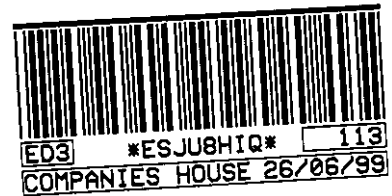


'98

RE-SCAN



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Financial highlights

- ☐ turnover increased by 29% to £103.5m
- ☐ total operating profit increased by 77% to £17.4m
- ☐ operating margin increased by 4.5 percentage points to 16.8%
- ☐ pre-tax profits increased by 28% to £20.3m
- ☐ adjusted earnings per share increased by 67% to 74.0p

Chairman's statement



Richard Jewson Chairman of Eastern Counties Newspapers Group

The acquisition of Home Counties Newspapers is a significant milestone in the progress of the Group. It is greatly to the credit of all those involved that the integration of the business into the Group has been so successful.

RESULTS

I am delighted, again, to be able to announce record pre-tax profits of £20.3m (1997 - £15.8m). Adjusted earnings per share was up 67% at 74.0p (1997 - 44.3p). Turnover was up 29% at £103.5m (1997 - £80.1m), and operating profit increased by 77% to £17.4m (1997 - £9.8m). Profit margins improved to 16.8% (1997 - 12.3%).

The overall result had the benefit of £4.2m profit on the sale of some radio investments and newspaper titles, offset partly by reorganisation costs of £0.6m following the acquisition of Home Counties Newspapers (HCN) and closure costs of £0.9m in respect of IMC, our direct marketing company. Cash generation was again strong during the year. Although we paid out £58.6m to acquire HCN, borrowings were a net £5.7m at the year-end.

DIVIDEND

The Board is recommending a final dividend of 11.1p (1997 - 8.2p) per ordinary share. This makes a total for 1998 of 16.0p (1997 - 12.4p) an increase of 29%. This substantial increase in dividend reflects the outstanding results achieved.

HIGHLIGHTS

A detailed report follows on operations by the Chief Executive and on finance by the Finance Director. During the year your company has made significant progress both in improving operating margins and in reinvesting the cash flow. The acquisition of HCN is a significant milestone in the progress of the Group. It is greatly to the credit of all those involved that the integration of the business into the Group has been so successful. The titles acquired produced operating profits of £3.8m during the period.

Your Board continues to seek investment opportunities to strengthen the Group's media activities.

Information Technology is crucial to our business and we continue to make significant investment in this area with real progress being made. Our web site (<http://www.ecn.co.uk>) is continuously being improved and we have now introduced a prototype Intranet.

We have successfully designed, developed and introduced a completely new advertising system to Norwich and Ipswich. It has greatly improved functionality, which will improve service to our customers.

☐ BOARD

We were pleased to appoint Nigel Websper to the Group Board in December 1998. He will stand for election at the annual general meeting. Nigel has been with the Group since 1981 and has held a number of senior positions in our newspaper publishing business. He is currently

responsible for Community Media Limited and the western division of HCN.

☐ STAFF

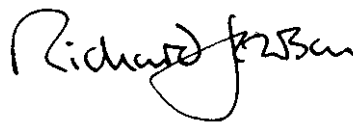
This excellent performance reflects the great efforts of staff, at all levels, throughout the period and for which your Board is very appreciative. We also welcome our new colleagues in HCN. Management are working hard to improve communications and involvement at all levels. Employee share ownership is an important component of this and continues to develop with the share schemes which we operate. A further share scheme offer is planned across the Group in the summer.

☐ OUTLOOK

We have some concerns that trading conditions might deteriorate, and in particular that volumes of recruitment advertising may fall.

Notwithstanding this, there is a momentum for change and improvement in the business, which leads us to believe that 1999 will be another year of progress for the Group.

Your Board continues to seek investment opportunities to strengthen the Group's media activities. The success of the HCN acquisition is encouraging. It is clear that the regional newspaper industry continues to consolidate and we would wish to play our part when we can find opportunities which create value for our shareholders.



Chief Executive's report



Peter Strong Chief Executive of Eastern Counties Newspapers Group

We are increasingly in the niche business, and if ever there was any doubt about this it is dispelled by the growing evidence of so much of our more tightly targeted activity.

Publishing is a People business. We are a dynamic media company. The ideas, talent and commitment of our people make us what we are.

On the threshold of the new millennium it is these qualities that stand us in great stead. Our challenge is to make sure we nurture them. Our vision is to grow, harnessing knowledge and innovation to broaden our channels of communication.

We are increasingly in the niche business, and if ever there was any doubt about this it is dispelled by the growing evidence of so much of our more tightly targeted activity.

The niche established through the success of the EDP Saturday magazine led during the year to a similar project at the East Anglian Daily Times in Suffolk. The East Anglian Magazine launched in the autumn by a small team in Suffolk and

distributed within the EADT, is like its forerunner adding sales to the weekend paper and providing a younger and more female readership.

The regional bias and interest of these magazines is providing a powerful weapon against the avalanche of newsprint that the national papers produce on a Saturday.

The magazine publishing team in Norwich meanwhile hatched another launch, this time a stand-alone glossy publication entitled Norfolk Christmas. It was extremely well received, attracting readers and advertisers alike to the high quality of the product.

Further developed as EDP Norfolk in Spring '99 and on sale in newsagents and supermarkets across the county it is an entirely home produced product, visually a match for any good "glossy", and set to become a new and profitable regular, a minimum of six times a year.

It is a small beginning, but from small beginnings has many a great empire sprung!

A small exhibitions division was formed in CML in the West Country. With its HQ in Devon, a series of shows followed with the team experiencing the full challenge of the outdoor event business – choosing the hottest day of the year (in Exmouth) and the windiest (in Bristol) for their first launches! Spurred on by this experience, a range of events is planned for '99 as we test the water and develop our skills in what we believe can be a profitable new venture.

Our links with the business communities in many of our markets were enhanced by our staging awards nights. Over 500 people attended the North Herts event in Stevenage with Jeremy Paxman as celebrity speaker and in the City of London at Canary Wharf the Newham Recorder hosted a successful event at which Sports Minister Tony Banks presided. These events are highly prestigious and also profitable.

There were more, and the enthusiasm of our own people was nowhere more evident than at our own "in-company" awards night, staged by ECN in East Anglia, where the excellence and innovation in our business were celebrated by over 750 people on a Saturday night in November. In '99 the event will include all Group companies.

Our 40 most senior

managers also met in the autumn for a two-day conference at which an important theme was the value that resides in sharing our experience, ideas and abilities across the business. A number of important communications issues emerged and are being pursued. A prototype intranet has been developed on a collaborative basis between ECN and CML linking all their businesses and Summerhouse together. At present access is restricted to the 40 attendees, but it is another small beginning for what will undoubtedly shape our future.

Modern corporations must be nimble, able to exercise their collective strengths and provide an exciting environment for the people who will grow to become the foundation for the future, and these kinds of activities will continue to feature in our thinking.

A good example of effective collaboration has been that between Summerhouse Publishing and the EDP where skills inherent in our contract magazine publishing business were used to develop a business publication for Norfolk.

Summerhouse itself has made a good start in its first, almost full year within the Group. Turnover has increased by 36.5% and important new clients developed. We have regular and growing business now in Sweden, France and the UK

Modern corporations must be nimble, able to exercise their collective strengths and provide an exciting environment for the people who will grow to become the foundation for the future.

and we are investing in further expansion.

Many of these things are small things that together make a difference. But in May, we were both exhilarated and delighted to succeed in something major, our acquisition of Home Counties Newspapers.

The net result of the deal was to add another 17 newspapers to our portfolio of titles taking us to a total of 60 with a circulation of 2.7m per week.

Publishing in the valuable territory of South Essex and Hertfordshire, and with possibly Britain's best known local weekly, The Ham and High in Hampstead, North London, as part of the portfolio, it makes a perfect partner for us.

With a significant number of the papers already printed on our Thorpe press under contract before the event we already had a very successful working relationship with many of the key people.

As a public company, HCN

had nevertheless maintained a "family" feel through the Chairmanship of Bill Gibbs, whose family held a substantial stake and whose great grandfather had started the company. Our status as an independent, sixth generation family-owned business eventually helped to land us the position of preferred bidder in a hotly contested process.

There followed a period of intense activity. We decided that certain of the markets in which the company published were not ones in which we wished to compete. The prospect of some years of substantial losses in the Bedfordshire and Buckinghamshire areas was not something we relished, and the newspapers there were sold to Johnston Press.

HCN had also invested in an envelope manufacturing business, and this was not on strategy for us. It was disposed of by the year end and in this regard, as well as

It has been a memorable year, but we cannot stand still. The challenge is to maintain our momentum.

in the conduct of the overall handover of HCN, we are indebted to the outgoing Chief Executive of the company, Bill Coppen-Gardner who with Chris Lawrence handled the sale.

The quick resolving of these matters ensured that the acquisition was immediately earnings enhancing.

A considerable investment in systems has been necessary and we are part way through the process, a process that must be completed for the year 2000. Immediate benefits for the Group were felt when the new advertising system, designed and constructed over the last two years by the IS team in Norwich, was agreed by the incoming teams at HCN as the best option for them. It will be later in 1999 before the work is completed.

The system, which will ultimately give great benefit in our ability to track advertisers' activity and offer improved customer service, was commissioned for the first time in Norwich in the autumn and rolled out to Ipswich early in '99.

The accelerating pace of change remains a hard task master, and our efforts to develop Eastern Counties

Network internet business, alongside our paper products made good progress during the year. Average order values for our web site building service grew by 400% to £1,245 and we have made many new business partners. In addition, our own web sites continued their development. They are developments that will accelerate significantly in the year ahead.

These moves will add to our strength in depth as we continue to successfully develop our traditional newspaper base with new ideas, new methods of presentation and new initiatives. In the past year these initiatives included the launch of a new Tendring edition of the East Anglian Daily Times, another idea which is adding copy sales and advertisers to our customer base.

Unfortunately, IMC Direct Marketing, acquired some three years ago was closed in the autumn. The business was loss making and we were unable to justify the investment required. Our thanks go to the team who made a great effort to succeed. We wish them all well.

As is clearly described elsewhere in these pages, our

business continues to improve its performance. Economic conditions have remained good, a factor which during 1998 was enhanced for us by the relative strength of the East Anglian region which did not experience the slowdown that some others in our industry reported towards the end of the year.

In Scotland we experienced mixed fortunes. The north east grew reasonably, while central Scotland had a tougher time. Our North Somerset business finally defeated a vigorous competitor, launched in the previous year, but there was a cost. Devon enjoyed a strong increase in revenues.

HCN East in South Essex grew strongly and margins improved as they did in North London. In HCN West, with much focus on the disposals, the retained business still managed growth in advertising revenues of 11%.

Overall, our recruitment advertising revenues grew by 21.3%. We expect this to slow in 1999, but face the future confident that other activities can mitigate the effect this might have.

Margins continue to rise, helped by lower newsprint prices as well as the strong recruitment advertising revenues. But as the benefit of our actions to improve the efficiency of the business comes through we continue to pursue improvement to our return on sales. The HCN

titles will also help raise our performance in this regard.

It has been a memorable year, but we cannot stand still. The challenge is to maintain our momentum.

The quality of our people and of our publications and associated activities is the key.

It is gratifying therefore that ECN has gained an Investors in People award, and I am proud to record that among the many accolades won by the Group's people and publications during the year were: Evening Newspaper of the Year to the Evening Star in the UKPG national awards, the third consecutive year it has received this accolade in the "under 40,000 circulation category"; Weekly Paid-for Newspaper of the Year to the Ham and High in the BT national awards -- also a winner three times in succession; and Weekly Free Newspaper of the Year to the Hunts Post for the second year running in the Newspaper Society national awards.

The advertisement sales team at Norwich were voted 1998 Display Publishing Centre of the Year in the Newspaper Society awards for the excellence of their sales efforts, the Saturday magazine team in particular scoring several successes.

They, along with all our other winners, deserve our congratulations.

Peter Strang

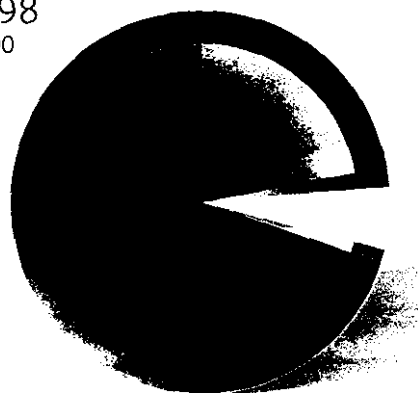
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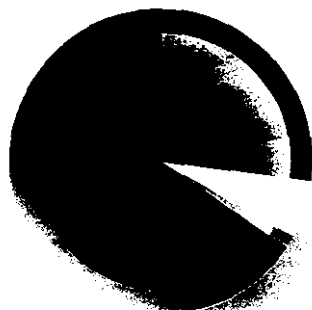
Chris Lawrence Finance Director of Eastern Counties Newspapers Group

Turnover Analysis

1998
£'000



1997
£'000



	1998	1997
● Advertising Revenue	72,529	52,728
● Circulation	19,085	17,412
● Contract Print	3,665	4,103
● Contract Publishing	1,609	-
● Other	5,600	4,920
● Direct Marketing	991	950
TOTAL	103,479	80,113

FINANCIAL HIGHLIGHTS

The financial highlights of the year were

- turnover increasing 29% to £103.5m
- operating profit increasing 77% to £17.4m
- operating margins increasing 4.5 percentage points to 16.8%
- pre-tax profits increasing 28% to £20.3m
- adjusted earnings per share increasing 67% to 74.0p

Buoyant local markets, falling newsprint costs, effective management of advertising yields and overhead costs, and the successful acquisition of Home Counties Newspapers (HCN) all contributed to an impressive set of results.

TURNOVER

Turnover of the ongoing operations increased by

£5.2m, or 6.5%. (See note 2 page 33). Ongoing advertising revenues rose by 7.5%. Recruitment revenues in particular showed strong growth with an increase of 21.9%. Ongoing circulation revenues rose by 5.2%. Cover prices were increased on our four daily titles. The most recent Audit Bureau Circulation statistics confirmed that the Eastern Daily Press continues to be the best selling regional daily newspaper in the country.

£18.1m (or 33 weeks) of HCN turnover has been consolidated. The Luton, Bedford and Milton Keynes newspaper business units and Southern Converters, the non-core envelope business, have not been consolidated. On a full year basis, retained HCN advertising revenue grew by 11% with recruitment revenues up 20.5%.

People and personalities

Famous names and top awards featured throughout the year as teams and individuals celebrated success and celebrities joined in events and sponsorships.

▶ Ham & High editor **Matthew Lewin** and reporter **Ruth Bloomfield** gave their paper plenty to cheer about when they scooped two major press awards. Matthew collected the Weekly Newspaper of the Year and Ruth was named Weekly News Journalist of the Year in the BT Regional Press Awards.

▽ ECN made history in 1998 when it was acclaimed as the **'Display Publishing Centre of the Year'** by the Newspaper Society, for the first time.

The accolade followed ECN receiving a total of ten NS awards, including six certificates and a crystal trophy won by the **EDP Magazine** for presenting the best colour retail advertisement of the year.

Below: Peter Waters, right, and Marie Barnes hold the NS crystal trophy presented to the EDP magazine with Tim Thurston, left, and Stephan Phillips who are holding other prizes scooped by ECN Norfolk.

▶ The Hitchin Comet's MD Enzo Testa, left, hosts the paper's North Herts Business Awards at which TV's **Jeremy Paxman** gave the prizes.

Organising the awards won the Comet a Newspaper Society prize for coming up with the idea.

The Comet has committed itself to hosting the event for a third year in 1999.



Above: The Press Centre team with their ECN Quality Award. Right: EDP editor Peter Franzen celebrates success. Far right: Members of the Saffron Walden Reporter sales team who won the ECN Best Customer Service Award.

▶ The biggest ever gathering of ECN people took place in Norwich to celebrate excellence.

More than 700 members of editorial, sales and support teams gathered under a big top to applaud achievement and witness the first **ECN Awards night**.

The 1998 awards attracted over 820 entries in classes ranging from Newspaper of the Year — won by the Eastern Daily Press — to Unsung Hero, given for exceptional work which was won by Geraldine Cook, an editorial assistant at the March office, pictured right receiving her trophy from Group Chief Executive Peter Strong.



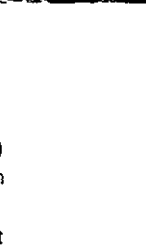
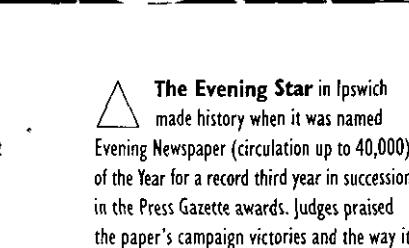
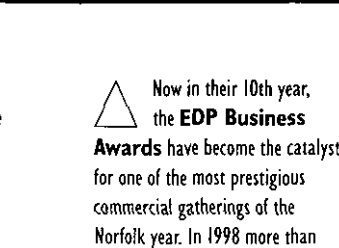
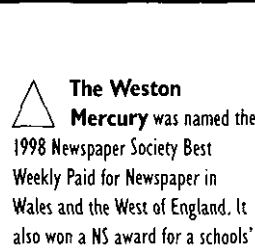
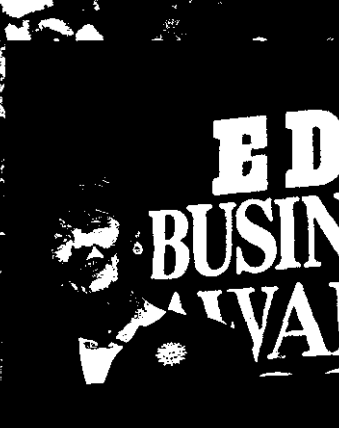
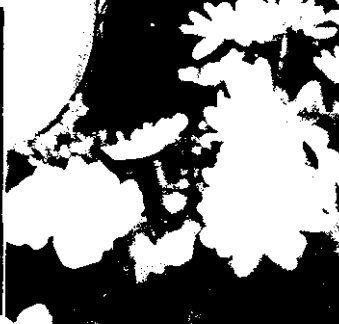
▶ **Sports Minister Tony Banks** was guest of honour at the Recorder Newspaper sponsored East London Small Business Awards and is pictured right presenting £1,500 to the winner of the first prize.



△ The editorial and advertising teams of **The Hunts Post**, named the Midlands and East Anglia Free Newspaper of the Year for the third time in succession and the Newspaper Society's Free Newspaper of the Year for the second year running. Editor Paul Richardson is on the far right.



△ **HRH The Prince of Wales** chose ECN to learn about how the regional press operates. Here he meets members of the telesales team at Prospect House. He attended the EDP's daily news conference before being shown how photographs are electronically positioned by picture editor Dennis Whitehead and discussing the development of stories with news editor Paul Durrant.



△ **Former Prime Minister John Major** launched the **Hunts Post** web site. A reader for over 20 years, Mr Major was delighted to see his local paper enter a new technological era and gave an exclusive interview to mark the occasion.

△ **The Weston Mercury** was named the 1998 Newspaper Society Best Weekly Paid for Newspaper in Wales and the West of England. It also won a NS award for a schools' nativity supplement as the most unusual and successful revenue producing idea of the year.

Chief reporter **Melanie Dowding**, pictured above, was runner-up in the BT Weekly Journalist of the Year, Wales and West, awards.

△ Now in their 10th year, the **EDP Business Awards** have become the catalyst for one of the most prestigious commercial gatherings of the Norfolk year. In 1998 more than 100 companies entered the nine categories, the winners receiving their prizes from celebrity cook and Norwich City Football Club director **Delia Smith**.

△ **The Evening Star** in Ipswich made history when it was named Evening Newspaper (circulation up to 40,000) of the Year for a record third year in succession in the Press Gazette awards. Judges praised the paper's campaign victories and the way it fights wholeheartedly for its readers.

Above, **Nigel Pickover** editor of the Evening Star with the 1998 Newspaper of the Year certificate with members of his team holding other awards that the paper has received.

Pushing out the boundaries

Group companies continued to expand and grow throughout the year, extending their business and developing income.

▽ The coastal **Anglia Advertiser** series has been joined by seven titles from Mid Anglia Newspapers and Cambridge, Huntingdon, Ely and Wisbech to form a stronger weekly newspaper group.

Bringing paid for newspapers under the wing of the series for the first time, the move also prompted the creation of a central sub-editing department in Royston and boosted the group's advertising production operation in Gorleston, pictured below.



△ The EDP extended its news coverage and advertising revenues when it launched a 20 page weekly supplement for the West Norfolk edition.

Called **EDP West Norfolk & Fens**, it provides much more local news and a targeted readership for advertisers who, along with the local council, have welcomed the publication.

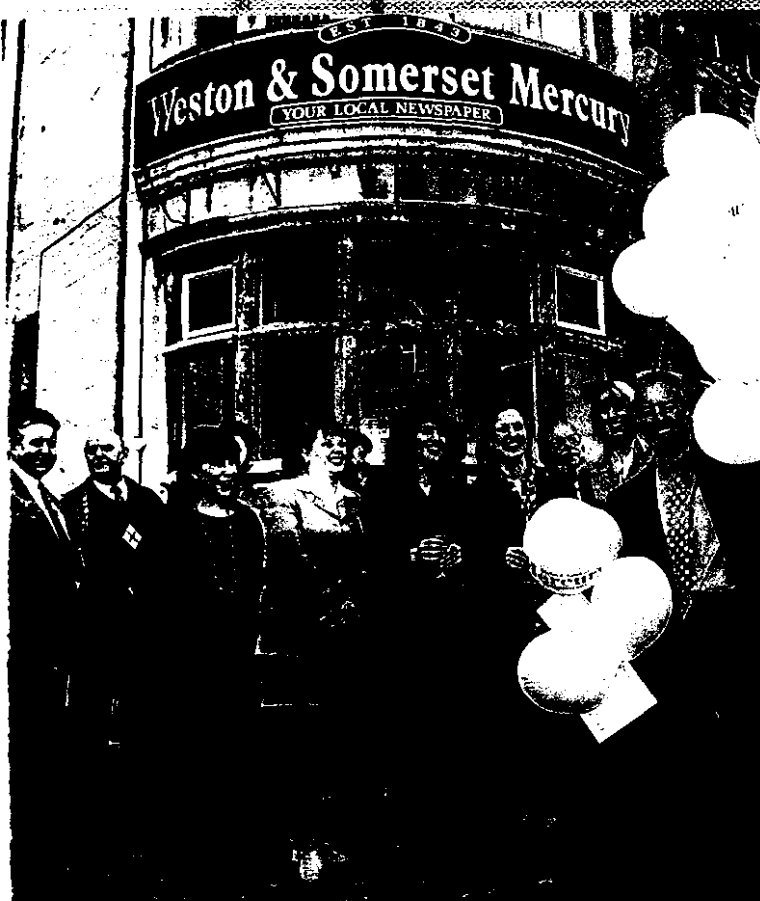
Above: Members of the ECN team with the new West supplement of the EDP.



△ **Suffolk & Essex Business Magazines** have gone from strength to strength with the hard work and positive attitudes that won their people 'Team of the Year' in the ECN awards.

With a market leader in Suffolk, the magazine team launched the successful format into Essex and has secured a firm foothold in the county.

Left: The Suffolk based magazine team ready to go into bat for the launch of the Essex Business Magazine.



