenditure against agreed success criteria. Appropriate due diligence is carried out if a business is to be acquired.

To enable the Board to review the effectiveness of the Group's internal financial control a formal mechanism of self-assessment for the measurement and assessment of the principal controls within the Group was undertaken. The conclusions of the exercise were reviewed by the Audit Committee and reported to the Board.

GOING CONCERN

The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

YEAR 2000

The Board are pleased to report that the 'year 2000 problem' passed without any interruption to the Group's operations, although the Group continues to monitor systems and processes to identify any risks of compliance failures.

DISABLED PERSONS

It is the Group's policy to give full consideration to suitable applications for employment by disabled persons. The need to develop the careers of disabled persons is accepted by the Group, and the necessary steps are taken to train and promote disabled employees where this is in their own and the Group's best interests.

EMPLOYEE INVOLVEMENT

Following the passing of the necessary resolution at the 1997 Annual General Meeting, eligible staff are invited to participate in the ECNG Share Scheme, further details of which are given in Note 6.

During 1999 the Group continued its practice of encouraging staff involvement. The policy of providing employees with information about the Group has been continued through regular briefing meetings and various staff newsletters, in which employees have also been encouraged to present their suggestions and views on the Group's performance. In addition, working parties drawn from the staff have contributed to the planning processes.

In 1999, the Group implemented procedures for formal consultation with staff-elected representatives to discuss such matters as training and development, equal opportunities and customer and community relations.

Consultation procedures also take place covering such matters as health and safety and pensions. In addition, certain Trustees of the Pension Schemes are employees of the Group.

SUPPLIER PAYMENT POLICY

It is the Company's policy to negotiate payment terms with principal suppliers and to pay in accordance with the terms agreed. For other suppliers payment is to be made in accordance with the terms offered by the supplier.

At 31 December 1999, the Company held an average of 25 days' purchases outstanding in trade creditors. (1998 – 19 days)

DONATIONS

Charitable donations made by the Company and its subsidiaries totalled £55,000 (1998 – £36,000).

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board

J O ELLISON
Secretary

22 March 2000

Report of the Remuneration Committee

The Remuneration Committee is chaired by Mr R W Jewson. Its other members are Mr R V J Cadbury, Mr G H C Copeman, Mr R C Copeman, Mrs J F de Moller, Mr I R Lockett and Mr P J C Troughton. All members of the Committee are non-executive directors. The Committee determines an overall remuneration package for executive directors in order to attract and retain high quality executives capable of achieving the Group's objectives. The Committee pays particular attention to remuneration levels in the industry, and to pay and employment conditions within the Group. In addition, the Committee may take advice from external remuneration consultants where appropriate.

The main elements of the remuneration package are discussed below.

Basic salary: Each executive director's salary is reviewed annually based on performance during the year and achievement of objectives.

Benefits: Benefits provided include the provision of a company car (or cash equivalent) and private health insurance.

Annual bonus: These are calculated based on fixed formulae which are determined at the beginning of each financial year by the Committee. Bonuses are paid for achieving or exceeding financial targets, principally operating profit.

Pensions: The executive directors are members of the Senior Management Pension Scheme (see note 32 to the accounts). Executive directors contribute 5% of salary and the Company makes further contributions as necessary to meet the obligations of the Scheme. The Scheme pays 1/30th of final earnings for each year of pensionable service. The normal retirement date for executive directors under the Scheme is age 60, which enables executive directors to achieve a maximum pension of two-thirds of their final earnings after 20 years' service, subject to the maximum benefits laid down by the Inland Revenue Pension Schemes office. A lump sum of four times salary is payable on death in service, together with a spouse's pension of 50% of the director's prospective pension. At the discretion of the Company, executive directors forced to retire early on account of ill health may receive an immediate full pension. Pensions earned before April 1997 receive discretionary increases in payment while those earned after April 1997 are guaranteed to increase in line with inflation subject to a maximum of 5% per annum.

Funded unapproved retirement benefit scheme: The Company makes contributions to a funded unapproved retirement benefit scheme on behalf of the Chief Executive, established to provide retirement benefits in respect of his salary above the statutory 'earnings cap' to a level of two-thirds salary at retirement age of 60.

Long term incentive plan: Under the terms of the ECNG Long Term Incentive Plan each year the Committee may notionally allocate restricted shares to senior managers, including executive directors, to a value not exceeding 75% of basic salary. Each notional award has a three-year cycle. Notional awards may accrue to participants at the end of each cycle, subject to achieving predetermined performance targets. At the end of each cycle, at the discretion of the trustees, half of the shares accruing are released, with the other half being held in trust for another two years before they are finally released. The measure of performance is aggregated adjusted earnings per share for the three years of each cycle. The aggregated earnings per share performance targets are geared towards doubling the size of the business in five years.

Employee share scheme: If eligible, executive directors may participate in the ECNG Employee Share Scheme. Details of the 1999 scheme are given in note 6 to the accounts.

Savings related share option scheme: Under the ECNG Savings Related Share Option Scheme, the Company offered share options to eligible employees in 1994, 1996 and 1997. If eligible, executive directors were invited to subscribe for each offer. No performance criteria were attached to these options.

Non-executive fees: The fees of non-executive directors are determined by the Board on the recommendation of the Chairman and Chief Executive, within the limits stipulated in the Articles of Association. The Chairman's fee is determined by the Remuneration Committee excluding himself.

Director's remuneration, pension entitlements and interests: Details are set out in note 5 to the accounts.

Service contracts: Executive directors' service contracts are terminable on one year's notice.

Re-election: Details are set out in the Report of the Directors.

On behalf of the Remuneration Committee.

R W JEWSON
22 March 2000

Report of the Auditors **to the members of Eastern Counties Newspapers Group Limited**

We have audited the accounts on pages 31 to 59 which have been prepared under the historical cost convention as modified by the revaluation of certain freehold and leasehold properties and on the basis of the accounting policies set out on pages 35 and 36.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 26, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst. Young

Ernst & Young
Registered Auditor
Norwich

22 March 2000

Group Profit and Loss Account for the year ended 31 December 1999

	Notes	1999 £000	1998 £000
TURNOVER			
Ongoing operations		114,966	102,488
Acquisitions		1,191	-
Continuing operations		116,157	102,488
Discontinued operations		-	991
GROUP TURNOVER	2	116,157	103,479
OPERATING PROFIT			
Ongoing operations		20,445	17,484
Acquisitions		(78)	-
Continuing operations		20,367	17,484
Discontinued operations		-	(423)
Reorganisation costs	4	(1,364)	-
GROUP OPERATING PROFIT	2,3	19,003	17,061
Share of operating results in associates		450	356
TOTAL OPERATING PROFIT: GROUP AND SHARE OF ASSOCIATES		19,453	17,417
Profits on sales of intangible fixed assets and fixed asset investments	4	8,443	4,215
Fundamental acquisition restructuring costs	4	-	(564)
Losses on closure of operations	4	-	(860)
		27,896	20,208
Income from investments	7	1,596	1,613
Interest payable	8	(1,518)	(1,535)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		27,974	20,286
Tax on profit on ordinary activities	9	7,660	6,170
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		20,314	14,116
Minority interests		(43)	(26)
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		20,271	14,090
Dividends (including non-equity interests)	10	3,550	2,878
RETAINED PROFIT FOR THE YEAR	23	16,721	11,212
Earnings per share	11	124.6p	86.6p
Adjusted earnings per share	11	94.7p	74.0p
Diluted earnings per share	11	121.3p	84.8p