◀ The **Weston & Somerset Mercury** began a new chapter in its 155 year history when it was printed in full colour throughout for the first time. The change came about due to customer demand, and the event was marked by a balloon launch from the paper's offices.

Left: CML regional director Bernard Driscoll with members of his team celebrating the launch of the full colour Weston Mercury.

◀ During 1998 ECN's Norfolk publishing division demonstrated how powerful the company's newspaper brands are by launching '**EDP Norfolk**' a high quality county magazine. Distinct from the EDP's in-paper Saturday colour supplement, the new bi-monthly up-market magazine is aimed predominantly at women aged 30+ and specialist advertisers.

Left to right: Mel Secker; EDP brand manager Kent Smith; Sharon Hulbert; Sarah Hardy; publishing editor Peter Waters; Gavin Davies; advertising manager Marie Barnes; and Simon Lunt.



Left: Karen Twyford, development manager and Steven Harnell, news editor with the new-look North Somerset Times.

Above: members of the Weston-Super-Mare Admag team with the 1,000th issue of their publication.

△ **Summerhouse Publishing**, the specialist publishing company that ECNG acquired in 1998, has gained a new home and new clients for its portfolio.

The company's team of 26 now occupy new offices in the listed St James' Yarn Mill on the River Wensum near Norwich Cathedral.

The move accompanied Summerhouse's success in adding new publications for clients such as GEC, Hogg Robinson, Paris-based Alcatel Cables and Components and First Telecom.

The year also saw existing clients ALSTOM, the London

Symphony Orchestra and Saab Automobile extending their involvement with Summerhouse. Saab renewed its contract for another three years and added the USA to its Saab Magazine which is produced in 15 different language versions and distributed to 25 markets around the world, with a total circulation of over 600,000 copies.

Tim James, inset, joined Summerhouse as **publishing director**. He will look after all the operational aspects of the business, ensuring that relationships with clients and the standard of publications improve still further.



△ It has been a momentous year for CML's Admag titles. **The Weston-Super-Mare Admag** proudly produced its 1,000th edition. The 40 page paper celebrated reaching the milestone with a special supplement.

The Portishead Admag had a complete makeover, emerging as the **North Somerset Times**, complete with news and sport.

▶ Aidan Semmens, pictured right, became ECN's first newspaper web site editor when he joined the **Evening Star** team.

The site has become increasingly popular and attracts 80,000 readers a week.

ECN's long-standing commitment to achieving business success through training and development has been recognised by the company receiving the prestigious **Investor in People** award.

▶ Right: ECN Managing Director Tom Stevenson receives the Investors in People plaque from Norfolk and Waveney TEC chief executive David Pearson watched by HR Director Val Howden and members of the ECN IIP Team.



▽ When your business boundaries stretch from Peterhead to Exeter, there's only one way to get around as **CML Managing Director Nigel Websper** and **Finance Director Andrew Halsey** have found.

Nigel has held a pilot's licence for several years and makes frequent flights from his office in the West Country. They are pictured, Nigel, left, with their air taxi, an Aztec twin engined, six seater which is based at the Bristol and Wessex Flying Club.



△ **Leadership skills** are being developed and extended throughout ECN with 150 people taking part in Team Leader and Operational Manager Programmes which lead to Institute of Management qualifications.

Ten-week workplace-based courses enable junior managers, supervisors and people with team leader responsibilities to develop a range of skills to enhance their roles.

A 12 month **Operational Manager Programme** is designed to build commercial and business skills among middle managers with successful candidates achieving a Certificate or Diploma in Management.

Advertisement sales staff are being helped to progress their careers through training programmes which will lead junior members of the team to potentially become the senior representatives and sales managers of the future.

Trainee journalists are receiving the best training in the newspaper industry. A 15-week course followed by on-the-job training over two years enables young reporters to gain NVQ Level 4 and the ECN Diploma.

Staff development activities are supported by a learning resource library within ECN's HR Department at Prospect House, Norwich.

Above: ECN HR advisor Lucy Pakes takes a training session at Prospect House.



Above: Top hairdresser Nicky Clarke at the Hairdressing Show held by CML in Torquay.

Right: The CML (Devon) Exhibition and Show Division exhibitions manager John Cooksey with members of his team from left Christine Whitting, David Hastings and Kate Boalch.



△ **UK Hairdresser of the Year Nicky Clarke** helped CML to blaze a trail into a new business venture – exhibitions and shows.

The top people's hairdresser was the star attraction at a hairdressing show staged in Torquay, one of five exhibitions run during the year. Weddings, ideal homes and Christmas gifts were the other themes for 1998.

Led by Bob Priddle, who heads-up CML's operations in Devon, the exhibition division has its sights set on major centres around the country including Wembley, Brighton and Leeds in 1999.

Running exhibitions is a natural extension of CML's business requiring many of the skills and resources needed for successful publishing.

▽ **The East Anglian Daily Times Magazine** proved an instant success on its launch in October, boosting Saturday sales of the paper by nearly 3,000 copies, as well as achieving a premium cover price.

The magazine was heralded by an extensive television advertising campaign and was well received by readers. The advertising team took a fresh approach to give the magazine the best possible start. Focused on gaining new advertising spend, a two-day off-site course saw the team analysing the competition, developing a strategy to win market share and making presentations to advertisers. The result was £30,000 of revenue pre-sold into the first edition.

Left: Editor of the EADT Magazine Robyn Bechelet with design editor Richard Bryson.

▽ **Eastern Counties Network**, the group's electronic publishing arm, has transferred more than 400 customers onto the World Wide Web with many of them reaping remarkable results including orders and enquiries from thousands of miles away.

Nearly 70% represent new business for the company including customers from beyond traditional publishing boundaries. Many clients report that web activity has extended their sales area as well as bringing them improved results locally.

An independent survey carried out among Network customers reported high levels of approval for the service, averaging a satisfaction rating of 4.2 out of a possible 5.

Below: Jenny Smith, right, field sales representative for Eastern Counties Network, shows Deborah Gillatt from the government agency CEFAS their new web site.



▽ ECN has completed one of the most complex projects of recent years with the development and installation of a **new advertising system** which links the publishing centres of Ipswich and Norwich.

Developed in-house, it provides advertising sales staff with customer information. It also includes sales ledger, page planning and assembly capabilities.

Competitive selection of the system by HCN has underlined the cost effectiveness of the central development of core systems within the Group.

Above left: Kelly Brookes uses the new ECN advertising system, watched by Sonia Marshall in the telesales department at Prospect House, Norwich.

Left: Tony Kemsley, seated, and Mark Duckett, right, with director of information systems Jim Duncan and members of the ECN IS team.

▽ **The Evening Star** captured the spirit of a famous victory when it celebrated the **20th anniversary of Ipswich Town Football Club's historic FA Cup win** against Arsenal in 1978.

The paper brought the team together for the first time in 20 years and took it on an open top bus tour of the town, complete with the cup itself, to the acclaim of thousands of fans who lined the streets.

Along with the reproduction of the FA Cup programme, the Star produced a CD of the team's 1978 anthem, pictured above left, and organised a special 'One Day in May Reunion' beer.

Left: Star sports writer Dave Allard with Ipswich Town's Kieron Dyer and the special beer.



In the community

ECNG newspapers lie at the heart of their communities, reflecting and leading public opinion through their campaigns; helping others; and raising thousands of pounds for good causes.

△ **The Welwyn & Hatfield Times** has been playing a leading role in helping the community.

It embraced the National Year of Reading when it brought 'Reading Passports' to more than 1,400 school children in 21 schools during its second year of taking part in Newspapers in Education.

Through the local **Education Business Partnership** the paper helped young people with severe learning difficulties. Reporters also helped to brighten up the carnival when they took to a veteran fire engine for the procession, pictured below.

△ **The Hitchin Comet** has also joined the Newspapers in Education cause and provided 2,500 children from more than 60 schools with the incentive to get to grips with reading and gain a certificate in an eight week long project.

▷ **The Paisley, Renfrewshire and Gryffe Weekly News** tugged at its readers' heart strings and galvanised the community into raising £20,000 for the local Special Care Baby Unit.

The paper's first ever reader appeal, such was its attraction that the initial target of £13,000 was quickly exceeded.

Local celebrities, including footballer Ally McCoist, whose twin sons were born prematurely in the unit, got behind the fund-raising which has enabled the Royal Alexandra Hospital to create a family room where anxious parents can stay and be close to their seriously ill babies.

Top right: Striker Ally McCoist, right, and Weekly News reporter Gerry Duffy, centre, hand a large donation to staff at their local Special Care Baby Unit.



Top: Read all about it! Youngsters see how a newspaper is printed, ready for sale.

Above centre: A class of Suffolk children in the 'school room' created in Brook House, Ipswich, the home of the East Anglian Daily Times and Evening Star.

Above: A class of primary school children



Below: Marketing services manager Katherine Silver with members of the Evening Star School Reporter team at the Suffolk Show.

Inset: Young people with their note books and cameras, ready to report on the Suffolk Show.

△ The EDP has launched its most ambitious community project ever – to raise £1million through its 'We Care 2000' campaign.

Specifically to help the carers of people in need, the project has become Norfolk's official county appeal for the Millennium. The ambitious scale of the campaign attracted coverage in the national press and on television.

Below: From left, EDP reporter Angi Kennedy and editor Peter Franzen with organisers of the paper's Festival of Carols with a cheque for the money raised at the event for the 'We Care 2000' appeal.



△△ Young readers are the focus of a special development programme being led by ECN in Suffolk. With a mission to create a newspaper reading habit among the young, the programme is working with schools and families to encourage their children to improve their communication skills.

The project is part of a 'community affection' initiative being driven by the **East Anglian Daily Times** and **Evening Star** and is a key part of their interaction with the communities they serve, says marketing services manager Katherine Silver.



△ Finding Miss Essex 1998 was a tough job as **HCN (East)** sales director Paul Gregory discovered during this heat of the contest which attracted over 300 entries. Recorder Newspapers have sponsored the competition, which leads to the Miss UK finals, for the last three years.

△ A Caribbean-style steel band was just one of the street entertainments sponsored by the **Stevenage Comet** for the town's carnival. A marching band, jugglers and clowns also kept the crowds amused as the procession made its way through the town.

The paper is stepping up its involvement this year when the carnival takes on a Mardi Gras theme, complete with extravagant costumes which the Comet will be helping people to create with a special theatre workshop.

▽ The **Evening News** in Norwich campaigned, raised money and even brought about a promise to change the law on asbestos through its work.

The paper raised nearly £50,000 to help a school for children with special needs, a centre for the disabled and local cancer sufferers. Its **Asbestos Action Campaign**, which raised awareness of the dangers of the material, developed into a major campaign success, leading to the promise of a change in the law to ban white asbestos.

On the lighter side, the paper brought 200 under 11-years-old soccer fans together for a **Junior World Cup** which mirrored the real event in France. In Norwich thousands of people enjoyed the News sponsored **'Golden Years Rock'n'Roll Revival'** which reunited

more than 25 pop bands from the region and raised money for charity.

▽ Through the determination of their football paper, the **Pink 'Un**, Norwich City fans will see the longed for return of green shorts to the Canaries' strip next season, replacing the new Bruce Oldfield designed all yellow outfit. The paper organised a referendum on the matter with fans displaying yellow or green voting cards before a home match to show their feelings. Green won by a landslide.

Editor Bob Crawley said: "The Evening News can make a difference to people's lives in so many ways and we will continue to lead the way in helping the communities in our area."

Below: Members of the Evenings News team with some of their campaigning editions.

▽ The **EADT and Evening Star** led community feeling and helped to save hospitals in Suffolk and Essex.

The Anglian's **'Hands off our Hospitals'** saw an intention to alter the services provided at two community hospitals in Essex stopped and a rethink begun. The campaign was part of the paper's more active editorial stance in Essex which also saw it raising money to

buy a lifeboat station.

The Star's editor, Nigel Pickover, took his campaign to save a hospital in Felixstowe all the way to the Secretary of State for Health and was told in a meeting with Frank Dobson that he had overturned a local decision to close it.

Below: Essex news editor Richard Woodard standing outside one of the hospitals that the EADT campaigned for.



Above: Pink 'Un editor Joe Ferrari, centre, with Evening News sports editor David Cuffley, left, and sports editor Graham Dunbar celebrate their successful campaign to restore the Canaries' green shorts.

▷ The **Buchan Observer** has taken the fight against litter to the streets in Aberdeenshire's Peterhead.

Reporters approached people seen dropping litter; a 'gallery of shame' exposed the extent of the problem; and civic leaders were enlisted to support the campaign.

Right: Buchan Observer editor George Hutchinson, right, with reporter Michael Howie present a local shopkeeper with his anti-litter window display poster.



▽ The mood of a whole community touched by tragedy has been captured by the **Buchan Observer** in an appeal to raise a monument to the memory those who lose their lives fishing at sea.

Editor **George Hutchinson**,

left, is pictured with a member of the Scottish Sculpture Workshop looking for a suitable site for the fishermen's memorial overlooking Peterhead's Bay of Refuge.

So far the paper has raised over £19,000 for the memorial.

▽ Members of the **Hitchin Comet** team

donned fancy dress and literally went to town for Children in Need raising £269 in a street collection.

▽ The **Hampstead & Highgate Express** series continued

helping people to find careers with its fifth Training and Job Fair at the University of London. Distinguished journalist and broadcaster Jon Snow opened the show and welcomed guests.

Below: Jon Snow chats with editor of the Highbury & Islington Express, Roger Blitz watched by Doug Bonn and Matthew Lewin, editor of the Ham & High.



▽ When it comes to helping the EDP has staying power, as the continuing story of African orphan **Tenneh Cole** proves. So much so that the paper's involvement formed a key part of BBC Television's 'This Is Your Life' programme about the man who is helping children who are the victims of war.

Assistant editor **James Ruddy**, who is pictured with Tenneh, has followed her life since she was brought to Norwich to have a bullet removed from her head three years ago.

The EDP raised £17,000 to pay for her treatment and since returning home James has kept track of Tenneh, most recently visiting Sierra Leone before Christmas to deliver 20 tonnes of books donated by readers for children in the war torn country. James is now writing a book to be published by ECN in May, telling the story of Tenneh and the EDP.

△ The **Welwyn & Hatfield Times** teamed up with Carlton TV's London Tonight programme to find readers with an interesting story to tell live on television. Editor Terry Mitchinson is pictured being interviewed during the broadcast from Hatfield House by presenter Mary Nightingale. The paper used some of the responses to run its own features about the lives of local people.



Directors and officers

1 R W JEWSON*# Chairman

Richard Jewson joined the Board in 1982 as a Non-Executive Director and became Chairman in 1996. After running Jewsons the Timber and Builders Merchant for 12 years he became Managing Director and then Chairman of its holding company Meyer International Plc. He is currently Chairman of InterX Plc., Savills Plc., Octagon Healthcare (Holdings) Ltd., Deputy Chairman of Anglian Water Plc., and a Non-Executive Director of Grafton Group Plc and Queens Moat House Plc. He is Chairman of the Remuneration and Nominations Committees.

2 P M STRONG# Chief Executive

Peter Strong joined as Chief Executive in 1996. He was previously a Main Board member of EMAP Plc the media company and Chief Executive of their Newspaper and Printing Division. After training as a newspaper journalist he joined EMAP in 1969 and his career with the company embraced time as an Editor and Managing Director within the magazine division, in addition to his role in newspapers.

3 G H C COPEMAN DL**# Vice Chairman

Geoffrey Copeman joined the Company in 1961 and became Group Development Manager in 1973. He was appointed General Manager of the East Anglian Daily Times Company Limited in 1976, and subsequently General Manager of Eastern Counties Newspapers Limited, becoming Group Chief Executive in 1982. A past director of Norwich Union Group, he has also served on the Boards of Suffolk Group Radio, Radio Broadland, and subsequently East Anglian Radio. He is a past director of The Press

Association, and a past President of The Newspaper Society. He is currently Chairman of the Audit Bureau of Circulations Limited.

4 R V J CADBURY** Non-Executive

Roger Cadbury joined the Board as a Non-Executive Director in 1993. He has been Chairman of Premier Brands Limited, and previously he was Managing Director of General Foods Limited and Whitworth Holdings Limited. Currently, he is a Non-Executive Director of NFU Mutual, Chairman of the Bournville Village Trust and of the Soil Association Certification Company. He is Chairman of the Audit Committee.

5 R C COPEMAN** Non-Executive

Richard Copeman was a member of the Board of Eastern Counties Newspapers Limited before joining the Group Board as a Non-Executive Director in 1980. He was Chairman and Managing Director of the chemicals division of McKechnie Brothers Limited from 1974 to 1986 when he joined the Lambson Group on a part-time basis to run their newly acquired micronutrient business, retiring in 1994.

6 J O ELLISON^o Company Secretary

John Ellison was appointed Group Company Secretary in February 1996. After graduating in business studies, he trained with Ernst & Young in London and Norwich before joining ECNG's retail subsidiary Paper Chain in 1982. He currently represents ECNG's interests on the Boards of The Radio Partnership Limited and St Andrews Management Company Limited and is a Director of Summerhouse Publishing Limited.

7 C H LAWRENCE^o Finance Director

Chris Lawrence was appointed Group Finance Director in March 1998. He is a chartered accountant, having trained with Ernst & Young in Norwich. After qualifying, he spent two years with Ernst & Young in Vancouver, Canada. He returned to the UK in 1989 and has since worked for EMAP Plc, North West Water Plc and Whessoe Plc. Prior to joining the Group, he was most recently Group Finance Director at Whessoe.

8 I R LOCKETT*+ Non-Executive

Ivan Lockett spent two years in Australia before working for six years in BBC Television producing science feature programmes. In 1970 he joined and now runs a family farming business in Suffolk. He served on the Boards of Eastern Counties Newspapers Limited and East Anglian Daily Times Company Limited before joining the Group Board as a Non-Executive Director in 1991.

9 T STEVENSON^o Managing Director Eastern Counties Newspapers Ltd

Tom Stevenson joined the company in 1982. He began his career with Thomson Regional Newspapers. Formerly Deputy Managing Director of ECN Norwich, he was appointed Managing Director of the East Anglian Daily Times Company Limited in 1994 and Managing Director of the Group's East Anglian publishing activities in 1995. He joined the Group Board in April 1996. He is Chairman of the Newspaper Society's Marketing Strategy Group, on the Board of the Norwich Area Development Agency and the Board of the Enterprise Partnership (Norfolk and Waveney Training and Enterprise Council).

10 P J C TROUGHTON*# Non-Executive

Peter Troughton served on the Boards of the East Anglian Daily Times Company Limited and Community Media Limited before joining the Group Board in 1991 as a Non-Executive. He is Deputy Chairman of Rothschild Asset Management, which he joined in 1995, having been a main Board Director of WH Smith Group Plc. He is a Non-Executive Director of the Lowland Investment Company and a former Trustee of the National Gallery.

11 N G F WEBSPER Managing Director Community Media Limited

Nigel Websper joined Community Media Limited in 1981 as Company Accountant and was appointed Finance Director in 1985. He became Director and Group General Manager in 1990 and was appointed Deputy MD in 1995 and MD in 1996. Before CML, Nigel was Group Marketing Accountant for Bowyers Goods, having previously held various project, acquisition and finance roles. He joined the Group Board in December 1998.

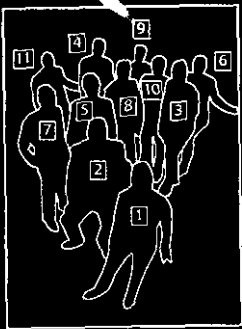
Nigel serves on the Newspaper Society Council and is a Director of the Association of Household Distributors. He is also a member of the Newspaper Society Marketing Strategy Group.

* Member of the Remuneration Committee

+ Member of the Audit Committee

Member of the Nominations Committee

^o Member of the Pensions Committee



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 1998.

ACCOUNTS

The Group profit for the year after taxation and minority interests amounted to £14,090,000 compared to £11,610,000 for 1997.

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 4.9 p paid on 5 October 1998	775	
Proposed final of 11.1p	1,767	2,542
		<hr/> 2,878 <hr/>

The ordinary dividends above are stated after taking account of the dividends waived by the ECNG Employee Benefit Trust.

The final ordinary dividend, if approved, will be paid on 14 May 1999 to ordinary shareholders whose names were on the register on 3 May 1999.

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 principal acquisitions and disposals, 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 20. Mr C H Lawrence and Mr N G F Websper were appointed to the Board on 2 March 1998 and 14 December 1998 respectively.

The directors retiring by rotation in accordance with the Articles of Association are Mr R V J Cadbury, Mr I R Lockett and Mr P J C Troughton who, being eligible, offer themselves for re-election. Mr N G F Websper also retires, and being eligible, offers himself for election.

The directors' interests in the shares of the Company are disclosed in Note 5 on page 36.

Report of the Directors

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.

CORPORATE GOVERNANCE

The Board acknowledges its responsibilities to shareholders for good corporate governance and remains committed to maintenance of 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 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 1998.

The Board

The Board currently comprises the Chairman, Vice Chairman, four 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.

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 20. All directors are subject to re-election at least every three years.

Report of the Directors

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 11 May 1999 are set out in the Notice of Annual General Meeting on pages 55 and 56.

Internal Financial Control

Guidance has not yet been issued on the reporting criteria for operational and compliance controls and risk management as required by the Code. In consequence, and in accordance with interim advice issued by the London Stock Exchange to listed companies, the Board has continued to review and report on the effectiveness of the Group's system of internal financial controls.

The directors acknowledge their responsibility for establishing and maintaining an appropriate system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and are designed to provide reasonable, but not absolute, assurance of the safeguarding of assets and the reliability of financial information.

To meet this responsibility the directors have relied upon the following key procedures:

- 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.
- 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 Group began to assess the potential impact of the "Year 2000 Problem" on its operations some two years ago. The issue is complex affecting not only internal computer systems but also those of suppliers and customers alike.

All parts of the business have undertaken a complete review of their operations to identify problem areas. As with all operational issues, the process is being carried out by operating centre management and with responsibility for the project resting with senior divisional management. Progress of individual projects is reported to the Audit Committee regularly.

Programmes of work have been designed to ensure initially that all business critical systems are compliant and thereafter the remaining systems will be addressed. Many systems have already been replaced and the programme includes the testing of systems under control conditions where this is practicable.

The programme also includes seeking assurances from major customers and suppliers relating to the procedures that they have put in place and that their systems will be compliant.

Due to the complexity of the problem no organisation can guarantee that no Year 2000 problems will arise. However, the Board believes that an acceptable level of readiness will be achieved and will, wherever possible, ensure that contingency plans are drawn up to cover unexpected failures.

Report of the Directors

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

Eligible staff are invited to participate in the ECNG Employee Share Scheme, further details of which are given in Note 6.

During 1998 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.

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 1998, the Company held an average of 19 days' purchases outstanding in trade creditors (1997 - 26 days).

DONATIONS

Charitable donations made by the Company and its subsidiaries totalled £36,000 (1997 - £30,000).

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

26 March 1999



Report of the Remuneration Committee

The Remuneration Committee is chaired by Richard Jewson. Its other members are Roger Cadbury, Geoffrey Copeman, Richard Copeman, Ivan Lockett and Peter 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 31 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 $\frac{1}{30}$ th 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 normalised 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 1998 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.