Group Profit and Loss Account **for the year ended 31 December 1999**

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1999 £000	1998 £000
Reported profit on ordinary activities before taxation	27,974	20,286
Realisation of property revaluation gains of previous years	364	-
Difference between historical cost depreciation charge and the depreciation charge calculated on the revalued amount	17	21
Historical cost profit on ordinary activities before taxation	28,355	20,307
Historical cost profit for the year retained after taxation, minority interests, dividends and other appropriations	17,102	11,233

STATEMENT OF TOTAL GAINS AND LOSSES RECOGNISED IN THE ACCOUNTS

	1999 £000	1998 £000
Profit for the financial year excluding share of profits of associates	20,136	14,166
Share of associates' profit for the year	135	(76)
Profit attributable to members of the parent company	20,271	14,090
Contribution to Qualifying Exempt Share Ownership Trust	(1,869)	-
Total recognised gains and losses relating to the year	18,402	14,090

Balance Sheets **as at 31 December 1999**

		Group		Company	
		1999	1998	1999	1998
	Notes	£000	£000	£000	£000
FIXED ASSETS					
Intangible assets	12	52,894	46,565	21	-
Tangible assets	13	33,580	35,448	15,672	17,353
Investments	14	467	6,100	38,737	46,014
		86,941	88,113	54,430	63,367
CURRENT ASSETS					
Stocks	15	1,574	1,216	1,316	1,089
Debtors	16	20,687	17,485	54,576	45,671
Short term investments	17	14,129	651	14,129	651
Cash and deposits	18	17,216	19,181	14,608	16,986
		53,606	38,533	84,629	64,397
CREDITORS – amounts falling due within one year:					
Trade and other creditors	19	33,497	37,845	8,767	9,186
Taxation		6,074	8,682	2,683	4,472
Proposed dividend		2,255	1,767	2,255	1,767
		41,826	48,294	13,705	15,425
NET CURRENT ASSETS/(LIABILITIES)		11,780	(9,761)	70,924	48,972
TOTAL ASSETS LESS CURRENT LIABILITIES		98,721	78,352	125,354	112,339
CREDITORS – amounts falling due after more than one year	20	4,136	5,288	36,725	41,394
PROVISIONS FOR LIABILITIES AND CHARGES	21	5,886	3,635	5,295	2,947
MINORITY INTERESTS		694	601	-	-
		88,005	68,828	83,334	67,998
CAPITAL AND RESERVES					
Called up share capital	22	5,626	5,539	5,626	5,539
Share premium account	23	4,036	1,372	4,036	1,372
Revaluation reserve	23	610	991	12	13
Profit and loss account	23	77,733	60,926	73,660	61,074
Shareholders' funds					
Equity		*85,655*	*66,478*	*80,984*	*65,648*
Non-equity		*2,350*	*2,350*	*2,350*	*2,350*
		88,005	68,828	83,334	67,998

R W JEWSON
Chairman
22 March 2000

Group Statement of Cash Flows **for the year ended 31 December 1999**

	Notes	1999 £000	1998 £000
Cash flow from operating activities	25	18,679	17,208
Returns on investment and servicing of finance	26	(6)	(83)
Taxation		(7,494)	(3,340)
Capital expenditure and financial investment	26	(1,887)	8,295
Acquisitions and disposals	26	(7,031)	(25,437)
Equity dividends paid		(2,726)	(2,421)
CASH (OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING		(465)	(5,778)
Management of liquid resources	26	1,024	8,808
Financing	26	(1,500)	(1,326)
(DECREASE)/INCREASE IN CASH	27	(941)	1,704

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT) (NOTE 27)

	1999 £000	1998 £000
(Decrease)/increase in cash	(941)	1,704
Cash inflow from increase in loans	-	(26,073)
Repayment of loans	6,166	1,681
Issue costs of new loans	-	256
Amortisation of loan issue costs	(49)	(62)
Loan notes receivable	13,774	-
Cash outflow from lease financing	242	256
Cash inflow from short term deposits	(1,024)	(8,808)
Change in net funds/(debt) resulting from cash flows	18,168	(31,046)
Finance leases acquired with subsidiary undertakings	(112)	(191)
New finance leases	(152)	(165)
Movement in net funds/(debt)	17,904	(31,402)
Net (debt)/funds at 1 January	(5,672)	25,730
Net funds/(debt) at 31 December	12,232	(5,672)

Notes to the Accounts **at 31 December 1999**

1. ACCOUNTING POLICIES

Basis of Preparation

The accounts have been prepared under the historical cost convention modified by the revaluation of certain freehold and leasehold properties, and in accordance with applicable accounting standards.

Basis of Consolidation

The Group accounts consolidate the accounts of Eastern Counties Newspapers Group Limited (ECNG) and all its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for ECNG as permitted by section 230 of the Companies Act 1985.

Market Link Publishing Plc has been included in the Group accounts using the acquisition method of accounting. Accordingly, the Group profit and loss account and statement of cash flows include the results and cash flows of Market Link Publishing Plc for the period from its acquisition on 19 October 1999. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Entities, other than subsidiary undertakings, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates. In the Group accounts, associates are accounted for using the equity method.

Intangible Fixed Assets

(i) Newspaper Titles

Acquired newspaper titles are stated in the balance sheet at the directors' assessment of the purchase consideration, which is apportioned to the intangible assets based on valuations of the titles supported by a comparative view of similar transaction values within the newspaper industry. Based on past transactions within the Group and the industry, the age of the acquired titles, and plans to develop these titles, in the directors' opinion the lives of these assets are considered to be indefinite. The carrying values of the assets are not subject to annual amortisation, but are reviewed annually for any diminution in carrying values.

Newspaper titles acquired prior to 31 December 1997 were classified as goodwill and written off directly to reserves. Goodwill previously eliminated against reserves has not been re-instated on implementation of FRS 10.

(ii) Magazine Titles

Magazine titles acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Magazine titles created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. Magazine titles are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of magazine titles is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

(iii) Franchises

Franchises represent purchased news delivery businesses which are licensed back to franchisees under five year agreements. The news delivery businesses are amortised on a straight line basis over their estimated useful lives of five years.

(iv) Goodwill Arising on Consolidation

Goodwill arising on acquisitions prior to 31 December 1997 was set off directly against reserves and has not been reinstated on implementation of FRS 10.

Goodwill arising on acquisitions since 1 January 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary or associate is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves is taken into account in determining the profit or loss on sale or closure.

Notes to the Accounts **at 31 December 1999**

1. ACCOUNTING POLICIES (continued)

(v) Radio Licences

The Group's share of intangible assets in associates is capitalised as radio licences. In the opinion of the directors, radio licences have indefinite asset lives and are capable of continued measurement by reference to the Group's experience in the industry and past and future transactions within the radio industry. Accordingly, the carrying values of the assets are not subject to annual amortisation, but are reviewed annually for any diminution in carrying values.

Tangible Fixed Assets

Under FRS 15, the Group has adopted a policy of not revaluing tangible fixed assets, but has decided to retain existing revalued assets at their depreciated revalued amounts.

Freehold land is not depreciated. Depreciation and amortisation is provided on all other assets in use at the end of each year by equal annual instalments estimated to write off those assets over their useful lives at the following rates:

Freehold buildings		2%
Leasehold buildings	long	2%
	short	Period of lease
Plant, equipment and vehicles		Between 7% and 33%

Film projects are shown at estimated net realisable value.

Leases

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over the shorter of the lease term and the estimated useful life of the asset.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Deferred Taxation

Provision is made for deferred taxation, using the liability method on all timing differences, including those relating to pensions, to the extent that it is probable that the liability will crystallise. Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Pensions

The Group operates a number of pension schemes. The Group operates two defined benefit schemes which require contributions to be made to separately administered funds. Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. The pension cost is assessed in accordance with the advice of qualified actuaries.

The Group operates a defined contribution scheme which is open to eligible employees. The Group's contributions are charged to the profit and loss account in the year in which they are payable.

The Group also makes provision for the capital value of ex gratia pensions to certain former employees of Home Counties Newspapers in accordance with independent actuarial advice.

Notes to the Accounts at 31 December 1999

2. SEGMENTAL ANALYSIS

	1999 £000	1998 £000
TURNOVER		
Newspaper publishing	112,323	100,654
Contract publishing	2,289	1,609
Magazine publishing – acquisition	1,191	-
New media	354	225
Discontinued operations	-	991
	116,157	103,479
OPERATING PROFIT		
Newspaper publishing	19,973	18,817
Contract publishing (after charging goodwill amortisation £56,000 – 1998 £59,000)	99	107
Magazine publishing – acquisition (after charging goodwill amortisation £40,000)	(155)	-
New media	(357)	(194)
Discontinued operations	-	(423)
Common costs	(557)	(1,246)
	19,003	17,061
NET ASSETS		
Newspaper publishing	88,460	95,551
Contract publishing	1,384	1,337
Magazine publishing	5,937	-
Radio broadcasting	61	5,675
New media	(241)	-
Discontinued activities	(61)	(776)
	95,540	101,787
Unallocated net liabilities	(7,535)	(32,959)
	88,005	68,828

Summerhouse Publishing Limited and Market Link Publishing Plc had combined sales to Europe of £1,096,000 (1998 – £569,000). All other sales were made in the United Kingdom.

Turnover represents invoiced and cash sales, net of value added tax.

Market Link Publishing Plc was acquired on 19 October 1999.
The Radio Partnership Limited, an associate engaged in radio broadcasting, was sold on 26 July 1999.
Westcom Media Limited, an associate engaged in radio broadcasting, was acquired on 2 June 1999.
All other segments of the business have continued throughout 1999.

The segmental net assets for 1998 have been restated to more accurately reflect how the assets are used within the Group's activities.

Notes to the Accounts **at 31 December 1999**

3. OPERATING PROFIT	Continuing Operations £000	Acquisitions £000	Total 1999 £000	Total 1998 £000
Turnover	114,966	1,191	116,157	103,479
Other operating income	1,191	-	1,191	1,174
Operating costs				
Change in stocks of finished goods and work in progress	(16)	-	(16)	10
Raw materials and consumables	13,527	-	13,527	12,788
Other external charges	3,983	502	4,485	6,503
Staff costs (Note 6)	45,663	496	46,159	40,046
Depreciation and amortisation	4,466	99	4,565	4,420
Other operating charges	28,089	172	28,261	23,825
	95,712	1,269	96,981	87,592
	20,445	(78)	20,367	17,061
Reorganisation costs	(1,287)	(77)	(1,364)	-
Operating profit	19,158	(155)	19,003	17,061

Operating profit is stated after charging:	1999 £000	1998 £000
Directors' remuneration (Note 5)	735	629
Auditors' remuneration – audit services	131	114
Auditors' remuneration – non-audit services	389	112
Rentals under operating leases – property	946	708
Rentals under operating leases – non-property	2,849	2,506

In addition, a further £45,000 of auditors' remuneration for non-audit services was incurred, comprising £20,000 capitalised as part of the acquisition of Market Link Publishing Plc and £25,000 charged against the profit on disposal of the Group's investment in The Radio Partnership Limited in Note 4 below.

4. EXCEPTIONAL ITEMS	1999 £000	1998 £000
Recognised in arriving at operating profit		
Reorganisation costs	(1,364)	-
Recognised below operating profit:		
Profit on disposal of investments in associates (including goodwill written back 1999: £1,574,000; 1998 – £98,000)	8,443	2,838
Profit on disposal of intangible fixed assets (including goodwill written back £430,000)	-	1,377
	8,443	4,215
Fundamental acquisition restructuring costs	-	(564)
Loss on closure of operation (including goodwill written back of £203,000)	-	(860)
	8,443	2,791
Recognised within the share of results in associates		
Share of exceptional items	-	(105)
Total exceptional items	7,079	2,686

The effect on the taxation charge for the year of the exceptional items recognised below operating profit is disclosed in Note 9.

Notes to the Accounts at 31 December 1999

5. DIRECTORS' REMUNERATION AND INTERESTS

Directors' remuneration

	1999 £000	1998 £000
Fees	122	102
Other emoluments:		
basic salaries	427	309
benefits	29	43
performance related pay	120	141
	698	595
Contributions to funded unapproved retirement benefit scheme	37	34
	735	629

	Salaries and Fees £000	Benefits £000	Performance related bonuses £000	Total 1999 £000	1998 £000
R W Jewson	45	-	-	45	37
G H C Copeman	15	-	-	15	13
P M Strong	145	10	29	184	213
T Stevenson	99	6	26	131	141
C H Lawrence	85	7	19	111	132
N G F Webspers	98	6	46	150	7
R V J Cadbury	15	-	-	15	13
R C Copeman	13	-	-	13	13
I R Lockett	13	-	-	13	13
J F de Moller	8	-	-	8	-
P J C Troughton	13	-	-	13	13
	549	29	120	698	595

The accrued pension entitlements of the executive directors were:

	Age at 31.12.99	Years of service at 31.12.99	Increase, excluding inflation, in accrued pension during the year £000	Transfer value of increase £000	Accrued entitlement 31.12.99 £000	Accrued entitlement 31.12.98 £000
P M Strong	52	3	4	53	10	6
T Stevenson	50	14	4	48	39	35
C H Lawrence	38	1	3	22	5	2
N G F Websper	43	18	10	97	35	25

Inflation has been assumed to be equivalent to the actual rate of price inflation, which was 1.8% for the year ended 31 December 1999.

The pension entitlement shown above for the participating directors is that which would be paid on retirement based on service to 31 December 1999.

The pension entitlements shown exclude any additional pensions purchased by the members' Additional Voluntary Contributions.

Contributions of £37,000 (1998 – £34,000) were accrued on behalf of Mr P M Strong for a funded unapproved retirement benefit scheme designed to provide a pension, over and above the current pension "earnings cap" of £90,600 of two thirds salary at retirement age of 60.

Notes to the Accounts at 31 December 1999

5. DIRECTORS' REMUNERATION AND INTERESTS (continued)

Directors' interests in the shares of the Company

	As at 1 January 1999			As at 31 December 1999		
	£1 Preference Shares	£1 Second Preference Shares	20p Ordinary Shares	£1 Preference Shares	£1 Second Preference Shares	20p Ordinary Shares
R W Jewson	-	-	21,732	-	-	35,194
G H C Copeman	4,960	38,904	238,147	5,038	39,609	223,565
	-	*3,000	*87,346	-	*3,000	*86,478
R V J Cadbury	-	-	7,983	-	-	14,372
R C Copeman	1,905	18,688	248,000	1,983	19,393	254,418
	*4,216	*4,912	*37,923	*4,216	*4,912	*37,923
C H Lawrence	-	-	11,400	-	-	20,522
I R Lockett	-	4,044	158,011	-	4,044	159,320
T Stevenson	-	-	6,386	-	-	7,214
P M Strong	-	-	23,005	-	-	41,473
P J C Troughton	-	3,333	91,619	-	3,333	91,755
	*35,448	-	*2,999,353	*35,448	-	*3,096,518
N G F Websper	-	-	9,253	-	-	9,396

* Held as Trustee

The Company has an approved employee share scheme in which executive directors may be eligible to participate. Directors' interests in shares distributed under the terms of this scheme are included above.