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

Service contracts: All of the 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
26 March 1999



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

We have audited the accounts on pages 28 to 54 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 31 and 32.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report including, as described on page 23, the accounts. Our responsibilities, as independent auditors, are established 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 company 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 implication for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. We are not required to form an opinion on the effectiveness of either the Company's corporate governance procedures or its internal controls.

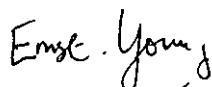
BASIS OF AUDIT OPINION

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 1998 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

Registered Auditor

Norwich

26 March 1999

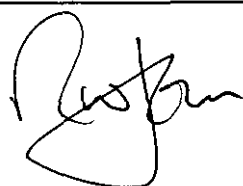
Group Profit and Loss Account for the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
TURNOVER			
Ongoing operations		82,769	79,163
Acquisitions		19,719	-
Continuing operations		102,488	79,163
Discontinued operations		991	950
TOTAL TURNOVER	2	103,479	80,113
OPERATING PROFIT			
Ongoing operations		13,564	10,044
Acquisitions		3,920	-
Continuing operations		17,484	10,044
Discontinued operations		(423)	(201)
GROUP OPERATING PROFIT	2,3	17,061	9,843
Share of operating results in associates		356	(25)
TOTAL OPERATING PROFIT : GROUP AND SHARE OF ASSOCIATE		17,417	9,818
Profits on sales of intangible fixed assets and investments in associates	4	4,215	5,328
Fundamental acquisition restructuring costs	4	(564)	-
Losses on closure of operations and disposal of subsidiary	4	(860)	(81)
Income from investments	7	20,208	15,065
Interest payable	8	1,613	985
		(1,535)	(249)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		20,286	15,801
Tax on profit on ordinary activities	9	6,170	4,183
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		14,116	11,618
Minority interests		(26)	(8)
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		14,090	11,610
Dividends (including non-equity interests)	10	2,878	2,289
RETAINED PROFIT FOR THE YEAR	23	11,212	9,321
Earnings per share	11	86.6p	71.5p
Adjusted earnings per share	11	74.0p	44.3p
Diluted earnings per share	11	84.8p	70.7p

There are no recognised gains or losses other than those reflected in the Profit and Loss Account

Balance Sheets at 31 December 1998

		Group		Company	
	Notes	1998 £'000	1997 £'000	1998 £'000	1997 £'000
FIXED ASSETS					
Intangible assets	12	46,565	-	-	-
Tangible assets	13	35,448	34,613	17,353	18,361
Investments	14	6,100	5,785	46,014	45,025
		88,113	40,398	63,367	63,386
CURRENT ASSETS					
Stocks	15	1,216	1,299	1,089	1,188
Debtors	16	17,485	13,063	45,671	16,047
Short term investments	17	651	180	651	180
Cash and deposits	18	19,181	26,285	16,986	24,600
		38,533	40,827	64,397	42,015
CREDITORS - amounts falling due within one year:					
Trade and other creditors	19	37,845	9,982	9,186	8,288
Taxation		8,682	4,586	4,472	3,177
Proposed dividend		1,767	1,290	1,767	1,290
		48,294	15,858	15,425	12,755
NET CURRENT (LIABILITIES) / ASSETS		(9,761)	24,969	48,972	29,260
TOTAL ASSETS LESS CURRENT LIABILITIES		78,352	65,367	112,339	92,646
CREDITORS - amounts falling due after more than one year					
	20	5,288	6,346	41,394	27,705
PROVISIONS FOR LIABILITIES AND CHARGES	21	3,635	2,624	2,947	2,747
MINORITY INTERESTS		601	123	-	-
		68,828	56,274	67,998	62,194
CAPITAL AND RESERVES					
Called up share capital	22	5,539	5,510	5,539	5,510
Share premium account	23	1,372	790	1,372	790
Revaluation reserve	23	991	1,012	13	13
Profit and loss account	23	60,926	48,962	61,074	55,881
Shareholders' funds					
Equity		66,478	53,924	65,648	59,844
Non-equity		2,350	2,350	2,350	2,350
		68,828	56,274	67,998	62,194



Group Statement of Cash Flows

For the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Cash flow from operating activities	24	17,208	12,866
Returns on investment and servicing of finance	25	(83)	743
Taxation		(3,340)	(2,595)
Capital expenditure and financial investment	25	8,295	(797)
Acquisitions and disposals	25	(25,437)	4,867
Equity dividends paid		(2,421)	(1,726)
CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(5,778)	13,358
Management of liquid resources	25	8,808	(19,839)
Financing	25	(1,326)	5,548
INCREASE/(DECREASE) IN CASH IN THE PERIOD	26	1,704	(933)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/ FUNDS (NOTE 26)

	1998 £'000	1997 £'000
Increase/(decrease) in cash in period	1,704	(933)
Cash inflow from increase in loans	(26,073)	-
Repayment of loans	1,681	-
Issue costs of new loans	256	-
Amortisation of loan issue costs	(62)	-
Cash outflow from lease financing	256	122
Cash (inflow)/outflow from increase in liquid resources	(8,808)	19,839
Change in net funds resulting from cash flows	(31,046)	19,028
Finance leases acquired with subsidiary	(191)	-
New finance leases	(165)	(194)
Movement in net funds in period	(31,402)	18,834
Net funds at 1 January 1998	25,730	6,896
Net debt at 31 December 1998	(5,672)	25,730

Notes to the Accounts at 31 December 1998

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.

Summerhouse Publishing Limited 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 Summerhouse Publishing Limited for the period from its acquisition on 13 February 1998. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Home Counties Newspapers Holdings Plc (HCNH) and its subsidiary undertakings have 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 HCNH and its subsidiary undertakings for the period from their acquisition on 13 May 1998, with the exception of subsidiary undertakings disposed of before the year end. 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. The comparative figures for the results of associates have been restated following the implementation of FRS 9.

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) 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.

(iii) 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.

Notes to the Accounts at 31 December 1998

1. ACCOUNTING POLICIES (continued)

Tangible Fixed Assets

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.

Pensions

The principal pension schemes of the Group are operated in the names of Eastern Counties Newspapers Group Limited (ECNG) and Home Counties Newspapers Holdings Plc (HCNH). ECNG operate 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.

ECNG also introduced a defined contribution scheme from 1 April 1998, 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.

HCNH 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.

HCNH also makes provision for the capital value of ex gratia pensions to certain former employees in accordance with independent actuarial advice.

Notes to the Accounts at 31 December 1998

2. SEGMENTAL ANALYSIS

	1998 £'000	1997 £'000
TURNOVER		
Newspaper publishing		
Ongoing operations	84,158	79,035
Less: sales to acquisition	(1,614)	-
Acquisition	18,110	-
Total newspaper publishing	100,654	79,035
Contract publishing – acquisition	1,609	-
Other activities	225	128
Discontinued operations	991	950
	103,479	80,113
OPERATING PROFIT		
Newspaper publishing – ongoing operations	13,970	10,955
Newspaper publishing – acquisition	3,813	-
Contract publishing – acquisition (after charging goodwill amortisation £59,000)	107	-
Properties	1,034	1,702
Other activities	(194)	(282)
Discontinued operations	(423)	(201)
Common costs	(1,246)	(2,331)
	17,061	9,843
NET ASSETS		
Newspaper publishing	40,988	20,800
Properties	15,955	15,356
Radio broadcasting	5,675	5,613
Other activities	190	(81)
	62,808	41,688
Unallocated net assets	6,020	14,586
	68,828	56,274

Summerhouse Publishing Limited made exports to Europe of £569,000. All other sales were made in the United Kingdom.

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

Home Counties Newspapers Holdings Plc and its subsidiary undertakings were acquired on 13 May 1998.

Summerhouse Publishing Limited was acquired on 13 February 1998.

Orient Direct Marketing Limited (formerly IMC Direct Marketing Limited) ceased trading as at 31 December 1998.

The associate engaged in radio broadcasting, Xfm Limited, was sold on 21 July 1998.

All other segments of the business have continued throughout 1998.

Notes to the Accounts at 31 December 1998

3. OPERATING PROFIT	Continuing Operations £'000	Acquisitions £'000	Discontinued Operations £'000	Total 1998 £'000	Total 1997 £'000
Turnover	82,769	19,719	991	103,479	80,113
Other operating income	1,155	19	-	1,174	176
Operating costs					
Change in stocks of finished goods and work in progress	6	4	-	10	(14)
Raw materials and consumables	12,337	451	-	12,788	12,042
Other external charges	448	5,473	582	6,503	4,449
Staff costs (Note 6)	33,117	6,577	352	40,046	33,275
Depreciation and amortisation	3,994	459	56	4,509	4,082
Other operating charges	20,458	2,854	424	23,736	16,612
	70,360	15,818	1,414	87,592	70,446
Operating profit	13,564	3,920	(423)	17,061	9,843

Operating costs for acquisitions in 1998 comprise £14,316,000 for HCNH Plc and its subsidiary undertakings and £1,502,000 for Summerhouse Publishing Limited.

Operating profit is stated after charging:	1998 £'000	1997 £'000
Directors' remuneration (note 5)	629	707
Auditors' remuneration - audit services	114	70
- non-audit services	112	204
Rentals under operating leases	3,214	1,524

4. EXCEPTIONAL ITEMS	1998 £'000	1997 £'000
Recognised below operating profit:		
Profit on disposal of investments in associates (including goodwill written back in 1998 of £98,000)	2,838	5,328
Profit on disposal of intangible fixed assets (including goodwill written back of £430,000)	1,377	-
	4,215	5,328
Fundamental acquisition restructuring costs	(564)	-
Loss on closure of operation (including goodwill written back of £203,000)	(860)	-
Loss on disposal of subsidiary	-	(81)
Recognised within the share of results in associates:		
Share of exceptional items	(105)	(192)
	2,686	5,055

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 1998

5. DIRECTORS' REMUNERATION AND INTERESTS

Directors' remuneration	1998 £'000	1997 £'000
Fees	102	95
Other emoluments:		
basic salaries	309	295
benefits	43	13
performance related pay	141	123
	595	526
Contribution to funded unapproved retirement benefit scheme	34	37
Compensation for loss of office	-	144
	629	707

	Salaries and Fees £'000	Benefits £'000	Performance related bonuses £'000	Total 1998 £'000	1997 £'000
R W Jewson	37	-	-	37	35
G H C Copeman	13	-	-	13	12
P M Strong	144	1	68	213	173
R J Cortis	-	-	-	-	122
T Stevenson	95	7	39	141	136
C H Lawrence	65	35	32	132	-
N G F Websper	5	-	2	7	-
R C Copeman	13	-	-	13	12
I R Lockett	13	-	-	13	12
P J C Troughton	13	-	-	13	12
R V J Cadbury	13	-	-	13	12
	411	43	141	595	526

Notes to the Accounts at 31 December 1998

5. DIRECTORS' REMUNERATION AND INTERESTS (continued)

The accrued pension entitlements of the executive directors were:

	Age at 31.12.98	Years of service at 31.12.98	Increase, excluding inflation, in accrued pension during the year £'000	Transfer value of increase £'000	Accrued entitlement	
					31.12.98 £'000	31.12.97 £'000
P M Strong	51	2	3	33	6	3
T Stevenson	49	16	5	57	35	29
C H Lawrence	37	0	2	10	2	-
N G F Websper	42	17	6	36	25	19

Inflation has been assumed to be equivalent to the actual rate of price inflation, which was 2.8% for the year ended 31 December 1998.

The pension entitlement shown above for the participating directors is that which would be paid on retirement based on service to 31 December 1998.

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

Contributions of £34,000 (1997 - £37,000) 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 £87,600, of two thirds salary at retirement age of 60.

Directors' interests in the shares of the Company

	As at 1 January 1998			As at 31 December 1998		
	£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	-	-	21,732
G H C Copeman	4,960	38,904	238,147	4,960	38,904	238,147
	*1,296	*13,368	*165,106	-	*3,000	*87,346
R V J Cadbury	-	-	7,983	-	-	7,983
R C Copeman	1,905	18,688	248,000	1,905	18,688	248,000
	*4,216	*4,912	*37,923	*4,216	*4,912	*37,923
C H Lawrence	-	-	+	-	-	11,400
I R Lockett	-	4,044	158,011	-	4,044	158,011
T Stevenson	-	-	5,320	-	-	6,386
P M Strong	-	-	-	-	-	23,005
P J C Troughton	-	3,333	91,619	-	3,333	91,619
	*35,448	-	*2,999,353	*35,448	-	*2,999,353
N G F Websper	-	-	+9,253	-	-	9,253

+ At date of appointment

* Held as Trustee

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

Notes to the Accounts at 31 December 1998

5. DIRECTORS' REMUNERATION AND INTERESTS (continued)

During the period from 31 December 1998 until 26 March 1999 the following transactions in the shares of the Company have taken place.

	£1 Preference Shares	£1 second Preference Shares	20p Ordinary Shares	
	Transferred to/(from)	Transferred to/(from)	Purchased	Transferred to/(from)
R W Jewson	-	-	16,136	(3,000)
G H C Copeman	78	705	20,000	(24,582)
	-	-	*2,500	*(20,811)
R V J Cadbury	-	-	6,256	-
R C Copeman	78	705	-	5,418
C H Lawrence	-	-	8,933	-
T Stevenson	-	-	250	-
P M Strong	-	-	18,028	-
P J C Troughton	-	-	*75,000	-
N G F Websper	-	-	1,000	(1,000)

*Held as Trustee

Long Term Incentive Plan

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

	1997		1998	
	number	£	number	£
C H Lawrence	-	-	7,692	29,999
T Stevenson	8,320	31,200	9,231	36,001
P M Strong	18,400	69,000	17,692	68,999
N G F Websper	-	-	4,519	17,624

Under the rules of the Plan the share prices used in calculating the allocations were £3.75 for 1997 and £3.90 for 1998.

Further explanation of the Plan is included in the Report of the Remuneration Committee on Page 26.

Directors' interests in options

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

		Exercise price	At 1 January 1998	At appointment	Lapsed during the year	At 31 December 1998
Mr T Stevenson	(a)	£2.00	1,725	-	-	1,725
Mr T Stevenson	(b)	£2.24	6,160	-	-	6,160
Mr N G F Websper	(a)	£2.00	-	6,210	-	6,210
Mr N G F Websper	(b)	£2.24	-	2,156	-	2,156
			7,885	8,366	-	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.

Notes to the Accounts at 31 December 1998

6. STAFF AND THEIR PAY AND BENEFITS

Average monthly number of staff:	1998	1997
Newspaper printing and publishing	1,887	1,652
Other activities	40	19
	1,927	1,671
Pay and benefits	£'000	£'000
Wages and salaries	34,789	28,485
Social security costs	2,705	2,247
Other pension costs	2,252	2,243
	39,746	32,975
Employee share scheme	300	300
	40,046	33,275

Other pension costs include £100,000 (1997 - £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 employee share scheme was approved by the members at the 1997 Annual General Meeting, and operates under the ECNG Employee Share Ownership Plan Trust. For 1998, 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, six additional shares for each one purchased.

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

7. INCOME FROM INVESTMENTS

	1998	1997
	£'000	£'000
Interest and dividends received, including tax credit:		
Listed investments	11	7
Short term interest	1,527	920
Loan to associated undertaking	215	201
Less share of associate's interest paid	(162)	(161)
Share of associate's dividends and bank interest	22	18
	1,613	985

Notes to the Accounts at 31 December 1998

8. INTEREST PAYABLE

	1998	1997
	£'000	£'000
Overdraft and loans	130	6
Finance leases	88	32
Other	14	11
Loan notes	1,012	-
Amortisation of loan issue costs	62	-
Share of associate's interest	229	200
	1,535	249

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1998	1997
	£'000	£'000
Based on the profit for year		
Corporation tax	6,485	4,499
Deferred taxation	(510)	(250)
Share of taxation in associates	63	26
	6,038	4,275
Adjustments relating to previous years	132	(92)
	6,170	4,183

The effective tax rate for the current year is 30.41% compared to a standard rate of 31%. The charge for 1998 has been credited with a reduction in the deferred tax provision for the change in the rate of corporation tax from 31% to 30% with effect from 1 April 1999. This adjustment reduced the tax charge by 0.46%. The tax effect in the profit and loss account relating to the exceptional items recognised below operating profits is a charge of £684,000 (1997 - £923,000).

10. DIVIDENDS

	1998	1997
	£'000	£'000
6.45% Cumulative Preference Shares	20	20
15.5% Cumulative Second Preference Shares	316	316
	336	336
Ordinary Shares:		
Interim of 4.9p paid on 5 October 1998 (1997 - 4.2 p)	775	663
Proposed final of 11.1p (1997 - 8.2p)	1,767	1,290
	2,542	1,953
	2,878	2,289

The ECNG Employee Benefit Trust has waived the dividends payable on the shares that it owns, and has agreed to waive future dividends.

Notes to the Accounts at 31 December 1998

11. EARNINGS PER SHARE

Earnings per share has been calculated in accordance with FRS 14. The calculations are based on profits after preference dividends of £13,754,000 (1997 - £11,274,000) and on ordinary shares of 15,874,000 (1997 - 15,779,000), being the weighted average number of shares in issue during the year.

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

	1998 p	1997 p
Earnings per share	86.6	71.5
Adjustment for exceptional items	(16.9)	(33.0)
Tax impact of exceptional items	4.3	5.8
Adjusted earnings per share	74.0	44.3

The diluted earnings per share is based on earnings for the year of £13,754,000 (1997 - £11,274,000) as above, and on 16,223,000 (1997 - 15,941,000) ordinary shares, calculated as follows:

	1998 thousands	1997 thousands
Weighted average number of ordinary shares in issue during the year	15,874	15,779
Dilutive potential ordinary shares:		
Employee share options	243	135
Contingently issuable shares under the Long Term Incentive Plan	106	27
	16,223	15,941

12. INTANGIBLE FIXED ASSETS

	Newspaper Titles £'000	Goodwill £'000	Total £'000
Cost:			
At 31 December 1997	-	-	-
Acquisition of subsidiary undertakings	45,308	1,316	46,624
At 31 December 1998	45,308	1,316	46,624
Amortisation:			
At 31 December 1997	-	-	-
Provided during the year	-	59	59
At 31 December 1998	-	59	59
Net book value			
At 31 December 1998	45,308	1,257	46,565
At 31 December 1997	-	-	-

Goodwill arising on the acquisition of Summerhouse Publishing Limited is being amortised evenly over the directors' estimate of its useful economic life of 20 years.

The life of newspaper titles is considered to be indefinite and the carrying value of the assets is not subject to annual amortisation, but is reviewed annually for any diminution in carrying value.

Notes to the Accounts at 31 December 1998

13. TANGIBLE FIXED ASSETS

Movements on tangible fixed asset accounts have been:

Group	Freehold land and buildings £'000	Leasehold buildings £'000	Plant, equipment & vehicles £'000	Films £'000	Total £'000
Cost or valuation					
At 31 December 1997	14,573	353	38,679	4,100	57,705
Additions	53	17	3,148	-	3,218
Acquisition of subsidiaries	1,125	6	4,913	-	6,044
Disposals	(60)	(12)	(1,385)	-	(1,457)
At 31 December 1998	15,691	364	45,355	4,100	65,510
Depreciation					
At 31 December 1997	232	96	20,277	2,487	23,092
Charge for year	237	16	4,197	-	4,450
Acquisition of subsidiaries	-	2	3,611	-	3,613
Disposals	(2)	(10)	(1,081)	-	(1,093)
At 31 December 1998	467	104	27,004	2,487	30,062
Net book value					
At 31 December 1998	15,224	260	18,351	1,613	35,448
At 31 December 1997	14,341	257	18,402	1,613	34,613

Included in freehold land and buildings is land valued at £3,616,000 (1997 - £3,297,000), which is not depreciated. The net book amount of plant, equipment and vehicles above includes an amount of £644,000 (1997 - £560,000) in respect of assets held under finance leases, and £10,424,000 (1997 - £11,524,000) for both Group and Company in respect of assets subject to a chattel mortgage.

The depreciation charge comprises depreciation of owned assets of £4,289,000 and depreciation of assets held under finance leases of £161,000.

Notes to the Accounts at 31 December 1998

13. TANGIBLE FIXED ASSETS (continued)

	Leasehold buildings £'000	Plant, equipment, & vehicles £'000	Films £'000	Total £'000
<i>Company</i>				
Cost or valuation				
At 31 December 1997	50	33,986	4,100	38,136
Additions	-	2,018	-	2,018
Disposals	-	(195)	-	(195)
At 31 December 1998	50	35,809	4,100	39,959
Depreciation				
At 31 December 1997	1	17,287	2,487	19,775
Charge for year	-	3,023	-	3,023
Disposals	-	(192)	-	(192)
At 31 December 1998	1	20,118	2,487	22,606
Net book value				
At 31 December 1998	49	15,691	1,613	17,353
At 31 December 1997	49	16,699	1,613	18,361

The cost or valuation of land and buildings at 31 December 1998 comprises:

	Freehold		Leasehold			
	Group	Company	Group		Company	
	£'000	£'000	Long £'000	Short £'000	Long £'000	Short £'000
At valuation - 1996	14,506	-	175	-	50	-
At cost	1,185	-	-	189	-	-
	15,691	-	175	189	50	-

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

	Freehold		Leasehold	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
<i>Group</i>				
Cost	14,419	13,276	351	340
Aggregate depreciation	1,819	1,622	125	116
<i>Company</i>				
Cost	-	-	28	28
Aggregate depreciation	-	-	12	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 £21,000 (1997 - £21,000).

Notes to the Accounts at 31 December 1998

14. INVESTMENTS

	1998 £'000	1997 £'000
<i>Group</i>		
Associates (a)	5,675	5,362
Other fixed asset investments (b)	425	423
	6,100	5,785

(a) Associates	Share of net assets £'000	Loans to associates £'000	Radio licences £'000	Total £'000
At 31 December 1997	(3,687)	2,465	6,584	5,362
Acquisitions in year	692	(70)	-	622
Share of results retained by associates	(77)	-	-	(77)
Disposals in year	141	(238)	(135)	(232)
At 31 December 1998	(2,931)	2,157	6,449	5,675

Loans to associates comprise:

- 1 A loan of £2,021,000 to The Radio Partnership Limited (TRP), repayable in three equal annual instalments commencing on 31 December 2004. Interest is charged at 3% over the higher of 5% and the LIBOR rate.
- 2 A loan of £136,000 to Swansea Sound Limited, a subsidiary of TRP. The loan is not repayable before 2004, and is interest free.

(b) Other fixed asset investments	Listed £'000	Unlisted £'000	Total £'000
<i>Cost</i>			
At 31 December 1997	364	84	448
Acquisition of subsidiary	7	-	7
Transfer to investments in subsidiary undertakings	(5)	-	(5)
At 31 December 1998	366	84	450

<i>Provisions</i>			
At 31 December 1997 and 1998	-	25	25

<i>Net book amounts</i>			
At 31 December 1998	366	59	425
At 31 December 1997	364	59	423

Notes to the Accounts at 31 December 1998

14. INVESTMENTS (continued)	Subsidiary under- takings £'000	Associates £'000	Listed £'000	Unlisted £'000	Total £'000
<i>Company</i>					
<i>Cost</i>					
At 31 December 1997	37,843	6,769	354	84	45,050
Transfer to investments in subsidiary undertakings	5	-	(5)	-	-
Additions	1,015	474	-	-	1,489
At 31 December 1998	38,863	7,243	349	84	46,539
<i>Provisions</i>					
At 31 December 1997	-	-	-	25	25
Provided in the year	500	-	-	-	500
At 31 December 1998	500	-	-	25	525
<i>Net book value</i>					
At 31 December 1998	38,363	7,243	349	59	46,014
At 31 December 1997	37,843	6,769	354	59	45,025

The market value of the listed investments at 31 December 1998 was £581,000 for the Group and £478,000 for the Company (1997 - £484,000 and £474,000 respectively). Unlisted investments, consisting of equity share capital, are valued by the directors at £2,066,000 (1997 - £2,074,000) 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 £667,000 (1997 - £662,000) in the event of disposals at these values.

The Company's principal 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
<i>Subsidiaries</i>		
Community Media Limited ¹	Newspaper publishing	100%
The Anglia Advertiser Limited	Newspaper publishing	100%
Mid Anglia Newspapers 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	60%
ECNG Investment Co Limited*	Investment holding company	100%
Home Counties Newspapers Holdings Plc*	Holding company	100%
The South Essex Recorders Limited*	Newspaper publishing	100%
Home Counties Newspapers Limited*	Newspaper publishing	100%
The Hampstead and Highgate Express Printing and Publishing Company Limited*	Newspaper publishing	100%
Summerhouse Publishing Limited*	Contract publishing	76%
<i>Associate</i>		
The Radio Partnership Limited	Radio broadcasting	40%

Notes to the Accounts at 31 December 1998

14. INVESTMENTS (continued)

On 13 May 1998 the Group acquired Home Counties Newspapers Holdings Plc for a consideration of £57,979,000 satisfied by cash consideration of £31,906,000 and floating rate unsecured guaranteed loan notes 2008 issued by Orient Publishing Plc of £26,073,000.

Net assets at date of acquisition:

	Book Value £'000	Revaluation £'000	Other Adjustments £'000	Fair value to Group £'000
Intangible fixed assets	-	45,308	-	45,308
Tangible fixed assets	2,464	(67)	-	2,397
Fixed asset investments	7	-	-	7
Debtors	2,648	-	-	2,648
Current asset investments	1,887	7,321	-	9,208
Cash	5,394	-	-	5,394
Creditors due within one year	(4,812)	-	(793)	(5,605)
Creditors due in more than one year	(191)	-	-	(191)
Provisions for ex gratia pensions	(867)	-	-	(867)
Deferred taxation	(10)	-	361	351
Net assets	6,520	52,562	(432)	58,650

Discharged by:

Transfer from fixed asset investments	5
Cash consideration	31,906
Orient Publishing Plc floating rate loan notes 2008	26,073
Costs associated with the acquisition	666
	58,650

The revaluation adjustments include the valuation of retained newspaper titles as intangible fixed assets, and newspaper titles which were subsequently sold as current asset investments.

Freehold properties were revalued on an existing use basis.

Other adjustments include provisions for guaranteed staff bonuses and corporation tax liabilities at the date of acquisition. Deferred tax assets have been recognised in respect of short term timing differences, including those relating to the ex-gratia pension provision.

Home Counties Newspapers Holdings Plc contributed £2,083,000 to the Group's net operating cash flows, contributed £16,000 in respect of net returns on investments and servicing of finance, paid £948,000 in respect of taxation and utilised £320,000 for capital expenditure and financial investment.

The retained companies of the Home Counties Newspapers group earned a profit after tax of £2,438,000 in the year ended 31 December 1998 (1997 - £1,861,000 for the full group). The pre-acquisition profits for the full Home Counties Newspapers group for the period from 1 January 1998 to 13 May 1998 were £503,000. The comparable profits for the retained companies were £731,000.

The summarised profit and loss account for the full group for the period from 1 January 1998 to the effective date of acquisition is as follows:

	£'000
Turnover	14,663
Profit before tax	531
Taxation, including fair value adjustments	(28)
Profit for the period ended 13 May 1998	503

There were no recognised gains and losses in the period ended 13 May 1998 other than the profit of £503,000 above.

Notes to the Accounts at 31 December 1998

14. INVESTMENTS (continued)

On 13 February 1998, the Group acquired 76% of Summerhouse Publishing Limited for an initial consideration of £850,000, satisfied in cash, plus acquisition costs of £33,000. The net assets acquired, after fair value adjustments, were £18,000, including cash of £77,000. The Group has a contractual obligation to acquire the remaining share capital at a price dependent on the profits made by Summerhouse up to 30 June 2001. The deferred consideration has been calculated as £451,000, giving rise to goodwill of £1,316,000.

On 18 December 1997 the Group disposed of Enterprise Radio Holdings at a cost of £61,000 in cash.

15. STOCKS	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Raw materials	1,131	1,232	1,089	1,188
Finished goods and goods for resale	85	67	-	-
	1,216	1,299	1,089	1,188

16. DEBTORS	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Due in less than one year:				
Trade debtors	13,936	10,403	7,384	7,299
Amounts owed by subsidiary undertakings	-	-	730	303
Other debtors	706	463	482	490
Prepayments and accrued income	1,432	1,157	703	869
Corporation tax recoverable	587	141	68	75
Pension prepayment	100	100	100	100
	16,761	12,264	9,467	9,136
Due in over one year:				
Amounts owed by subsidiary undertakings	-	-	35,505	6,112
Pension prepayment	699	799	699	799
Other debtors	25	-	-	-
	724	799	36,204	6,911
Total debtors	17,485	13,063	45,671	16,047

17. SHORT TERM INVESTMENTS	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Shares held by ECNG Employee Benefit Trust	651	180	651	180

The ECNG Employee Benefit Trust holds shares in Eastern Counties Newspapers Group Limited valued at £651,000. The bank overdraft of the Trust is guaranteed by ECNG and included in creditors at the same value.

Notes to the Accounts at 31 December 1998

18. CASH AND DEPOSITS	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Term and other deposits	14,524	23,333	14,524	23,333
Cash at bank and in hand	4,657	2,952	2,462	1,267
	19,181	26,285	16,986	24,600

19. TRADE AND OTHER CREDITORS	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Trade creditors	2,353	1,496	593	781
Orient Publishing Plc loan notes	24,198	-	-	-
Employee Benefit Trust overdraft (guaranteed)	651	180	651	180
Finance lease obligations	169	110	-	-
Deferred lease premium	1,100	1,100	1,100	1,100
Amounts owed to subsidiary undertakings	-	-	1,121	667
Tax and social security	703	153	8	(20)
Other creditors	4,144	3,449	2,691	2,733
Accruals and deferred income	4,401	3,383	2,924	2,767
Payments on account	126	111	98	80
	37,845	9,982	9,186	8,288

Orient Publishing Plc loan notes

The Orient Publishing Plc loan notes are floating rate, guaranteed, unsecured loan notes 2008, and were issued as part of the consideration for the acquisition of Home Counties Newspapers Holdings Plc. 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 notice. The earliest day on which the loan note holders could require payment is 30 June 1999, and therefore the loans have been treated as falling due within one year. The loan notes are guaranteed by Barclays Bank Plc at a cost to the Group of 0.45% per annum.

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Total loan notes outstanding	24,392	-	-	-
Less issue costs	(194)	-	-	-
	24,198	-	-	-

Notes to the Accounts at 31 December 1998

20. CREDITORS

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Amounts falling due after more than one year:				
Loans - film finance	1,613	1,613	1,613	1,613
Finance lease obligations	487	445	-	-
Deferred lease premium	3,188	4,288	3,188	4,288
Amounts owed to subsidiary undertakings	-	-	36,593	21,804
	5,288	6,346	41,394	27,705

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 1997	-	-	2,624	2,624	-	2,747	2,747
Included in creditors at 31 December 1997	-	91	-	91	91	-	91
Acquisition of subsidiary ACT movement	867	482	(351)	998	-	-	-
Arising during the year	48	168	(510)	(294)	95	(308)	(213)
Utilised	(106)	-	-	(106)	-	-	-
At 31 December 1998	809	741	2,085	3,635	186	2,761	2,947

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

	Group				Company			
	Provided		Not Provided		Provided		Not Provided	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Capital allowance in advance of depreciation	2,577	2,906	828	828	2,769	2,997	-	-
Other timing differences	(492)	40	-	-	(8)	72	16	16
	2,085	2,946	828	828	2,761	3,069	16	16
Less advance corporation tax	-	(322)	-	-	-	(322)	-	-
	2,085	2,624	828	828	2,761	2,747	16	16

Other provisions principally comprise provisions for obligations in respect of leasehold properties, both for dilapidations and for rental commitments for properties not used in the business and sub-let at less than full rental value.

Notes to the Accounts at 31 December 1998

22. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1998 £'000	1997 £'000	1998 £'000	1997 £'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				
15,945,925 issued	3,650	3,650	3,189	3,160
	6,000	6,000	5,539	5,510

On 1 July 1998, a total of 57,222 ordinary shares were issued at £4.40 under the ECNG Share Scheme. Following the passing of the Special Resolution at last year's Annual General Meeting, 75,000 ordinary shares were issued to senior executives on 18 August 1998 at £4.40. A further 12,388 ordinary shares were issued during the year on the exercise of share options 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	67,091
1 February 1996	£2.00	1 February 2001	31 July 2001	245,318
1 March 1997	£2.24	1 March 2000	31 August 2000	45,264
1 March 1997	£2.24	1 March 2002	31 August 2002	133,579
				491,252

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 26.

Notes to the Accounts at 31 December 1998

23. MOVEMENTS ON SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Revaluation surplus £'000	Profit and loss account £'000	Total £'000
<i>Group</i>					
At 31 December 1996	5,501	629	1,032	39,719	46,881
Total recognised gains	-	-	-	11,610	11,610
Dividends	-	-	-	(2,289)	(2,289)
Issue of shares	9	161	-	-	170
Goodwill in associate	-	-	-	(98)	(98)
Distributable element of depreciation charge	-	-	(20)	20	-
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
<i>Company</i>					
At 31 December 1996	5,501	629	13	47,651	53,794
Total recognised gains	-	-	-	10,519	10,519
Dividends	-	-	-	(2,289)	(2,289)
Issue of shares	9	161	-	-	170
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

The cumulative amount of goodwill written off at 31 December 1998 in the consolidated accounts is £15,334,000 (1997 - £16,065,000).

Notes to the Accounts at 31 December 1998

24. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	1998	1997
	£'000	£'000
Operating profit	17,061	9,843
Depreciation and amortisation charges	4,510	4,082
Lease premium amortisation	(1,100)	(112)
Amortisation of lump sum pension contribution	100	100
Loss / (profit) on disposals	31	(146)
Decrease/(increase) in stocks	115	(171)
(Increase) in debtors	(1,140)	(1,567)
(Decrease)/increase in creditors	(1,257)	1,836
Cash flow relating to restructuring costs	(564)	-
Cash flow relating to closure of operation	(658)	-
Increase in provisions	216	-
Payment of ex gratia pensions	(106)	-
Lump sum pension contribution	-	(999)
Cash flow from operating activities	17,208	12,866

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

	1998	1997
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	1,742	1,121
Dividends received	11	7
Interest paid	(1,156)	(17)
Preference dividends paid	(336)	(336)
Issue costs for new loan finance	(256)	-
Interest element of finance lease rental payments	(88)	(32)
	(83)	743

Capital expenditure and financial investment

Purchase of tangible fixed assets	(3,053)	(1,428)
Purchase of investments	-	(302)
Purchase of short term investment	-	(50)
Sale of intangible fixed assets	1,807	-
Sale of tangible fixed assets	333	550
Sale of investments	-	280
Sale of current asset investment	9,208	153
	8,295	(797)

Notes to the Accounts at 31 December 1998

25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (continued)

	Notes	1998 £'000	1997 £'000
Acquisitions and disposals			
Investments in associates		(622)	(1,132)
Purchase of subsidiary undertakings	14	(33,455)	-
Bank balance acquired with subsidiaries	14	5,471	-
Sale of subsidiary undertaking	14	-	(61)
Bank balance sold with subsidiary	14	-	(10)
Sale of associates		3,169	6,089
Deferred consideration		-	(19)
		(25,437)	4,867
Management of liquid resources			
Cash transferred (from)/to term deposit		8,808	(19,839)
Financing			
Issue of ordinary share capital		611	170
Repayment of Orient Publishing Plc loan notes		(1,681)	-
Capital element of finance lease rental payments		(256)	(122)
Lease premium received		-	5,500
		(1,326)	5,548

26. ANALYSIS OF NET (DEBT)/FUNDS

	At 1.1.98 £'000	Cash flow £'000	Other non-cash changes £'000	Acquisitions excluding cash and overdrafts £'000	- At 31.12.98 £'000
Cash at bank and in hand	2,953	1,704	-	-	4,657
Term deposits	23,332	(8,808)	-	-	14,524
	26,285	(7,104)	-	-	19,181
Loans	-	1,681	(26,073)	-	(24,392)
Loan issue costs	-	256	(62)	-	194
Finance leases	(555)	256	(165)	(191)	(655)
Total	25,730	(4,911)	(26,300)	(191)	(5,672)

Notes to the Accounts at 31 December 1998

27. MAJOR NON CASH TRANSACTIONS

During the year, the Group issued floating rate unsecured guaranteed loan notes 2008 totalling £26,073,000 as part of the consideration for the acquisition of Home Counties Newspapers Holdings Plc and its subsidiary undertakings.

The Group also entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £165,000.

28. CAPITAL COMMITMENTS

Approved future capital expenditure at 31 December 1998, for which no provision has been made in these accounts, amounted to:

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Contracted for but not provided	385	290	181	237

29. COMMITMENTS UNDER OPERATING LEASES

At 31 December 1998 annual commitments under non-cancellable operating leases were as follows:

	Land and buildings		Plant, equipment and vehicles	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Group				
Operating leases which expire:				
Within one year	115	43	225	97
Within two to five years	176	109	2,413	2,224
Over five years	650	362	-	-
	941	514	2,638	2,321

30. CONTINGENT LIABILITIES

The Group 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 subsidiaries and associates by the Group, where the period allowed for warranty claims has not yet expired.

Notes to the Accounts at 31 December 1998

31. 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 £2,252,000 (1997: £2,243,000).

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, updated by a funding review as at 1 July 1997, it was assumed that the rate of return on investments would be 4.5% above price inflation, salaries would increase by 2.5% above price inflation and pensions would increase in line with price inflation. As at 1 July 1997 the market value of the assets was £55,696,000 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 12.2%. After allowing for elimination of surplus over the average remaining service lives of the members (13.5 years), the employer's contribution rate was reduced to 11.0%. This rate was payable with effect from 1 January 1998.

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 1998 employer contributions were paid at the rate of 24.7%, comprising regular contributions of 23.5% and an additional 1.2% to meet the accrued liabilities of members who transferred from the Pension and Life Assurance Scheme. Employer contributions will reduce to 24.4% with effect from 1 January 1999.

The Group also operates pension schemes of the defined contribution type. The pension cost represents contributions payable by the Group to these schemes.

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.

Notice of 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 11 May 1999 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 1998 be and are hereby received.
- 2 THAT Mr R V J Cadbury, retiring as director at this Meeting, be re-elected.
- 3 THAT Mr I R Lockett, retiring as director at this Meeting, be re-elected.
- 4 THAT Mr P J C Troughton, retiring as director at this Meeting, be re-elected.
- 5 THAT Mr N G F Websper, 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 14 May 1999.
- 8 THAT conditional upon the passing of the Special Resolution numbered 9 in the notice convening this meeting, the Eastern Counties Newspapers Group Limited Qualifying Exempt Share Ownership Trust ("the Trust") to be constituted by a Trust Deed produced in draft to the meeting marked "A" and for the purpose of identification initialled by the Chairman (the principal terms of which are summarised in the letter to shareholders from the Chairman dated 16 April, 1999) be and is hereby approved and that the directors of the Company be and are hereby authorised to take any and all action they determine to be necessary or expedient to carry the Trust into effect.

SPECIAL RESOLUTION

- 9 That the Articles of the Company be and are hereby amended as follows:
 - (a) In Article 31(B) after the words "ECNG Employee Benefit Trust" there be inserted the words "or the trustee or one of the trustees for the time being of the ECNG Qualifying Exempt Share Ownership Trust" and at the end of Article 31(B) there be inserted the words "and the expression "the ECNG Savings Related Share Option Scheme" shall mean the savings related share option scheme of that name adopted by the Company on 23 May 1994 and approved by the Inland Revenue on 17 June 1994 and the expression "the ECNG Qualifying Exempt Share Ownership Trust" shall mean the employee share ownership trust of that name which qualifies for the purposes of Schedule 5 of the Finance Act 1989 and was approved by shareholders on 11 May 1999".
 - (b) In Article 33(C) there be inserted the words "or the ECNG Qualifying Exempt Share Ownership Trust" after the words "ECNG Employee Benefit Trust".
 - (c) In Article 33(D) there be inserted the words "or the ECNG Qualifying Exempt Share Ownership Trust" after the words "ECNG Employee Benefit Trust".
 - (d) In Article 33(F) there be inserted the words "or the ECNG Qualifying Exempt Share Ownership Trust" after the words "ECNG Employee Benefit Trust".
 - (e) In Article 33(J) (i) there be inserted after the words "ECNG Employee Benefit Trust" the words "or by the trustee(s) for the time being of the ECNG Qualifying Exempt Share Ownership Trust".
 - (f) In Article 33(J)(iii) there be inserted after the words "ECNG Employee Benefit Trust" the words "or to the trustee(s) for the time being of the ECNG Qualifying Exempt Share Ownership Trust".
 - (g) In Article 33(J) there be inserted a new Article (J) (v) as follows: "(v) By the trustee(s) for the time being of the ECNG Qualifying Exempt Share Ownership Trust in accordance with the terms of any of the ECNG Savings Related Share Option Scheme, the ECNG Profit Sharing Scheme or the ECNG Long Term Incentive Plan to any persons eligible to receive the same or entitled thereto".

Notice of Annual General Meeting

SPECIAL RESOLUTION (continued)

- (h) In Article 33(j) there be inserted a new Article (j) (vi) as follows: "(vi) By the trustee(s) for the time being of the ECNG Profit Sharing Scheme or by the trustee(s) for the time being of the ECNG Employee Benefit Trust to the trustee(s) for the time being of the ECNG Qualifying Exempt Share Ownership Trust".
- (i) In Article 48 there be inserted after the words "ECNG Employee Benefit Trust" the words "or the ECNG Qualifying Exempt Share Ownership Trust".

By order of the Board

J O ELLISON

Secretary

16 April 1999

Eastern Counties Newspapers Group Limited
Prospect House
Rouen Road
Norwich NR1 1RE

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

16 April

1998 Annual Report published

11 May

Annual General Meeting

14 May

Payment of 1998 Final Dividend

19 June

Half Year end

30 June

Payment of 6.45% and 15.5% Preference Dividends

Payment of Orient Publishing Plc Floating Rate Loan Interest

13 August

Interim Statement dispatched and Interim Dividend announced (provisional)

4 October

Payment of 1999 Interim Dividend

31 December

Payment of 6.45% and 15.5% Preference Dividends

Payment of Orient Publishing Plc Floating Rate Loan Note Interest

Five Year Financial Summary

	1998 £'000	1997 £'000	1996 £'000	1995 £'000	1994 £'000
Turnover					
Continuing operations	102,488	79,163	71,865	70,406	68,059
Discontinued operations	991	950	826	49,525	49,923
Total turnover	103,479	80,113	72,691	119,931	117,982
Operating profit					
Continuing operations	17,484	10,044	4,765	4,156	5,662
Discontinued operations	(423)	(201)	(222)	896	622
Group operating profit	17,061	9,843	4,543	5,052	6,284
Share of operating results in associates	356	(25)	(166)	(139)	(158)
Total operating profit	17,417	9,818	4,377	4,913	6,126
Return on sales - %	16.8%	12.3%	6.0%	4.1%	5.2%
Profit before tax	20,286	15,801	6,792	4,433	11,162
Tax	6,170	4,183	1,494	2,046	2,949
Profit attributable to members	14,090	11,610	5,298	2,387	8,213
Dividends	2,878	2,289	1,982	1,785	1,721
Retained profit for the year	11,212	9,321	3,316	602	6,492
Net assets	68,828	56,274	46,881	49,390	55,123
Earnings per share	86.6p	71.5p	31.5p	13.0p	50.0p
Adjusted earnings per share	74.0p	44.3p	19.5p	19.4p	22.7p
Diluted earnings per share	84.8p	70.7p	31.4p	13.0p	50.0p
Net dividends per share	16.0p	12.4p	10.5p	9.2p	8.8p
Dividend cover (based on adjusted EPS)	4.6	3.6	1.9	2.1	2.6
Net (debt)/cash	(5,672)	25,730	6,897	(6,843)	3,774
Net gearing %	8.2%	n/a	n/a	13.8%	n/a

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

Details for 1994 have been restated to reflect the change in accounting policy for goodwill and intangible fixed assets adopted in 1995.

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Financial highlights

- ☐ turnover increased by 29% to £103.5m
- ☐ total operating profit increased by 77% to £17.4m
- ☐ operating margin increased by 4.5 percentage points to 16.8%
- ☐ pre-tax profits increased by 28% to £20.3m
- ☐ adjusted earnings per share increased by 67% to 74.0p

1.7.99

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Chairman's statement



Richard Jewson Chairman of Eastern Counties Newspapers Group

The acquisition of Home Counties Newspapers is a significant milestone in the progress of the Group. It is greatly to the credit of all those involved that the integration of the business into the Group has been so successful.

□ RESULTS

I am delighted, again, to be able to announce record pre-tax profits of £20.3m (1997- £15.8m). Adjusted earnings per share was up 67% at 74.0p (1997- 44.3p). Turnover was up 29% at £103.5m (1997 - £80.1m), and operating profit increased by 77% to £17.4m (1997 - £9.8m). Profit margins improved to 16.8% (1997 - 12.3%).

The overall result had the benefit of £4.2m profit on the sale of some radio investments and newspaper titles, offset partly by reorganisation costs of £0.6m following the acquisition of Home Counties Newspapers (HCN) and closure costs of £0.9m in respect of IMC, our direct marketing company. Cash generation was again strong during the year. Although we paid out £58.6m to acquire HCN, borrowings were a net £5.7m at the year-end.

□ DIVIDEND

The Board is recommending a final dividend of 11.1p (1997 - 8.2p) per ordinary share. This makes a total for 1998 of 16.0p (1997 - 12.4p) an increase of 29%. This substantial increase in dividend reflects the outstanding results achieved.

□ HIGHLIGHTS

A detailed report follows on operations by the Chief Executive and on finance by the Finance Director. During the year your company has made significant progress both in improving operating margins and in reinvesting the cash flow. The acquisition of HCN is a significant milestone in the progress of the Group. It is greatly to the credit of all those involved that the integration of the business into the Group has been so successful. The titles acquired produced operating profits of £3.8m during the period.

Chief Executive's report



Peter Strong Chief Executive of Eastern Counties Newspapers Group

We are increasingly in the niche business, and if ever there was any doubt about this it is dispelled by the growing evidence of so much of our more tightly targeted activity.

Publishing is a People business. We are a dynamic media company. The ideas, talent and commitment of our people make us what we are.

On the threshold of the new millennium it is these qualities that stand us in great stead. Our challenge is to make sure we nurture them. Our vision is to grow, harnessing knowledge and innovation to broaden our channels of communication.

We are increasingly in the niche business, and if ever there was any doubt about this it is dispelled by the growing evidence of so much of our more tightly targeted activity.