None of the directors had any transactions in the shares of the Company during the period from 31 December 1999 to 13 March 2000.

Long Term Incentive Plan

Under the ECNG Long Term Incentive Plan, the following shares have been notionally awarded to executive directors:

	Number	1997 *Value*	*Number*	1998 *Value*	*Number*	1999 *Value*
C H Lawrence	-	-	7,692	29,999	7,500	36,000
T Stevenson	8,320	31,200	9,231	36,001	6,000	28,800
P M Strong	18,400	69,000	17,692	68,999	15,625	75,000
N G F Websper	-	-	4,519	17,624	8,000	38,400

Under the rules of the Plan the share prices used in calculating the allocations were £3.75 for 1997, £3.90 for 1998 and £4.80 for 1999. Further explanation of the Plan is included in the Report of the Remuneration Committee on Page 29.

Notes to the Accounts **at 31 December 1999**

5. DIRECTORS' REMUNERATION AND INTERESTS (continued)

Directors' interests in options

The interest of the directors in savings related share options were as follows:

		Exercise price	At 1 Jan 1999	At appointment	Lapsed during the year	At 31 Dec 1999
T Stevenson	(a)	£2.00	1,725	-	-	1,725
T Stevenson	(b)	£2.24	6,160	-	-	6,160
N G F Websper	(a)	£2.00	6,210	-	-	6,210
N G F Websper	(b)	£2.24	2,156	-	-	2,156
			16,251	-	-	16,251

The options are exercisable between the following dates:

(a) 1 February 2001 and 31 July 2001.
(b) 1 March 2002 and 31 August 2002.

6. STAFF AND THEIR PAY AND BENEFITS

Average monthly number of staff:

	1999	1998
Newspaper printing and publishing	2,062	1,887
Other activities	38	40
	2,100	1,927

Pay and benefits	£000	£000
Wages and salaries	39,977	34,789
Social security costs	3,256	2,705
Other pension costs	2,526	2,252
	45,759	39,746
Employee share scheme	400	300
	46,159	40,046

Other pension costs include £100,000 (1998 – £100,000) in respect of the lump sum pension contribution made in 1997, the balance of which is carried forward under debtors in Note 16.

Employee share scheme

The staff share scheme was approved by the members at the 1997 Annual General Meeting, and operates under the ECNG Employee Share Ownership Plan Trust. For 1999, under the scheme, all eligible staff of the Group will be invited to subscribe for shares with a value of approximately £50, and the Company will purchase for each member of staff who subscribes to the offer, a number of additional shares for each one purchased.

The shares provided by the Company can be acquired tax-free by staff after three years.

Notes to the Accounts **at 31 December 1999**

7. INCOME FROM INVESTMENTS

	1999 £000	1998 £000
Interest and dividends received:		
Listed investments	9	11
Short term interest	1,176	1,527
Talkco (Holdings) Limited loan notes	351	-
Loan to associate	99	215
Less share of associates' interest paid	(39)	(162)
Share of associates' dividends and bank interest	-	22
	1,596	1,613

8. INTEREST PAYABLE

	1999 £000	1998 £000
Overdraft and loans	118	130
Finance leases	57	88
Other	6	14
Loan notes	1,081	1,012
Amortisation of loan issue costs	49	62
Share of associates' interest	207	229
	1,518	1,535

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1999 £000	1998 £000
Based on the profit for year		
Corporation tax	6,209	6,485
Deferred taxation	2,272	(510)
Share of taxation in associates	70	63
	8,551	6,038
Adjustments relating to previous years	(891)	132
	7,660	6,170

The effective tax rate for the current year is 27.4% compared to an effective standard rate for 1999 of 30.25%. The tax charge has been reduced by £702,000 in relation to capital gains offset by capital losses, reducing the effective rate by 2.5%. The tax effect in the profit and loss account relating to the exceptional items recognised below operating profit is a charge of £2,542,000 (1998 – charge of £684,000).

Notes to the Accounts **at 31 December 1999**

10. DIVIDENDS

	1999 £000	1998 £000
6.45% Cumulative Preference Shares	20	20
15.5% Cumulative Second Preference Shares	316	316
	336	336
Ordinary Shares:		
Interim of 6.0p paid on 4 October 1999 (1998 : 4.9p)	959	775
Proposed final of 14.0p (1998 : 11.1p)	2,255	1,767
	3,214	2,542
	3,550	2,878

The ECNG Employee Benefit Trust and ECNG Qualifying Exempt Share Ownership Trust have waived the dividends payable on the shares that they own and have agreed to waive future dividends.

11. EARNINGS PER ORDINARY SHARE

The calculations are based on profits after preference dividends of £19,935,000 (1998 – £13,754,000) and on ordinary shares of 15,998,000 (1998 – 15,874,000) being the weighted average number of shares in issue during the year, excluding the shares owned by ECNG Qualifying Exempt Share Ownership Trust.

The adjusted earnings per share has been calculated by using the profits attributable to shareholders less preference dividends, adjusted to exclude exceptional items and amortisation of goodwill and magazine titles. The reconciliation between earnings per share and adjusted earnings per share is as follows:

	1999 p	1998 p
Earnings per share	124.6	86.6
Adjustment for exceptional items	(44.2)	(16.9)
Adjustment for amortisation of goodwill and magazine titles	0.8	-
Tax impact of exceptional items	13.5	4.3
Adjusted earnings per share	94.7	74.0

The diluted earnings per share is based on earnings for the year of £19,935,000 (1998 – £13,754,000) as above, and on 16,429,000 (1998 – 16,223,000) ordinary shares, calculated as follows:

	1999 thousands	1998 thousands
Basic weighted average number of shares	15,998	15,874
Dilutive potential ordinary shares:		
Employee share options	258	243
Contingently issuable shares under the Long Term Incentive Plan	173	106
	16,429	16,223

Notes to the Accounts **at 31 December 1999**

12. INTANGIBLE FIXED ASSETS

	Franchises £000	Newspaper Titles £000	Magazine Titles £000	Goodwill £000	Total £000
Group					
Cost:					
At 31 December 1998	-	45,308	-	1,316	46,624
Additions	23	-	-	-	23
Adjustments to purchase consideration	-	(16)	-	(97)	(113)
Acquisition of subsidiary undertakings	-	-	2,862	3,686	6,548
At 31 December 1999	**23**	**45,292**	**2,862**	**4,905**	**53,082**
Amortisation:					
At 31 December 1998	-	-	-	59	59
Provided during the year	2	-	34	93	129
At 31 December 1999	**2**	**-**	**34**	**152**	**188**
Net book value					
At 31 December 1999	**21**	**45,292**	**2,828**	**4,753**	**52,894**
At 31 December 1998	-	45,308	-	1,257	46,565

- *Goodwill arising on the acquisition of subsidiary undertakings is being amortised evenly over the directors' estimate of its useful economic* life of 20 years.
- The lives of newspaper titles are considered to be indefinite and the carrying values of the assets are not subject to annual amortisation, but are reviewed annually for any diminution in carrying values.
- Magazine titles are amortised evenly over the directors' estimates of their useful economic lives of 20 years.
- Franchises represent purchased news delivery businesses which are licensed back to franchisees. The news delivery businesses are amortised on a straight line basis over their estimated useful lives of five years.