The niche established through the success of the EDP Saturday magazine led during the year to a similar project at the East Anglian Daily Times in Suffolk. The East Anglian Magazine launched in the autumn by a small team in Suffolk and

distributed within the EADT, is like its forerunner adding sales to the weekend paper and providing a younger and more female readership.

The regional bias and interest of these magazines is providing a powerful weapon against the avalanche of newsprint that the national papers produce on a Saturday.

The magazine publishing team in Norwich meanwhile hatched another launch, this time a stand-alone glossy publication entitled Norfolk Christmas. It was extremely well received, attracting readers and advertisers alike to the high quality of the product.

Further developed as EDP Norfolk in Spring '99 and on sale in newsagents and supermarkets across the county it is an entirely home produced product, visually a match for any good "glossy", and set to become a new and profitable regular, a minimum of six times a year.

Your Board continues to seek investment opportunities to strengthen the Group's media activities.

Information Technology is crucial to our business and we continue to make significant investment in this area with real progress being made. Our web site (<http://www.ecn.co.uk>) is continuously being improved and we have now introduced a prototype Intranet.

We have successfully designed, developed and introduced a completely new advertising system to Norwich and Ipswich. It has greatly improved functionality, which will improve service to our customers.

☐ BOARD

We were pleased to appoint Nigel Websper to the Group Board in December 1998. He will stand for election at the annual general meeting. Nigel has been with the Group since 1981 and has held a number of senior positions in our newspaper publishing business. He is currently

responsible for Community Media Limited and the western division of HCN.

☐ STAFF

This excellent performance reflects the great efforts of staff, at all levels, throughout the period and for which your Board is very appreciative. We also welcome our new colleagues in HCN. Management are working hard to improve communications and involvement at all levels. Employee share ownership is an important component of this and continues to develop with the share schemes which we operate. A further share scheme offer is planned across the Group in the summer.

☐ OUTLOOK

We have some concerns that trading conditions might deteriorate, and in particular that volumes of recruitment advertising may fall.

Notwithstanding this, there is a momentum for change and improvement in the business, which leads us to believe that 1999 will be another year of progress for the Group.

Your Board continues to seek investment opportunities to strengthen the Group's media activities. The success of the HCN acquisition is encouraging. It is clear that the regional newspaper industry continues to consolidate and we would wish to play our part when we can find opportunities which create value for our shareholders.

It has been a memorable year, but we cannot stand still. The challenge is to maintain our momentum.

in the conduct of the overall handover of HCN, we are indebted to the outgoing Chief Executive of the company, Bill Coppen-Gardner who with Chris Lawrence handled the sale.

The quick resolving of these matters ensured that the acquisition was immediately earnings enhancing.

A considerable investment in systems has been necessary and we are part way through the process, a process that must be completed for the year 2000. Immediate benefits for the Group were felt when the new advertising system, designed and constructed over the last two years by the IS team in Norwich, was agreed by the incoming teams at HCN as the best option for them. It will be later in 1999 before the work is completed.

The system, which will ultimately give great benefit in our ability to track advertisers' activity and offer improved customer service, was commissioned for the first time in Norwich in the autumn and rolled out to Ipswich early in '99.

The accelerating pace of change remains a hard task master, and our efforts to develop Eastern Counties

Network internet business, alongside our paper products made good progress during the year. Average order values for our web site building service grew by 400% to £1,245 and we have made many new business partners. In addition, our own web sites continued their development. They are developments that will accelerate significantly in the year ahead.

These moves will add to our strength in depth as we continue to successfully develop our traditional newspaper base with new ideas, new methods of presentation and new initiatives. In the past year these initiatives included the launch of a new Tending edition of the East Anglian Daily Times, another idea which is adding copy sales and advertisers to our customer base.

Unfortunately, IMC Direct Marketing, acquired some three years ago was closed in the autumn. The business was loss making and we were unable to justify the investment required. Our thanks go to the team who made a great effort to succeed. We wish them all well.

As is clearly described elsewhere in these pages, our

business continues to improve its performance. Economic conditions have remained good, a factor which during 1998 was enhanced for us by the relative strength of the East Anglian region which did not experience the slowdown that some others in our industry reported towards the end of the year.

In Scotland we experienced mixed fortunes. The north east grew reasonably, while central Scotland had a tougher time. Our North Somerset business finally defeated a vigorous competitor, launched in the previous year, but there was a cost. Devon enjoyed a strong increase in revenues.

HCN East in South Essex grew strongly and margins improved as they did in North London. In HCN West, with much focus on the disposals, the retained business still managed growth in advertising revenues of 11%.

Overall, our recruitment advertising revenues grew by 21.3%. We expect this to slow in 1999, but face the future confident that other activities can mitigate the effect this might have.

Margins continue to rise, helped by lower newsprint prices as well as the strong recruitment advertising revenues. But as the benefit of our actions to improve the efficiency of the business comes through we continue to pursue improvement to our return on sales. The HCN

titles will also help raise our performance in this regard.

It has been a memorable year, but we cannot stand still. The challenge is to maintain our momentum.

The quality of our people and of our publications and associated activities is the key.

It is gratifying therefore that ECN has gained an Investors in People award, and I am proud to record that among the many accolades won by the Group's people and publications during the year were: Evening Newspaper of the Year to the Evening Star in the UKPG national awards, the third consecutive year it has received this accolade in the "under 40,000 circulation category"; Weekly Paid-for Newspaper of the Year to the Ham and High in the BT national awards – also a winner three times in succession; and Weekly Free Newspaper of the Year to the Hunts Post for the second year running in the Newspaper Society national awards.

The advertisement sales team at Norwich were voted 1998 Display Publishing Centre of the Year in the Newspaper Society awards for the excellence of their sales efforts, the Saturday magazine team in particular scoring several successes.

They, along with all our other winners, deserve our congratulations.

Peter Strain

It is a small beginning, but from small beginnings has many a great empire sprung!

A small exhibitions division was formed in CML in the West Country. With its HQ in Devon, a series of shows followed with the team experiencing the full challenge of the outdoor event business – choosing the hottest day of the year (in Exmouth) and the windiest (in Bristol) for their first launches! Spurred on by this experience, a range of events is planned for '99 as we test the water and develop our skills in what we believe can be a profitable new venture.

Our links with the business communities in many of our markets were enhanced by our staging awards nights. Over 500 people attended the North Herts event in Stevenage with Jeremy Paxman as celebrity speaker and in the City of London at Canary Wharf the Newham Recorder hosted a successful event at which Sports Minister Tony Banks presided. These events are highly prestigious and also profitable.

There were more, and the enthusiasm of our own people was nowhere more evident than at our own "in-company" awards night, staged by ECN in East Anglia, where the excellence and innovation in our business were celebrated by over 750 people on a Saturday night in November. In '99 the event will include all Group companies.

Our 40 most senior

managers also met in the autumn for a two-day conference at which an important theme was the value that resides in sharing our experience, ideas and abilities across the business. A number of important communications issues emerged and are being pursued. A prototype intranet has been developed on a collaborative basis between ECN and CML linking all their businesses and Summerhouse together. At present access is restricted to the 40 attendees, but it is another small beginning for what will undoubtedly shape our future.

Modern corporations must be nimble, able to exercise their collective strengths and provide an exciting environment for the people who will grow to become the foundation for the future, and these kinds of activities will continue to feature in our thinking.

A good example of effective collaboration has been that between Summerhouse Publishing and the EDP where skills inherent in our contract magazine publishing business were used to develop a business publication for Norfolk.

Summerhouse itself has made a good start in its first, almost full year within the Group. Turnover has increased by 36.5% and important new clients developed. We have regular and growing business now in Sweden, France and the UK

Modern corporations must be nimble, able to exercise their collective strengths and provide an exciting environment for the people who will grow to become the foundation for the future.

and we are investing in further expansion.

Many of these things are small things that together make a difference. But in May, we were both exhilarated and delighted to succeed in something major, our acquisition of Home Counties Newspapers.

The net result of the deal was to add another 17 newspapers to our portfolio of titles taking us to a total of 60 with a circulation of 2.7m per week.

Publishing in the valuable territory of South Essex and Hertfordshire, and with possibly Britain's best known local weekly, The Ham and High in Hampstead, North London, as part of the portfolio, it makes a perfect partner for us.

With a significant number of the papers already printed on our Thorpe press under contract before the event we already had a very successful working relationship with many of the key people.

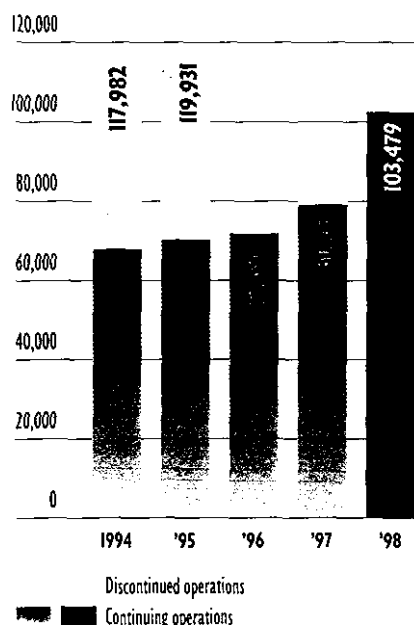
As a public company, HCN

had nevertheless maintained a "family" feel through the Chairmanship of Bill Gibbs, whose family held a substantial stake and whose great grandfather had started the company. Our status as an independent, sixth generation family-owned business eventually helped to land us the position of preferred bidder in a hotly contested process.

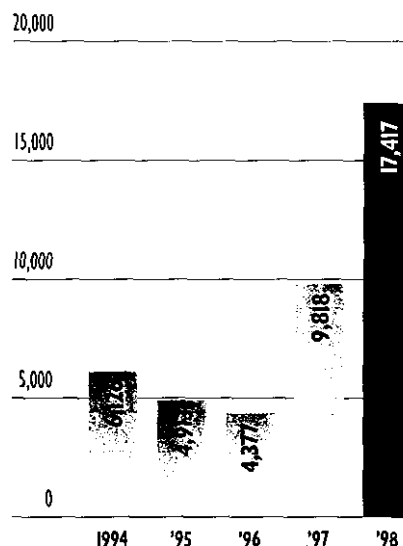
There followed a period of intense activity. We decided that certain of the markets in which the company published were not ones in which we wished to compete. The prospect of some years of substantial losses in the Bedfordshire and Buckinghamshire areas was not something we relished, and the newspapers there were sold to Johnston Press.

HCN had also invested in an envelope manufacturing business, and this was not on strategy for us. It was disposed of by the year end and in this regard, as well as

Group Turnover
£'000



Total Operating Profit
£'000



Group Operating Margin
%



HOME COUNTIES NEWSPAPERS

The £58.6m acquisition of Home Counties Newspapers Holdings Plc was completed in May. In September, the loss-making Luton, Bedford and Milton Keynes business units were sold to Johnston Press Plc for £8.0m. In December, Southern Converters, also loss-making, was sold to Rival Direct Holdings Limited for £1.25m. In February 1999, HCN's head office was finally closed. Exceptional 'fundamental acquisition restructuring costs' of £564k include the costs of this closure.

Since acquisition, the performance of HCN has been significantly better than our pre-acquisition forecasts, and perhaps more

importantly the acquisition has been earnings enhancing in its first year. It is also worthy of note that HCN has enhanced Group operating margins.

In accordance with accounting standard FRS 10 Goodwill and Intangible Assets, the £45.3m cost of the retained HCN titles has been capitalised as an intangible asset and has not been amortised.

OTHER ACQUISITIONS, DISPOSALS AND EXCEPTIONAL ITEMS

In February, the Group acquired a 76% interest in Summerhouse Publishing Ltd, a contract publisher, for £850,000.

In March, the Group sold

its loss-making Bath and Trowbridge titles to Southern Newspapers Plc for £2.0m at a profit of £1.4m.

In July, the Group sold its 20% interest in Xfm Ltd to Capital Radio Plc for £3.1m at a profit of £2.8m.

In December, the Group closed IMC Direct Marketing Ltd at a cost of £860,000, including a goodwill writeback of £203,000. During the year, IMC made an operating loss of £423,000 on turnover of £991,000.

ASSOCIATE

The Group has a 40% interest in The Radio Partnership Limited (TRP). All other interests in associates have been disposed of.

TRP owns radio stations in Blackpool, Bradford, Ebbw

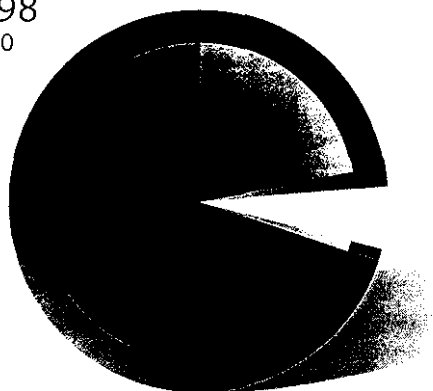
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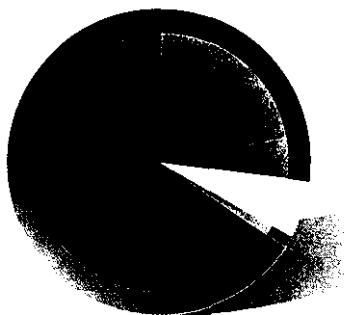
Chris Lawrence Finance Director of Eastern Counties Newspapers Group

Turnover Analysis

1998
£'000



1997
£'000



	1998	1997
● Advertising Revenue	72,529	52,728
● Circulation	19,085	17,412
● Contract Print	3,665	4,103
● Contract Publishing	1,609	-
● Other	5,600	4,920
● Direct Marketing	991	950
TOTAL	103,479	80,113

□ FINANCIAL HIGHLIGHTS

The financial highlights of the year were

- turnover increasing 29% to £103.5m
- operating profit increasing 77% to £17.4m
- operating margins increasing 4.5 percentage points to 16.8%
- pre-tax profits increasing 28% to £20.3m
- adjusted earnings per share increasing 67% to 74.0p

Buoyant local markets, falling newsprint costs, effective management of advertising yields and overhead costs, and the successful acquisition of Home Counties Newspapers (HCN) all contributed to an impressive set of results.

□ TURNOVER

Turnover of the ongoing operations increased by

£5.2m, or 6.5%. (See note 2 page 33). Ongoing advertising revenues rose by 7.5%. Recruitment revenues in particular showed strong growth with an increase of 21.9%. Ongoing circulation revenues rose by 5.2%. Cover prices were increased on our four daily titles.

The most recent Audit Bureau Circulation statistics confirmed that the Eastern Daily Press continues to be the best selling regional daily newspaper in the country.

£18.1m (or 33 weeks) of HCN turnover has been consolidated. The Luton, Bedford and Milton Keynes newspaper business units and Southern Converters, the non-core envelope business, have not been consolidated. On a full year basis, retained HCN advertising revenue grew by 11% with recruitment revenues up 20.5%.

People and personalities

Famous names and top awards featured throughout the year as teams and individuals celebrated success and celebrities joined in events and sponsorships.

▶ Ham & High editor **Matthew Lewin** and reporter **Ruth Bloomfield** gave their paper plenty to cheer about when they scooped two major press awards. Matthew collected the Weekly Newspaper of the Year and Ruth was named Weekly News Journalist of the Year in the BT Regional Press Awards.

▽ ECN made history in 1998 when it was acclaimed as the **'Display Publishing Centre of the Year'** by the Newspaper Society, for the first time.

The accolade followed ECN receiving a total of ten NS awards, including six certificates and a crystal trophy won by **EDP Magazine** for presenting the best colour retail advertisement of the year.

Below: Peter Waters, right, and Marie Barnes hold the NS crystal trophy presented to the EDP magazine with Tim Thurston, left, and Stephan Phillips who are holding other prizes scooped by ECN Norfolk.

▶ The Hitchin Comet's MD Enzo Testa, left, hosts the paper's North Herts Business Awards at which TV's **Jeremy Paxman** gave the prizes.

Organising the awards won the Comet a Newspaper Society prize for coming up with the idea.

The Comet has committed itself to hosting the event for a third year in 1999.



Above: The Press Centre team with their ECN Quality Award. Right: EDP editor Peter Franzen celebrates success. Far right: Members of the Saffron Walden Reporter sales team who won the ECN Best Customer Service Award.

▶ The biggest ever gathering of ECN people took place in Norwich to celebrate excellence.

More than 700 members of editorial, sales and support teams gathered under a big top to applaud achievement and witness the first **ECN Awards night**.

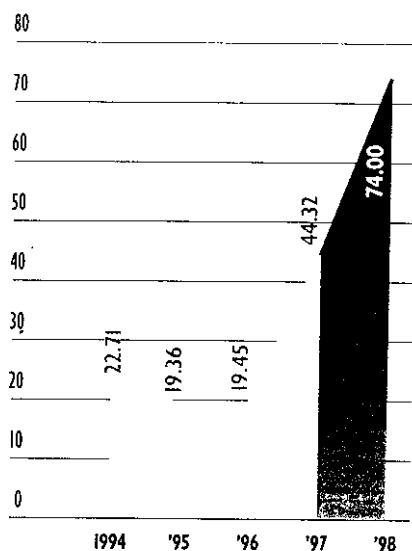
The 1998 awards attracted over 820 entries in classes ranging from Newspaper of the Year — won by the Eastern Daily Press — to Unsung Hero, given for exceptional work which was won by Geraldine Cook, an editorial assistant at the March office, pictured right receiving her trophy from Group Chief Executive Peter Strong.



▶ Sports Mini Tony Banks guest of honour: Recorder News sponsored East Lo Small Business A and is pictured presiding over the £1,500 prize of the

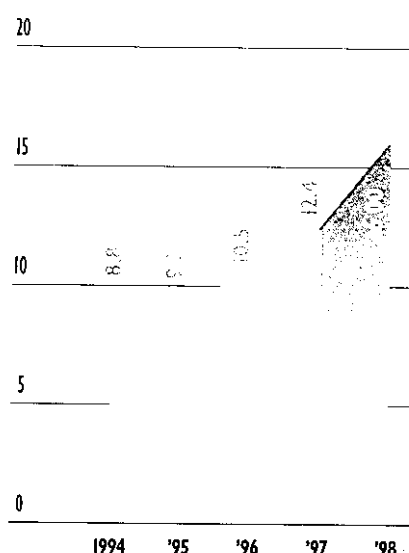
Adjusted Earnings per Share

P per Share



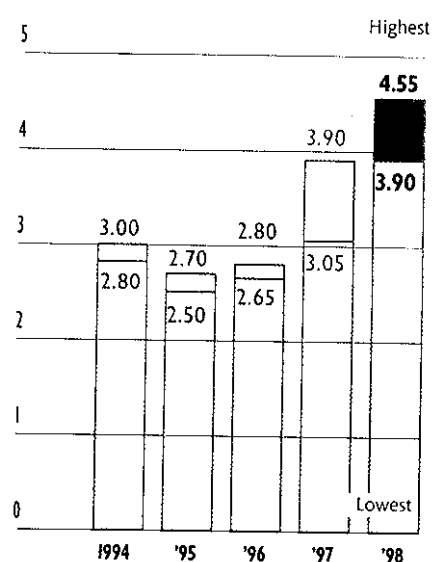
Dividends per Share

P per Share



Share Price Movement

£



Vale, Stockport, Stoke and Swansea. It also has a 24% interest in the Solent regional licence. TRP's strategy is to grow through winning new licences, and acquisition. During the year, the Group invested a further £0.5m in TRP. This brings the total investment in TRP to £5.1m at the year end.

The presentation of associate results in the consolidated profit and loss account has changed in accordance with accounting standard FRS 9 Associates and Joint Ventures.

TRP contributed £412,000 (1997 £242,000) to pre-tax profits.

TRP's profits have improved as Blackpool has come on stream and advertising revenues of the

existing business have continued to grow.

□ FRS12 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company has chosen to adopt this accounting standard early. The principal impact of the standard is to restrict the circumstances under which a provision can be made to when there is a legal or constructive obligation. Adoption of this standard has not materially affected the 1998 profits.

□ TAXATION

The effective rate of taxation for the year is 30.41% (1997 26.46%). This compares to

the standard corporation tax rate of 31% (1997 31.49%). In 1997, the effective rate was lower than the standard rate because of capital losses utilised.

□ TREASURY

Net debt, including finance leases and loan notes, at 31 December 1998 was £5.7m, with net gearing of 8.2%. This compares with a net cash position of £25.7m at 31 December 1997.

The major elements of the £31.4m movement in net debt were the cash flow from operating activities, £17.2m, the cost of the Home Counties acquisition, £58.6m, and the proceeds from the disposal of HCN's 'Beds & Bucks' titles, £8.0m.

The HCN acquisition was

financed by a combination of floating rate, unsecured loan notes, £26.0m, and cash, £32.6m. Including the cost of the bank guarantees, the interest rate on the loan notes is bank base rate less 0.55%.

Capital expenditure was £3.1m (1997 £1.4m). The increase was primarily due to expenditure on computer hardware and software, where, at several locations, replacement has been timed to coincide with our year 2000 programme.

Chris Lawrence

Pushing out the boundaries

Group companies continued to expand and grow throughout the year, extending their business and developing income.

▽ The coastal **Anglia Advertiser** series has been joined by seven titles from Mid Anglia Newspaper and Cambridge, Huntingdon, Ely and Wisbech to form a stronger weekly newspaper group.

Bringing paid for newspapers under the wing of the series for the first time, the move also prompted the creation of a central sub-editing department in Royston and boosted the group's advertising production operation in Gorleston, pictured below.



△ The EDP extended its news coverage and advertising revenues when it launched a 20 page weekly supplement for the West Norfolk edition.

Called **EDP West Norfolk & Fens**, it provides much more local news and a targeted readership for advertisers who, along with the local council, have welcomed the publication.

Above: Members of the ECN team with the new West supplement of the EDP.



▽ **Suffolk & Essex Business Magazines** have gone from strength to strength with the hard work and positive attitudes that won their people 'Team of the Year' in the ECN awards.

With a market leader in Suffolk, the magazine team launched the successful format into Essex and has secured a firm foothold in the county.

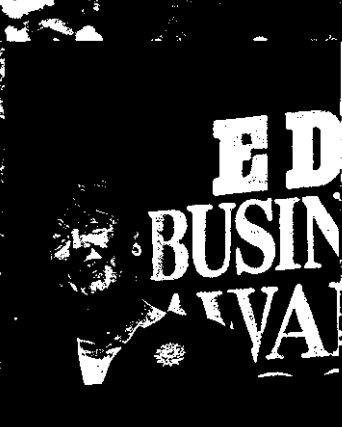
Left: The Suffolk based magazine team ready to go into bat for the launch of the Essex Business Magazine.



△ The editorial and advertising teams of **The Hunts Post**, named the Midlands and East Anglia Free Newspaper of the Year for the third time in succession and the Newspaper Society's Free Newspaper of the Year for the second year running. Editor Paul Richardson is on the far right.



△ **HRH The Prince of Wales** chose ECN to learn about how the regional press operates. Here he meets members of the telesales team at Prospect House. He attended the EDP's daily news conference before being shown how photographs are electronically positioned by picture editor Dennis Whitehead and discussing the development of stories with news editor Paul Durrant.



△ **Former Prime Minister John Major** launched the **Hunts Post** web site. A reader for over 20 years, Mr Major was delighted to see his local paper enter a new technological era and gave an exclusive interview to mark the occasion.