	Franchises £000	Total £000
Company		
Cost:		
At 31 December 1998	-	-
Additions	23	23
At 31 December 1999	**23**	**23**
Amortisation:		
At 31 December 1998	-	-
Provided during the year	2	2
At 31 December 1999	**2**	**2**
Net book value		
At 31 December 1999	**21**	**21**
At 31 December 1998	-	-

Notes to the Accounts **at 31 December 1999**

13. TANGIBLE FIXED ASSETS

Movements on tangible fixed asset accounts have been:

	Freehold land & buildings £000	Leasehold buildings £000	Plant, equipment & vehicles £000	Films £000	Total £000
Group					
Cost or valuation:					
At 31 December 1998	15,691	364	45,355	4,100	65,510
Additions	-	6	3,086	-	3,092
Acquisition of subsidiary undertakings	-	-	731	-	731
Disposals	(727)	-	(1,768)	-	(2,495)
At 31 December 1999	**14,964**	**370**	**47,404**	**4,100**	**66,838**
Depreciation:					
At 31 December 1998	467	104	27,004	2,487	30,062
Charge for year	236	17	4,182	-	4,435
Acquisition of subsidiary undertakings	-	-	482	-	482
Disposals	(27)	-	(1,694)	-	(1,721)
At 31 December 1999	**676**	**121**	**29,974**	**2,487**	**33,258**
Net book value					
At 31 December 1999	**14,288**	**249**	**17,430**	**1,613**	**33,580**
At 31 December 1998	15,224	260	18,351	1,613	35,448

Included in freehold land and buildings is land valued at £3,428,000 (1998 – £3,616,000), which is not depreciated. The net book value of plant, equipment and vehicles above includes an amount of £620,000 (1998 – £664,000) in respect of assets held under finance leases, and £9,323,000 (1998 – £10,424,000) for both Group and Company in respect of assets subject to a chattel mortgage.

The depreciation charge comprises depreciation of owned assets of £4,229,000 and depreciation of assets held under finance leases of £206,000.

Notes to the Accounts **at 31 December 1999**

13. TANGIBLE FIXED ASSETS (continued)

	Leasehold buildings £000	Plant, equipment & vehicles £000	Films £000	Total £000
Company				
Cost or valuation:				
At 31 December 1998	50	35,809	4,100	39,959
Additions	-	1,304	-	1,304
Inter company transfers		(68)	-	(68)
Disposals	-	(745)	-	(745)
At 31 December 1999	**50**	**36,300**	**4,100**	**40,450**
Depreciation:				
At 31 December 1998	1	20,118	2,487	22,606
Charge for year	1	2,958	-	2,959
Inter company transfers		(49)	-	(49)
Disposals	-	(738)	-	(738)
At 31 December 1999	**2**	**22,289**	**2,487**	**24,778**
Net book value				
At 31 December 1999	**48**	**14,011**	**1,613**	**15,672**
At 31 December 1998	49	15,691	1,613	17,353

The cost or valuation of land and buildings at 31 December 1999 comprises:

	Freehold		Leasehold			
	Group	Company	Group		Company	
	£000	£000	Long £000	Short £000	Long £000	Short £000
At valuation – 1996	13,779	-	175	-	50	-
At cost	1,185	-	-	195	-	-
	14,964	-	175	195	50	-

After taking appropriate professional advice from Ernest Webster FRICS, chartered surveyor, the directors revalued the Group's freehold and long leasehold properties at 31 December 1996. Certain Group properties identified as potential disposals were valued at open market value. The remaining Group properties were valued at open market value for existing use. Subsequent additions are shown at cost.

Notes to the Accounts at 31 December 1999

13. TANGIBLE FIXED ASSETS (continued)

The historical cost of freehold and leasehold land and buildings is as follows:

	Freehold		Leasehold	
	1999 £000	1998 £000	1999 £000	1998 £000
Group				
Cost	13,897	14,407	356	351
Aggregate depreciation	2,206	2,154	141	125
Company				
Cost	-	-	28	28
Aggregate depreciation	-	-	13	12

Depreciation on freehold and leasehold properties for the year has been based on the 1996 revalued amounts. Based on cost the consolidated charge would have been lower by £17,000 (1998 – £21,000).

14. INVESTMENTS

	1999 £000	1998 £000
Group		
Associates (a)	61	5,675
Other fixed asset investments (b)	406	425
	467	6,100

(a) Associates

	Share of net assets £000	Loans to associates £000	Radio licences £000	Total £000
At 31 December 1998	(2,931)	2,157	6,449	5,675
Acquisitions in year	87	-	-	87
Share of results retained by associates	135	-	-	135
Disposals in year	2,770	(2,157)	(6,449)	(5,836)
At 31 December 1999	**61**	**-**	**-**	**61**

Notes to the Accounts **at 31 December 1999**

14. INVESTMENTS (continued)

(b) Other fixed asset investments

	Listed £000	Unlisted £000	Total £000
Cost			
At 31 December 1998	366	84	450
Disposals	(19)	-	(19)
At 31 December 1999	**347**	**84**	**431**
Provisions			
At 31 December 1998 and 1999	-	25	25
Net book value			
At 31 December 1999	**347**	**59**	**406**
At 31 December 1998	366	59	425

	Subsidiary undertakings £000	Associates £000	Listed £000	Unlisted £000	Total £000
Company					
Cost					
At 31 December 1998	38,863	7,243	349	84	46,539
Transfer to subsidiary undertaking	(15)	-	-	-	(15)
Disposals	-	(7,243)	(19)	-	(7,262)
At 31 December 1999	**38,848**	**-**	**330**	**84**	**39,262**
Provisions					
At 31 December 1998 and 1999	500	-	-	25	525
Net book value					
At 31 December 1999	**38,348**	**-**	**330**	**59**	**38,737**
At 31 December 1998	38,363	7,243	349	59	46,014

The market value of the listed investments at 31 December 1999 was £820,000 for the Group and £707,000 for the Company (1998 – £581,000 and £478,000 respectively). Unlisted investments, consisting of equity share capital, are valued by the directors at £2,103,000 (1998 – £2,066,000) for both Group and Company.

In arriving at market or directors' valuation no provision has been made for taxation which would be chargeable amounting to a maximum of £755,000 (1998 – £667,000) in the event of disposals at these values.

Notes to the Accounts at 31 December 1999

14. INVESTMENTS (continued)

The Company's principal trading subsidiary undertakings and associate, all of which are incorporated in England, are listed below. Those in which the equity is held by a subsidiary undertaking are marked with an asterisk

Company	Activity	Percentage of Ordinary Shares
Subsidiary undertakings		
Community Media Limited	Newspaper publishing	100
The Anglia Advertiser Limited	Newspaper publishing	100
ECNG Properties Limited	Property	100
ECNG Leasing Limited	Property & leasing	100
Orient Publishing Plc	Holding company	100
North Devon Gazette & Advertiser Limited*	Newspaper publishing	50
ECNG Investment Co Limited*	Investment holding company	100
Home Counties Newspapers Holdings Plc*	Holding company	100
Market Link Publishing Plc*	Magazine publishing	100
The South Essex Recorders Limited*	Newspaper publishing	100
Home Counties Newspapers Limited*	Newspaper publishing	100
The Hampstead & Highgate Express Printing and Publishing Company Limited*	Newspaper publishing	100
Summerhouse Publishing Limited*	Contract publishing	85
Associate		
Westcom Media Limited*	Radio broadcasting	35

On 19 October 1999 the Group acquired the entire issued share capital of Market Link Publishing Plc for an initial consideration of £5,471,000 satisfied in cash, plus acquisition costs of £208,000. The net assets acquired, after fair value adjustments, were £2,369,000 including bank debt of £1,096,000 and leasing liabilities of £112,000. The consideration for certain of the share capital comprised a fixed element payable on acquisition and a variable element dependent on the profits made by Market Link in the four years up to 31 December 2004. After accruing an estimate for the deferred consideration, goodwill arising has been calculated as £3,686,000.