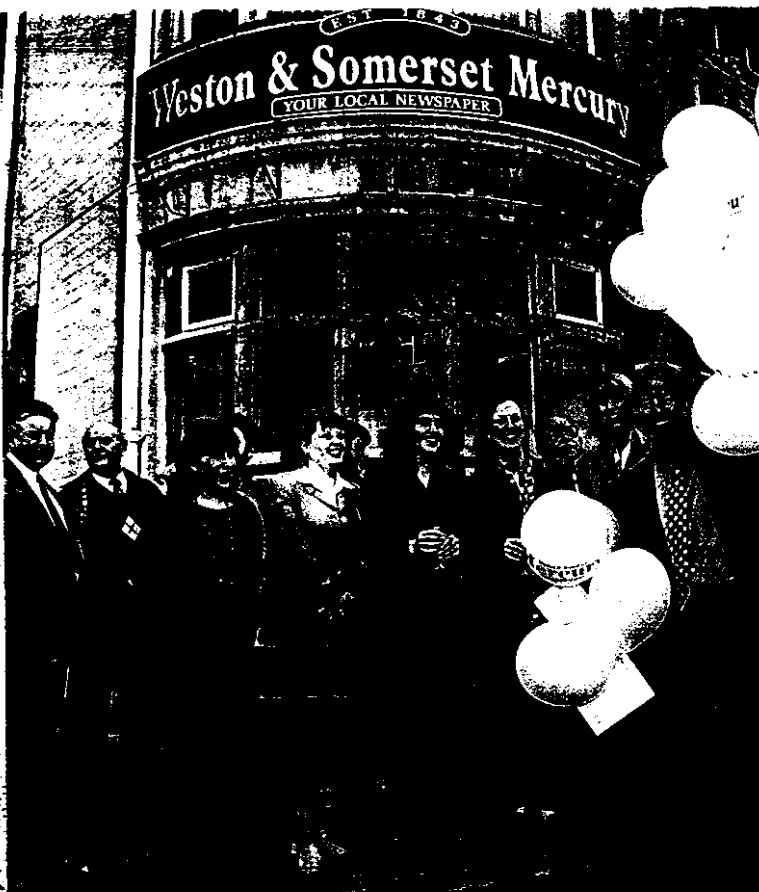
△ **The Weston Mercury** was named the 1998 Newspaper Society Best Weekly Paid for Newspaper in Wales and the West of England. It also won a NS award for a schools' nativity supplement as the most unusual and successful revenue producing idea of the year.

Chief reporter **Melanie Dowding**, pictured above, was runner-up in the BT Weekly Journalist of the Year, Wales and West, awards.

△ Now in their 10th year, the **EDP Business Awards** have become the catalyst for one of the most prestigious commercial gatherings of the Norfolk year. In 1998 more than 100 companies entered the nine categories, the winners receiving their prizes from celebrity cook and Norwich City Football Club director **Delia Smith**.

△ **The Evening Star** in Ipswich made history when it was named Evening Newspaper (circulation up to 40,000) of the Year for a record third year in succession in the Press Gazette awards. Judges praised the paper's campaign victories and the way it fights wholeheartedly for its readers.

Above, **Nigel Pickover** editor of the Evening Star with the 1998 Newspaper of the Year certificate with members of his team holding other awards that the paper has received.



△ The **Weston & Somerset Mercury** began a new chapter in its 155 year history when it was printed in full colour throughout for the first time. The change came about due to customer demand, and the event was marked by a balloon launch from the paper's offices.

Left: CML regional director Bernard Driscoll with members of his team celebrating the launch of the full colour Weston Mercury.

▽ During 1998 ECN's Norfolk publishing division demonstrated how powerful the company's newspaper brands are by launching '**EDP Norfolk**' a high quality county magazine. Distinct from the EDP's in-paper Saturday colour supplement, the new bi-monthly up-market magazine is aimed predominantly at women aged 30+ and specialist advertisers.

Left to right: Mel Secker; EDP brand manager Kent Smith; Sharon Hulbert; Sarah Hardy; publishing editor Peter Waters; Gavin Davies; advertising manager Marie Barnes; and Simon Lunt.



△ **Summerhouse Publishing**, the specialist publishing company that ECNG acquired in 1998, has gained a new home and new clients for its portfolio.

The company's team of 26 now occupy new offices in the listed St James' Yarn Mill on the River Wensum near Norwich Cathedral.

The move accompanied Summerhouse's success in adding new publications for clients such as GEC, Hogg Robinson, Paris-based Alcatel Cables and Components and First Telecom.

The year also saw existing clients ALSTOM, the London

Symphony Orchestra and Saab Automobile extending their involvement with Summerhouse. Saab renewed its contract for another three years and added the USA to its Saab Magazine which is produced in 15 different language versions and distributed to 25 markets around the world, with a total circulation of over 600,000 copies.

Tim James, inset, joined Summerhouse as **publishing director**. He will look after all the operational aspects of the business, ensuring that relationships with clients and the standard of publications improve still further.

Left: Karen Twyford, development manager and Steven Harnell, news editor with the new-look North Somerset Times.

Above: members of the Weston-Super-Mare Admag team with the 1,000th issue of their publication.

△ It has been a momentous year for CML's Admag titles. **The Weston-Super-Mare Admag** proudly produced its 1,000th edition. The 40 page paper celebrated reaching the milestone with a special supplement.

The Portishead Admag had a complete makeover, emerging as the **North Somerset Times**, complete with news and sport.

▶ Aidan Semmens, pictured right, became ECN's first newspaper web site editor when he joined the **Evening Star** team.

The site has become increasingly popular and attracts 80,000 readers a week.

ECN's long-standing commitment to achieving business success through training and development has been recognised by the company receiving the prestigious **Investor in People** award.

▶ Right: ECN Managing Director Tom Stevenson receives the Investors in People plaque from Norfolk and Waveney TEC chief executive David Pearson watched by HR Director Val Howden and members of the ECN iIP Team.



▽ When your business boundaries stretch from Peterhead to Exeter, there's only one way to get around as **CML Managing Director Nigel Websper** and **Finance Director Andrew Halsey** have found.

Nigel has held a pilot's licence for several years and makes frequent flights from his office in the West Country. They are pictured, Nigel, left, with their air taxi, an Aztec twin engined, six seater which is based at the Bristol and Wessex Flying Club.



△ **Leadership skills** are being developed and extended throughout ECN with 150 people taking part in Team Leader and Operational Manager Programmes which lead to Institute of Management qualifications.

Ten-week workplace-based courses enable junior managers, supervisors and people with team leader responsibilities to develop a range of skills to enhance their roles.

A 12 month **Operational Manager Programme** is designed to build commercial and business skills among middle managers with successful candidates achieving a Certificate or Diploma in Management.

Advertisement sales staff are being helped to progress their careers through training programmes which will lead junior members of the team to potentially become the senior representatives and sales managers of the future. **Trainee journalists** are receiving the best training in the newspaper industry. A 15-week course followed by on-the-job training over two years enables young reporters to gain NVQ Level 4 and the ECN Diploma.

Staff development activities are supported by a learning resource library within ECN's HR Department at Prospect House, Norwich.

Above: ECN HR advisor Lucy Pakes takes a training session at Prospect House.

Above: Top hairdresser Nicky Clarke at the Hairdressing Show held by CML in Torquay.

Right: The CML (Devon) Exhibition and Show Division exhibitions manager John Cooksey with members of his team from left Christine Whitting, David Hastings and Kate Boalch.

△ **UK Hairdresser of the Year Nicky Clarke** helped CML to blaze a trail into a new business venture – exhibitions and shows.

The top people's hairdresser was the star attraction at a hairdressing show staged in Torquay, one of five exhibitions run during the year. Weddings, ideal homes and Christmas gifts were the other themes for 1998.

Led by Bob Priddle, who heads-up CML's operations in Devon, the exhibition division has its sights set on major centres around the country including Wembley, Brighton and Leeds in 1999.

Running exhibitions is a natural extension of CML's business requiring many of the skills and resources needed for successful publishing.

▽ **The East Anglian Daily Times Magazine** proved an instant success on its launch in October, boosting Saturday sales of the paper by nearly 3,000 copies, as well as achieving a premium cover price.

The magazine was heralded by an extensive television advertising campaign and was well received by readers. The advertising team took a fresh approach to give the magazine the best possible start. Focused on gaining new advertising spend, a two-day off-site course saw the team analysing the competition, developing a strategy to win market share and making presentations to advertisers. The result was £30,000 of revenue pre-sold into the first edition.

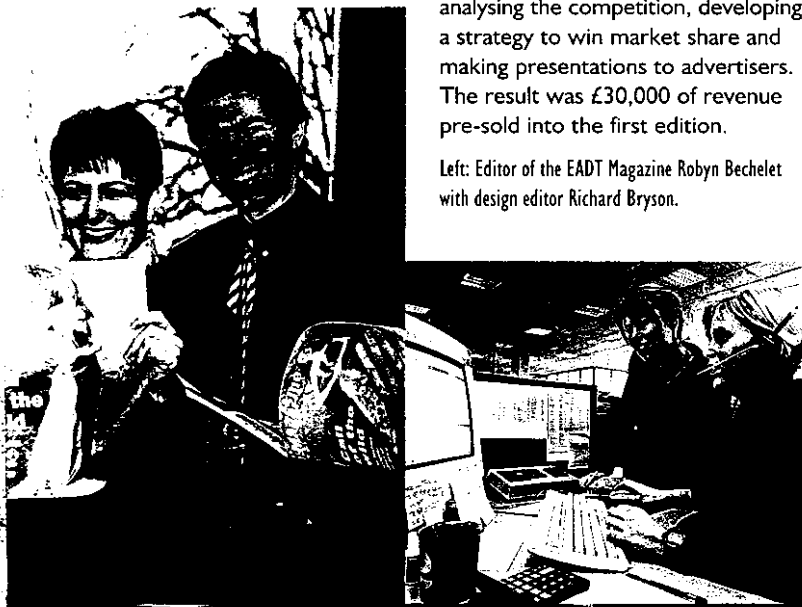
Left: Editor of the EADT Magazine Robyn Bechelet with design editor Richard Bryson.

▽ **Eastern Counties Network**, the group's electronic publishing arm, has transferred more than 400 customers onto the World Wide Web with many of them reaping remarkable results including orders and enquiries from thousands of miles away.

Nearly 70% represent new business for the company including customers from beyond traditional publishing boundaries. Many clients report that web activity has extended their sales area as well as bringing them improved results locally.

An independent survey carried out among Network customers reported high levels of approval for the service, averaging a satisfaction rating of 4.2 out of a possible 5.

Below: Jenny Smith, right, field sales representative for Eastern Counties Network, shows Deborah Gillatt from the government agency CEFAS their new web site.



▽ ECN has completed one of the most complex projects of recent years with the development and installation of a **new advertising system** which links the publishing centres of Ipswich and Norwich.

Developed in-house, it provides advertising sales staff with customer information. It also includes sales ledger, page planning and assembly capabilities.

Competitive selection of the system by HCN has underlined the cost effectiveness of the central development of core systems within the Group.

Above left: Kelly Brookes uses the new ECN advertising system, watched by Sonia Marshall in the telesales department at Prospect House, Norwich.

Left: Tony Kemsley, seated, and Mark Duckett, right, with director of information systems Jim Duncan and members of the ECN IS team.



▽ **The Evening Star** captured the spirit of a famous victory when it celebrated the **20th anniversary of Ipswich Town Football Club's historic FA Cup win** against Arsenal in 1978.

The paper brought the team together for the first time in 20 years and took it on an open top bus tour of the town, complete with the cup itself, to the acclaim of thousands of fans who lined the streets.

Along with the reproduction of the FA Cup programme, the Star produced a CD of the team's 1978 anthem, pictured above left, and organised a special 'One Day in May Reunion' beer.

Left: Star sports writer Dave Allard with Ipswich Town's Kieron Dyer and the special beer.



In the community

ECNG newspapers lie at the heart of their communities, reflecting and leading public opinion through their campaigns; helping others; and raising thousands of pounds for good causes.

△ **The Welwyn & Hatfield Times** has been playing a leading role in helping the community.

It embraced the National Year of Reading when it brought 'Reading Passports' to more than 1,400 school children in 21 schools during its second year of taking part in Newspapers in Education.

Through the local **Education Business Partnership** the paper helped young people with severe learning difficulties. Reporters also helped to brighten up the carnival when they took to a veteran fire engine for the procession, pictured below.

△ **The Hitchin Comet** has also joined the Newspapers in Education cause and provided 2,500 children from more than 60 schools with the incentive to get to grips with reading and gain a certificate in an eight week long project.



▷ **The Paisley, Renfrewshire and Gryffe Weekly News** tugged at its readers' heart strings and galvanised the community into raising £20,000 for the local Special Care Baby Unit.

The paper's first ever reader appeal, such was its attraction that the initial target of £13,000 was quickly exceeded.

Local celebrities, including footballer Ally McCoist, whose twin sons were born prematurely in the unit, got behind the fund-raising which has enabled the Royal Alexandra Hospital to create a family room where anxious parents can stay and be close to their seriously ill babies.

Top right: Striker Ally McCoist, right, and Weekly News reporter Gerry Duffy, centre, hand large donation to staff at their local Special Care Baby Unit.

Top: Read all about it! Youngsters see how newspaper is printed, ready for sale.

Above centre: A class of Suffolk children the 'school room' created in Brook House Ipswich, the home of the East Anglian Daily Times and Evening Star.

Above: A class of primary school children proudly show off their newspaper project.



Below: Marketing services manager Katherine Silver with members of the Evening Star School Reporter team at the Suffolk Show.

Inset: Young people with their note books and cameras, ready to report on the Suffolk Show.

▽ The EDP has launched its most ambitious community project ever – to raise £1million through its 'We Care 2000' campaign.

Specifically to help the carers of people in need, the project has become Norfolk's official county appeal for the Millennium. The ambitious scale of the campaign attracted coverage in the national press and on television.

Below: From left, EDP reporter Angi Kennedy and editor Peter Franzen with organisers of the paper's Festival of Carols with a cheque for the money raised at the event for the 'We Care 2000' appeal.



◁ Young readers are the focus of a special development programme being led by ECN in Suffolk. With a mission to create a newspaper reading habit among the young, the programme is working with schools and families to encourage their children to improve their communication skills.

The project is part of a 'community affection' initiative being driven by the **East Anglian Daily Times** and **Evening Star** and is a key part of their interaction with the communities they serve, says marketing services manager Katherine Silver.



△ Finding Miss Essex 1998 was a tough job as **HCN (East)** sales director Paul Gregory discovered during this heat of the contest which attracted over 300 entries. Recorder Newspapers have sponsored the competition, which leads to the Miss UK finals, for the last three years.

◁ A Caribbean-style steel band was just one of the street entertainments sponsored by the **Stevenage Comet** for the town's carnival. A marching band, jugglers and clowns also kept the crowds amused as the procession made its way through the town.

The paper is stepping up its involvement this year when the carnival takes on a Mardi Gras theme, complete with extravagant costumes which the Comet will be helping people to create with a special theatre workshop.

▽ **The Evening News** in Norwich campaigned, raised money and even brought about a promise to change the law on asbestos through its work.

The paper raised nearly £50,000 to help a school for children with special needs, a centre for the disabled and local cancer sufferers. Its **Asbestos Action Campaign**, which raised awareness of the dangers of the material, developed into a major campaign success, leading to the promise of a change in the law to ban white asbestos.

On the lighter side, the paper brought 200 under 11-years-old soccer fans together for a **Junior World Cup** which mirrored the real event in France. In Norwich thousands of people enjoyed the News sponsored **'Golden Years Rock'n'Roll Revival'** which reunited

more than 25 pop bands from the region and raised money for charity.

▽ Through the determination of their football paper, the **Pink 'Un**, Norwich City fans will see the longed for return of green shorts to the Canaries' strip next season, replacing the new Bruce Oldfield designed all yellow outfit. The paper organised a referendum on the matter with fans displaying yellow or green voting cards before a home match to show their feelings. Green won by a landslide.

Editor Bob Crawley said: "The Evening News can make a difference to people's lives in so many ways and we will continue to lead the way in helping the communities in our area."

Below: Members of the Evening News team with some of their campaigning editions.

▽ The **EADT** and **Evening Star** led community feeling and helped to save hospitals in Suffolk and Essex.

The Anglian's **'Hands off our Hospitals'** saw an intention to alter the services provided at two community hospitals in Essex stopped and a rethink begun. The campaign was part of the paper's more active editorial stance in Essex which also saw it raising money to

buy a lifeboat station.

The Star's editor, Nigel Pickover, took his campaign to save a hospital in Felixstowe all the way to the Secretary of State for Health and was told in a meeting with Frank Dobson that he had overturned a local decision to close it.

Below: Essex news editor Richard Woodard standing outside one of the hospitals that the EADT campaigned for.



Above: Pink 'Un editor Joe Ferrari, centre, with Evening News sports editor David Cuffley, left, and sports editor Graham Dunbar celebrate their successful campaign to restore the Canaries' green shorts.

▽ The **Buchan Observer** has taken the fight against litter to the streets in Aberdeenshire's Peterhead.

Reporters approached people seen dropping litter; a 'gallery of shame' exposed the extent of the problem; and civic leaders were enlisted to support the campaign.

Right: Buchan Observer editor George Hutchinson, right, with reporter Michael Howie present a local shopkeeper with his anti-litter window display poster.



▽ The mood of a whole community touched by tragedy has been captured by the **Buchan Observer** in an appeal to raise a monument to the memory those who lose their lives fishing at sea.

Editor **George Hutchinson**,

left, is pictured with a member of the Scottish Sculpture Workshop looking for a suitable site for the fishermen's memorial overlooking Peterhead's Bay of Refuge.

So far the paper has raised over £19,000 for the memorial.

▽ Members of the **Hitchin Comet** team

donned fancy dress and literally went to town for Children in Need raising £269 in a street collection.

▽ The **Hampstead & Highgate Express** series continued

helping people to find careers with its fifth Training and Job Fair at the University of London. Distinguished journalist and broadcaster Jon Snow opened the show and welcomed guests.

Below: Jon Snow chats with editor of the Highbury & Islington Express, Roger Blitz watched by Doug Bonn and Matthew Lewin, editor of the Ham & High.



▽ When it comes to helping the EDP has staying power, as the continuing story of African orphan **Tenneh Cole** proves. So much so that the paper's involvement formed a key part of BBC Television's 'This Is Your Life' programme about the man who is helping children who are the victims of war.

Assistant editor **James Ruddy**, who is pictured with Tenneh, has followed her life since she was brought to Norwich to have a bullet removed from her head three years ago.

The EDP raised £17,000 to pay for her treatment and since returning home James has kept track of Tenneh, most recently visiting Sierra Leone before Christmas to deliver 20 tonnes of books donated by readers for children in the war torn country. James is now writing a book to be published by ECN in May, telling the story of Tenneh and the EDP.

△ The **Welwyn & Hatfield Times** teamed up with Carlton TV's London Tonight programme to find readers with an interesting story to tell live on television. Editor Terry Mitchinson is pictured being interviewed during the broadcast from Hatfield House by presenter Mary Nightingale. The paper used some of the responses to run its own features about the lives of local people.



Directors and officers

[1] R W JEWSON**
Chairman

Richard Jewson joined the Board in 1982 as a Non-Executive Director and became Chairman in 1996. After running Jewsons the Timber and Builders Merchant for 12 years he became Managing Director and then Chairman of its holding company Meyer International Plc. He is currently Chairman of InterX Plc., Savills Plc., Octagon Healthcare (Holdings) Ltd., Deputy Chairman of Anglian Water Plc., and a Non-Executive Director of Grafton Group Plc and Queens Moat House Plc. He is Chairman of the Remuneration and Nominations Committees.

[2] P M STRONG#
Chief Executive

Peter Strong joined as Chief Executive in 1996. He was previously a Main Board member of EMAP Plc the media company and Chief Executive of their Newspaper and Printing Division. After training as a newspaper journalist he joined EMAP in 1969 and his career with the company embraced time as an Editor and Managing Director within the magazine division in addition to his role in newspapers.

[3] G H C COPEMAN DL+ #**
Vice Chairman

Geoffrey Copeman joined the Company in 1961 and became Group Development Manager in 1973. He was appointed General Manager of the East Anglian Daily Times Company Limited in 1976, and subsequently General Manager of Eastern Counties Newspapers Limited, becoming Group Chief Executive in 1982. A past director of Norwich Union Group, he has also served on the Boards of Suffolk Group Radio, Radio Broadland, and subsequently East Anglian Radio. He is a past director of The Press

Association, and a past President of The Newspaper Society. He is currently Chairman of the Audit Bureau of Circulations Limited.

[4] R V J CADBURY**
Non-Executive

Roger Cadbury joined the Board as a Non-Executive Director in 1993. He has been Chairman of Premier Brands Limited, and previously he was Managing Director of General Foods Limited and Whitworth Holdings Limited. Currently, he is a Non-Executive Director of NFU Mutual, Chairman of the Bournville Village Trust and of the Soil Association Certification Company. He is Chairman of the Audit Committee.

[5] R C COPEMAN**
Non-Executive

Richard Copeman was a member of the Board of Eastern Counties Newspapers Limited before joining the Group Board as a Non-Executive Director in 1980. He was Chairman and Managing Director of the chemicals division of McKechnie Brothers Limited from 1974 to 1986 when he joined the Lambson Group on a part-time basis to run their newly acquired micronutrient business, retiring in 1994.

[6] J O ELLISON
Company Secretary

John Ellison was appointed Group Company Secretary in February 1996. After graduating in business studies, he trained with Ernst & Young in London and Norwich before joining ECNG's retail subsidiary Paper Chain in 1982. He currently represents ECNG's interests on the Boards of The Radio Partnership Limited and St Andrews Management Company Limited and is a Director of Summerhouse Publishing Limited.

[7] C H LAWRENCE
Finance Director

Chris Lawrence was appointed Group Finance Director in March 1998. He is a chartered accountant, having trained with Ernst & Young in Norwich. After qualifying, he spent two years with Ernst & Young in Vancouver, Canada. He returned to the UK in 1989 and has since worked for EMAP Plc, North West Water Plc and Whessoe Plc. Prior to joining the Group, he was most recently Group Finance Director at Whessoe.

[8] I R LOCKETT**
Non-Executive

Ivan Lockett spent two years in Australia before working for six years in BBC Television producing science feature programmes. In 1970 he joined and now runs a family farming business in Suffolk. He served on the Boards of Eastern Counties Newspapers Limited and East Anglian Daily Times Company Limited before joining the Group Board as a Non-Executive Director in 1991.

[9] T STEVENSON
Managing Director
Eastern Counties Newspapers Ltd

Tom Stevenson joined the company in 1982. He began his career with Thomson Regional Newspapers. Formerly Deputy Managing Director of ECN Norwich, he was appointed Managing Director of the East Anglian Daily Times Company Limited in 1994 and Managing Director of the Group's East Anglian publishing activities in 1995. He joined the Group Board in April 1996. He is Chairman of the Newspaper Society's Marketing Strategy Group, on the Board of the Norwich Area Development Agency and the Board of the Enterprise Partnership (Norfolk and Waveney Training and Enterprise Council).

[10] P J C TROUGHTON**
Non-Executive

Peter Troughton served on the Boards of the East Anglian Daily Times Company Limited and Community Media Limited before joining the Group Board in 1991 as a Non-Executive. He is Deputy Chairman of Rothschild Asset Management, which he joined in 1995, having been a main Board Director of WH Smith Group Plc. He is a Non-Executive Director of the Lowland Investment Company and a former Trustee of the National Gallery.