15. STOCKS

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Raw materials	1,343	1.131	1,316	1,089
Finished goods and goods for resale	231	85	-	-
	1,574	1,216	1,316	1,089

Notes to the Accounts **at 31 December 1999**

16. DEBTORS

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Due in less than one year:				
Trade debtors	17,205	13,936	8,059	7,384
Amounts owed by subsidiary undertakings	-	-	947	730
Other debtors	657	706	390	482
Prepayments and accrued income	1,817	1,432	757	703
Corporation tax recoverable	284	587	61	68
Pension prepayments	100	100	100	100
	20,063	16,761	10,314	9,467
Due in over one year:				
Amounts owed by subsidiary undertakings	-	-	43,663	35,505
Pension prepayment	599	699	599	699
Other debtors	25	25	-	-
	624	724	44,262	36,204
Total debtors	20,687	17,485	54,576	45,671

17. SHORT TERM INVESTMENTS

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Shares held by ECNG Employee Benefit Trust	355	651	355	651
Loan notes receivable	13,774	-	13,774	-
	14,129	651	14,129	651

The ECNG Employee Benefit Trust holds shares in Eastern Counties Newspapers Group Limited valued at £355,000. The bank overdraft of the Trust is guaranteed by ECNG and included in creditors at the same value.

The loan notes receivable are Talkco (Holdings) Limited bank-guaranteed floating rate unsecured loan notes 2004 and were received as consideration for the disposal of the Company's investment in The Radio Partnership Limited. The interest is payable monthly, calculated on a daily basis at a rate of 0.425% above LIBOR. The loan notes can be redeemed by the Company on any of the quarter days, 31 March, 30 June, 30 September and 31 December commencing 31 March 2000, subject to giving the required 30 days notice.

Notes to the Accounts at 31 December 1999

18. CASH AND DEPOSITS

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Term and other deposits	13,500	14,524	13,500	14,524
Cash at bank and in hand	3,716	4,657	1,108	2,462
	17,216	19,181	14,608	16,986

19. TRADE AND OTHER CREDITORS

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Trade creditors	4,179	3,785	1,830	2,025
Orient Publishing Plc loan notes	18,081	24,198	-	-
Employee Benefit Trust overdraft (guaranteed)	355	651	355	651
Finance lease obligations	243	169	-	-
Deferred lease premium	1,100	1,100	1,100	1,100
Amounts owed to subsidiary undertakings	-	-	1,001	1,121
Tax and social security	2,340	703	623	8
Other creditors	1,738	2,712	826	1,259
Accruals and deferred income	5,290	4,401	2,912	2,924
Payments on account	171	126	120	98
	33,497	37,845	8,767	9,186

Orient Publishing Plc loan notes

The Orient Publishing Plc loan notes are floating rate, guaranteed, unsecured loan notes 2008. The interest is payable half yearly on 30 June and 31 December at a rate of 1% below the base rate of Barclays Bank PLC on the first business day in the period. The loan notes can be redeemed by the holders at 30 June and 31 December in any year up to 2007, subject to giving the required 30 days notice. The loan notes are guaranteed by Barclays Bank PLC at a cost to the Group of 0.45% per annum.

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Total loan notes outstanding	18,226	24,392	-	-
Less issue costs	(145)	(194)	-	-
	18,081	24,198	-	-

Notes to the Accounts **at 31 December 1999**

20. CREDITORS

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Amounts falling due after more than one year:				
Loans – film finance	1,613	1,613	1,613	1,613
Finance lease obligations	435	487	-	-
Deferred lease premium	2,088	3,188	2,088	3,188
Amounts owed to subsidiary undertakings	-	-	33,024	36,593
	4,136	5,288	36,725	41,394

The loans relating to film finance are interest free and repayable out of film receipts prior to 14 December 2013. They are secured by charges on the copyright and physical material relating to two films owned by the company and shown under that heading in tangible *fixed assets. All other amounts mature between two and five years.*

21. PROVISIONS FOR LIABILITIES AND CHARGES

	Group				Company		
	Ex gratia Pensions £000	Other Provisions £000	Deferred Taxation £000	Total £000	Other Provisions £000	Deferred Taxation £000	Total £000
At 31 December 1998	*809*	*741*	2,085	3,635	*186*	2,761	*2,947*
Acquisition of subsidiary undertaking	-	-	29	29	-	-	-
Arising during the year	71	92	2,272	2,435	89	2,259	2,348
Utilised	(118)	(95)	-	(213)	-	-	-
At 31 December 1999	**762**	**738**	**4,386**	**5,886**	**275**	**5,020**	**5,295**

Other provisions principally relate to obligations in respect of leasehold properties.

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	Group				Company			
	Provided		Not Provided		Provided		Not Provided	
	1999 £000	1998 £000	1999 £000	1998 £000	1999 £000	1998 £000	1999 £000	1998 £000
Capital allowances in advance of depreciation	2,318	2,577	827	828	2,570	2,769	-	-
Other timing differences	2,068	(492)	-	-	2,450	(8)	16	16
	4,386	2,085	827	828	5,020	2,761	16	16

Notes to the Accounts **at 31 December 1999**

22. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1999 £000	1998 £000	1999 £000	1998 £000
6.45% Cumulative Preference Shares of £1 each 308,500 issued	309	309	309	309
15.5% Cumulative Second Preference Shares of £1 each 2,041,300 issued	2,041	2,041	2,041	2,041
Ordinary Shares of 20p each 16,382,832 issued (1998 – 15,945,925 issued)	3,650	3,650	3,276	3,189
	6,000	6,000	5,626	5,539

On 29 June 1999, a total of 68,656 ordinary shares were issued at £5.90 under the ECNG Share Scheme. Following the passing of the Special Resolution at last year's Annual General Meeting, on 20 August 1999 a total of 292,000 ordinary shares were issued to ECNG Quest Trustees Limited. On 4 October 1999, 45,773 shares were issued under the scrip alternative to the interim dividend.

A further 30,478 ordinary shares were issued during the year on the exercise of share options either at maturity or by employees leaving the Group under the provisions of the SAYE scheme rules at the appropriate option prices.

The right to dividends and priority in a winding up for each class of share ranks in the order 6.45% Cumulative Preference Shares, 15.5% Cumulative Second Preference Shares, Ordinary Shares. The Preference Shares carry no votes at meetings, unless dividends are six months in arrear or the meeting shall include a resolution to wind up the Company.

Savings related share options

Date of grant	Option price	Earliest exercise date	Latest exercise date	Number of ordinary shares
1 September 1994	£3.00	1 September 1999	28 February 2000	1,840
1 February 1996	£2.00	1 February 2001	31 July 2001	234,590
1 March 1997	£2.24	1 March 2000	31 August 2000	40,461
1 March 1997	£2.24	1 March 2002	31 August 2002	131,115
				408,006

Executive share plan

The establishment of the ECNG Long Term Incentive Plan was approved by shareholders at the Annual General Meeting on 19 May 1997. The operation of this Plan is detailed in the Report of the Remuneration Committee on page 29.