[11] N G F WEBSPER
Managing Director
Community Media Limited

Nigel Websper joined Community Media Limited in 1981 as Company Accountant and was appointed Finance Director in 1985. He became Director and Group General Manager in 1990 and was appointed Deputy MD in 1995 and MD in 1996. Before CML, Nigel was Group Marketing Accountant for Bowyers Goods, having previously held various project, acquisition and finance roles. He joined the Group Board in December 1998.

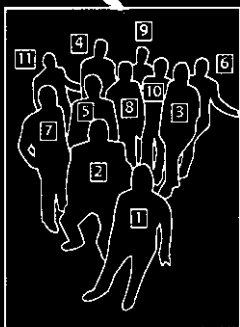
Nigel serves on the Newspaper Society Council and is a Director of the Association of Household Distributors. He is also a member of the Newspaper Society Marketing Strategy Group.

* Member of the Remuneration Committee

+ Member of the Audit Committee

Member of the Nominations Committee

○ Member of the Pensions Committee



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 1998.

ACCOUNTS

The Group profit for the year after taxation and minority interests amounted to £14,090,000 compared to £11,610,000 for 1997.

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 4.9 p paid on 5 October 1998	775	
Proposed final of 11.1p	1,767	2,542
		<hr/> 2,878 <hr/>

The ordinary dividends above are stated after taking account of the dividends waived by the ECNG Employee Benefit Trust.

The final ordinary dividend, if approved, will be paid on 14 May 1999 to ordinary shareholders whose names were on the register on 3 May 1999.

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 principal acquisitions and disposals, 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 20. Mr C H Lawrence and Mr N G F Websper were appointed to the Board on 2 March 1998 and 14 December 1998 respectively.

The directors retiring by rotation in accordance with the Articles of Association are Mr R V J Cadbury, Mr I R Lockett and Mr P J C Troughton who, being eligible, offer themselves for re-election. Mr N G F Websper also retires, and being eligible, offers himself for election.

The directors' interests in the shares of the Company are disclosed in Note 5 on page 36.

Report of the Directors

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.

CORPORATE GOVERNANCE

The Board acknowledges its responsibilities to shareholders for good corporate governance and remains committed to maintenance of 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 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 1998.

The Board

The Board currently comprises the Chairman, Vice Chairman, four 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.

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 20. All directors are subject to re-election at least every three years.

Report of the Directors

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 11 May 1999 are set out in the Notice of Annual General Meeting on pages 55 and 56.

Internal Financial Control

Guidance has not yet been issued on the reporting criteria for operational and compliance controls and risk management as required by the Code. In consequence, and in accordance with interim advice issued by the London Stock Exchange to listed companies, the Board has continued to review and report on the effectiveness of the Group's system of internal financial controls.

The directors acknowledge their responsibility for establishing and maintaining an appropriate system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and are designed to provide reasonable, but not absolute, assurance of the safeguarding of assets and the reliability of financial information.

To meet this responsibility the directors have relied upon the following key procedures:

- 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.
- 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 Group began to assess the potential impact of the "Year 2000 Problem" on its operations some two years ago. The issue is complex affecting not only internal computer systems but also those of suppliers and customers alike.

All parts of the business have undertaken a complete review of their operations to identify problem areas. As with all operational issues, the process is being carried out by operating centre management and with responsibility for the project resting with senior divisional management. Progress of individual projects is reported to the Audit Committee regularly.

Programmes of work have been designed to ensure initially that all business critical systems are compliant and thereafter the remaining systems will be addressed. Many systems have already been replaced and the programme includes the testing of systems under control conditions where this is practicable.

The programme also includes seeking assurances from major customers and suppliers relating to the procedures that they have put in place and that their systems will be compliant.

Due to the complexity of the problem no organisation can guarantee that no Year 2000 problems will arise. However, the Board believes that an acceptable level of readiness will be achieved and will, wherever possible, ensure that contingency plans are drawn up to cover unexpected failures.

Report of the Directors

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

Eligible staff are invited to participate in the ECNG Employee Share Scheme, further details of which are given in Note 6.

During 1998 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.

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 1998, the Company held an average of 19 days' purchases outstanding in trade creditors (1997 - 26 days).

DONATIONS

Charitable donations made by the Company and its subsidiaries totalled £36,000 (1997 - £30,000).

AUDITORS

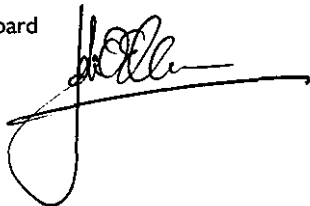
A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board

J O ELLISON

Secretary

26 March 1999



Report of the Remuneration Committee

The Remuneration Committee is chaired by Richard Jewson. Its other members are Roger Cadbury, Geoffrey Copeman, Richard Copeman, Ivan Lockett and Peter 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 31 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 normalised 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 1998 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.

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

Service contracts: All of the 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
26 March 1999



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

We have audited the accounts on pages 28 to 54 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 31 and 32.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report including, as described on page 23, the accounts. Our responsibilities, as independent auditors, are established 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 company 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 implication for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. We are not required to form an opinion on the effectiveness of either the Company's corporate governance procedures or its internal controls.

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 1998 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

Registered Auditor

Norwich

26 March 1999

Group Profit and Loss Account for the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
TURNOVER			
Ongoing operations		82,769	79,163
Acquisitions		19,719	-
Continuing operations		102,488	79,163
Discontinued operations		991	950
TOTAL TURNOVER	2	103,479	80,113
OPERATING PROFIT			
Ongoing operations		13,564	10,044
Acquisitions		3,920	-
Continuing operations		17,484	10,044
Discontinued operations		(423)	(201)
GROUP OPERATING PROFIT	2,3	17,061	9,843
Share of operating results in associates		356	(25)
TOTAL OPERATING PROFIT : GROUP AND SHARE OF ASSOCIATE		17,417	9,818
Profits on sales of intangible fixed assets and investments in associates	4	4,215	5,328
Fundamental acquisition restructuring costs	4	(564)	-
Losses on closure of operations and disposal of subsidiary	4	(860)	(81)
Income from investments	7	20,208	15,065
Interest payable	8	1,613	985
		(1,535)	(249)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		20,286	15,801
Tax on profit on ordinary activities	9	6,170	4,183
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		14,116	11,618
Minority interests		(26)	(8)
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		14,090	11,610
Dividends (including non-equity interests)	10	2,878	2,289
RETAINED PROFIT FOR THE YEAR	23	11,212	9,321
Earnings per share	11	86.6p	71.5p
Adjusted earnings per share	11	74.0p	44.3p
Diluted earnings per share	11	84.8p	70.7p

There are no recognised gains or losses other than those reflected in the Profit and Loss Account

Balance Sheets at 31 December 1998

		Group		Company	
	Notes	1998 £'000	1997 £'000	1998 £'000	1997 £'000
FIXED ASSETS					
Intangible assets	12	46,565	-	-	-
Tangible assets	13	35,448	34,613	17,353	18,361
Investments	14	6,100	5,785	46,014	45,025
		88,113	40,398	63,367	63,386
CURRENT ASSETS					
Stocks	15	1,216	1,299	1,089	1,188
Debtors	16	17,485	13,063	45,671	16,047
Short term investments	17	651	180	651	180
Cash and deposits	18	19,181	26,285	16,986	24,600
		38,533	40,827	64,397	42,015
CREDITORS - amounts falling due within one year:					
Trade and other creditors	19	37,845	9,982	9,186	8,288
Taxation		8,682	4,586	4,472	3,177
Proposed dividend		1,767	1,290	1,767	1,290
		48,294	15,858	15,425	12,755
NET CURRENT (LIABILITIES) / ASSETS		(9,761)	24,969	48,972	29,260
TOTAL ASSETS LESS CURRENT LIABILITIES		78,352	65,367	112,339	92,646
CREDITORS - amounts falling due after more than one year					
	20	5,288	6,346	41,394	27,705
PROVISIONS FOR LIABILITIES AND CHARGES	21	3,635	2,624	2,947	2,747
MINORITY INTERESTS		601	123	-	-
		68,828	56,274	67,998	62,194
CAPITAL AND RESERVES					
Called up share capital	22	5,539	5,510	5,539	5,510
Share premium account	23	1,372	790	1,372	790
Revaluation reserve	23	991	1,012	13	13
Profit and loss account	23	60,926	48,962	61,074	55,881
Shareholders' funds					
Equity		66,478	53,924	65,648	59,844
Non-equity		2,350	2,350	2,350	2,350
		68,828	56,274	67,998	62,194

R W JEWSON
Chairman
26 March 1999



Group Statement of Cash Flows

For the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Cash flow from operating activities	24	17,208	12,866
Returns on investment and servicing of finance	25	(83)	743
Taxation		(3,340)	(2,595)
Capital expenditure and financial investment	25	8,295	(797)
Acquisitions and disposals	25	(25,437)	4,867
Equity dividends paid		(2,421)	(1,726)
CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(5,778)	13,358
Management of liquid resources	25	8,808	(19,839)
Financing	25	(1,326)	5,548
INCREASE/(DECREASE) IN CASH IN THE PERIOD	26	1,704	(933)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/ FUNDS (NOTE 26)

	1998 £'000	1997 £'000
Increase/(decrease) in cash in period	1,704	(933)
Cash inflow from increase in loans	(26,073)	-
Repayment of loans	1,681	-
Issue costs of new loans	256	-
Amortisation of loan issue costs	(62)	-
Cash outflow from lease financing	256	122
Cash (inflow)/outflow from increase in liquid resources	(8,808)	19,839
Change in net funds resulting from cash flows	(31,046)	19,028
Finance leases acquired with subsidiary	(191)	-
New finance leases	(165)	(194)
Movement in net funds in period	(31,402)	18,834
Net funds at 1 January 1998	25,730	6,896
Net debt at 31 December 1998	(5,672)	25,730

Notes to the Accounts at 31 December 1998

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.

Summerhouse Publishing Limited 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 Summerhouse Publishing Limited for the period from its acquisition on 13 February 1998. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Home Counties Newspapers Holdings Plc (HCNH) and its subsidiary undertakings have 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 HCNH and its subsidiary undertakings for the period from their acquisition on 13 May 1998, with the exception of subsidiary undertakings disposed of before the year end. 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. The comparative figures for the results of associates have been restated following the implementation of FRS 9.

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) 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.

(iii) 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.

Notes to the Accounts at 31 December 1998

1. ACCOUNTING POLICIES (continued)

Tangible Fixed Assets

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.

Pensions

The principal pension schemes of the Group are operated in the names of Eastern Counties Newspapers Group Limited (ECNG) and Home Counties Newspapers Holdings Plc (HCNH). ECNG operate 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.

ECNG also introduced a defined contribution scheme from 1 April 1998, 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.

HCNH 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.

HCNH also makes provision for the capital value of ex gratia pensions to certain former employees in accordance with independent actuarial advice.

Notes to the Accounts at 31 December 1998

2. SEGMENTAL ANALYSIS

	1998 £'000	1997 £'000
TURNOVER		
Newspaper publishing		
Ongoing operations	84,158	79,035
Less: sales to acquisition	(1,614)	-
Acquisition	18,110	-
Total newspaper publishing	100,654	79,035
Contract publishing – acquisition	1,609	-
Other activities	225	128
Discontinued operations	991	950
	103,479	80,113
OPERATING PROFIT		
Newspaper publishing – ongoing operations	13,970	10,955
Newspaper publishing – acquisition	3,813	-
Contract publishing – acquisition (after charging goodwill amortisation £59,000)	107	-
Properties	1,034	1,702
Other activities	(194)	(282)
Discontinued operations	(423)	(201)
Common costs	(1,246)	(2,331)
	17,061	9,843
NET ASSETS		
Newspaper publishing	40,988	20,800
Properties	15,955	15,356
Radio broadcasting	5,675	5,613
Other activities	190	(81)
	62,808	41,688
Unallocated net assets	6,020	14,586
	68,828	56,274

Summerhouse Publishing Limited made exports to Europe of £569,000. All other sales were made in the United Kingdom.

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

Home Counties Newspapers Holdings Plc and its subsidiary undertakings were acquired on 13 May 1998.

Summerhouse Publishing Limited was acquired on 13 February 1998.

Orient Direct Marketing Limited (formerly IMC Direct Marketing Limited) ceased trading as at 31 December 1998.

The associate engaged in radio broadcasting, Xfm Limited, was sold on 21 July 1998.

All other segments of the business have continued throughout 1998.

Notes to the Accounts at 31 December 1998

3. OPERATING PROFIT	Continuing Operations £'000	Acquisitions £'000	Discontinued Operations £'000	Total 1998 £'000	Total 1997 £'000
Turnover	82,769	19,719	991	103,479	80,113
Other operating income	1,155	19	-	1,174	176
Operating costs					
Change in stocks of finished goods and work in progress	6	4	-	10	(14)
Raw materials and consumables	12,337	451	-	12,788	12,042
Other external charges	448	5,473	582	6,503	4,449
Staff costs (Note 6)	33,117	6,577	352	40,046	33,275
Depreciation and amortisation	3,994	459	56	4,509	4,082
Other operating charges	20,458	2,854	424	23,736	16,612
	70,360	15,818	1,414	87,592	70,446
Operating profit	13,564	3,920	(423)	17,061	9,843

Operating costs for acquisitions in 1998 comprise £14,316,000 for HCNH Plc and its subsidiary undertakings and £1,502,000 for Summerhouse Publishing Limited.

Operating profit is stated after charging:

	1998 £'000	1997 £'000
Directors' remuneration (note 5)	629	707
Auditors' remuneration - audit services	114	70
- non-audit services	112	204
Rentals under operating leases	3,214	1,524

4. EXCEPTIONAL ITEMS

	1998 £'000	1997 £'000
Recognised below operating profit:		
Profit on disposal of investments in associates (including goodwill written back in 1998 of £98,000)	2,838	5,328
Profit on disposal of intangible fixed assets (including goodwill written back of £430,000)	1,377	-
	4,215	5,328
Fundamental acquisition restructuring costs	(564)	-
Loss on closure of operation (including goodwill written back of £203,000)	(860)	-
Loss on disposal of subsidiary	-	(81)
Recognised within the share of results in associates:		
Share of exceptional items	(105)	(192)
	2,686	5,055

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 1998

5. DIRECTORS' REMUNERATION AND INTERESTS

Directors' remuneration	1998 £'000	1997 £'000
Fees	102	95
Other emoluments:		
basic salaries	309	295
benefits	43	13
performance related pay	141	123
	595	526
Contribution to funded unapproved retirement benefit scheme	34	37
Compensation for loss of office	-	144
	629	707

	Salaries and Fees £'000	Benefits £'000	Performance related bonuses £'000	Total 1998 £'000	1997 £'000
R W Jewson	37	-	-	37	35
G H C Copeman	13	-	-	13	12
P M Strong	144	1	68	213	173
R J Cortis	-	-	-	-	122
T Stevenson	95	7	39	141	136
C H Lawrence	65	35	32	132	-
N G F Websper	5	-	2	7	-
R C Copeman	13	-	-	13	12
I R Lockett	13	-	-	13	12
P J C Troughton	13	-	-	13	12
R V J Cadbury	13	-	-	13	12
	411	43	141	595	526

Notes to the Accounts at 31 December 1998

5. DIRECTORS' REMUNERATION AND INTERESTS (continued)

The accrued pension entitlements of the executive directors were:

	Age at 31.12.98	Years of service at 31.12.98	Increase, excluding inflation, in accrued pension during the year £'000	Transfer value of increase £'000	Accrued entitlement	
					31.12.98 £'000	31.12.97 £'000
P M Strong	51	2	3	33	6	3
T Stevenson	49	16	5	57	35	29
C H Lawrence	37	0	2	10	2	-
N G F Websper	42	17	6	36	25	19

Inflation has been assumed to be equivalent to the actual rate of price inflation, which was 2.8% for the year ended 31 December 1998.

The pension entitlement shown above for the participating directors is that which would be paid on retirement based on service to 31 December 1998.

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

Contributions of £34,000 (1997 - £37,000) 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 £87,600, of two thirds salary at retirement age of 60.

Directors' interests in the shares of the Company

	As at 1 January 1998			As at 31 December 1998		
	£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	-	-	21,732
G H C Copeman	4,960	38,904	238,147	4,960	38,904	238,147
	*1,296	*13,368	*165,106	-	*3,000	*87,346
R V J Cadbury	-	-	7,983	-	-	7,983
R C Copeman	1,905	18,688	248,000	1,905	18,688	248,000
	*4,216	*4,912	*37,923	*4,216	*4,912	*37,923
C H Lawrence	-	-	+	-	-	11,400
I R Lockett	-	4,044	158,011	-	4,044	158,011
T Stevenson	-	-	5,320	-	-	6,386
P M Strong	-	-	-	-	-	23,005
P J C Troughton	-	3,333	91,619	-	3,333	91,619
	*35,448	-	*2,999,353	*35,448	-	*2,999,353
N G F Websper	-	-	+9,253	-	-	9,253

+ At date of appointment

* Held as Trustee

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

Notes to the Accounts at 31 December 1998

5. DIRECTORS' REMUNERATION AND INTERESTS (continued)

During the period from 31 December 1998 until 26 March 1999 the following transactions in the shares of the Company have taken place.

	£1 Preference Shares	£1 second Preference Shares	20p Ordinary Shares	
	Transferred to/(from)	Transferred to/(from)	Purchased	Transferred to/(from)
R W Jewson	-	-	16,136	(3,000)
G H C Copeman	78	705	20,000	(24,582)
	-	-	*2,500	*(20,811)
R V J Cadbury	-	-	6,256	-
R C Copeman	78	705	-	5,418
C H Lawrence	-	-	8,933	-
T Stevenson	-	-	250	-
P M Strong	-	-	18,028	-
P J C Troughton	-	-	*75,000	-
N G F Websper	-	-	1,000	(1,000)

*Held as Trustee

Long Term Incentive Plan

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

	1997		1998	
	number	£	number	£
C H Lawrence	-	-	7,692	29,999
T Stevenson	8,320	31,200	9,231	36,001
P M Strong	18,400	69,000	17,692	68,999
N G F Websper	-	-	4,519	17,624

Under the rules of the Plan the share prices used in calculating the allocations were £3.75 for 1997 and £3.90 for 1998.

Further explanation of the Plan is included in the Report of the Remuneration Committee on Page 26.

Directors' interests in options

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

	Exercise price	At 1 January 1998	At appointment	Lapsed during the year	At 31 December 1998
Mr T Stevenson (a)	£2.00	1,725	-	-	1,725
Mr T Stevenson (b)	£2.24	6,160	-	-	6,160
Mr N G F Websper (a)	£2.00	-	6,210	-	6,210
Mr N G F Websper (b)	£2.24	-	2,156	-	2,156
		7,885	8,366	-	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.

Notes to the Accounts at 31 December 1998

6. STAFF AND THEIR PAY AND BENEFITS

Average monthly number of staff:	1998	1997
Newspaper printing and publishing	1,887	1,652
Other activities	40	19
	1,927	1,671
 Pay and benefits	£'000	£'000
Wages and salaries	34,789	28,485
Social security costs	2,705	2,247
Other pension costs	2,252	2,243
	39,746	32,975
Employee share scheme	300	300
	40,046	33,275

Other pension costs include £100,000 (1997 - £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 employee share scheme was approved by the members at the 1997 Annual General Meeting, and operates under the ECNG Employee Share Ownership Plan Trust. For 1998, 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, six additional shares for each one purchased.

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

7. INCOME FROM INVESTMENTS

	1998	1997
	£'000	£'000
Interest and dividends received, including tax credit:		
Listed investments	11	7
Short term interest	1,527	920
Loan to associated undertaking	215	201
Less share of associate's interest paid	(162)	(161)
Share of associate's dividends and bank interest	22	18
	1,613	985

Notes to the Accounts at 31 December 1998

8. INTEREST PAYABLE	1998 £'000	1997 £'000
Overdraft and loans	130	6
Finance leases	88	32
Other	14	11
Loan notes	1,012	-
Amortisation of loan issue costs	62	-
Share of associate's interest	229	200
	1,535	249

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:	1998 £'000	1997 £'000
Based on the profit for year		
Corporation tax	6,485	4,499
Deferred taxation	(510)	(250)
Share of taxation in associates	63	26
	6,038	4,275
Adjustments relating to previous years	132	(92)
	6,170	4,183

The effective tax rate for the current year is 30.41% compared to a standard rate of 31%. The charge for 1998 has been credited with a reduction in the deferred tax provision for the change in the rate of corporation tax from 31% to 30% with effect from 1 April 1999. This adjustment reduced the tax charge by 0.46%. The tax effect in the profit and loss account relating to the exceptional items recognised below operating profits is a charge of £684,000 (1997 – £923,000).

10. DIVIDENDS	1998 £'000	1997 £'000
6.45% Cumulative Preference Shares	20	20
15.5% Cumulative Second Preference Shares	316	316
	336	336
Ordinary Shares:		
Interim of 4.9p paid on 5 October 1998 (1997 – 4.2 p)	775	663
Proposed final of 11.1p (1997 – 8.2p)	1,767	1,290
	2,542	1,953
	2,878	2,289

The ECNG Employee Benefit Trust has waived the dividends payable on the shares that it owns, and has agreed to waive future dividends.

Notes to the Accounts at 31 December 1998

11. EARNINGS PER SHARE

Earnings per share has been calculated in accordance with FRS 14. The calculations are based on profits after preference dividends of £13,754,000 (1997 - £11,274,000) and on ordinary shares of 15,874,000 (1997 - 15,779,000), being the weighted average number of shares in issue during the year.

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

	1998 p	1997 p
Earnings per share	86.6	71.5
Adjustment for exceptional items	(16.9)	(33.0)
Tax impact of exceptional items	4.3	5.8
Adjusted earnings per share	74.0	44.3

The diluted earnings per share is based on earnings for the year of £13,754,000 (1997 - £11,274,000) as above, and on 16,223,000 (1997 - 15,941,000) ordinary shares, calculated as follows:

	1998 thousands	1997 thousands
Weighted average number of ordinary shares in issue during the year	15,874	15,779
Dilutive potential ordinary shares:		
Employee share options	243	135
Contingently issuable shares under the Long Term Incentive Plan	106	27
	16,223	15,941

12. INTANGIBLE FIXED ASSETS

	Newspaper Titles £'000	Goodwill £'000	Total £'000
Cost:			
At 31 December 1997	-	-	-
Acquisition of subsidiary undertakings	45,308	1,316	46,624
At 31 December 1998	45,308	1,316	46,624
Amortisation:			
At 31 December 1997	-	-	-
Provided during the year	-	59	59
At 31 December 1998	-	59	59
Net book value			
At 31 December 1998	45,308	1,257	46,565
At 31 December 1997	-	-	-

Goodwill arising on the acquisition of Summerhouse Publishing Limited is being amortised evenly over the directors' estimate of its useful economic life of 20 years.

The life of newspaper titles is considered to be indefinite and the carrying value of the assets is not subject to annual amortisation, but is reviewed annually for any diminution in carrying value.

Notes to the Accounts at 31 December 1998

13. TANGIBLE FIXED ASSETS

Movements on tangible fixed asset accounts have been:

	Freehold land and buildings £'000	Leasehold buildings £'000	Plant, equipment & vehicles £'000	Films £'000	Total £'000
<i>Group</i>					
Cost or valuation					
At 31 December 1997	14,573	353	38,679	4,100	57,705
Additions	53	17	3,148	-	3,218
Acquisition of subsidiaries	1,125	6	4,913	-	6,044
Disposals	(60)	(12)	(1,385)	-	(1,457)
At 31 December 1998	15,691	364	45,355	4,100	65,510
Depreciation					
At 31 December 1997	232	96	20,277	2,487	23,092
Charge for year	237	16	4,197	-	4,450
Acquisition of subsidiaries	-	2	3,611	-	3,613
Disposals	(2)	(10)	(1,081)	-	(1,093)
At 31 December 1998	467	104	27,004	2,487	30,062
Net book value					
At 31 December 1998	15,224	260	18,351	1,613	35,448
At 31 December 1997	14,341	257	18,402	1,613	34,613

Included in freehold land and buildings is land valued at £3,616,000 (1997 - £3,297,000), which is not depreciated. The net book amount of plant, equipment and vehicles above includes an amount of £644,000 (1997 - £560,000) in respect of assets held under finance leases, and £10,424,000 (1997 - £11,524,000) for both Group and Company in respect of assets subject to a chattel mortgage.

The depreciation charge comprises depreciation of owned assets of £4,289,000 and depreciation of assets held under finance leases of £161,000.

Notes to the Accounts at 31 December 1998

13. TANGIBLE FIXED ASSETS (continued)

Company	Leasehold buildings £'000	Plant, equipment, & vehicles £'000	Films £'000	Total £'000
Cost or valuation				
At 31 December 1997	50	33,986	4,100	38,136
Additions	-	2,018	-	2,018
Disposals	-	(195)	-	(195)
At 31 December 1998	50	35,809	4,100	39,959
Depreciation				
At 31 December 1997	1	17,287	2,487	19,775
Charge for year	-	3,023	-	3,023
Disposals	-	(192)	-	(192)
At 31 December 1998	1	20,118	2,487	22,606
Net book value				
At 31 December 1998	49	15,691	1,613	17,353
At 31 December 1997	49	16,699	1,613	18,361

The cost or valuation of land and buildings at 31 December 1998 comprises:

	Freehold		Leasehold	
	Group	Company	Group	Company
	£'000	£'000	Long £'000	Short £'000
At valuation - 1996	14,506	-	175	-
At cost	1,185	-	-	189
	15,691	-	175	189

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

	Freehold		Leasehold	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Group				
Cost	14,419	13,276	351	340
Aggregate depreciation	1,819	1,622	125	116
Company				
Cost	-	-	28	28
Aggregate depreciation	-	-	12	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 £21,000 (1997 - £21,000).

Notes to the Accounts at 31 December 1998

14. INVESTMENTS

	1998 £'000	1997 £'000
Group		
Associates (a)	5,675	5,362
Other fixed asset investments (b)	425	423
	6,100	5,785

(a) Associates	Share of net assets £'000	Loans to associates £'000	Radio licences £'000	Total £'000
At 31 December 1997	(3,687)	2,465	6,584	5,362
Acquisitions in year	692	(70)	-	622
Share of results retained by associates	(77)	-	-	(77)
Disposals in year	141	(238)	(135)	(232)
At 31 December 1998	(2,931)	2,157	6,449	5,675

Loans to associates comprise:

- 1 A loan of £2,021,000 to The Radio Partnership Limited (TRP), repayable in three equal annual instalments commencing on 31 December 2004. Interest is charged at 3% over the higher of 5% and the LIBOR rate.
- 2 A loan of £136,000 to Swansea Sound Limited, a subsidiary of TRP. The loan is not repayable before 2004, and is interest free.

(b) Other fixed asset investments	Listed £'000	Unlisted £'000	Total £'000
Cost			
At 31 December 1997	364	84	448
Acquisition of subsidiary	7	-	7
Transfer to investments in subsidiary undertakings	(5)	-	(5)
At 31 December 1998	366	84	450

Provisions			
At 31 December 1997 and 1998	-	25	25

Net book amounts			
At 31 December 1998	366	59	425
At 31 December 1997	364	59	423

Notes to the Accounts at 31 December 1998

14. INVESTMENTS (continued)

Company	Subsidiary under- takings £'000	Associates £'000	Listed £'000	Unlisted £'000	Total £'000
Cost					
At 31 December 1997	37,843	6,769	354	84	45,050
Transfer to investments in subsidiary undertakings	5	-	(5)	-	-
Additions	1,015	474	-	-	1,489
At 31 December 1998	38,863	7,243	349	84	46,539
Provisions					
At 31 December 1997	-	-	-	25	25
Provided in the year	500	-	-	-	500
At 31 December 1998	500	-	-	25	525
Net book value					
At 31 December 1998	38,363	7,243	349	59	46,014
At 31 December 1997	37,843	6,769	354	59	45,025

The market value of the listed investments at 31 December 1998 was £581,000 for the Group and £478,000 for the Company (1997 - £484,000 and £474,000 respectively). Unlisted investments, consisting of equity share capital, are valued by the directors at £2,066,000 (1997 - £2,074,000) 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 £667,000 (1997 - £662,000) in the event of disposals at these values.

The Company's principal 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
<i>Subsidiaries</i>		
Community Media Limited	Newspaper publishing	100%
The Anglia Advertiser Limited	Newspaper publishing	100%
Mid Anglia Newspapers 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	60%
ECNG Investment Co Limited*	Investment holding company	100%
Home Counties Newspapers Holdings Plc*	Holding company	100%
The South Essex Recorders Limited*	Newspaper publishing	100%
Home Counties Newspapers Limited*	Newspaper publishing	100%
The Hampstead and Highgate Express Printing and Publishing Company Limited*	Newspaper publishing	100%
Summerhouse Publishing Limited*	Contract publishing	76%
<i>Associate</i>		
The Radio Partnership Limited	Radio broadcasting	40%

Notes to the Accounts at 31 December 1998

14. INVESTMENTS (continued)

On 13 May 1998 the Group acquired Home Counties Newspapers Holdings Plc for a consideration of £57,979,000 satisfied by cash consideration of £31,906,000 and floating rate unsecured guaranteed loan notes 2008 issued by Orient Publishing Plc of £26,073,000.

Net assets at date of acquisition:

	Book Value £'000	Revaluation £'000	Other Adjustments £'000	Fair value to Group £'000
Intangible fixed assets	-	45,308	-	45,308
Tangible fixed assets	2,464	(67)	-	2,397
Fixed asset investments	7	-	-	7
Debtors	2,648	-	-	2,648
Current asset investments	1,887	7,321	-	9,208
Cash	5,394	-	-	5,394
Creditors due within one year	(4,812)	-	(793)	(5,605)
Creditors due in more than one year	(191)	-	-	(191)
Provisions for ex gratia pensions	(867)	-	-	(867)
Deferred taxation	(10)	-	361	351
Net assets	6,520	52,562	(432)	58,650

Discharged by:

Transfer from fixed asset investments	5
Cash consideration	31,906
Orient Publishing Plc floating rate loan notes 2008	26,073
Costs associated with the acquisition	666
	58,650

The revaluation adjustments include the valuation of retained newspaper titles as intangible fixed assets, and newspaper titles which were subsequently sold as current asset investments.

Freehold properties were revalued on an existing use basis.

Other adjustments include provisions for guaranteed staff bonuses and corporation tax liabilities at the date of acquisition. Deferred tax assets have been recognised in respect of short term timing differences, including those relating to the ex-gratia pension provision.

Home Counties Newspapers Holdings Plc contributed £2,083,000 to the Group's net operating cash flows, contributed £16,000 in respect of net returns on investments and servicing of finance, paid £948,000 in respect of taxation and utilised £320,000 for capital expenditure and financial investment.

The retained companies of the Home Counties Newspapers group earned a profit after tax of £2,438,000 in the year ended 31 December 1998 (1997 - £1,861,000 for the full group). The pre-acquisition profits for the full Home Counties Newspapers group for the period from 1 January 1998 to 13 May 1998 were £503,000. The comparable profits for the retained companies were £731,000.

The summarised profit and loss account for the full group for the period from 1 January 1998 to the effective date of acquisition is as follows:

	£'000
Turnover	14,663
Profit before tax	531
Taxation, including fair value adjustments	(28)
Profit for the period ended 13 May 1998	503

There were no recognised gains and losses in the period ended 13 May 1998 other than the profit of £503,000 above.

Notes to the Accounts at 31 December 1998

14. INVESTMENTS (continued)

On 13 February 1998, the Group acquired 76% of Summerhouse Publishing Limited for an initial consideration of £850,000, satisfied in cash, plus acquisition costs of £33,000. The net assets acquired, after fair value adjustments, were £18,000, including cash of £77,000. The Group has a contractual obligation to acquire the remaining share capital at a price dependent on the profits made by Summerhouse up to 30 June 2001. The deferred consideration has been calculated as £451,000, giving rise to goodwill of £1,316,000.

On 18 December 1997 the Group disposed of Enterprise Radio Holdings at a cost of £61,000 in cash.

15. STOCKS	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Raw materials	1,131	1,232	1,089	1,188
Finished goods and goods for resale	85	67	-	-
	1,216	1,299	1,089	1,188

16. DEBTORS	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Due in less than one year:				
Trade debtors	13,936	10,403	7,384	7,299
Amounts owed by subsidiary undertakings	-	-	730	303
Other debtors	706	463	482	490
Prepayments and accrued income	1,432	1,157	703	869
Corporation tax recoverable	587	141	68	75
Pension prepayment	100	100	100	100
	16,761	12,264	9,467	9,136
Due in over one year:				
Amounts owed by subsidiary undertakings	-	-	35,505	6,112
Pension prepayment	699	799	699	799
Other debtors	25	-	-	-
	724	799	36,204	6,911
Total debtors	17,485	13,063	45,671	16,047

17. SHORT TERM INVESTMENTS	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Shares held by ECNG Employee Benefit Trust	651	180	651	180

The ECNG Employee Benefit Trust holds shares in Eastern Counties Newspapers Group Limited valued at £651,000. The bank overdraft of the Trust is guaranteed by ECNG and included in creditors at the same value.

Notes to the Accounts at 31 December 1998

18. CASH AND DEPOSITS

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Term and other deposits	14,524	23,333	14,524	23,333
Cash at bank and in hand	4,657	2,952	2,462	1,267
	19,181	26,285	16,986	24,600

19. TRADE AND OTHER CREDITORS

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Trade creditors	2,353	1,496	593	781
Orient Publishing Plc loan notes	24,198	-	-	-
Employee Benefit Trust overdraft (guaranteed)	651	180	651	180
Finance lease obligations	169	110	-	-
Deferred lease premium	1,100	1,100	1,100	1,100
Amounts owed to subsidiary undertakings	-	-	1,121	667
Tax and social security	703	153	8	(20)
Other creditors	4,144	3,449	2,691	2,733
Accruals and deferred income	4,401	3,383	2,924	2,767
Payments on account	126	111	98	80
	37,845	9,982	9,186	8,288

Orient Publishing Plc loan notes

The Orient Publishing Plc loan notes are floating rate, guaranteed, unsecured loan notes 2008, and were issued as part of the consideration for the acquisition of Home Counties Newspapers Holdings Plc. 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 notice. The earliest day on which the loan note holders could require payment is 30 June 1999, and therefore the loans have been treated as falling due within one year. The loan notes are guaranteed by Barclays Bank Plc at a cost to the Group of 0.45% per annum.

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Total loan notes outstanding	24,392	-	-	-
Less issue costs	(194)	-	-	-
	24,198	-	-	-

Notes to the Accounts at 31 December 1998

20. CREDITORS

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Amounts falling due after more than one year:				
Loans - film finance	1,613	1,613	1,613	1,613
Finance lease obligations	487	445	-	-
Deferred lease premium	3,188	4,288	3,188	4,288
Amounts owed to subsidiary undertakings	-	-	36,593	21,804
	5,288	6,346	41,394	27,705

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 1997	-	-	2,624	2,624	-	2,747	2,747
Included in creditors at 31 December 1997	-	91	-	91	91	-	91
Acquisition of subsidiary ACT movement	867	482	(351)	998	-	-	-
Arising during the year	48	168	(510)	(294)	95	(308)	(213)
Utilised	(106)	-	-	(106)	-	-	-
At 31 December 1998	809	741	2,085	3,635	186	2,761	2,947

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

	Group				Company			
	Provided		Not Provided		Provided		Not Provided	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Capital allowance in advance of depreciation	2,577	2,906	828	828	2,769	2,997	-	-
Other timing differences	(492)	40	-	-	(8)	72	16	16
	2,085	2,946	828	828	2,761	3,069	16	16
Less advance corporation tax	-	(322)	-	-	-	(322)	-	-
	2,085	2,624	828	828	2,761	2,747	16	16

Other provisions principally comprise provisions for obligations in respect of leasehold properties, both for dilapidations and for rental commitments for properties not used in the business and sub-let at less than full rental value.

Notes to the Accounts at 31 December 1998

22. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1998 £'000	1997 £'000	1998 £'000	1997 £'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 15,945,925 issued	3,650	3,650	3,189	3,160
	6,000	6,000	5,539	5,510

On 1 July 1998, a total of 57,222 ordinary shares were issued at £4.40 under the ECNG Share Scheme. Following the passing of the Special Resolution at last year's Annual General Meeting, 75,000 ordinary shares were issued to senior executives on 18 August 1998 at £4.40. A further 12,388 ordinary shares were issued during the year on the exercise of share options 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	67,091
1 February 1996	£2.00	1 February 2001	31 July 2001	245,318
1 March 1997	£2.24	1 March 2000	31 August 2000	45,264
1 March 1997	£2.24	1 March 2002	31 August 2002	133,579
				491,252

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 26.

Notes to the Accounts at 31 December 1998

23. MOVEMENTS ON SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Revaluation surplus £'000	Profit and loss account £'000	Total £'000
<i>Group</i>					
At 31 December 1996	5,501	629	1,032	39,719	46,881
Total recognised gains	-	-	-	11,610	11,610
Dividends	-	-	-	(2,289)	(2,289)
Issue of shares	9	161	-	-	170
Goodwill in associate	-	-	-	(98)	(98)
Distributable element of depreciation charge	-	-	(20)	20	-
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
<i>Company</i>					
At 31 December 1996	5,501	629	13	47,651	53,794
Total recognised gains	-	-	-	10,519	10,519
Dividends	-	-	-	(2,289)	(2,289)
Issue of shares	9	161	-	-	170
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

The cumulative amount of goodwill written off at 31 December 1998 in the consolidated accounts is £15,334,000 (1997 - £16,065,000).

Notes to the Accounts at 31 December 1998

24. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS	1998	1997
	£'000	£'000
Operating profit	17,061	9,843
Depreciation and amortisation charges	4,510	4,082
Lease premium amortisation	(1,100)	(112)
Amortisation of lump sum pension contribution	100	100
Loss / (profit) on disposals	31	(146)
Decrease/(increase) in stocks	115	(171)
(Increase) in debtors	(1,140)	(1,567)
(Decrease)/increase in creditors	(1,257)	1,836
Cash flow relating to restructuring costs	(564)	-
Cash flow relating to closure of operation	(658)	-
Increase in provisions	216	-
Payment of ex gratia pensions	(106)	-
Lump sum pension contribution	-	(999)
Cash flow from operating activities	17,208	12,866

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

	1998	1997
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	1,742	1,121
Dividends received	11	7
Interest paid	(1,156)	(17)
Preference dividends paid	(336)	(336)
Issue costs for new loan finance	(256)	-
Interest element of finance lease rental payments	(88)	(32)
	(83)	743
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3,053)	(1,428)
Purchase of investments	-	(302)
Purchase of short term investment	-	(50)
Sale of intangible fixed assets	1,807	-
Sale of tangible fixed assets	333	550
Sale of investments	-	280
Sale of current asset investment	9,208	153
	8,295	(797)

Notes to the Accounts at 31 December 1998

25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (continued)

	Notes	1998 £'000	1997 £'000
Acquisitions and disposals			
Investments in associates		(622)	(1,132)
Purchase of subsidiary undertakings	14	(33,455)	-
Bank balance acquired with subsidiaries	14	5,471	-
Sale of subsidiary undertaking	14	-	(61)
Bank balance sold with subsidiary	14	-	(10)
Sale of associates		3,169	6,089
Deferred consideration		-	(19)
		(25,437)	4,867
Management of liquid resources			
Cash transferred (from)/to term deposit		8,808	(19,839)
Financing			
Issue of ordinary share capital		611	170
Repayment of Orient Publishing Plc loan notes		(1,681)	-
Capital element of finance lease rental payments		(256)	(122)
Lease premium received		-	5,500
		(1,326)	5,548

26. ANALYSIS OF NET (DEBT)/FUNDS

	At 1.1.98 £'000	Cash flow £'000	Other non-cash changes £'000	Acquisitions excluding cash and overdrafts £'000	At 31.12.98 £'000
Cash at bank and in hand	2,953	1,704	-	-	4,657
Term deposits	23,332	(8,808)	-	-	14,524
	26,285	(7,104)	-	-	19,181
Loans	-	1,681	(26,073)	-	(24,392)
Loan issue costs	-	256	(62)	-	194
Finance leases	(555)	256	(165)	(191)	(655)
Total	25,730	(4,911)	(26,300)	(191)	(5,672)

Notes to the Accounts at 31 December 1998

27. MAJOR NON CASH TRANSACTIONS

During the year, the Group issued floating rate unsecured guaranteed loan notes 2008 totalling £26,073,000 as part of the consideration for the acquisition of Home Counties Newspapers Holdings Plc and its subsidiary undertakings.

The Group also entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £165,000.

28. CAPITAL COMMITMENTS

Approved future capital expenditure at 31 December 1998, for which no provision has been made in these accounts, amounted to:

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Contracted for but not provided	385	290	181	237

29. COMMITMENTS UNDER OPERATING LEASES

At 31 December 1998 annual commitments under non-cancellable operating leases were as follows:

	Land and buildings		Plant, equipment and vehicles	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
<i>Group</i>				
Operating leases which expire:				
Within one year	115	43	225	97
Within two to five years	176	109	2,413	2,224
Over five years	650	362	-	-
	941	514	2,638	2,321

30. CONTINGENT LIABILITIES

The Group 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 subsidiaries and associates by the Group, where the period allowed for warranty claims has not yet expired.

Notes to the Accounts at 31 December 1998

31. 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 £2,252,000 (1997: £2,243,000).

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, updated by a funding review as at 1 July 1997, it was assumed that the rate of return on investments would be 4.5% above price inflation, salaries would increase by 2.5% above price inflation and pensions would increase in line with price inflation. As at 1 July 1997 the market value of the assets was £55,696,000 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 12.2%. After allowing for elimination of surplus over the average remaining service lives of the members (13.5 years), the employer's contribution rate was reduced to 11.0%. This rate was payable with effect from 1 January 1998.

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 1998 employer contributions were paid at the rate of 24.7%, comprising regular contributions of 23.5% and an additional 1.2% to meet the accrued liabilities of members who transferred from the Pension and Life Assurance Scheme. Employer contributions will reduce to 24.4% with effect from 1 January 1999.

The Group also operates pension schemes of the defined contribution type. The pension cost represents contributions payable by the Group to these schemes.

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.

Notice of 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 11 May 1999 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 1998 be and are hereby received.
- 2 THAT Mr R V J Cadbury, retiring as director at this Meeting, be re-elected.
3. THAT Mr I R Lockett, retiring as director at this Meeting, be re-elected.
- 4 THAT Mr P J C Troughton, retiring as director at this Meeting, be re-elected.
- 5 THAT Mr N G F Websper, 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 14 May 1999.
- 8 THAT conditional upon the passing of the Special Resolution numbered 9 in the notice convening this meeting, the Eastern Counties Newspapers Group Limited Qualifying Exempt Share Ownership Trust ("the Trust") to be constituted by a Trust Deed produced in draft to the meeting marked "A" and for the purpose of identification initialled by the Chairman (the principal terms of which are summarised in the letter to shareholders from the Chairman dated 16 April, 1999) be and is hereby approved and that the directors of the Company be and are hereby authorised to take any and all action they determine to be necessary or expedient to carry the Trust into effect.

SPECIAL RESOLUTION

- 9 That the Articles of the Company be and are hereby amended as follows:
 - (a) In Article 31(B) after the words "ECNG Employee Benefit Trust" there be inserted the words "or the trustee or one of the trustees for the time being of the ECNG Qualifying Exempt Share Ownership Trust" and at the end of Article 31(B) there be inserted the words "and the expression "the ECNG Savings Related Share Option Scheme" shall mean the savings related share option scheme of that name adopted by the Company on 23 May 1994 and approved by the Inland Revenue on 17 June 1994 and the expression "the ECNG Qualifying Exempt Share Ownership Trust" shall mean the employee share ownership trust of that name which qualifies for the purposes of Schedule 5 of the Finance Act 1989 and was approved by shareholders on 11 May 1999".
 - (b) In Article 33(C) there be inserted the words "or the ECNG Qualifying Exempt Share Ownership Trust" after the words "ECNG Employee Benefit Trust".
 - (c) In Article 33(D) there be inserted the words "or the ECNG Qualifying Exempt Share Ownership Trust" after the words "ECNG Employee Benefit Trust".
 - (d) In Article 33(F) there be inserted the words "or the ECNG Qualifying Exempt Share Ownership Trust" after the words "ECNG Employee Benefit Trust".
 - (e) In Article 33(J) (i) there be inserted after the words "ECNG Employee Benefit Trust" the words "or by the trustee(s) for the time being of the ECNG Qualifying Exempt Share Ownership Trust".
 - (f) In Article 33(J)(iii) there be inserted after the words "ECNG Employee Benefit Trust" the words "or to the trustee(s) for the time being of the ECNG Qualifying Exempt Share Ownership Trust".
 - (g) In Article 33(J) there be inserted a new Article (J) (v) as follows: "(v) By the trustee(s) for the time being of the ECNG Qualifying Exempt Share Ownership Trust in accordance with the terms of any of the ECNG Savings Related Share Option Scheme, the ECNG Profit Sharing Scheme or the ECNG Long Term Incentive Plan to any persons eligible to receive the same or entitled thereto".

Notice of Annual General Meeting

SPECIAL RESOLUTION (continued)

- (h) In Article 33(j) there be inserted a new Article (j) (vi) as follows: "(vi) By the trustee(s) for the time being of the ECNG Profit Sharing Scheme or by the trustee(s) for the time being of the ECNG Employee Benefit Trust to the trustee(s) for the time being of the ECNG Qualifying Exempt Share Ownership Trust".
- (i) In Article 48 there be inserted after the words "ECNG Employee Benefit Trust" the words "or the ECNG Qualifying Exempt Share Ownership Trust".

By order of the Board

J O ELLISON

Secretary

16 April 1999

Eastern Counties Newspapers Group Limited
Prospect House
Rouen Road
Norwich NR1 1RE

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

16 April

1998 Annual Report published

11 May

Annual General Meeting

14 May

Payment of 1998 Final Dividend

19 June

Half Year end

30 June

Payment of 6.45% and 15.5% Preference Dividends

Payment of Orient Publishing Plc Floating Rate Loan Interest

13 August

Interim Statement dispatched and Interim Dividend announced (provisional)

4 October

Payment of 1999 Interim Dividend

31 December

Payment of 6.45% and 15.5% Preference Dividends

Payment of Orient Publishing Plc Floating Rate Loan Note Interest