Notes to the Accounts **at 31 December 1999**

23. MOVEMENTS ON SHAREHOLDERS' FUNDS

	Share capital £000	Share premium account £000	Revaluation surplus £000	Profit and loss account £000	Total £000
Group					
At 31 December 1997	5,510	790	1,012	48,962	56,274
Total recognised gains	-	-	-	14,090	14,090
Dividends	-	-	-	(2,878)	(2,878)
Issue of shares	29	582	-	-	611
Goodwill in associate	-	-	-	98	98
Goodwill in subsidiary undertaking	-	-	-	203	203
Goodwill in intangible asset	-	-	-	430	430
Distributable element of depreciation charge	-	-	(21)	21	-
At 31 December 1998	5,539	1,372	991	60,926	68,828
Total recognised gains	-	-	-	20,271	20,271
Dividends	-	-	-	(3,550)	(3,550)
Issue of shares	87	2,664	-	-	2,751
Goodwill in associate	-	-	-	1,574	1,574
Realised on disposals	-	-	(364)	364	-
Distributable element of depreciation charge	-	-	(17)	17	-
Contribution to Qualifying Exempt Share Ownership Trust	-	-	-	(1,869)	(1,869)
At 31 December 1999	**5,626**	**4,036**	**610**	**77,733**	**88,005**

	Share capital £000	Share premium account £000	Revaluation surplus £000	Profit and loss account £000	Total £000
Company					
At 31 December 1997	5,510	790	13	55,881	62,194
Total recognised gains	-	-	-	8,071	8,071
Dividends	-	-	-	(2,878)	(2,878)
Issue of shares	29	582	-	-	611
At 31 December 1998	5,539	1,372	13	61,074	67,998
Total recognised gains	-	-	-	18,004	18,004
Dividends	-	-	-	(3,550)	(3,550)
Issue of shares	87	2,664	-	-	2,751
Distributable element of depreciation charge	-	-	(1)	1	-
Contribution to Qualifying Exempt Share Ownership Trust	-	-	-	(1,869)	(1,869)
At 31 December 1999	**5,626**	**4,036**	**12**	**73,660**	**83,334**

The cumulative amount of goodwill written off to the Profit and Loss Account at 31 December 1999 in the consolidated accounts is £13,759,000 (1998 – £15,334,000).

Notes to the Accounts at 31 December 1999

24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Details of the Group's treasury policies and strategies, together with the carrying values of the Group's financial instruments at 31 December 1999, are included in the Financial Review on pages 7 to 9.

The disclosures below exclude short term debtors and creditors.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group, all of which are denominated in sterling, as at 31 December 1999 was as follows:

	Total £000	Fixed rate financial assets £000	Floating rate financial assets £000	Financial assets on which no interest is earned £000
Fixed asset investments	406	15	-	391
Talkco (Holdings) Limited loan notes	13,774	-	13,774	-
Term deposits	13,500	-	13,500	-
Overnight deposits	2,140	-	2,140	-
Bank and cash balances	1,576	-	1,576	-
	31,396	15	30,990	391

Term and overnight deposits comprise money market deposits at call, seven day and monthly rates.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group, all of which are denominated in sterling, as at 31 December 1999 was as follows:

	Total £000	Fixed rate financial liabilities £000	Floating rate financial liabilities £000	Financial liabilities on which no interest is paid £000
Deferred lease premium	3,188	-	-	3,188
Orient Publishing Plc loan notes	18,081	-	18,081	-
Finance leases	677	677	-	-
Loans for film finance	1,613	-	-	1,613
6.45% cumulative preference shares	309	309	-	-
15.5% cumulative second preference shares	2,041	2,041	-	-
Provisions	1,500	-	-	1,500
	27,409	3,027	18,081	6,301

Notes to the Accounts **at 31 December 1999**

24. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 1999 was as follows:

	£000
In one year or less, or on demand	19,659
In more than one year, but not more than two	1,470
In more than two years, but not more than five	1,600
In more than five years	4,680
	27,409

Fair value of financial assets and financial liabilities

The fair values of the financial assets and liabilities are deemed as being equal to their book values with the following exceptions.

The fair values of the fixed asset investments at 31 December 1999 were £2,923,000 which comprised market values for listed investments and directors' valuations for unlisted investments, compared with a book value of £406,000.

The fair values of the Company's preference shares are not readily ascertainable.

25. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	1999 £000	1998 £000
Operating profit	19,003	17,061
Depreciation and amortisation charges	4,565	4,510
Lease premium amortisation	(1,100)	(1,100)
Amortisation of lump sum pension contribution	100	100
(Profit)/loss on disposals	(281)	31
(Increase)/decrease in stocks	(248)	115
(Increase) in debtors	(2,253)	(1,140)
Increase/(decrease) in creditors	812	(1,257)
Cash flow relating to restructuring costs	-	(564)
Cash flow relating to closure of operation	-	(658)
Increase in provisions	163	216
Payment against provisions	(213)	(106)
Contribution to Qualifying Exempt Share Ownership Trust	(1,869)	-
Cash flow from operating activities	18,679	17,208

Notes to the Accounts **at 31 December 1999**

26. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Notes	1999 £000	1998 £000
Returns on investments and servicing of finance			
Interest received		1,626	1,742
Dividends received		9	11
Interest paid		(1,205)	(1,156)
Preference dividends paid		(336)	(336)
Dividends paid to minority interests		(43)	-
Issue costs of new loan finance		-	(256)
Interest element of finance lease rental payments		(57)	(88)
		(6)	(83)
Capital expenditure and financial investment			
Purchase of intangible fixed assets		(23)	-
Purchase of tangible fixed assets		(2,939)	(3,053)
Sale of intangible fixed assets		-	1,807
Sale of tangible fixed assets		925	333
Sale of investments		150	-
Sale of current asset investment		-	9,208
		(1,887)	8,295
Acquisitions and disposals			
Investments in associates		(87)	(622)
Purchase of subsidiary undertakings	14	(5,680)	(33,455)
Bank (debt)/balance acquired with subsidiary undertakings	14	(1,096)	5,471
Adjustment to purchase consideration	14	16	-
Sale of associates		(79)	3,169
Deferred consideration		(105)	-
		(7,031)	(25,437)
Management of liquid resources			
Decrease in short term deposits		1,024	8,808

Liquid resources comprise money market deposits for periods in excess of one working day.

		1999 £000	1998 £000
Financing			
Issue of ordinary share capital		2,751	611
Repayment of Orient Publishing Plc loan notes		(6,166)	(1,681)
Capital element of finance lease rental payments		(242)	(256)
Repayment of loans to associate		2,157	-
		(1,500)	(1,326)

Notes to the Accounts **at 31 December 1999**

27. ANALYSIS OF NET FUNDS

	At 1.1.99 £000	Cash Flow £000	Other non cash changes £000	Acquisitions excluding cash and overdrafts £000	At 31.12.99 £000
Cash at bank and in hand	4,657	(941)	-	-	3,716
Short term deposits	14,524	(1,024)	-	-	13,500
Talkco (Holdings) Limited loan notes	-	-	13,774	-	13,774
	19,181	(1,965)	13,774	-	30,990
Loans	(24,392)	6,166	-	-	(18,226)
Loan issue costs	194	-	(49)	-	145
Finance leases	*(655)*	242	*(152)*	*(112)*	*(677)*
Total	(5,672)	4,443	13,573	(112)	12,232

28. MAJOR NON CASH TRANSACTIONS

During the year the Group accepted bank-guaranteed floating rate unsecured loan notes 2004 totalling £13,774,000 as consideration for the disposal of the Group's investment in The Radio Partnership Limited.

The Group also entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £152,000.

29. CAPITAL COMMITMENTS

Approved future capital expenditure at 31 December 1999, for which no provision has been made in these accounts, amounted to:

	Group		**Company**	
	1999 £000	1998 £000	1999 £000	1998 £000
Contracted for but not provided	379	385	94	181

30. COMMITMENTS UNDER OPERATING LEASES

At 31 December 1999 annual commitments under non-canceliable operating leases were as follows:

	Land and buildings		Plant, equipment and vehicles	
	1999 £000	1998 £000	1999 £000	1998 £000
Group				
Operating leases which expire:				
Within one year	95	115	210	225
Within two to five years	365	176	2,710	2,413
Over five years	616	650	-	-
	1,076	941	2,920	2,638

Notes to the Accounts at 31 December 1999

31. CONTINGENT LIABILITIES

ECNG has a contingent liability for any warranty claims made by the purchasers under the terms of the sale and purchase agreements for the sale of subsidiary undertakings and associates by ECNG, where the period allowed for warranty claims has not yet expired.

32. PENSION SCHEMES

The Group operates a number of pension schemes, the assets of which are held separately from those of the Group. The total cost for the Group charged in the profit and loss account, including ex-gratia pensions (see below), was £2,526,000 (1998: £2,252,000).

The major schemes are of the defined benefit type. The contributions to these schemes are determined with the advice of an independent qualified actuary, using the projected unit method. The pension costs were determined on the basis of the most recent actuarial valuations. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions relative to price inflation.

For the Final Salary Section of the Pension and Life Assurance Scheme, at the most recent valuation as at 1 January 1999, it was assumed that the rate of return on investments would be 3.5% above price inflation for the purpose of valuing the accrued liabilities and 3.75% above price inflation for the purpose of valuing future accruing liabilities, salaries would increase by 1.5% above price inflation and pensions would increase in line with price inflation. As at 1 January 1999 the market value of the assets was £71,243,000 and the actuarial value of the assets represented 107% of the liability for benefits that had accrued to the members for service to the review date, based on salaries projected to retirement. The employer's regular contribution rate, ignoring surplus, was identified as 13.6%. If the surplus was eliminated over the average remaining service lives of the members (13 years), the employer's contribution rate could have been reduced to 10.4%. However, in order to reduce the risk of failing to satisfy the minimum funding requirement under the Pensions Act 1995, the full allowance for eliminating surplus was not implemented. Instead, the employer contribution rate was maintained at 11.0% during 1999.

For the Senior Management Pension Scheme, at the most recent actuarial valuation as at 1 July 1998 it was assumed that, relative to price inflation, the rate of return on investments would be 3.35% for the purpose of valuing the accrued liabilities and 3.65% for the purpose of valuing future accruing liabilities. It was assumed that salaries would increase by 2.0% above price inflation and pensions would increase in line with price inflation. The market value of the assets was £15,092,000 and the actuarial value of the assets represented 105% of the liability for benefits that had accrued to the members for service to the review date, based on salaries projected to retirement. The employer's regular contribution rate, ignoring surplus, was identified as 24.4%. To reduce the risk of failing to satisfy the minimum funding requirement under the Pensions Act 1995, no allowance was made for eliminating surplus. During 1999 employer contributions were paid at the rate of 24.4%.

The Group also operates a defined contribution pension scheme. The pension cost represents contributions payable by the Group to this scheme. During 1999, the Home Counties Newspapers Group Pension Scheme was closed to new members and existing members were given the opportunity to transfer into the ECNG Pension and Life Assurance Scheme, Money Purchase Section.

The Group pays ex-gratia pensions on an unfunded basis to certain former employees of Home Counties Newspapers, and accordingly provides for this in the accounts.

Five Year Financial Summary

	1999 £000	1998 £000	1997 £000	1996 £000	1995 £000
Turnover					
Continuing operations	116,157	102,488	79,163	71,865	70,406
Discontinued operations	-	991	950	826	49,525
	116,157	**103,479**	**80,113**	**72,691**	**119,931**
Operating profit before exceptional items					
Continuing operations	20,367	17,484	10,044	4,765	4,156
Discontinued operations	-	(423)	(201)	(222)	896
Group operating profit	20,367	17,061	9,843	4,543	5,052
Return on sales	*17.5%*	*16.5%*	*12.3%*	*6.3%*	*4.2%*
Share of operating results in associates	450	356	(25)	(166)	(139)
Total operating profit before exceptional items	**20,817**	**17,417**	**9,818**	**4,377**	**4,913**
Profit before tax	27,974	20,286	15,801	6,762	4,433
Tax	7,660	6,170	4,183	1,494	2,046
Effective rate of taxation	27.4%	30.4%	26.5%	22.0%	46.1%
Dividends	3,550	2,878	2,289	1,982	1,785
Retained profit for the year	16,721	11,212	9,321	3,316	602
Net assets	88,005	68,828	56,274	46,881	49,390
Basic earnings per share	124.6p	86.6p	71.5p	31.5p	13.0p
Adjusted earnings per share	94.7p	74.0p	44.3p	19.5p	19.4p
Diluted earnings per share	121.3p	84.8p	70.7p	31.4p	13.0p
Net dividends per share	20.0p	16.0p	12.4p	10.5p	9.2p
Dividend cover (based on adjusted EPS)	4.7	4.6	3.6	1.9	2.1
Net cash/(debt)	12,232	(5,672)	25,730	6,897	(6,843)
Net gearing %	N/a	8.20	N/a	N/a	13.80

Net gearing is net borrowings as a proportion of shareholders' funds plus minority interests

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in the Print Centre, Thorpe St Andrew, Norwich, on 9 May 2000 at 12 noon, for the following purposes: To consider and if thought fit to pass the Resolutions set out below:

ORDINARY RESOLUTIONS

1 THAT the reports of the directors and auditors and the audited accounts for the year ended 31 December 1999 be and are hereby received.

2 THAT Mr R C Copeman, retiring as director at this Meeting, be re-elected.

3 THAT Mr R W Jewson, retiring as director at this Meeting, be re-elected.

4 THAT Mr P M Strong, retiring as director at this Meeting, be re-elected.

5 THAT Mrs J F de Moller, retiring as director at this Meeting, be elected.

6 THAT Ernst & Young be re-appointed auditors of the Company at a fee to be fixed by the directors.

7 THAT the proposed ordinary dividend be approved and paid on 12 May 2000.

By order of the Board

J O ELLISON
Secretary
14 April 2000

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Registered Number: 19300

Web site address: http://www.ecng.co.uk

Note – a member entitled to attend and vote at the meeting is entitled to appoint a proxy for that purpose who need not be a member of the Company.

Financial Calendar for Year **to 31 December 2000**

14 April	1999 Annual Report published
28 April	Share register balances struck for 1999 final dividend
9 May	Annual General Meeting
12 May	Payment of 1999 Final Dividend
17 June	Half Year End
30 June	Payment of 6.45% and 15.5% Preference Dividends Payment of Orient Publishing Plc Floating Loan Note Interest
11 August	Interim Statement despatched and Interim Dividend announced (provisional)
2 October	Payment of 2000 Interim Dividend
31 December	Payment of 6.45% and 15.5% Preference Dividends Payment of Orient Publishing Plc Floating Loan Note Interest

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"As in the last century, it is the ideas and commitment of ECNG's people that will lay the foundations for the new one"

Peter Strong, Chief Executive